Notice of Meeting and Agenda

Midlothian Council

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

Date: **Tuesday, 21 February 2023**

Time: **11:00**

Executive Director : Place

Contact:
Clerk Name: Democratic Services
Clerk Telephone:
Clerk Email: democratic.services@midlothian.gov.uk

Further Information:

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

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(A) TO CONSIDER RESOLVING TO DEAL WITH THE UNDERNOTED BUSINESS IN PRIVATE IN TERMS OF PARAGRAPHS 6, 9 AND 11 OF PART 1 OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973 - THE RELEVANT REPORTS ARE THEREFORE NOT FOR PUBLICATION; AND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 Private Reports

9.1 Non-Domestic Rates Charging and Relief Policy Report by Exeutive Director Place

- 6. Information relating to the financial or business affairs of any particular person (other than the authority).

10 Date of Next Meeting

The next meeting will be held on 21 March 2023

Friday 10th February 2023

Budget Proposals

Dear Councillors,

We are writing to you with increasing concern around the recently published proposal summarising your budgeting options for the coming years - including the potentially devastating cut of 174 full time equivalent staff members over 5 years.

As School Captains at Lasswade and representatives typical of the young people in Midlothian, we can recognise the impact the cost of living crisis has had, and the necessity to save money. However, as students we cannot accept that we would be the last to experience an education that is prioritised by its council. Such a substantial reduction in staff would be catastrophic towards the experiences of future generations, and the face of all Midlothian school values and ideals.

Unanimously, our year group has recognised we owe it to our school to enact and bring forward changes, having personally prospered from such a privileged and personalised educational experience at Lasswade. We must make it known that it is the staff that have supported and taught us that *make* Lasswade. The proposal to dramatically cut teacher numbers, if accepted, would eliminate the elements of our education that we view as most important and defining. A school without sufficient Student Support, course variety and extra-curricular opportunity is not the school we are proud of and grateful to represent.

Our lives and independence is built on our education - and we cannot imagine a school experience without the teachers, community and personal development we will remember in our adulthood. We cannot bring ourselves as a community to see this drastic cut in staffing as an option, and dread to see what more disadvantaged schools will suffer as a result. The difference in background of our neighbouring schools already means there are many Midlothian young people facing huge challenges and further setbacks resulting from prosed options you are considering will fail the young people you work to uplift. Such changes proposed would mean significant steps backwards, when truly we need to remain united and optimistic in times of crisis.

As young people we have a right to be heard, and we respectfully request that you allow us to share our views and ‘appeal’ to you at your meeting on the 21st of February. Before you make what we know must be difficult decisions, we would like the opportunity to directly, and in-person, fulfil a duty to our school and Midlothian young people to share with you the importance of education. We hope to make it known face to face that the meaning of our schooling lies in the hands of the staff and people that uphold and dedicate themselves to our education in every aspect. As students that have depended on the aid of such committed educators, we trust that you will consider the views of the people you impact most when considering such drastic change.

We sincerely look forward to hearing from you,

The School Captains of Lasswade High School: Keir Allison, Sandy Bishop, Mollie Gilmore, Abigail Mackay, Bethany Morrison, Amy Paden, Luke Phillips and Daniel Wheeler

Minute of Meeting

Midlothian

Item

Midlothian Council

Date	Time	Venue
13 December 2022	11.00 am	Council Chambers, Midlothian House

Present:

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

In attendance:

Dr Grace Vickers, Chief Executive	Kevin Anderson, Executive Director Place
Morag Barrow, Joint Director Health and Social Care	Fiona Robertson, Executive Director Children, Young People and Partnerships
Alan Turpie, Monitoring Officer	David Gladwin, Acting Chief Finance Officer (Section 95 Officer)
Joan Tranent, Chief Officer Children's Services, Partnerships and Communities	Fiona Clandillon – Head of Development
Derek Oliver – Chief Officer Place	William Venters – Principal Solicitor
Sinead Urquhart – Executive Business Manager	

Ross Neill, Democratic Services Team Leader (Minutes)
Andrew Henderson, Democratic Services Officer

Religious Representatives:

1. Welcome and Apology for Absence

The Provost welcomed everyone to the meeting advising that this meeting was a public meeting and being webcast live.

Apologies were made for Mrs Lawrie and Mrs Morton, Religious Representatives.

2. Order of Business

The Provost confirmed the Order of Business was as per the agenda circulated.

3. Declarations of interest

None

4. Deputations

None received.

5. Minutes of Previous Meetings

Report No.	Report Title	Report by:
5.1	Minute of Council 15 November 2022	Executive Director Place
Outline of Report and Summary of Discussion		
Councillor Milligan queried the validity of the minute, in particular item 8.1, he further requested it be updated with a Verbatim Account of the debate. Mr Anderson acknowledged Councillor Milligan, referring to standing orders he reminded members that the minute is not verbatim but there are occasions in the past where elements have been recorded in that way and agreed that item 8.1 would be updated on this occasion to a verbatim account. Councillor Smaill referred to Page 9 - Capital Funding - was there any progress? And would this focus on borrowing? Mr Gladwin clarified that it was what Midlothian can afford to fund. A report will be presented to Council next year. This report would also discuss the funding gap. Minute as Amended moved by Councillor Milligan Seconded by Councillor Parry		
Decision		
Item 8.1 to be updated		
Action		

8.1 to be updated to Verbatim in the minute – Democratic Services

Report No.	Report Title	Report by:
5.2	Minute Volume Index	Executive Director Place
Outline of Report and Summary of Discussion		
No Concerns raised		
Decision		
Approved – All to Note		
Action		
None		

Report No.	Report Title	Report by:
5.3	Private Minute Volume Index	Executive Director Place
Outline of Report and Summary of Discussion		
No concerns raised		
Decision		
Approved – All to Note		
Action		
None		

Report No.	Report Title	Report by:
5.4	Action Log- Council 13.12.2022	Executive Director Place
Outline of Report and Summary of Discussion		
Councillor Imrie asked that reason for slippage be more clearly noted in the log, he felt that it was pointless setting dates if they were constantly being deferred. Mr Anderson acknowledged that some actions were on-going, often the slippage incurred was due to external issues that Officers had no control over.		
Decision		
All to Note		
Action		
Greater Detail added to notes when an Action is slipping or being deferred		

6. Questions to the Leader of the Council

None

7. Notices of Motion

Report No.	Report Title	Report by:
7.1	Gorebridge Gala Day	Proposed by Councillor Kelly Drummond Seconded by Councillor Russell Imrie

Outline of Report and Summary of Discussion
Midlothian council congratulates Gorebridge Gala day as it gears up to its centenary celebration in June 2023, and agrees to support the communities great milestone celebrations in the same way it supported other local gala's celebrating their centenary. Gala days bring communities together sharing in the history of their village and attract all within the county to share in joyous festivities. Midlothian council would like to thank and congratulate all past and present members of Gorebridge gala day committee for their dedication and hard work to ensure the success and longevity of this wonderful community event. Therefore this council agrees: To fund the gala to the amount of £10,000 and agrees to help with any additional resources available to make the centenary celebrations of Gorebridge Gala Day a landmark occasion. Councillor Drummond introduced the motion noting that Gorebridge was approaching 100 years of celebration the first being held in 1923. Councillor Imrie highlighted that gala days and the celebration surrounding them are the lifeblood that binds communities together adding that fund raising for these events is a 365 day process, it takes time and dedication by those involved. Other Members congratulated Gorebridge on its Centenary celebrations. The Motion to support Gorebridge Gala Day was passed unanimously

Decision
Agreed

Action
Midlothian Council to Financially Support the Gala Day

Report No.	Report Title	Report by:
7.2	Industrial Disablement Benefit	Proposed by Councillor Willie McEwan

		Seconded by Councillor Kelly Drummond

Outline of Report and Summary of Discussion

Midlothian Council notes that research has shown that footballers are three and a half times more likely to die of Neurodegenerative diseases and have a five –fold risk of developing Alzheimer's. Midlothian Council recognises the importance for sports governing bodies to take action to protect those currently involved in the game.
The game welcomes the campaign by PFA Scotland and GMB and other organisations on this issue and believes that a neurodegenerative condition should be classified as an industrial injury. Midlothian council agrees and will write to the Minister for Social Security and Local Government urging that they take the necessary steps now to ensure footballers and other sports persons in Scotland who have neurodegenerative conditions can access the Industrial Disablement Benefit or its equivalent when this is Devolved to Scotland.

Councillor McEwan spoke to the motion noting the latest research and requested that Midlothian Council write to the various bodies and the Scottish Government to allow more individuals affected by this condition access to the benefit.

Councillor Drummond echoed her colleague's comments.

Councillor Parry wholeheartedly agreed with the motion and added that the letter should sent also to the UK minister responsible.

Councillor McEwan accepted the addition

Motion passed unanimously

Decision

Agreed

Action

Midlothian Council to write to Scot Government and the UKG minister responsible for access to the Benefit

Report No.	Report Title	Report by:
7.3	Penicuik Athletic Youth Football Club	Proposed by Councillor Debbi McCall Seconded by Councillor Connor McManus

Outline of Report and Summary of Discussion

Midlothian Council congratulates Penicuik Athletic Youth Football Club under 16 girls on their magnificent achievement on the league and cup double; notes that the team are currently unbeaten in the South East Joelle Murray League and have won the league for the second year in a row; understands that the team won the Scottish Cup winning against Giffnock 3-1 on 20 November 2022; believes that the team are a fantastic example to younger girls in the game; recognises the hard work of the coaches who volunteer a substantial amount of their time and wishes them all well for their future endeavours.

Councillor McCall spoke to the motion expressing her passion for the football team and the players as role models for other girls and youth women. Councillor McManus echoed the sentiments adding that it was important to support local sports teams in the community Councillor Parry added her support and noted that the 1st Minister Ms Sturgeon had recently written to the team congratulating them. Motion Passed Unanimously
Decision
Agreed
Action
Midlothian Council to acknowledge the Teams achievement

Report No.	Report Title	Report by:
7.4	Danderhall Guerrilla Gardeners	Proposed by Councillor Colin Cassidy Seconded by Councillor Stephen Curran
Outline of Report and Summary of Discussion		
Midlothian Council congratulates Danderhall & District Guerrilla Gardeners on their recent Keep Scotland Tidy award-winning entry. Of the 48 entrants, the Gardeners won the judges' discretionary award for Best in Scotland and were presented with the David Welch Memorial Trophy for the Child Miner Memorial site at The Wisp, Danderhall. Additionally, they were also awarded the Silver Medal for their wider efforts in the community, including their school programme. Council agrees that the Chief Executive write to Danderhall & District Guerrilla Gardeners, passing on our congratulations and expressing our gratitude for their ongoing volunteering efforts in the community. Councillor Cassidy spoke to the motion highlighting the great work done by the members of this group and many other groups like it across Midlothian. The work uncovered a Colliery Railway and the rich history surrounding it. The group have won the David Welsh Memorial Trophy for their work Councillor Curran quoted one of the Judges who had said that they had rarely seen such passion for any previous projects. Other Members expressed their support noting that it wasn't just for Danderhall, all Midlothian residents should attempt to visit the completed project. Motion Passed unanimously		
Decision		
Agreed		

Action
Midlothian Council to officially write and congratulate the work of the Group

8. Reports

Report No.	Report Title	Report by:
8.1	Medium Term Financial Strategy – 2023-24 to 2027-28 Report	Acting Chief Financial Officer

Outline of Report and Summary of Discussion

The purpose of this report is to provide Council with latest projections of future year budget gaps in advance of completing base budget work for 2023/24 and to outline a timetable through to setting Council Tax and a balanced budget for 2023/24 on Tuesday 21st February 2023.

The projected budget gap for 2023/24 is £12.982 million rising to £25.052 million by 2027/28.

Council last considered an update on its Medium Term Financial Strategy on 4th October 2022 where operational savings of £1.227m in 2023/24 rising to £1.912m in 2027/28 were noted alongside the following:

- Adoption of a range of additional transformation focused activity;
- Continuation of BTSG considering measures to support delivery of a balanced budget before any policy measures are presented to Council; and
- A very challenging financial outlook for this term of Council.

Recommendations –

a) Note that the work of The Business Transformation Steering Group (BTSG) will continue to consider savings measures necessary to support delivery of a balanced budget for 2023/24 before any policy measures are presented to Council;
b) Note that the financial outlook remains challenging for this term of Council
c) Note the recommendation of the external Auditor that, “as a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council’s transformation plans”.
d) Note the timetable for the draft Scottish Government budget and associated grant settlement for Councils;
e) Note the update in respect of fiscal flexibilities;
f) Note that the projected budget gap for 2023/24 is £12.982 million rising to a projected £25.052 million by 2027/28 and that officer work is well underway to prepare a draft base budget for 2023/24 which will bring more certainty than existing projections;
g) Due to timescales, and the magnitude of the financial challenge to set a 2023/24 budget, Council is recommended to hold a Special meeting of Council prior to the next scheduled February Council meeting
h) Otherwise, note the remainder of the report.

Mr Gladwin spoke to the report highlighting key background details including that this report follows on from 4th October 2022 report, he noted that Members are expected to meet in February 2023 to agree a balanced budget, he quoted the current projected budget gap of £12.95 million and its likelihood to increase by an additional £900k. Finally he reminded Members the Scottish Government draft budget was to be announced early next week. A briefing would be held in the new year. A special Council in January may also be beneficial.

Councillor Parry agreed that a Special Council in January would help and added that these were unprecedented times with raised cost of living and high fuel prices. Councillor Parry Moved to accept the report. There were some political comments amongst members concerning UKG and Scottish government policy and commitments. Councillor Milligan asked that when the final proposals are delivered they dig down to ascertain a clear pictures of what savings can be made to inform Members before they make a decision. Mr Gladwin acknowledge Councillor Milligan's request Dr Vickers responding to queries noted that one of the recommendations was a January Special Council so that members could go through the report line by line. Councillor Cassidy Seconded the report
Decision
All to Note
Action
Special Council in January

Report No.	Report Title	Report by:
8.2	Treasury Management Mid-Year Review Report 2022-23	Acting Chief Financial Officer
Outline of Report and Summary of Discussion		
The purpose of this report is to inform Council of the Treasury Management activity undertaken during the first half of 2022/23 and the forecast activity for the second half of 2022/23 in accordance with the Treasury Management and Annual Investment Strategy approved in February 2022. It also provides an update to the Treasury and Prudential Indicators for 2022/23. Council should note that in accordance with the Prudential Code, a draft of the report was considered by Audit Committee on 6 December, with the report approved by Audit Committee as presented. Recommendations – a) Note the report and the treasury activity undertaken in the period to 30 September 2022, as outlined in Section 5; b) Note the actual and forecast activity during the second-half of the year as outlined in Section 6; c) Note the technical revisions to the Prudential Indicators in Section 7 of this report. d) Note that the Audit Committee have reviewed the Council's Treasury Management Practices, a copy of which is placed in the Member's Library, and that a session will be set up with Audit Committee Members to undertake a self-assessment in line with the toolkit published by CIPFA and attached as appendix 6.		

Mr Gladwin initially apologised for the confusion over papers issued and that were subsequently updated after conclusion of the Audit Committee. He spoke to the paper noting key points and the recommendations within the report. He asked the Members to note the actions and approve the Audit Committee actions Councillor Parry moved the report, adding that there were concerns about the short & medium term financial strategy. She asked for reassurance that background work to re-capitalise projects was affordable? Mr Gladwin acknowledged that Midlothian needed an affordable Capital plan, borrowing must match capital funds. Councillor Cassidy Seconded the report
Decision
All to Note
Action
None

Report No.	Report Title	Report by:
8.3	Annual Procurement Report 2021-22 Report	Monitoring Officer
Outline of Report and Summary of Discussion		
The Annual Procurement Report on regulated procurements during 2021/22 has been prepared and is being presented to Council for noting prior to being published on the Council's website. Recommendations – The Council is asked to note the Annual Procurement Report on regulated procurements during 2021/22. Mr Turpie spoke to the report noting key areas for consideration including the Councils statutory duty to report annually. Members requested that in future consideration was given to the layout as the current format was difficult to read. Report passed unanimously		
Decision		

All to Note
Action
None

Report No.	Report Title	Report by:
8.4	Standing Orders Working Group Report	Monitoring Officer
Outline of Report and Summary of Discussion		

The purpose of this report is to update Members of the outcome of the Leaders Group discussion on webcasting of meetings, to seek approval of the draft terms of reference for the Standing Orders Working Group and to agree the membership of the Group.

Recommendations –

I. approve the Terms of Reference of the Standing Orders Working Group, as set out in Appendix B;
II. appoint the members of the Standing Orders Working Group;
III. approve the proposed interim changes to the Police and Fire Rescue Board (as set out at 3.6) whilst the review of Standing Orders is undertaken; and
IV. Note the outcome of the meeting of the Leaders Group on 29 November 2022, as set out at 3.8.

Mr Turpie addressed the members noting the proposals and recommendations with the background to the report.

1. Remit of the group to change currently in Draft
2. Membership to be agreed - 2 SNP – 2 LAB – 1 CON

   Councillor Parry – SNP
   Councillor McKenzie – SNP
   Councillor Curran – LAB
   Councillor Drummond – LAB
   Councillor – Smaill – CON

3. Remit of the Police, Fire Rescue board to change and to reflect wider Midlothian environmental work, this requires 10 members to agree.

   Member voted Unanimously to the changes

4. Webcasting Meetings – Public part of meetings would continue to be webcast

Decision

Standing Orders Working Group Membership Agreed

Remit of Midlothian Police, Fire & Rescue Board approved

Action

None

Report No.	Report Title	Report by:
8.5	Learning Estate Strategy Update Report	Executive Director, Children, Young People & Partnerships

Outline of Report and Summary of Discussion

To provide an update to Council on the 2017-2047 Midlothian Learning Estate Strategy and ask Council to agree the prioritisation of projects as outlined within the report.

Recommendations –

The Council is recommended to note the content of this update report and the progress made towards the delivery of the Midlothian Council Learning Estate Strategy 2017-2047; and

a) Agree the prioritisation of Learning Estate projects through to 2027/28 as outlined in Section 5 of this report in order to meet essential learning estate requirements over that period which will be the subject of review and regular reporting to Council, also to;
b) Ask officers to undertake further work on the financial implications of the prioritised projects so that these can be considered as part of the Council's Capital Strategy and General Service Capital Plan report to be presented to Council, and;
c) Ask officers to develop further the Learning Estate Additional Support Needs (ASN) Strategy as outlined in Section 6 of this report and bring a report back to Council for further consideration.

Ms Robertson apologised that there were two appendix No.2's, the latter was the most up to date. She went onto present the report noting the detail and drawing attention to the recommendations.

Councillor Scott welcomed the report stressing that Midlothian must give children the best chances and opportunities to flourish.

Councillor Virgo added his support as did Councillor Drummond

Councillor Scott moved the report
Councillor Virgo Seconded

Decision

Agreed

Action

None

Report No.	Report Title	Report by:
8.6	Council House Building Programme - Progress Update December 2022 Report	Head of Development

Outline of Report and Summary of Discussion

To update the Council on the status of the overall housing programme on approved sites and proposed new sites for the Council building programme and other initiatives for the target delivery.

Recommendations –

a) Note the content of this report and the progress made on Phases 2 to 4.
b) Note the sites now underway to complete Phase 3 and Phase 4, projected handover programme and progress related to Open Market Purchases.
c) Note the potential Phase 5 sites currently under consideration should funding for those sites be made available.
d) Note the projected costs/budget expenditure appended to this report
e) Note the inability to Progress Phase 5 projects without further funding approved

Ms Clandillon presented the paper noting key areas of the report noting the significant progress and all the reports updates before inviting questions.

Councillor McKenzie Moved the Paper and noted that in December 2021 a pilot build was to be started. There is no funding at present can we get commitment that when funding is available this work will start?

Ms Clandillon Confirmed that when funding becomes available this project will be included in a further update in phase 5.

Mr Anderson added that Phase 5 work depends on the Rent Setting Strategy outcomes, currently in consultation with tenants and stakeholders, a paper would be presented to Council in 2023.

Councillor Curran stated that this was so important could it be pushed to get as much response feedback as soon as possible.

Responding to Member questions Ms Clandillon acknowledged that as this Passive house development was the first of its type and design in Midlothian, lots of lessons had been learned by all participants. These new insights and ways to overcome problems should begin to see costs reduce for future passivhaus builds. All phase 5 funding would be reassessed in a future update report. Once the first tenants are in situ the energy efficiency can be accurately accessed.

Seconded by Councillor Curran

Decision

Agreed – All to Note

Action

None

Report No.	Report Title	Report by:
8.7	Midlothian Council Speed Limits Review Report	Chief Officer Place

Outline of Report and Summary of Discussion

The purpose of this report is to inform Council of the public consultation on speed limits to improve road safety and request the production of an action plan to approve implementation of appropriate speed limits across Midlothian, its towns and settlements.

Recommendations – • Notes the attached Midlothian Speed Policy Consultation Summary Report; and • Requests the Chief Officer – Place to report further to Council in early 2023 with an Action Plan to implement the appropriate schemes. Mr Oliver spoke to the report which was universally welcomed by Members. The high level of public engagement to the consultation was noted by all. He then invited questions. Members thank Mr Oliver for the report, some also noted the wide variation in speeds throughout Midlothian. Councillor Bowen moved the paper Councillor Alexander seconded
Decision
Agreed
Action
None

Report No.	Report Title	Report by:
8.8	Tenants Satisfaction Survey Outcomes Report	Chief Officer Place
Outline of Report and Summary of Discussion		
As part of Midlothian Council's Tenant Participation and Customer Engagement Strategy, Midlothian Council undertakes periodic surveys to determine the level of tenant satisfaction with Housing Services provided by the Council. Midlothian Council's Housing Services carried out a face-to-face tenant satisfaction survey during September 2022. All Registered Social Landlords in Scotland need to ask tenants some specific questions of services the results of which are reported on an annual basis as part of the Annual Return on the Social Housing Charter. This enables comparison between Registered Social Landlords on a range of indicators of performance. In addition to this, further questions were asked which were judged to be useful in finding out more about our tenants and their priorities. Council Officers consulted the Midlothian Tenants Panel and tenants groups to consider their views about the questions being asked in the Survey prior to the final questions being agreed. Recommendations – Provide an update on the outcomes of the Tenants Satisfaction Survey completed during 2022. Mr Oliver spoke to the report highlighting the positives noted within and future updates in 2023. Councillor McKenzie Proposed to move the Report		

Responding to questions Mr Oliver reassured members that outstanding repairs, in particular gutter clearing was well underway. And the window replacement programme were up to 100 units per week. He also reiterated that staff were fully trained in dealing with customers in a polite courteous way and incidents to the contrary would be investigated thoroughly. Councillor Cassidy Seconded the Report
Decision
Agreed- All to Note
Action
None

Provost called for a 10 minute recess 12.35pm
Meeting resumed at 12.50pm

Report No.	Report Title	Report by:
8.9	Edinburgh and South East Scotland City Region Deal 2022 Report	Executive Director Place
Outline of Report and Summary of Discussion		
This report summarises the key findings on the appended City Region Deal Annual Report as approved by the City Region Deal Joint Committee on 2 September 2022. Chair of the ESESCR Deal will rotate from Midlothian Council at the end of 2022 to Scottish Borders Council in 2023, and West Lothian Council will assume the vice chair. Recommendations – Council is recommended to note the fourth Annual Report of the Edinburgh and South East Scotland City Region Deal. Mr Anderson spoke to the report noting that the transition of the chair to Scottish Borders had now been completed. Councillor Imrie expressed his full support of the work the Members and officers and partners conduct on the City deal , he note the many benefits its brings to Midlothian and the surrounding areas. He concluding by thanking everyone involved. Other Members concurred and added their congratulations		
Decision		
All to Note		
Action		
None		

Report No.	Report Title	Report by:
8.10	Community Asset Transfer Committee Membership Report	Executive Director Place

Outline of Report and Summary of Discussion
Council agreed at its meeting of 24 May 2022 that the appointment of members to the Community Asset Transfer Committee, the Community Asset Transfer Review Committee and the substitutes for both, be appointed by lot. This process has taken place and the appointments for all are listed below. Recommendations – Council is asked to note the outcome of the allocation by lot to the Community Asset Transfer Committee and the Community Asset Transfer Review Committee, as detailed below. Mr Anderson presented the paper and noted the appointments - **Community Asset Transfer Committee –** Councillor Connor McManus, Councillor Dianne Alexander, Councillor Colin Cassidy, Councillor Kelly Parry, Councillor Stuart McKenzie, Councillor Ellen Scott **Community Asset Transfer Review Committee –** Councillor Willie McEwan, Councillor Derek Milligan, Councillor Stephen Curran, Councillor Pauline Winchester, Councillor Bryan Pottinger, Councillor Kelly Drummond **Substitutes** Councillor Debbi McCall, Councillor David Virgo, Councillor Margot Russell, Councillor Russell Imrie, Councillor Peter Smaill, Councillor Douglas Bowen Councillor Parry Moved the Report Councillor Alexander seconded
Decision
Agreed
Action
None

Report No.	Report Title	Report by:
8.11	National Discussion Consultation Report	Executive Director Children, Young People and Partnerships

Outline of Report and Summary of Discussion
This report advises members of the National Discussion consultation which was co-convened by the Scottish Government and COSLA on 21 September 2022 and

how key stakeholders within Midlothian have been supported to engage in the National Discussion and inform Midlothian Council's response.

Recommendations –

Council is requested to delegate authority to the Children, Young People and Partnerships Cross-party Group of members to sign off Midlothian Council's response to the National Discussion consultation prior to submission to the Scottish Government.

Ms Robertson invited the Monitoring Officer to clarify Standing order 19.2

Mr Turpie explained the detail of standing order 19.2 and the context in which it was now being invoked. A report detailing the decision taken under 19.2 would be submitted in accordance with standing orders and the scheme of delegation at the next council.

Ms Robertson spoke to the paper noting the tight timescale and the recommendation noted above.

Members expressed their congratulations concerning the report

Councillor Parry moved the report and the delegated authority
Councillor Virgo seconded

Decision

Agreed – All to Note

Action

None

Report No.	Report Title	Report by:
8.12	Best Value Focus from the Accounts Commission Report by	Chief Executive

Outline of Report and Summary of Discussion

To provide Council with an update on the assessment and reporting focus for Best Value moving forward and to ensure awareness of the revision to the statutory guidance for Best Value published in 2020.

Recommendations –

I. note the changes introduced by the Accounts Commission for Best Value reporting including:
   a) planned thematic audit work across all councils using the revised Best Value themes and
   b) the introduction of short reports (Section 102 reports) for each council over a four-year period, to be presented to the Accounts Commission by the Controller of Audit.

II. Consider recommending an Elected Members briefing on Best Value be held early next year.

Dr Vickers presented the report noting the changes being introduced adding that due to Midlothian not being in the first tranche, this would allow officers the

opportunity to conduct a feedback exercise with the Local Authorities who will be the first to use the new reporting system. Councillor Parry moved the report Councillor Cassidy seconded
Decision
Agreed
Action
None

Report No.	Report Title	Report by:
8.13	Hybrid Meetings of Council and its Committees Report	Executive Director Place
Outline of Report and Summary of Discussion		
Following on from prior reports in this matter to the Council meetings on Tuesday 14 December 2021, Tuesday 24 May 2022 and Tuesday 27 September 2022, this report outlines the options and associated costs for implementing hybrid meetings of Council and its Committees. Recommendations – Council is recommended to consider the four options presented in the report at paragraphs 3.10 and 3.11 and direct officers to implement their preferred option. Mr Anderson noted that due to the age of the equipment an upgrade is required. Options presented are – 1. Hybrid 2. In person 3. In person & Webcasting 4. Revert to MS Teams no costs Councillor Parry recommended Option 1 be accepted noting within the report Option 1A had slightly lower costs Councillor Milligan noted the financial situation. He quoted the low viewing figures therefore felt he could not accept these proposals that cost anything therefore the preferred option was Option 2, in person. Councillor Virgo felt that this ongoing debate needed to be brought to a conclusion and therefore advocated option 1A. Provost called a Vote – Option 1A – 10 for 7 Against 1 Abstention		

Option 1A was passed
Decision
Option 1A
Action
None

Report No.	Report Title	Report by:
8.14	Scottish Government Education Appeal Committee Consultation Report	Executive Director Children, Young People and Partnerships
Outline of Report and Summary of Discussion		
This report advises members of the Education Appeal Committees consultation which was launched by the Scottish Government 15th November 2022 and plans in place to engage with key stakeholders to inform the Council's response. Recommendations – Council is requested to delegate authority to the Children, Young People and Partnerships Cross-party Group of members to sign off Midlothian Council's response to the Transfer of the functions of education appeal committees to the Scottish Tribunals consultation prior to submission to the Scottish Government by 6 February 2023 . Ms Robertson spoke to the report highlighting the key areas before taking questions. Councillor Parry moved the Report Councillor Cassidy seconded		
Decision		
Agreed		
Action		
None		

Public section of the Meeting concluded at 1.21pm

Date of Next Meeting

The Next meeting will be held on Tuesday 21 February 2022 at 11 am

Minute of Meeting

Item

Midlothian Council

Date	Time	Venue
31 January 2023	11.00 am	Council Chambers, Midlothian House

Present:

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

In attendance:

Dr Grace Vickers, Chief Executive	Kevin Anderson, Executive Director Place
Morag Barrow, Joint Director Health and Social Care	Fiona Robertson, Executive Director Children, Young People and Partnerships
Alan Turpie, Monitoring Officer	David Gladwin, Acting Chief Finance Officer (Section 93 Officer)
Joan Tranent, Chief Officer Children's Services, Partnerships and Communities	Sinead Urquhart – Executive Business Manager
Derek Oliver – Chief Officer Place	Myra Forsyth – Quality & Scrutiny Manager
Michelle Strong – Education Chief Operating Officer	

Ross Neill, Democratic Services Team Leader (Minutes)
Janet Ritchie, Democratic Services Officer

Religious Representatives:

Mrs A. Lawrie	Mrs E. Morton

1. Welcome and Apology for Absence

The Provost welcomed everyone to the meeting advising that this meeting was a public meeting and being webcast live.

Apologies were made for Councillor Curran

The Provost asked all to stand for a minutes silence to mark Holocaust memorial day and remember the victims of the Holocaust that claimed the lives of over 6 million Jews and other subjugated groups murdered by the Nazis. She also drew attention to other conflict areas around the world where tragically similar acts have occurred.

2. Order of Business

The Provost confirmed the Order of Business was as per the agenda circulated.

Noting that there were 2 delegation's for Members consideration

3. Declarations of interest

Councillor Scott declared a transparent interest due previous work within the 3rd sector.

Councillor Bowen declared a transparent interest due to a close family tie to the 3rd sector

Councillor Milligan declared a transparent interest on behalf of the Labour group in light of the issues to be raised by both deputations.

4. Deputations

Provost asked members to vote on whether or not to allow the deputations to be heard, the members voted to hear both deputations.

Report No.	Report Title	Report by:
4.1	Third Sector Interface	Dr Lesley Kelly/ Ms Cheryl Brown
Outline of Report and Summary of Discussion		
Dr Kelly spoke to Members noting the difficult decisions they would need to make in the coming budget debate. She asked them to recognise the work done in the 3rd sector, how it often works in a preventative role with many vulnerable groups, in many cases providing help and support that offsets crisis and escalation of personal and family situations, ultimately providing savings to the community by the many examples of early intervention. Cuts or removals of grants would have a detrimental impact and a huge loss of skilled experienced staff who would be made redundant and seek employment elsewhere. She highlighted the Dalkeith CAB and dial-a-ride (Community Transport).		

Ms Brown added, it was estimated that for every £1 spent providing funding for these services, £6,08p is returned. She added that the most vulnerable in the community will be affected by any reduction in funding, a number of examples of early intervention were cited to the Members. Organisations dependent on funding did not know if they should issue redundancy notices and if they are to do so how many. The Provost thanked Dr Kelly and Ms Brown, asking members present if they had any questions. No questions were asked
Decision
None
Action
None

Report No.	Report Title	Report by:
4.2	Midlothian Federation of Community Councils	Mr Brian Farrell - Vice Chair of Federation of Community Councils
Outline of Report and Summary of Discussion		
Mr Farrell began by noting each Councillor had received an email and an open letter had outlined the Federation's concerns. He thanked those councillors who had responded. Mr Farrell stated the Federation stood shoulder to shoulder with other groups in the same position highlighting various concerns and areas noted for cuts in the Medium Term Financial Strategy Report, adding his concerns about road construction consent fees levied stating they did not currently cover all the costs and urged Midlothian to benchmark with other local authorities with a view raising these fees to raise more funds. He urged elected members to stand up for the county. As the Council with the highest Council Tax in Scotland fees levied should reflect that. He reminded members that when called upon during the Covid crisis Community Councils had responded in kind and ask Members to do the same now. Mr Farrell added that proposals to fill service gaps with volunteers was not viable. Community Councils are deeply concerned that vulnerable groups and inequality will get much worse. He finished the deputation by stating that there can be no more cuts to services. The Provost thanked Mr Farrell and the Midlothian Federation of Community Councils for the presentation and asked Members if they had any questions. There were none.		
Decision		
None		
Action		
None		

5. Minutes of Previous Meetings

No Items for Discussion

6. Questions to the Leader of the Council

None

7. Notices of Motion

None

8. Reports

Report No.began	Report Title	Report by:
8.1	Medium Term Financial Strategy – 2023/24 to 2027/28	Acting Chief Financial Officer

Outline of Report and Summary of Discussion
The main purpose of this report is to provide Council with latest projections of future year budget gaps, specifically focussing on 2023/24. Commentary is provided to Members on the latest position on Scottish Government funding for Midlothian Council in 2023/24 and ongoing work to finalise this. Officer proposals to partially bridge the budget gap, as presented and discussed at the BTSG and with political groups, are appended in detail. The projected budget gap for 2023/24 is £14.481 million rising to £26.575 million by 2027/28. Approval of all savings measures presented in Appendix C would reduce the remaining gap to £7.196 million in 2023/24 rising to £10.554 million by 2027/28. Council will meet on 21st February 2023 to set Council Tax for 2023/24 and a balanced budget. Recommendations – a) Note that the work of The Business Transformation Steering Group (BTSG) will continue to consider savings measures necessary to support delivery of a balanced budget for 2023/24 before any policy measures are presented to Council; b) Note that the financial outlook remains challenging for this term of Council; c) Note the recommendation of the external Auditor that, “as a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council’s transformation plans”. d) Note the latest positon on Scottish Government funding for Local Authorities and the associated grant settlement for Midlothian Council; e) Note the update in respect of fiscal flexibilities;

f) Note that the projected budget gap for 2023/24 is £14.481 million rising to a projected £26.575 million by 2027/28;
g) Note the savings proposals of £7.285 million rising to £16.021 million in 2025/26;
h) Note that the remaining budget gap, if all savings proposals presented are approved, of £7.196 million in 2023/24 rising to £10.554 million in 2027/28;
i) Approve the commencement of a period of public consultation on proposed savings measures;
j) Note the outcomes from the high level budget consultation; and
k) Otherwise, note the remainder of the report.

The Provost reminded all present to be aware of their language and behaviour in the debate.

Dr Vickers introduced the report noting the budget deficit for the coming year of approx. £14.4 million and that it would rise to over £26 million in 2024/25. The Council has statutory duty to provide a balanced budget. She added that in her tenure as Chief Executive this is by far the most extremely challenging fiscal environment. Dr Vickers outlined ongoing issues such as the Teachers pay and explained the 'Floor Calculation' that supports shrinking council's but is currently detrimental to growing councils such as Midlothian.

Mr Gladwin presented the report to members noting the report's recommendations most of which are for noting and highlighting key points and noting continuing fiscal uncertainties that include the current Teaching staff pay dispute. Member's approval to the proposal measures will reduce the budgetary gap. He added that current government grant is a significant reduction in funding, previous years Midlothian was successful in securing funds through the rates appeals mechanism but this is no longer the case. He noted the Deputy First Minister's advice received via COSLA that allows Councils to raise Council tax with no cap set. A funding increase is expected to cover Teachers pay settlement when agreed.

Mr Gladwin noted items 3.34 to 3.37 officer savings, PPP related service concessions were still being developed and a Member briefing is scheduled for February. National discussions are ongoing to assess the cuts. Cross Party Business Transformation Steering Group will be made aware of any funding changes and subsequently the full Council. Mr Gladwin offered to take questions.

The Provost clarified for those members of the public in the chambers and those watching the Webcast that no budget decision would be made today, merely, if agreed, the decision to begin a public consultation.

Councillor Parry moved to accept the report and the recommendations. She thanked Mr Gladwin and his team. She noted her ongoing concerns and repeated the legal obligation Midlothian Council had to deliver a balanced budget. Councillors were not in a position to pick and choose which savings proposals. Without any savings the Council Tax would have to rise to 12%, she stated that council tax alone accounts for ¼ of Midlothian's income and as a growing area services will only become more in demand. The main income is the Scottish Government grant. Councillor Parry offered an opinion on the grant the UK government provides to the Scottish Government adding that Midlothian was declined in its attempt to access the national 'Levelling up' fund.

She urged all members to work together and lobby both governments adding all councillors are listening. They all want to strike a balanced between savings and services.

Councillor Cassidy seconded the report and its recommendations

Councillor Milligan query the 12% Council Tax increase figure noting that he thought it was more like 20%.

Mr Gladwin clarified that taking savings into account it would be 125, if no savings were made it would be much higher.

Councillor Milligan thanked both delegations and acknowledged the protesters outside Midlothian House. He spoke that the budget with the savings outlined did not meet the savings required, these cuts alone would decimate services. Financial Flexibility actually meant pushing debt further down the line, eventually they would catch up. He went onto acknowledge potential redundancies and the impact of shrinking services reduced to only statutory services. Councillor Milligan noted the 4% increase in the Scottish Government grant from the UK Government and noted Councils had received a 7% reduction. He acknowledged the deputation's argument that early preventative action offsets greater expense further on.

Councillor Milligan noted that the many services provided that see citizens from birth to grave and all the years in between. He spoked about how Councils were not being properly funded and the adverse effect the 'Flooring Mechanism' was having. He urged all Councillors to persuade Scottish Government representatives that Local Councils needed to be properly funded.

Councillor Smaill began by noting an inaccuracy in an article the Midlothian Advertiser. He stated that he felt Local Government was being poorly treated noting various initiatives that were not fully funded by the Scottish Government that required Councils to bridge the financial gap. He argued for a properly funded formula that benefited all citizens.

Councillor Smaill added that his group were open to the 'Financial Flexibility' option. He then went onto note projects such as Hillend should not be pursued at this time due to the many financial uncertainties. He agreed with Councillor Milligan that if there is need to fund the full amount, the Council tax would be high and it already was. He finished by stating that this was a terrible situation but budgets needed balanced and despite Scotland being a relatively wealthy country members had to make terrible decisions.

Mrs Lawrie quoted Nelson Mandela, then spoke about her concern over a school closure within the savings proposals. She stated the archdiocese would oppose these. She also noted the proposed reduction in the transport fund adding this would have a detrimental effect on all who rely on it.

Councillor Winchester asked the monitoring officer what the possible consequences were if a balanced budget could not be agreed.

Mr Turpie explained the possible outcomes that included investigations by the Accounts Commission, the Standards Commission and in effect the Scottish Government stepping in and taking control. There could also be possible sanctions

for Council Members. There was also the possibility of legal action against Midlothian Council by members of the public and businesses who were paying for but not receiving services. Members debated various issues current and historic voiced views their views on Midlothian Council's current financial and budgetary situation. In general Members expressed a view to work together for the benefit of Midlothian citizens. Councillor Pottinger moved that a delegation was organised to approach the Finance Minister. After a short debate amongst members noting government letters and lobbying would already be underway, the motion was withdrawn.
Decision
Recommendation (i) agreed all others noted
Action
Commencement of a period of public consultation on proposed savings measures

Public section of the Meeting concluded at 1230 pm

Date of Next Meeting

The Next meeting will be held on Tuesday 21 February 2022 at 11 am

Midlothian Council Minute Volume

Item 5.3

Presented to the Meeting of Midlothian Council on Tuesday, 21 February 2023

1 Minutes of Meetings submitted for Approval

2 Minutes of Meetings submitted for Consideration

3 Minutes of Meetings submitted for Information

Action Log

No	Subject	Date	Action	Action Owner	Expected completion date	Comments
1	Minute action - prospective crematorium development.	16/11/2021	Scope potential suitable sites for prospective crematorium development.	Chief Officer Place	February 2023	Report not yet available and deferred to Council in March 2023.
2	Motion Amendment – Loanhead Football Club	16/11/2021	Update the Sports Needs Assessment from 2016 and report to future council meeting	Head of Adult Social Care/ Sport & Leisure Manager	December 2022	Updated Football Pitch Needs Assessment completed and report will be submitted to Council in March 2023.
3	Motion - Infrastructure	14/12/2021	Report to Council Strategic Investment Framework	Executive Director Place	TBC	Strategic Infrastructure Investment Framework 2nd stage commenced and full report shall be presented to Council when completed and available.
4	Minute Action - CCTV	14/12/2021	To Provide a Report outlining an expansion of sites for CCTV	Chief Officer Place	February 2023	Phase 2 expansion needs further consideration with a report deferred to Council in March 2023 for partners input to be considered.

No	Subject	Date	Action	Action Owner	Expected completion date	Comments
5	Minute Action – Improving Energy efficiency by tackling Dampness, Condensation and improving ventilation	15/02/2022	Provide a Report to Council Additional Report – Update on Current Housing Stock that will not meet Energy Efficiency Targets	Chief Officer Place	February 2023	Dampness & Condensation report to February 2023 Council. Building Maintenance Service standards and report not yet available and deferred to Council in March 2023.
6	Arm's Length Company to Manage Industrial Sites in Midlothian	28/06/2022	Explore and outline process for creating an Arm's length company	Head of Development	February 2023	Work progressing. Report not yet available.
7	Briefing - Trauma Informed practice	23/08/2022	Members Briefing on Trauma Practice and Mental Health First Aid	Head of Adult Services	TBC	Trauma training will be arranged when Trauma Lead is in post (recruitment currently in process). Mental Health Training can be provided by Health in Mind who can design bespoke half day training for elected members. Confirmation of date required and then can be arranged with Health in Mind.
8	Quality Scoping Report	23/08/2022	On the quality of builds over the last 10 years comparing all tendered projects	Executive Director Place	TBC	Peer Review of Hub SE tender process completed.

No	Subject	Date	Action	Action Owner	Expected completion date	Comments
			including with those of HUB SE			
9	Minute of November Council to be corrected	13 December 2022	Update with Verbatim account the debate concerning Item 8.1 of November 2022 Council Meeting	Democratic Services	January 2923	Completed
10	Motion - Gorebridge Gala Day	13 December 2022	Midlothian Council to support the Community Gala Day	Executive Director Place	February 2023	Gala Day Committee notified of award.
11	Motion - industrial Disablement Benefit	13 December 2022	Midlothian Council to write to Scot Government and the UK minister responsible for access to the Benefit	Chief Executive	February 2023	Letters sent 16 January. SG minister replied 2 February directing to UKG IIDB consultation.
12	Motion - Danderhall Guerrilla Gardner's	13 December 2022	Midlothian Council to officially write and congratulate the work of the Group	Chief Executive	January 2023	Completed

Financial Monitoring 2022/23 – General Fund Revenue

Report by David Gladwin, Acting Chief Financial Officer

Report for Information

1 Recommendations

Council is recommended to:

a) Note the projected financial position for the General Fund Reserve in financial year 2022/23 and the associated risks with projections at this stage in the year; and otherwise

b) Note the contents of the report.

2 Purpose of Report / Executive Summary

2.1 The purpose of this report is to provide Council with information on projections of performance against service revenue budgets in 2022/23 and to provide commentary on areas of material variance against budget. The projected budget performance figures as shown in appendix 1 result in a net underspend of £1.592 million for the year which is a £0.150 million improvement on the position at quarter 2 reported to Council on 15th November. The projected underspend is 0.58% of the revised budget.

2.2 The projected General Fund balance at 31st March 2023 is £6.049 million, of which £0.259 million is earmarked for specific use.

2.3 The projection of the General Fund Balance at 31st March 2023 is predicated on the ongoing financial impact of the Covid-19 Pandemic continuing to be met from the available funding, whether ring fenced for specific purposes, or from general funding provided.

Date: 3 February 2023
Report Contact:
David Gladwin, Acting Chief Financial Officer
David.Gladwin@midlothian.gov.uk 0131 271 3113

3 Background

3.1 This report encompasses all performance against revenue budget for General Fund services including additional costs incurred and projected lost income as a consequence of the Covid-19 pandemic.

3.2 In response to the immediate and challenging financial outlook the Chief Executive introduced a moratorium on non-essential spend and a freeze on non-essential vacancies. Only a marginal impact of this will be reflected in quarter 3 figures presented in this report. A much more significant impact is expected at Final Outturn.

3.3 The main areas of projected service budget variances projected at quarter 3 are outlined below. As ever, projections during a financial year are difficult in many areas and come with a degree of risk. The implications of economic conditions prevalent during 2022/23 only adds to this this.

Projected Overspends

- There remains £1.212 million of Medium Term Financial Strategy (MTFS) cost reductions to be finalised mainly relating to Management Reviews across Place (£0.756 million), Sport & Leisure (£0.166 million) and also including a review of the Council's Creative Arts service (£0.290 million). Clearly the pandemic has impacted on progress with these but they are all are now at implementation stage. These cost pressures are partly mitigated by vacancies of £0.932 million held pending completion of reviews;
- Council run cafes and the outside catering service have reopened after a long period of closure. Business is considerably slower than experienced pre-pandemic and may not fully recover leading to a projected overspend of £0.283 million. Management are reviewing the offering;
- Insurance costs are projected to be over budget by £0.196 million due to provisions made for new or reopened claims on the Council. Whilst no individual claim is of particularly high value the volume of individual claims is higher than is customary. Council officers and loss adjusters review each claim with oversight by the Risk and Resilience Group. Quarter 3 figures do not reflect anything more than a normal winter impact of claims on the council including pot holes. The cold spell in December and early January may result in further costs;
- Additional budget was provided by Council in 22/23 to cover energy price increases. Consumption figures at quarter 3 indicate a further cost in excess of budget of £0.343 million;
- Costs of vehicle repairs mainly relating to external works exceeds budget by £0.173 million. A service review is underway alongside immediate cost containment measures;

- Customer income from the Trade Waste service is lower than provided for in the budget. The customer base is contracting and management are reviewing the implications of this. The projected overspend is £0.115 million;
- Costs of software and licencing due to increased cyber security measures and a continued move to cloud-based software gives rise to a projected overspend of £0.233 million;
- Fuel purchase costs for the Council's fleet are projected to be £0.135 million in excess of budget. Supply costs increased considerably in recent months although have now returned close to budgeted levels;
- The extent of the Council's response to adverse winter conditions in December results in a projected overspend for Winter Maintenance of £0.087 million.

These are more than offset by favourable movements against budget:

- Significantly higher surplus cashflow than expected linked to the current spend on Capital Programmes and the continued increasing interest rate environment has provided opportunity to generate a significantly higher return on short term deposits in 22/23 than was anticipated when the budget was set. Approved methodology for allocating Loan Charges between General Fund and Housing Revenue Account results in the vast majority of this upside benefitting the General Fund. Current projections, albeit in a fluctuating market, show an in-year underspend of £1.244 million;
- Council Officers from Midlothian and the City of Edinburgh Council (CEC), as part of the joint management and monitoring arrangements for the waste plant at Millierhill, have been working through calculations for third party income due. In 2022/23 it is projected that £0.726 million is due to Midlothian. Ongoing income is included in MTFS projections;
- Waste disposal costs are lower than budgeted by £0.364 million. Lower volumes are being found in domestic waste streams possibly as an impact of household behaviours seen during covid starting to unwind;
- The cost of family placements for children is projected to underspend by £0.216 million with a continued push to recruit foster carers;
- Savings continue to accrue from the avoidance of use of Bed and Breakfast accommodation for homeless clients. An underspend of £0.215 million is projected and this has been reflected in the 23/24 draft base budget.

3.4 Relevant senior officers are required to deliver recovery actions at pace for the service areas that are projecting overspends and accordingly it is expected that pressure in these areas may reduce over the remainder of the year once the impact of the recovery action is validated.

Covid Costs

3.5 Covid related funding provided to the Council by the Scottish Government alongside other funding streams aligned to Covid recovery were carried forward from 2021/22 to 2022/23. Funding continues to be applied in year to match costs and lost income with the planning assumption that the remainder will be applied in 2022/23 or in future years to mitigate the continued impact of the pandemic and support increased service costs across Midlothian.

3.6 In 2022/23 income levels in Sport and Leisure remain considerably lower than pre-pandemic although are substantially offset by reduced running costs. Enhanced cleaning measures implemented in sport and leisure facilities, schools and council offices during the pandemic remain in place until 31st March 2023.

Inflationary Pressures

3.7 Since the 2022/23 budget was approved there has been a rapid rise in inflation. This has manifested itself in considerable additional and unbudgeted costs in some service areas. Most visibly this is seen in energy prices and contractual inflation embedded in contracts, particularly for Public Private Partnerships (PPP). Council approved a supplementary estimate of £1.395 million on 23rd August to fund these.

3.8 Further unbudgeted costs of £0.135m are projected in 22/23 for fuel for Council operated fleet. Latest projections for energy costs do not indicate further inflationary costs beyond the available budget mainly due to forward purchasing.

Agreed Savings

3.9 Council on 4th October 2022 approved some operational efficiency measures totalling £1.227 million in 2023/24 as an early contribution to delivering a financially balanced MTFS. The following measures are now implemented in 2022/23 and reflected in the projected outturn figures in section 3.2 above.

- Leadership Review Corporate Solutions - £0.045m;
- Place – review of temporary accommodation provision - £0.200m;
- Sport and Leisure
    - Premises, Supplies and Services and Third Party Payments - £0.045m;
    - Reduction of Specialist Instructors - £0.035m.

The remaining measures will take a little more time to implement but will be progressed as quickly as possible.

Pay + National Insurance

3.10 The 2022/23 pay claims for the SJC bargaining group have now been concluded and are at implementation stage. The agreed offer represents:

- For those on the Local Government Living Wage and pay scale point (SCP) 19 to 24 and undifferentiated 5% or a £2,000 uplift (calculated on a nominal 36 hour working week), whichever is larger;
- A 10.2% increase for the lowest paid. For SCP 38 (£24,984) a 7.7% increase (£1,925) and for SCP 52 (£30,212) a 6.37% increase (£1,925); and
- An undifferentiated 5% or a £1,925 uplift (calculated on a nominal 36 hour working week), whichever is larger, capped for those currently earning £60,000 or more at a £3,000 uplift (based on a 37 hour working week).

It is estimated that this equates to a 7.23% increase in the Council's SJC paybill.

3.10 A flat offer of 5% has been made to and rejected by the Scottish Negotiating Committee of Teachers bargaining group along with a differentiated offer averaging at a little over 5%. Discussions are ongoing.

Funding

3.11 A pay increase of 2.5% was provided for in the 2022/23 base budget. The Scottish Government have provided additional funding for 3.73% of the increased cost:

- £140m revenue funding nationally of which £2.338m will flow to Midlothian as part of general revenue funding;
- £120.6 million of Capital Funding (Capital Flexibilities) of which £2.014 million will flow to Midlothian as a capital grant. A one-off flexibility option to allow capital grant to fund in-year revenue expenditure has been developed with Scottish Government and CoSLA officials and has now been approved by Scottish Government Ministers approval. The process is:
    1. £2.014 million capital Grant is added to the Capital Fund;
    2. £2.014 million of the Capital Fund is applied to fund HRA Loans Fund Principal repayments;
    3. £2.014 million of existing budget for HRA Loans Fund Principal Repayments is removed and added to the HRA Reserve; and
    4. £2.014 million of HRA Reserve is transferred to General Fund Reserve and applied to fund pay.

3.12 The remaining 1%, estimated at £1.8 million, links into ongoing national discussions around funding flexibilities. Detail on deliverable options available for Councils is still unclear. The Scottish Government / CoSLA planning assumption was that there will be an option(s) that works for all Councils.

3.13 Council Officers have reviewed areas of the budget that could contribute to fund pay. The following areas have been identified and work continues to develop further:

- Employers National Insurance Savings – at Quarter 2 this was presented as a one-off enhancement of £0.400 million to the General Fund Reserve. Reflecting the real challenge to reach the target flexibility value this saving has been re-assigned to support this;
- One-off in-year savings to contribute to the pay funding gap;
- A review of 2021/22 budgets carried forward to 2022/23; and
- A strict approach to cross-year budget flexibility between 2022/23 and 2023/24.

At this stage it is not clear if these measures will be sufficient to meet the target and until this is known, risk remains that the Council will not have an complete funding solution and may need to fund the balance from reserves.

3.14 At this point no adverse variation has been reflected in the outturn projections for pay.

Building Maintenance Service

3.15 Financial outturn for 2021/22 reported to Council in June showed a considerable adverse variance of £0.788 million for the Building Maintenance Service. A subsequent discussion took place at Business Transformation Steering Group at which clear direction was given to officers to undertake a fundamental service review. Officers are progressing with the review.

3.16 The Building Maintenance Service is undergoing a whole systems service transformation. There are a number of work streams included in this programme with job performance, productivity and financial monitoring and sustainability addressed within the programme improvements. There is positive progress across these work streams and at this early stage the value of work invoiced at this point in the financial year has improved from previous years and there is also a higher value of supplier invoices accounted in the financial ledger. However, there remains insufficient quality data on which to base a robust financial projection. As a consequence there remains a risk, based on previous experience, of an adverse variance against budget arising which would deplete reserves.

4 Delegation of resources to Midlothian Integration Joint Board

4.1 The approved budget provided for the allocation of £56.438 million to the Midlothian Integration Joint Board (MIJB) for the provision of delegated services. Minor technical adjustments to this allocation during the year to date increases the allocation to £56.593 million. It should be noted this does not include any additional in-year funding from the Council to support higher than budgeted pay awards for health and social care staff.

4.2 In accordance with the Integration Scheme the MIJB is required to deliver delegated services within the budget allocations from the Council and NHS Lothian and where any overspend is projected to put in place a recovery plan to address that. As a last resort the integration scheme allows for the MIJB to seek additional financial support from its partners, either by way of an additional budget allocation or by "brokerage" (provision of additional resources in a year which are repaid in the following year).

4.3 At this time the expectation is that delegated services will be delivered within the allocations provided and no provision has been made for an additional budget allocation from the Council.

4.4 Financial Monitoring reports covering all of the MIJB activity are presented to the Integration Joint Board and are available on the committee management section of the Council website:-

Midlothian Integration Joint Board (cmis.uk.com)

5 Projected General Fund Reserve

5.1 The projected balance on the General Fund as at 31 March 2023 is as follows:

	£ million	£ million
General Fund Reserve at 1 April 2022		**32.432**
Planned movements in reserves		
Application of Budgets carried forward from 2021/22 for use in 2022/23	(19.923)	
Funding of Corporate Solution for 2022/23 Budget	(5.576)	
Supplementary Estimate for Inflationary Pressures	(1.395)	
Supplementary Estimate for costs of the additional public holiday	(0.030)	
Other movements	0.026	
		(26.898)
Application of Business Transformation Funding to support service re-design		(1.077)
Projected underspend per appendix 1		1.592
Projected General Fund Balance at 31 March 2023		**6.049**

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

	£ million
Projected General Fund Balance at 31 March 2023	**6.049**
Earmarked for specific purposes	
To support Council Transformation	(0.259)
Projected General Reserve at 31 March 2023	**5.790**

5.2 The Reserves Strategy approved by Council on 12 February 2019 needs the Council to maintain an adequate level of General Reserve to provide a contingency for unforeseen or unplanned costs and that in the financial context at that time approved the adoption of 2% of the approved budgeted net expenditure (excluding resources delegated to the IJB) to be considered a minimum. This now equates to £3.835 million. Council also agreed that where projections indicate that should the 2% minimum General Reserve balance be breached an immediate recovery plan be implemented to recover the position, failing which, the next available budget would need to provide for the reinstatement of reserve position.

5.3 The projected General Reserve of £5.790 million is above the minimum set in the Reserves Strategy but will only remain that way if there is no further adverse performance against budget or any further draw on reserves. There is also the continued uncertainty over the financial impact of the pandemic and funding assumptions together with essential response costs relating to weather conditions during the winter period.

5.4 Similarly there is an expectation that there will be a recovery in the service overspends projected at quarter 3 and an upside from the strict expenditure control measures that have been introduced. The impact of this recovery action will be reflected in future projections when they are validated.

Capital Receipts Flexibility

5.5 Council previously approved the use of a financial flexibility permitting the use of capital receipts to fund projects designed to transform service delivery or reduce costs. Capital Receipts of £0.534 million were set aside for this purpose. For the flexibility to apply they must be utilised by 31st March 2023.

5.6 There are very specific criteria set out in Scottish Government Finance Circular 7/2022 including:

- Expenditure must be non-recurring on a transformation / service redesign project where up-front costs generate ongoing savings or reduce demand;
- Expenditure includes the set up and implementation costs of any new processes or arrangements, but not the ongoing revenue costs; and
- A meeting of full Council must be provided with costs and benefits associated with individual projects eligible for this flexibility and provide formal approval.

5.7 The following areas of work are considered applicable. Officers are progressing these and final information will be presented to Council for approval as part of the 2022/23 Final Outturn report scheduled for June 2023.

- Client Travel Review;
- Sport and Leisure Review;
- Local by Default;
- Commercialisation;
- School week / curriculum review;
- Climate Change;
- Building Maintenance Review; and
- Customer Services Project.

6 Report Implications (Resource, Digital and Risk)

6.1 **Resource**

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

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

6.2 **Digital**

Increased reliance and investment in digital solutions and digital first solutions will be a key element of future plans.

6.3 **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 reduces 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 and robust remedial action is taken. The primary purpose of this report is to provide an assessment of projected performance against budget for the full year based on activity in the second quarter of the year. The material variances detailed in the report 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.

At this point in the financial year there is a heightened risk that actual costs and income level may vary across the remainder of the financial year. The projected financial position could also deteriorate if local or national restrictions were to be reintroduced. In additional the risk of adverse weather has the potential to create pressure on service budgets over the remainder of the year

There are a some areas where effective forecasting of spend against budget is hindered due to incomplete service information which in previous years has resulted in previously unreported or significantly adjusted variances at the financial year end. Financial Management CMT continues to consider these areas and supports actions to address the underlying issues and mitigate the risk associated with them.

The financial projections are predicated on new burdens, including those arising from the Government's 100 day commitments to be fully funded. The position with outstanding pay awards and the potential for unfunded costs arising presents a significant risk to the Council's financial position not only for the current financial year but for future years.

The Council recognises the potential for compensation claims deriving from Scottish Government's Limitation (Childhood Abuse) (Scotland) Act 2017 which removes the three year time limit on claims of child abuse. Some claims will be historic and relate to Lothian Regional Council, Midlothian District Council or their predecessors and some will date post reorganisation and relate to Midlothian Council, and so presents a risk that would further reduce reserves from those currently projected. Further financial obligations may also arise as the implications associate with the The United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill, which has yet to secure Royal Assent , are more fully understood.

6.4 **Ensuring Equalities**

As changes to existing plans are developed the assessment of the impact of these proposals in relation to their impact on equalities and human rights will be carried out. This will help to ensure wherever possible that there are no negative impacts on equality groups or potential for infringement of individuals' human rights from the any of the proposals.

6.5 **Additional Report Implications**

See Appendix A

Appendices

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

The existing financial plans support the delivery of the key priorities in the single Midlothian Plan. As the impact on the Council of the pandemic and recovery continues to unfold over the financial year any changes in the availability and allocation of resources will need to be considered in parallel to the actions proposed to continue to delivery key priorities.

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value.

A.5 Involving Communities and Other Stakeholders

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

In addition there is continues engagement with the recognised Trade Unions on the financial position.

A.6 Impact on Performance and Outcomes

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

A.7 Adopting a Preventative Approach

Maintaining the effectiveness of the Financial Strategy will support the prioritisation of resources to support prevention.

A.8 Supporting Sustainable Development

There are no direct sustainability issues arising from this report and we will work to mitigate as far as feasible any sustainability issues which arise as a consequence of any of the changes to existing plans.

Appendix 1 financial tables

MIDLOTHIAN COUNCIL

Appendix 1

GENERAL FUND 2022/23

Performance against budget

Function	Approved Budget	Revised Budget Expenditure	Revised Budget Income	Revised Budget Net £	Outturn £	(Underspend) / Overspend £
Management and Members	1,965,977	2,044,946	0	2,044,946	2,044,946	0
Place						
Corporate Solutions	22,081,954	47,953,572	(24,528,180)	23,425,392	23,524,392	99,000
Place	35,963,912	54,421,099	(13,534,276)	40,886,823	40,451,823	(435,000)
Central Costs	1,860,593	3,595,195		3,595,195	3,791,195	196,000
People and Partnerships						
Midlothian Integration Joint Board	56,437,641	65,114,657	(8,521,628)	56,593,028	56,593,028	0
Non-Delegated Services - Sport and Leisure, Community Safety and Welfare Rights	1,995,738	7,699,903	(5,056,125)	2,643,778	2,794,778	151,000
Childrens Services, Partnerships and Communities	20,138,997	24,748,342	(438,567)	24,309,775	23,949,775	(360,000)
Education	108,920,147	140,156,466	(16,661,463)	123,495,003	123,504,003	9,000
Lothian Valuation Joint Board	581,659	581,659	0	581,659	581,659	0
Non Distributable Costs	898,936	898,936	0	898,936	898,936	0
GENERAL FUND SERVICES NET EXPENDITURE	250,845,553	347,214,772	(68,740,238)	278,474,534	278,134,534	(340,000)
Loan Charges	2,763,485	2,763,485		2,763,485	1,519,485	(1,244,000)
NDR Discretionary Relief	70,300	70,300		70,300	70,300	0
Investment Income	(110,736)	0	(110,736)	(110,736)	(110,736)	0
Allocations to HRA, Capital Account etc.	(5,331,603)	(5,331,603)		(5,331,603)	(5,331,603)	0
	248,237,000	344,716,954	(68,850,974)	275,865,980	274,281,980	(1,584,000)
less Funding:						
Scottish Government Grant	(184,165,000)	0	(189,054,500)	189,054,500	189,054,500	0
Council Tax	(58,496,000)	0	(58,496,000)	58,496,000	58,504,000	(8,000)
Transfer from Housing Revenue Account	0	0	(2,069,000)	2,069,000	2,069,000	0
Utilisation of Reserves	5,576,000	344,716,954	(318,470,474)	26,246,480	24,654,480	(1,592,000)

Housing Revenue Account
Revenue Budget 2022/23 – 2023/24 and Capital Plan 2022/23 – 2025/26

Report by David Gladwin, Acting Chief Financial Officer

Report for Decision

1 Recommendations

Council is recommended to:

i. Approve the Housing Revenue Account (HRA) Capital Plan for 2023/24 - 2025/26 as detailed in Appendix E;
ii. Approve the HRA Revenue Budget for 2023/24;
iii. Note the indicative HRA Revenue Budget for 2024/25 and 2025/26 as detailed in Appendix F; and otherwise
iv. Note the remaining contents of this report.

2 Purpose of Report / Executive Summary

The purpose of this report is to provide Council with:

- A summary of expenditure and income to the end of quarter 3 in 2022/23 for the Capital Plan and a projected outturn for both the Revenue Account and Capital Plan for 2022/23;
- An update on the Capital Plan and Revenue budget 2023/24 - 2025/26 which reflects approval of the recommendation to increase rents by 4.8% as presented to Council today in the Housing Revenue Account – Rent Setting Strategy 2023-24 – 2025/26 paper at Agenda Item 8.3.

The projected financial performance for 2022/23 is:

- Capital Investment in the year totalling £41.400 million;
- A net overspend of £0.103 million on the Revenue Account;
- A projected HRA general reserve at 31st March 2023 of £31.990 million.

The HRA Capital Plan 2023/24 - 2025/26 provides for:

- £110.644 million for Phases 2 - 4 of New Build Social Housing;
- £77.640 million for a further Phase 5 of New Social Housing;
- £19.618 million for investment in Energy Efficiency Standards in Social Housing; and
- £66.425 million for other investment in existing stock and off-market purchases.

The Revenue Budget Reflects:

- An update of the multi-year financial model;
- A 4.8% rent increase as presented to Council today in the Rent Strategy paper at agenda item 8.3;
- A projected HRA Reserve of £35.769 million at 31st March 2024, which will be required to finance the majority of approved investment

commitment and is projected to reduce to £2.256 million at 31st March 2038.

Date: 30th January 2023
Report Contact: Lisa Young lisa.young@midlothian.gov.uk

3 Background

3.1 Capital Plan 2022/23

The Capital Plan Budget has been revised to reflect the current profile of spend as shown in appendix C. Capital investment in the year is projected to be £41.400 million and there are currently no material variances to be reported.

Forecast capital expenditure in 22/23 has reduced by £12.442 million from that reported at quarter 2. This mainly relates to delays in the tendering process and securing prices with contractors for some of our New Social Housing sites resulting in later start dates and general delays overall.

The construction industry in Scotland and the UK is currently experiencing unprecedented adverse market conditions, which is leading to significant rises in tender prices for a wide range of materials. There is evidence that inflation of between 10% and 15% beyond BCIS predictions is affecting projects and whilst measures such as value engineering are partially mitigating cost increase there is a likely risk that the capital budgets provided for delivery of the New Social Housing project will need to be increased with a resultant impact on the funding strategy.

3.2 Revenue Account 2022/23

The underspend reported to Council on 15th November 2022 was £0.171 million. The forecast position has deteriorated by £0.274 million giving rise to a projected overspend at quarter 3 of £0.103 million against budget, as shown in appendix D. This is due to an increase in number of void repairs, while there is improved performance in repairs & maintenance, and consequential void rent loss due to tenants terminating tenancies from legacy properties to move into newer build properties.

This is partially offset by lower in-year borrowing costs reflecting latest projections on in-year capital spend.

The HRA general reserve balance is projected to be £31.990 million at 31st March 2023 and this is committed to finance existing investment plans to 2037/38.

3.3 Capital Plan 2023/24-2025/26

The current approved Housing Revenue Account Capital Plan provides for investment of £177.069 million over the period 2023/24 – 2025/26, of which £110.644 million is earmarked for completion of Phase 2 – Phase 4 of the New Social Housing Programme.

The proposed 4.8% rent increase per annum for 2023/24 – 2025/26 and the longer term assumption of a 4.10% annual increase to 2031/32 will continue to support current investment in new social housing and in existing stock as well as provide additional investment of £77.640 million for a further phase of New Social Housing and £140 million for Energy Efficiency Standard for Social Housing (EESSH) works for over the period of 2023/24 - 2031/32. This additional investment would fund approximately 300 new homes and contribute towards reducing emissions in our current housing stock.

The HRA Capital Plan is detailed in Appendix E and has been amended to reflect the latest estimated costs of ongoing and planned projects.

3.4 Revenue Account 2023/24

The HRA revenue model has been updated and projected forward to 2037/38 and reflects the revised Capital Plan as well as the following key assumptions:

- The borrowing cost of the capital investment detailed in Appendix E together with estimated investment in existing properties over the remaining years of the projection;
- The impact on rental income stream as a result of a 4.8% rent increase for 2023/24 - 2025/26, longer-term assumption of 4.1% to 2031/32 to continue to support investment in EESSH and 1.30% thereafter;
- Re-alignment of temporary accommodation rent charge with new build rents;
- Projected provision for inflation over future years as per the 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 continue to support the existing investment plans.

The revised revenue budget for 2023/24 and indicative budget for 2024/25 - 2025/26 is detailed in appendix F.

4 Report Implications

4.1 Resource

There are no direct resource implications arising from this report.

4.2 Digital

There are no direct digital implications arising from this report.

4.3 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. This is mitigated by the adoption of a long term financial strategy and modelling which demonstrates that existing investment commitments are sustainable.

There is also the risk of capital spend being lower than projected due to delays on projects, particularly in the current climate , this could result in lower debt charges causing the Housing Revenue Account Reserve balance to increase more than projected.

4.4 Ensuring Equalities

There are no equality issues arising directly from this report.

4.5 Additional Report Implications

See Appendix A.

Appendices

Appendix A – Additional Report Implications

Appendix B – Background Information

Appendix C - Capital Plan 2022/23

Appendix D – Revenue Account 2022/23

Appendix E – Capital Plan 2023/24 – 2025/26

Appendix F – Revenue Account 2023/24 – 2025/26

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

In the context of an increasing housing stock we have not increased the HRA funded Housing Team staff establishment and maintain a lower management and administration cost when benchmarked with neighbouring authorities.

A.5 Involving Communities and Other Stakeholders

The report does not directly relate to involving communities.

A.6 Impact on Performance and Outcomes

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

A.7 Adopting a Preventative Approach

The report does not directly relate to adopting a preventative approach.

A.8 Supporting Sustainable Development

The report does not directly relate to supporting sustainable development.

APPENDIX B

Background Papers/Resource Links

HRA Capital Plan and Revenue Budget enclosed

MIDLOTHIAN COUNCIL

Appendix C

HOUSING REVENUE ACCOUNT CAPITAL PLAN 2022/23

	Revised Budget 2022/23 £'000	Actuals to Date £'000	Projected Outturn £'000	Variation (Under)/Over £'000
FUNDING				
Grants				
- Incentivising New Build	7,742	0	7,742	0
- Buy Backs Funding	880	250	880	0
Council Tax on Second Homes	96	0	96	0
Borrowing Requirement	32,682	26,343	32,682	0
TOTAL AVAILABLE FUNDING	41,400	26,593	41,400	0

APPROVED EXPENDITURE	**£'000**	**£'000**	**£'001**	**£'000**
New Build Houses Phase 2, Phase 3 & Phase 4	31,295	20,310	31,295	0
Buy Backs	3,300	2,348	3,300	0
Aids & Adaptations	454	275	454	0
Homelessness - Temporary Accommodation Provision	508	341	508	0
Scottish Housing Quality Standard				0
-Upgrade Central Heating Systems	1,073	420	1,073	0
-SHQS Repairs	4,770	2,899	4,770	0
TOTAL EXPENDITURE	41,400	26,593	41,400	0

MIDLOTHIAN COUNCIL

Appendix D

HOUSING REVENUE ACCOUNT 2022/23

	Revised Budget	Projected Outturn	Variation (Under)/Over
Average No of Houses	**7,451**	**7,370**	**(81)**
	£000's	**£000's**	**£000's**
Repairs and Maintenance			
General Repairs	6,356	7,101	745
Decant/Compensation	63	63	0
Grounds Maintenance	801	827	26
	7,220	**7,991**	**771**
Administration and Management	5,332	5,332	0
Loan Charges	13,790	12,002	(1,788)
Other Expenses	2,702	3,076	374
TOTAL EXPENDITURE	**29,044**	**28,401**	**(643)**
Rents			
Houses	31,950	31,143	807
Garages	617	617	0
Others	486	547	(61)
TOTAL RENTS	**33,053**	**32,307**	**746**
NET EXPENDITURE/(INCOME)	**(4,009)**	**(3,906)**	**103**

<u>Movement in HRA Reserve</u>

Opening HRA Reserve	**(28,084)**
Enhancement during 2022/23 as above	**(3,906)**
Reserve Earmarked to fund capital investment plans	**(31,990)**

MIDLOTHIAN COUNCIL

Appendix E

HOUSING REVENUE ACCOUNT CAPITAL PLAN 2023/24-2025/26

	Proposed Budget 2023/24 £'000	Proposed Budget 2024/25 £'000	Proposed Budget 2025/26 £'000
FUNDING			
Grants			
- Incentivising New Build	11,238	14,860	7,100
- Buy Backs Funding	560	520	520
Council Tax on Second Homes	98	100	103
Borrowing Requirement	100,407	87,409	51,412
TOTAL AVAILABLE FUNDING	112,303	102,889	59,135

APPROVED EXPENDITURE	**£'000**	**£'000**	**£'000**
New Build Houses Phase 2 - Phase 4	59,498	40,202	10,944
New Build Houses Phase 5	14,834	36,066	26,740
Backdated Developer Contributions	9,638	0	0
Housing Led Town Centre Regeneration	10,000	10,000	0
Buy Backs	2,100	1,950	1,950
Aids & Adaptations	499	519	529
Bonnyrigg District Heating Scheme Meters	1,300	0	0
Environmental Improvements	2,000	2,000	2,000
Scottish Housing Quality Standard			
-Upgrade Central Heating Systems	1,677	1,677	2,925
-Energy Efficiency Standard for Socal Housing	2,933	6,112	10,573
-SHQS Upgrades	7,824	4,363	3,474
TOTAL EXPENDITURE	112,303	102,889	59,135

MIDLOTHIAN COUNCIL

HOUSING REVENUE ACCOUNT 2023/24-2025/26 **Appendix F**

	2023/24 Proposed Budget	2024/25 Indicative Budget	2025/26 Indicative Budget
Average No of Houses	**7,636**	**7,980**	**8,385**
	£000's	**£000's**	**£000's**
Repairs and Maintenance			
General Repairs	7,492	7,659	8,068
Decant/Compensation	65	66	67
Grounds Maintenance	891	968	1,006
	8,448	**8,693**	**9,141**
Administration and Management	5,433	5,537	5,643
Loan Charges	14,484	18,774	22,067
Other Expenses	3,028	3,056	3,100
TOTAL EXPENDITURE	**31,393**	**36,060**	**39,950**
Income			
Houses Rents	32,819	35,931	40,564
Garages Rents	647	678	724
Other Income	569	589	613
TOTAL RENTS	**34,035**	**37,197**	**41,901**
NET EXPENDITURE/(INCOME)	**(2,642)**	**(1,137)**	**(1,951)**
BALANCE BROUGHT FORWARD	**(31,990)**	**(34,632)**	**(35,769)**
BALANCE CARRIED FORWARD	**(34,632)**	**(35,769)**	**(37,720)**

Housing Revenue Account – Rent Setting Strategy 2023/24-2025/26

Report by Kevin Anderson, Executive Director - Place

Report for Decision

1 Recommendations

1.1 It is recommended that Council approves the Rent Setting Strategy for 2023/24 – 2025/26.

2 Purpose of Report

2.1 This report presents the Rent Setting Strategy for Midlothian Council housing from April 2023 which will support the continuing investment in the Council's existing housing stock as well as a significant programme of refurbishment, while also determining the level of new build investment beyond the Council's current social housing programme commitment.

Date: 21 February 2023
Report Contact:
Name : Kevin Anderson, Executive Director, Place
Tel No : 0131 271 3102

kevin.anderson@midlothian.gov.uk

3 Background

3.1 The Cost of Living (Tenant Protection) Scotland Bill was ratified on 6 October 2022 and legislated to temporarily restrict landlords from increasing the rent they charge on residential tenancies by capping rents and imposing a moratorium on evictions until 31 March 2023. This legislation has not been extended beyond 31 March 2023 for social landlords. This strategy concerns the rent levels from 1 April 2023 until March 2026.

3.2 As of 31 March 2022, the Council owned 7,121 houses and 858 garages. The rental income received through the Council's Housing Revenue Account (HRA) for 2021/22 was £31,259,000. Midlothian Council has carried out a new social housing programme since 2006 and continues to invest in building new social housing. The most recent Strategic Housing Investment Plan (SHIP) contains details of a further 1,007 Midlothian Council new build homes planned between 2023/24 and 2027/28. There continues to be high demand for the Council's social housing despite significantly increasing the new supply of affordable housing; there are currently 4,627 households on the Council's waiting list(s) – including 637[1] homeless households. In order to address housing need, the supply of affordable housing across all tenures needs to increase whilst investment is also made to existing housing stock in adherence with the Scottish Housing Quality Standard and the Energy Efficiency Standard for Social Housing.

3.3 The Energy Efficiency Standard for Social Housing (EESSH) was introduced by the Scottish Government to improve the energy efficiency of social housing, making sure homes are fit for the future with low emissions heating system and adapting and retrofitting existing homes so that the people who live in them can benefit from improved energy efficiency and decarbonised heating. The EESSH2 has subsequently set a requirement that all social housing must meet an Energy Performance Certificate Band B rating by December 2032. EESSH2 is being reviewed at present, however the cost to Midlothian Council to meet the current 2032 milestone is currently estimated at £140m.

3.4 The Scottish Housing Quality Standard (SHQS) was introduced by the Scottish Government in 2004 to ensure that homes meet a minimum standard. The budget for the SHQS in Midlothian was secured and ring-fenced for this ongoing work.

3.5 Midlothian Council subsequently agreed to defer both the 2021/22 and 2022/23 rent increases of 3% following the impact of the Covid-19 pandemic. Prior to 2021 rental charges were increased annually. In November 2021 it was agreed that the next elected Council would consider a rent and investment strategy in order to deliver services,

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[1] **As of January 2023**

build new properties and carry out asset management works on existing properties.

3.6 The HRA reserve balance on 1 April 2021 was £48,385 million and at 1 April 2022 was £28,084 million. The HRA reserve sustained the referenced rent freezes whilst still budgeting for 21 sites in the Strategic Housing Investment Plan 2023/24 - 2027/28 which will result in 1,007 new council homes. The SHIP also contains details of a further 8 sites without a confirmed developer which, once built, will result in a further 429 social homes. It should be noted that these sites are not currently funded and require additional funding beyond the present HRA reserves and Scottish Government funding.

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

3.8 In October 2022, Midlothian Council agreed the Rent Consultation 2023/24 – 2025/26 which included an online survey (with paper copies available) and a number of drop-in information sessions.

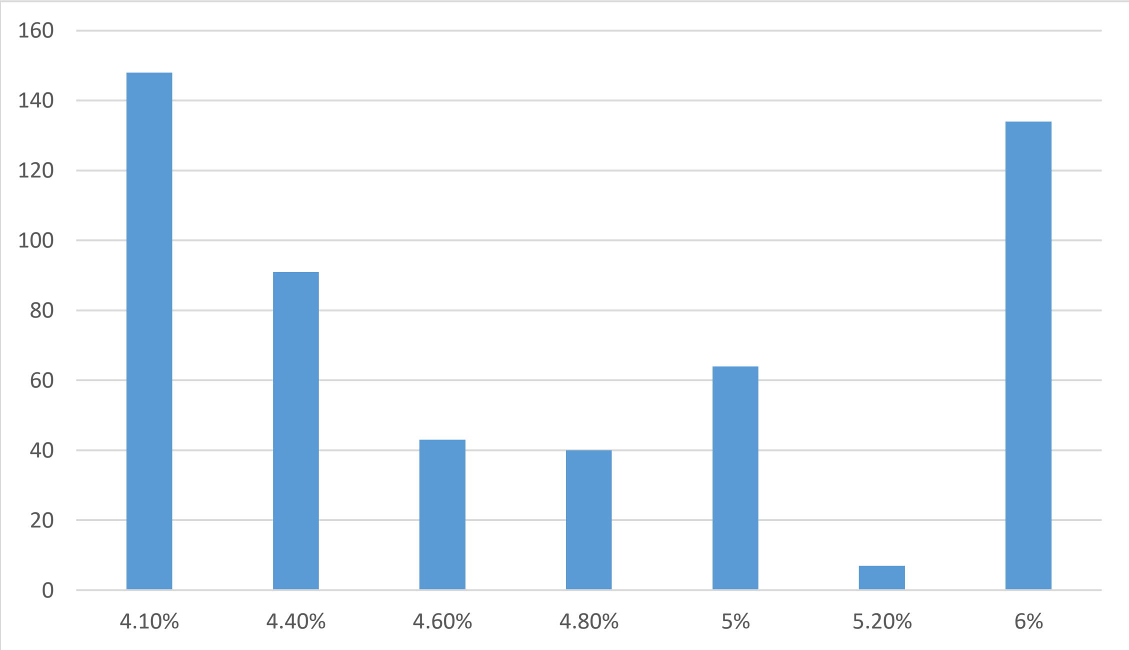
4 Midlothian Council Rent Consultation Results 2023/24 – 2025/26

4.1 The consultation was open to all tenants and waiting list applicants and was held between Monday 7 November 2022 and Friday 6 January 2023. 527 completed surveys were received and three residents attended the five face to face drop-in sessions that were held in libraries across Midlothian in November and December 2022. Table 1 lists the survey options and chart 1 details the results of the consultation.

Table 1: Rent consultation survey options

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

Chart 1: Summary of Consultation Responses



4.2 28% of respondents chose the smallest rent increase (4.1%) which would result in no further new builds beyond those already budgeted. 25% elected for a rent increase of 6%;
17% for an increase of 4.4%,
12% for a 5% rise,
8% for a 4.6% and 4.8% rise respectively and
1% opted for a 5.2% increase.

4.3 There are two concentrations of preferences therefore between opposite ends of the spectrum in relation to rent increases, with some support for the intermediate increases.

5 Midlothian Council Rent Affordability

5.1 Statutory obligations for consulting tenants on rent increases are set out in Section 25 of the Housing (Scotland) Act 2001. There is, however, no formal guidance on how to define rent affordability. As per Scottish Government guidance, landlords should determine the balance between affordability for the tenants and costs of delivering services and property management. The Scottish Social Housing Charter defined standards and outcomes that all social landlords should aim to achieve:

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

5.2 In December 2022, the Convention of Scottish Local Authorities (COSLA) issued a Statement of Intent confirming local authorities' commitment to keeping rent increases in April 2023 to an average of no more than £5 a week.

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

5.4 The tables also show the effect of different rent increases of between 4.1% and 6% and illustrate that rents would remain below 30% in this affordability test.

5.5 Weekly price rises which contravene the COSLA Statement of Intent are shown in red font. Rises over 5% would contravene the COSLA Statement of Intent for tenants in properties with more than one bedroom e.g. a tenant in a 4+ bedroom property would pay an extra £5.12 per week if the rent rose by 5.2%.

Table 2: Impact of rent increases on one bedroom homes

	Current rent level	4.1% increase (0 new builds)	4.4% increase (100 new builds)	4.6% increase (200 new builds)	4.8% increase (300 new builds)	5% increase (400 new builds)	5.2% increase (500 new builds)	6% increase (1000 new builds)
Average weekly rent (1 bedroom)	£73.75	£76.77	£76.99	£77.14	£77.29	£77.44	£77.59	£78.18
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380	£380	£380	£380

[2] **Midlothian Council statistics September 2022**

Percentage of Income Spent on Rent	19%	20%	20%	20%	20%	20%	20%	21%
Annual rent charge	£3,835	£3,992	£4,003	£4,011	£4,019	£4,027	£4,035	£4,065
Weekly increase (£)	N/A	£3.02	£3.24	£3.39	£3.54	£3.69	£3.84	£4.43

Table 3: Impact of rent increases on two bedroom homes

	Current rent level	4.1% increase (0 new builds)	4.4% increase (100 new builds)	4.6% increase (200 new builds)	4.8% increase (300 new builds)	5% increase (400 new builds)	5.2% increase (500 new builds)	6% increase (1000 new builds)
Average weekly rent (2 bedroom)	£84.22	£87.67	£87.93	£88.09	£88.26	£88.43	£88.60	£89.27
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	22%	23%	23%	23%	23%	23%	23%	23%
Annual rent charge	£4,379	£4,559	£4,572	£4,581	£4,590	£4,598	£4,607	£4,642
Weekly increase (£)	N/A	£3.45	£3.71	£3.87	£4.04	£4.21	£4.38	£5.05

Table 4: Impact of rent increases on three bedroom homes

	Current rent level	4.1% increase (0 new builds)	4.4% increase (100 new builds)	4.6% increase (200 new builds)	4.8% increase (300 new builds)	5% increase (400 new builds)	5.2% increase (500 new builds)	6% increase (1000 new builds)
Average weekly rent (3 bedroom)	£90.11	£93.80	£94.07	£94.23	£94.44	£94.62	£94.80	£95.52
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	24%	25%	25%	25%	25%	25%	25%	25%
Annual rent charge	£4,686	£4,878	£4,892	£4,900	£4,911	£4,920	£4,930	£4,967
Weekly increase (£)	N/A	£3.69	£3.96	£4.12	£4.33	£4.51	£4.69	£5.41

Table 5: Impact of rent increases on four + bedroom homes

	Current rent level	4.1% increase (0 new builds)	4.4% increase (100 new builds)	4.6% increase (200 new builds)	4.8% increase (300 new builds)	5% increase (400 new builds)	5.2% increase (500 new builds)	6% increase (1000 new builds)
Average weekly rent (4+ bedroom)	£98.51	£102.55	£102.84	£103.04	£103.24	£103.44	£103.63	£104.42
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	26%	27%	27%	27%	27%	27%	27%	27%
Annual rent charge	£5,123	£5,333	£5,348	£5,358	£5,368	£5,379	£5,389	£5,430
Weekly increase (£)	N/A	£4.04	£4.33	£4.53	£4.73	£4.93	£5.12	£5.91

Impact on Rents for New Build Homes

5.6 The tables below show the same affordability test for Midlothian Council new build properties as those rents are 25% higher than legacy builds. It shows in all cases that current rents are below 30%. The tables also show the effect of different rent increases of between 4.1% and 6% and illustrate that rents would remain below 30% in this affordability test. It is important to note that a new build property with 4+ bedrooms and a 4.8% annual rent increase would require 32% of a household’s income by the third year of the strategy which is within the affordable range of the calculation.

5.7 The tables also illustrate the effects of the proposed rent increases on weekly and annual rent charges.

5.8 Weekly price rises which contravene the COSLA Statement of Intent are shown in red font and shaded box. Table 7 shows that a rent increase of 6% would contravene the statement for tenants in properties with two bedrooms as they would pay, on average, an additional £5.61 per week. Tables 8 and 9 illustrate that rises of 5% and over would contravene the COSLA Statement of Intent for tenants in properties with three or more bedrooms e.g. a tenant in a 3 bedroom property would pay an extra £5.03 per week if the rent rose by 5%.

5.9 Table 9 shows that, on average, tenants in new build properties with four or more bedrooms would pay an extra £5.07 per week if the rent rose by 4.8%. It should be noted that as this is an average calculation, in effect only those in semi-detached and detached new build properties would pay more than an extra £5 per week.

Table 6: Impact of rent increases on one bedroom homes (new builds)

	Current rent level	4.1% increase (0 new builds)	4.4% increase (100 new builds)	4.6% increase (200 new builds)	4.8% increase (300 new builds)	5% increase (400 new builds)	5.2% increase (500 new builds)	6% increase (1000 new builds)
Average weekly rent (1 bedroom)	£81.15	£84.48	£84.72	£84.88	£85.05	£85.21	£85.37	£86.02
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	21%	22%	22%	22%	22%	22%	22%	23%
Annual rent charge	£4,220	£4,393	£4,405	£4,414	£4,423	£4,431	£4,439	£4,473
Weekly increase (£)	N/A	£3.33	£3.57	£3.73	£3.90	£4.06	£4.22	£4.87

Table 7: Impact of rent increases on two bedroom homes (new builds)

	Current rent level	4.1% increase (0 new builds)	4.4% increase (100 new builds)	4.6% increase (200 new builds)	4.8% increase (300 new builds)	5% increase (400 new builds)	5.2% increase (500 new builds)	6% increase (1000 new builds)
Average weekly rent (2 bedroom)	£93.58	£97.42	£97.70	£97.88	£98.07	£98.26	£98.45	£99.19
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	25%	26%	26%	26%	26%	26%	26%	26%
Annual rent charge	£4,866	£5,066	£5,080	£5,090	£5,100	£5,110	£5,119	£5,158
Weekly increase (£)	N/A	£3.84	£4.12	£4.30	£4.49	£4.68	£4.87	£5.61

Table 8: Impact of rent increases on three bedroom homes (new builds)

	Current rent level	4.1% increase (0 new builds)	4.4% increase (100 new builds)	4.6% increase (200 new builds)	4.8% increase (300 new builds)	5% increase (400 new builds)	5.2% increase (500 new builds)	6% increase (1000 new builds)
Average weekly rent (3 bedroom)	£100.59	£104.71	£105.02	£105.22	£105.42	£105.62	£105.82	£106.63
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	26%	28%	28%	28%	28%	28%	28%	28%
Annual rent charge	£5,231	£5,445	£5,461	£5,471	£5,482	£5,492	£5,503	£5,545
Weekly increase (£)	N/A	£4.12	£4.43	£4.63	£4.83	£5.03	£5.23	£6.04

Table 9: Impact of rent increases on four or more bedroom homes (new builds)

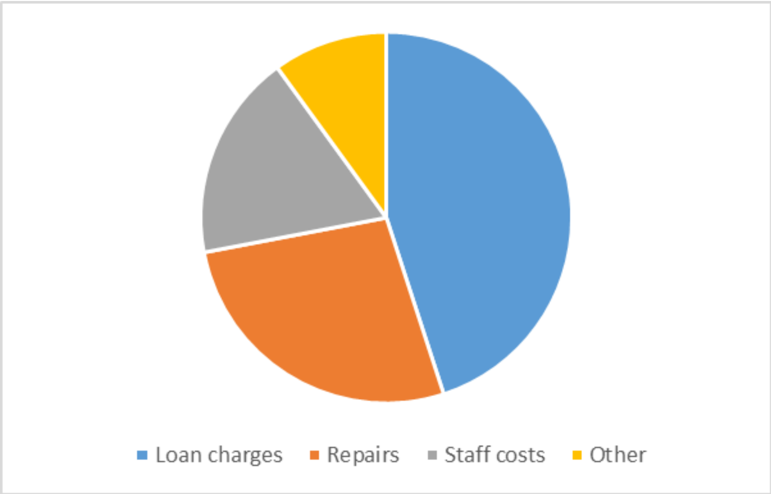
	Current rent level	4.1% increase (0 new builds)	4.4% increase (100 new builds)	4.6% increase (200 new builds)	4.8% increase (300 new builds)	5% increase (400 new builds)	5.2% increase (500 new builds)	6% increase (1000 new builds)
Average weekly rent (4+ bedroom)	£105.57	£109.90	£110.22	£110.43	£110.64	£110.85	£111.06	£111.90
Minimum Wage Income (gross) – 40 hours/week	£380	£380	£380	£380	£380	£380	£380	£380
Percentage of Income Spent on Rent	28%	29%	29%	29%	29%	29%	29%	29%
Annual rent charge	£5,490	£5,715	£5,731	£5,742	£5,753	£5,764	£5,775	£5,819
Weekly increase (£)	N/A	£4.33	£4.65	£4.86	£5.07	£5.28	£5.49	£6.33

5.10 As of January 2023, there are 7,161 Midlothian Council tenants, 4,553 of which are in receipt of Housing Benefit and/or Universal Credit.

5.11 The chart below illustrates how the income received from rent charges is disbursed. 45% of rental income is spent repaying loan charges (for new social housing, open market purchases, EESSH and SHQS), 27% is allocated to housing repair costs, 18% is towards staff costs and

10% is spent on 'other' which includes void property rental loss and insurance payments.

Chart 2: Rental Income Spent 2022/23



5.12 This report contains robust and credible data and forms a sound base to inform the recommendation for future rent setting.

6 Recommendation for future rent setting 2023/24 – 2025/26

6.1 As shown in the consultation results, 28% of respondents chose a 4.1% annual rent increase and 25% voted for a 6% annual rent increase. Midlothian Council has a growing waiting list of households in need of an affordable home. While Midlothian Council could seek to rely on its affordable housing partners such as registered social landlords to deliver all affordable homes in Midlothian, this is likely to result in a significant fall in the number of homes being delivered in Midlothian, as it is unlikely alternative developers would have the capacity to take on the volume of sites the Council would be forsaking. An additional consideration is that RSL rents are higher than those of Midlothian Council. The outcome of not funding any future affordable homes programme is therefore a decline in the development of new affordable homes in Midlothian, longer waiting lists and higher rents for those in housing need.

6.2 A 4.8% rent increase sits between the two concentrations of preferences at the upper and lower end of the spectrum. This would allow an intermediate approach which would fund EESSH2 and an additional 300 social housing units being built. This would satisfy the affordability tests demonstrated and the COSLA Statement of Intent to keep rent increases to an average of no more than £5 a week.

6.3 The Strategic Housing Investment Plan 2023/24 – 2027/28 contains details of eight sites which will arise as a result of the affordable housing requirement of the Town and Country Planning (Scotland) Act 1997. This act legislates that 25% of private housing developments should be affordable and are often referred to as Section 75 sites. These eight sites do not have a confirmed developer and will result in a further 429 homes, 343 of which are scheduled for completion during the period covered by this rent strategy. Allowing for project slippage beyond 2025/26, Midlothian Council is likely to have the capacity to develop these homes as a result of a 4.8% rent increase, subject to ongoing monitoring of the HRA reserve balance.

7 Report Implications (Resource, Digital and Risk)

7.1 Resource

The current approved Housing Revenue Account Capital Plan provides for investment of £177.069 million over the period 2023/24 – 2025/26, of which £110.644 million is earmarked for completion of Phase 2 – Phase 4 of the New Social Housing Programme.

The proposed 4.8% rent increase per annum for 2023/24 – 2025/26 and the longer term assumption of 4.1% to 2031/32 will continue to support our current investment in new social housing and in existing stock as well as provide additional investment of £77.640 million for a further phase of New Social Housing and £140 million for Energy Efficiency Standard for Social Housing (EESSH) works for completion over the period 2023/24-2031/32. This additional investment would fund approximately 300 new homes and contribute towards reducing emissions in our current housing stock. The resultant Housing Revenue Account Revenue Budget and Capital Plan 2023/24 – 2025/26 of the proposed rent increase is presented to February Council for approval in a separate finance report.

7.2 Digital

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

7.3 Risk

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

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

Equality is central to all housing and housing services delivery. An Integrated Impact Assessment (IIA) has been undertaken on the Local

Housing Strategy 2021-26 to ensure that the needs of local communities have been fully considered. The SHIP reflects identified needs and draws on findings from the IIA when considering the implications flowing from the translation of strategic aims into housing policies.

7.5 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications
Appendix B – Background information/Links

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

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

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

We manage all aspects of our business so that tenants and other customers receive services that provide continually improving value for the rent and other charges they pay.

A.5 Involving Communities and Other Stakeholders

A full consultation was undertaken with all Midlothian Council tenants and waiting list applicants invited to contribute. Stakeholders were informed at regular Local Housing Strategy Forum meetings. Council Officers briefed Community Councils, tenant organisations, community groups and the Health and Social Care Partnership.

A.6 Impact on Performance and Outcomes

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

A.7 Adopting a Preventative Approach

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

- Maintaining compliance with the Scottish Housing Quality Standard (SHQS) and Energy Efficiency Standard for Social Housing (EESSH);
- Meeting EESSH2 and the Scottish Government's carbon reduction targets;
- New housing supply

A.8 Supporting Sustainable Development

Good practice in relation to energy efficiency and sustainability is contained in the SHIP and Local Housing Strategy 2021/22 – 2025/26.

APPENDIX B

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

General Services Capital Plan 2022/23 Quarter 3 Monitoring, and 2023/24 to 2026/27 Budgets

Report by David Gladwin, Acting Chief Financial Officer

Report for Decision

1 Recommendations

It is recommended that Council:-

a) Note the inclusion of the projects listed in Section 3.1 in the General Services Capital Plan;
b) Approve the adjustment to the project expenditure and funding budgets for the projects as outlined in Section 3.2;
c) Approve the addition of the new projects to the General Services Capital Plan, as outlined in Section 3.3;
d) Note the forecast outturn for 2022/23 for expenditure, funding and borrowing as outlined in Section 4;
e) Note the possible expenditure and funding levels in the General Services Capital Plan for 2022/23 to 2026/27 (as outlined in Section 5 and shown in Appendices 1 and 2), prior to reaching a financially sustainable outcome from the Capital Plan Prioritisation exercise.

2 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 3);
- Information on the projected performance against budget for 2022/23 (Section 4);
- Forecast expenditure and income for the General Services Capital Plan for 2022/23 through to 2026/27 (Section 5)
- Update on the Capital Fund (Section 6).

Date 10 February 2023
Report Contact:
Name Gary Thomson
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3 Update of General Services Capital Plan

3.1 Projects presented for endorsement in the Plan

The plan now incorporates the projects approved by Council on 13 December 2022 in respect of the following:-

- **Mayfield & St. Luke's Primary School Campus**: Replacement of existing Mayfield & St. Luke's Primary School Campus with new primary schools with integrated & shared community spaces. Capital expenditure budget of £46.469 million (replacing the existing development budget of £0.152 million), with £0.429 million of Early Years Capital Grant and £4.488 million of Developer Contribution funding, resulting in a net prudential borrowing requirement of £41.553 million. In addition, Scottish Government LEIP Grant Funding equating to a cash value of £17.209 million over 25 years will be available to offset the impact of the prudential borrowing costs on the Council's revenue budget.

- **Hybrid Council Meetings**: Two screen technology for Hybrid meetings of Council and its Committees. Capital expenditure budget of £0.052 million, fully phased in 2022/23 and to be fully funded by prudential borrowing.

3.2 Adjustments to Existing Project Budgets

The plan now incorporates the adjustments to existing project budgets in respect of the following:-

- **Destination Hillend**: Revised project scope and cost plan approved with increase to capital expenditure budget of £6.635 million (from £24.468 million to £31.103 million), with increase in capital expenditure to be fully funded by prudential borrowing. Future Year's Lifecycle Expenditure budgets equating to £3.367 million will be included in future year's asset management plans. Approved by Council on 13 December 2022;
- **Hawthornden Primary School Additional Support Needs**: Increase in capital expenditure budget of £1.168 million (from £0.500 million to £1.668 million), phased across 2022/23 to 2023/24 and fully funded by prudential borrowing. Approved by Council on 13 December 2022.
- **Early Years Capital Grant Funded Projects**: Adjustment to the proposals for the utilisation of Early Years 1140 hour Capital Grant funding from the Scottish Government to strengthen ability to apply full 1140 hour capital grant funding by Scottish Government deadlines. Approved by Children, Young People and Estates Programme Board on 2 February 2023;
- **Free School Meals:** Equipment for provision of primary 4-7 free school meals. Capital expenditure budget of £0.210 million, fully funded by £0.210 million of additional Scottish Government Capital Grant funding as part of the Local Authority Allocation of £30 million. (in addition to existing £0.324 million fully grant funded budget) . Expenditure and funding budgets to be fully phased in 2023/24. Officers will explore proposals to deliver this requirement across the school estate alongside any future Free School Meal capital and revenue grant funding that may be available from Scottish Government and bring back a report to CYPE Programme Board and CPAMB in due course.

- **Acoustic Upgrades: Primary School Estate**: Capital expenditure budget of £0.150 million to address acoustic issues at St. Mary's/Burnbrae Early, Paradykes, Roslin and Newtongrange. To be phased £0.015 million in 2022/23 and £0.135 million in 2023/24. Approved by Children, Young People and Estates Programme Board on 2 February 2023. Capital expenditure budget of £0.150 million no longer required for St. Mary's/Burnbrae Early and Paradykes released therefore resulting in no additional prudential borrowing.
- **A7 Urbanisation**: Design of scheme to RIBA Stage 2, including Hardengreen Roundabout to the intersection with the B6482 junction. Additional capital expenditure budget of £0.108 million (in addition to already approved £0.106 million budget), fully funded through Sustrans Places for Everyone grant funding awarded in December 2022 of £0.108 million;

3.3 Projects presented for endorsement in the Plan

The following projects are presented for endorsement to be fully adopted within the General Services Capital Plan:-

<u>Capital Plan & Asset Management Board 25 January 2023</u>

- **Place Based Investment Fund (PBIF) 2022/23**: The following projects – which are fully funded by the Scottish Government's PBIF with no Council prudential borrowing requirements and no use of the Council's Capital Fund – to achieve the objectives of the Scottish Government's Place Based Investment Programme, as follows:

    - **Mayfield and Easthouses Development Trust (MAEDT) Purchase of Van and two Solar Panels**:- Purchase of Van to support Pantry provision, along with two solar panels for the Pavilion and Community Garden. Capital Expenditure budget of £0.039 million approved by Place DMT on 9 January 2023 and Capital Plan and Asset Management Board on 25 January 2023, to be fully phased in 2022/23 and fully funded by 2022/23 Place Based Investment Grant funding from the Scottish Government.
    - **Gala Day Marquees & Furniture**:- Purchase of equipment for Gala Days. Capital expenditure budget of £0.025 million approved by Place DMT on 9 January 2023, to be fully phased in 2022/23 and fully funded by 2022/23 Place Based Investment Grant funding from the Scottish Government.
    - **Newtongrange Pool Site – Hoardings**: Replacement of hoardings around former pool site in Newtongrange to enhance appearance of vacant site. Capital Expenditure budget of £0.023 million approved by Capital Plan and Asset Management Board on 25 January 2023, to be fully phased in 2022/23 and fully funded by 2022/23 Place Based Investment Grant funding from the Scottish Government;
    - **One Dalkeith, Theatre**: installation of heating and insulation system in theatre to allow space to be utilised as a community venue. Capital expenditure budget of £0.055 million approved by Capital Plan and Asset Management Board on 25 January 2023, to be fully phased in 2022/23 and fully funded by 2022/23 Place Based Investment Grant funding from the Scottish Government.

Learning Estate Strategy (LES)

Council approved the Learning Estate Strategy Update report on 13 December 2022. The report noted the progress towards the delivery of the Learning Estate Strategy for 2017-2047 and agreed to prioritise the Learning Estate projects contained within the report.

As noted in the report, officers are undertaking further work on the financial implications of the prioritised projects so that these can be considered as part of the Council's emerging Capital Strategy and General Services Capital Plan reporting suite. This will include work to review the Additional Support Needs (ASN) Strategy.

The new Mayfield Campus project, part funded through the Scottish Government's Learning Estate Investment Programme (LEIP) funding, was approved by Council on 13 December 2022 as noted in Section 3.1 above, with a capital expenditure budget of £46.469 million included in the General Services Capital Plan.

The remaining LEIP funded projects – a replacement Beeslack Community High School and a refurbishment and extension of Penicuik High School – are currently included as projects 'approved in principle' within the General Services Capital Plan, with indicative costs attached to each of these projects at this stage, prior to further work on a detailed business case for each project being completed.

A number of schools across the estate are expected to have capacity breaches across the period of the General Services Capital Plan, as noted below:-

- **Kings Park PS** breaches August 2023
- **Rosewell PS** breaches August 2024
- **Roslin PS** breaches August 2024
- **Woodburn PS** breaches August 2024
- **Bilston PS** breaches August 2026
- **Mauricewood PS** breaches August 2027

In addition, a number of further projects, as noted below, will continue to be monitored and plans progressed by officers from the Place and Children, Young People & Partnerships directorates:-

- **Shawfair Schools' solution** – A number of schools are required to accommodate the pupils from the Shawfair developments, including a 3-18 campus and a separate primary school.
- **HS12 PS Bonnyrigg** Housing site not yet in progress, primary and early year element of school anticipated to be developer funded to accommodate pupils from this development.
- **Redheugh PS Gorebridge** - Housing site not yet in progress, school anticipated to be fully developer funded to accommodate pupils from this development.
- **Hawthornden PS extension and ASN works** – plan to develop dedicated bespoke ASN provision and future school expansion.
- **Newtongrange PS refurbishment** – complete upgrade and refurbishment of school to improve Condition and suitability.

- **Lasswade PS refurbishment and extension** Works to upgrade internal layout and provide additional core accommodation.
- **Gorebridge HS** – an option appraisal to identify a suitable portion of land to provide a new secondary school to serve the Gorebridge catchment. Require to identify project team to undertake informal consultation with the community and key stakeholders to inform future development of the school.

Within the General Services Capital Plan there exists a Learning Estate Strategy Development Works budget to allow projects to progress to a Strategic Outline Business Case, and so incorporate robust estimates of the expected cost and timing of each project, along with determination of sources of funding such as developer contributions.

This will also examine opportunities to progress major projects as a programme of work rather than the design, procurement and construction of a series of individual projects. The extent of the Council's forward looking investment plans puts the Council in a unique position to take this approach, and officers will work with others, including Scottish Futures Trust, to take forward the programme and secure benefits from it.

It is proposed that following completion of Strategic Outline Business Cases presented to the Children, Young People & Estates Programme & Strategy Boards and Capital Plan & Asset Management Board, that officers then bring forward detailed expenditure and funding budgets to allow full inclusion and approval of each project identified, within the suite of projects above, within the General Services Capital Plan. This will be done at the earliest opportunity to allow major projects to be advanced and to ensure acceleration of the overall capital plan.

4 2022/23 Projection against budget

4.1 2022/23 Budget & Rephasing

The Capital Plan expenditure budget for 2022/23 as reported to Council at Quarter 2 on 15 November 2022 was £39.006 million, with a funding budget of £26.660 million and an in-year borrowing requirement of £12.346 million.

After accounting for the new projects and adjustments to project budgets as outlined in Section 3, the capital plan expenditure budget for 2022/23 is £41.209 million, funding budget is £27.066 million and in-year borrowing of £14.143 million.

Project expenditure budgets have been rephased based on the latest information available from Project Managers and Service Leads as noted in Table 2 below.

Table 2: Rephasing of project expenditure budgets

Project	Description of amendment to budget	Previous 2022/23 Budget £000's	Revised 2022/23 Budget £000's	2022/23 Budget Movement £000's
CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOARD				
Early Years Projects	Rephased to reflect revised project delivery timescales	1,320	687	-633
ASN Provision – Social Complex Needs	Rephased to 2023/24 given interdependencies with other projects	250	0	-250
ASSET MANAGEMENT PROGRAMME BOARD				
Accelerated Roads Residential Streets	Rephasing of spend from 22/23 to 23/24 due to diversion of staff to winter weather duties for 4 week period in December 2022 along with quarry closures	2,950	2,650	-300
Property Upgrades	Works planned for asbestos removal now rephased to early 2023/24	1,283	1,166	-117
TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME BOARD				
A701 & A702 Relief Road City Deal	Project planning consultancy re-tendered with subsequent delay to project programme from the recent outcome of the Levelling Up Fund 2 application.	1,423	889	-534
Cycling, Walking & Safer Routes	Initial design work will be complete for four identified schemes within financial year 2022/23 with full implementation in first half of 2023/24	398	50	-348
FCC Zero Waste Heat Offtake Facility	Finalisation of Authority Change between FCC and Partner Councils is still ongoing. Rephasing of expenditure budget to 2023/24 with completion deadline of March 2024	1,040	0	-1,040
REGENERATION & DEVELOPMENT PROGRAMME BOARD				
Stobhill Depot Upgrade	Health & Safety works deferred to at least 2023/24 and will not be required pending outcome of Outline Business Case being prepared for complete redevelopment of site	568	0	-568

Destination Hillend	Complexities of restructuring the original civils contract to extract the Alpine Coaster element has delayed start on site for the Civils element of the project	3,523	1,585	-1,938
Shawfair Town Centre Land Purchase	Remediation strategy close to being concluded, with completion of contract for acquisition and back to back arrangements now expected to be early 2023/24. Rephasing of both (a) £5.615 million project expenditure budget and (b) back-to-back funding budget of £5.615 million from Shawfair LLP	5,615	0	-5,615
OTHER				
Highbank Intermediate Care Reprovisioning	Rephasing of costs relating to site mobilisation and contract commencement to early 2023/24, prior to conclusion of Value Engineering exercise	500	100	-400
Newbattle Digital Centre of Excellence	Remaining project budget rephased to 2023/24 pending review of wider Equipped for Learning position across the County	258	26	-232
Borders Rail – Economic Development Projects	Rephasing of expenditure budget to 2023/24 pending review of potential projects	125	0	-125
Others	Minor variances	4,452	3,546	-906
Total		**23,705**	**10,699**	**-13,006**

This results in a rephased capital expenditure budget for 2022/23 of £28.203 million as shown in detail in Appendix 1.

In line with this, the expected level of funding available to finance the plan has also been rephased from £27.066 million to £19.067 million, a decrease of £7.999 million.

This reduces the projected in-year borrowing requirement from £14.143 million to £9.136 million. The projected performance against budget for 2022/23 is shown in table 3 below:-

Table 3: General Services Capital Plan Projected Performance against Budget 2022/23 – as at Quarter 3

Item	2022/23 Budget £000's	2022/23 Budget Inc New £000's	2022/23 Rephased Budget £000's	Actual To 03/12/21 £000's	2022/23 Projected Outturn £000's	2022/23 Variance £000's	2022/23 Carry Forward £000's
Expenditure	39,006	41,209	28,203	12,687	28,470	+267	-13,006
Funding	26,660	27,066	19,067	8,466	19,136	+69	-7,999
Borrowing Required	**12,346**	**14,143**	**9,136**	**4,221**	**9,334**	**+198**	

4.2 Expenditure

Expenditure to Quarter 3 is £9.581 million with a projected expenditure outturn of £28.470 million, £0.267 million more than the rephased budget.

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

- **Danderhall Primary School**: Overspend of £0.308 million due to higher than anticipated expenditure during the remedial period for the project.
- **Public Sector Housing Grants**: Overspend of £0.168 million due to higher than anticipated applications received in 2022/23;
- **Rosewell Road Toucan Crossing**: Overspend of £0.012 million against original project budget of £0.050 million, due to requirement to include footpath widening works as part of project scope. Fully funded through £0.012 million of already collected developer contributions.
- **Place Based Investment Fund 2021/22**: Overspend of £0.012 million against the original approved budget of £0.601 million, due to higher than anticipated costs of installation of Pop Up Park in Newtongrange. Overspend fully funded by already-received Scottish Government 2021/22 Place Based Investment grant funding;
- **Contaminated Land**: Underspend of £0.116 million due to lower than expected peer reviews in 2022/23;
- **Modular Units 2017/18**: Various modular unit projects now complete and underspend of £0.107 million released against original project budget of £2.581 million;
- **Hardengreen One and Two**: Underspend of £0.006 million against original £3.107 million project budget, due to lower than budgeted fees incurred.
- **Mayfield Town Centre Regeneration**: Project complete. Underspend of £0.004 million against remaining project budget.

The expenditure to Quarter 3 (£12.687 million) equates to 45% of the forecast outturn expenditure (£28.470 million). This means that the remaining £15.783 million, or 55% of expenditure, is projected to be incurred by the end of the financial year, with only 31% of the financial year remaining.

The expenditure forecasts are based on the latest assessment of project expenditure by service leads and project managers. The risk in these forecasts is that expenditure is materially less than forecast, with overly optimistic forecasts from service leads and project managers resulting in underspends within the current financial year and/or rephasing from 2022/23 back to 2023/24.

The actual outturn position will be presented as part of the General Services Capital Plan – Outturn 2022/23 report to Council in June 2023, with prior reporting, challenge and assessment at Capital Plan & Asset Management Board.

4.3 Funding

The funding available to finance the Capital Plan in 2022/23 is expected to total £19.136 million, £0.069 million higher than the revised budget and reflecting additional funding to be applied as noted in Section 4.2, along with redetermination of an additional £0.049 million of General Capital Grant funding from the Scottish Government in Finance Circular

11/2022 dated 11 January 2022. Funding of £8.466 million has been received to 4 December 2022.

4.4 Borrowing

The original budgeted level of borrowing for 2022/23 was £24.551 million. This has been rephased at Quarter 1 and Quarter 2 (as previously reported to Council) and Quarter 3 (as outlined in Section 4.1 above) to a budgeted level of borrowing for 2022/23 of £9.136 million – a total reduction in the forecast level of borrowing of £15.415 million.

Based on the forecast outturn expenditure and funding levels as noted above, the revised estimate of the level of borrowing required for 2022/23 is £9.334 million, which is £0.198 million more than the rephased Q3 budget.

The impact on the Council’s borrowing costs is reflected in the Financial Monitoring 2022/23 General Fund Revenue report elsewhere on today’s agenda.

5 Capital Plan 2023/24 to 2026/27

5.1 Rephasing of Project Expenditure & Funding

In addition to the rephasing of project expenditure and funding from 2022/23 to/from 2023/24 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 from Project Managers and Service Leads.

However, it has been observed for a number of years that “rephasing” occurs beyond even these forecasts due to a variety of issues including but not limited to supply chain pressures, issues arising during the consultation process, and internal capacity issues. This remains an issue as the UK continues to be impacted by the supply chain issues associated with the UK leaving the European Union remain, and wider global inflationary pressures resulting from the exiting of the Covid-19 pandemic and the conflict in Ukraine, which have already had a material impact on construction costs and project programmes.

To address this, strengthened financial monitoring & governance procedures have been implemented by CP&AMB, which will ensure that significant variations can be captured and reported to Programme Boards and CP&AMB so that any variance to these forecasts can be reported at the earliest opportunity.

Capital expenditure budgets have been established for 2026/27 to reflect the inclusion of block budgets for the Council’s asset management strands, equating to £7.650 million, as follows:-

Asset Management Strand	2026/27 Budget £000’s

Street Lighting	1,500
Footway & Footpaths	500
Road Upgrades	1,500
Fleet	1,500
Property	1,000
Digital inc. Business Applications	2,000
Assistive Technology	150
Total	**7,650**

In addition, expenditure budgets from later years for already approved Learning Estate Strategy, Destination Hillend and other projects which are expected to fall into 2026/27 have also been included. £0.180 million for Member's Environmental Funds have also been included.

A target has been set in the Capital Plan for the release of project contingencies, with the annual target equating to 2.5% of prior year's expenditure. Over the life of the plan, this equates to a total provision for the return of project contingencies of £11.304 million, based on a total of £511.090 million of capital expenditure. Project managers are therefore tasked with working within the approved budgets to deliver the release of contingencies in line with this.

5.3 Scottish Government General Capital Grant Funding

The General Capital Grant in Finance Circular 11/2022 issued on 11 January 2022 equates to £8.456 million for the 2023/24 financial year, which is Midlothian's share of the £687.500 million General Capital Grant for Scottish Local Authorities.

The planning assumption for the level of General Capital Grant funding from the Scottish Government over the period 2024/25 to 2026/27 is that the annual capital grant will be cash flat from 2022/23 levels, equating to £7.318 million per annum.

5.4 Borrowing

As a result of these revised expenditure and funding forecasts, the possible forecast expenditure and funding levels are as outlined in Table 4 below (with the level of borrowing shown for illustration purposes only), prior to reaching a financially sustainable outcome from the Capital Plan Prioritisation exercise.

Table 4: General Services Capital Plan 2022/23 to 2026/27

Item	2022/23 Budget £000's	2023/24 Budget £000's	2024/25 Budget £000's	2025/26 Budget £000's	2026/27 Budget £000's	Total Budget £000's
Expenditure – approved projects	28,470	86,848	96,153	50,212	10,716	**272,398**
Expenditure – projects under development	0	11,336	48,646	83,240	95,469	**238,692**
Total Expenditure	**28,470**	**98,184**	**144,799**	**133,452**	**106,185**	**511,090**
Funding	19,136	35,296	47,710	29,247	24,892	**156,281**
Borrowing Required	**9,334**	**62,888**	**97,089**	**104,205**	**81,293**	**354,809**

5.5 Capital Plan Prioritisation

Officers have undertaken a process to allow the Council's General Services capital projects to be reviewed and prioritised. This process is being driven to ensure that the Council's capital plans are affordable, prudent, sustainable and proportionate to the authority's overall financial capacity, as required by the 2021 CIPFA Prudential Code.

This work has set targets to reduce the level of prudential borrowing and the associated Loan Charges arising from Capital Investment between the years 2022/23 to 2025/26, in order that the Loan Charges projections in the Medium Term Financial Strategy can be met and are at an affordable level, and that the Council can demonstrate that it meets the requirements of the Prudential Code.

This will mean that projects currently in the General Services Capital Plan will need to be deferred, paused or deleted in order to meet these affordability targets.

The Capital Plan Prioritisation work to date, proposed initial suite of projects for deferral, pause or deletion, and proposed next steps, is subject to a detailed report elsewhere on today's agenda.

6 Capital Fund

The Capital Fund at the start of the 2022/23 financial year was £22.178 million. £7.694 million of this is currently committed to fund the A701 Relief Road / City Deal project, with a further £12.061 million committed to support capital investment across the wider General Services Capital Plan, including the utilisation of £3.000 million in 2022/23.

The forecast non-committed capital fund balance at 31 March 2023 is £3.009 million, as shown in the table below.

Item	Amount £000's
Balance at 01 April 2022	**22,178**
Committed to fund City Deal Project	-7,694
Committed to support Capital Investment	-12,061
Developer Contributions earmarked for specific purposes	-535
Expected capital receipts to be received 2022/23	1,121
Non-committed balance at 31 March 2023	**3,009**

7 Report Implications

7.1 Resource

The borrowing required to finance investment for fully approved projects and those under development in 2022/23 to 2026/27 is currently £354.809 million.

The implications of this borrowing requirement will be addressed as part of the General Services Capital Plan Prioritisation project, which is also presented on today's agenda.

7.2 Digital

There are no Digital Services implications arising from this report.

7.3 Risk

The construction materials supply chain has already been subject to unprecedented disruption through a combination of the Coronavirus (COVID-19) Pandemic, the UK leaving the European Union, the conflict in Ukraine and the global inflationary picture. The Construction Leadership Council (CLC) continues to report shortages of construction materials and forecasts this disruption to continue for the foreseeable future. Ongoing engagement with suppliers confirms that materials shortages, longer lead times and steep price increases are highly likely to continue to impact the supply chain.

This potentially exacerbates the inherent risk in the Capital Plan that projects will cost more than estimated thus resulting in additional borrowing, or will be subject to significant delay.

Strengthened financial monitoring & governance procedures have been approved by CP&AMB, which will ensure that significant variations can be captured and reported to Programme Boards and CP&AMB so that remedial action can be taken to mitigate the risks.

In developing the strategy and taking cognisance of the longer term affordability gap it is clear that a number of potential projects which are currently included will only be able to be progressed if they can be delivered on a spend to save basis (i.e. where income or cost savings more than offset the cost of funding the investment) or where they can be delivered on a cost neutral basis or through alternative funding mechanisms. The proposed recommendations of the General Services Capital Plan Prioritisation project, included elsewhere on today's agenda, take cognisance of this.

The Capital Plan includes a provision for the return of contingencies of £11.304 million over the period 2022/23 to 2026/27, equating to 2.5% of all project expenditure. The risk is that projects throughout the plan are unable to deliver this which could be in part due to factors outwith the Council's control. Capital Plan & Asset Management Board will review the level of return of contingencies against the £11.304 million provision on an ongoing basis to ensure that projects can, where possible, deliver against this provision and that the provision continues to be appropriate.

7.4 Ensuring Equalities

There are no equalities issues arising directly from this report.

7.5 Additional Report Implications

See Appendix A.

Appendix A: Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable.

A.2 Key Drivers for Change

A.3 Key Delivery Streams

Themes addressed in this report:

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

A.4 Delivering Best Value

Actively managing priorities within the GSCP will ensure that capital investment required to ensure Midlothian Council's priorities as set out in the Single Midlothian Plan achieves Best Value.

A.5 Involving Communities and Other Stakeholders

No external consultation has taken place on this report.

A.6 Impact on Performance and Outcome

Actively managing priorities within the GSCP will ensure that capital investment required to ensure Midlothian Council's priorities as set out in the Single Midlothian Plan achieves shared outcomes.

A.7 Adopting a Preventative Approach

Not applicable.

A.8 Supporting Sustainable Development

Actively managing priorities within the GSCP will ensure that capital investment required to ensure Midlothian Council's priorities as set out in the Single Midlothian Plan are achieved in a financially sustainable way.

Background Papers:
Appendix 1 – Summary General Services Capital Plan 2022/23 to 2026/27
Appendix 2 – Detailed General Services Capital Plan Monitoring 2022/23 Quarter 3
Appendix 3 – Detailed General Services Capital Plan Expenditure 2022/23 to 2026/27

Appendix 1: Summary General Services Capital Plan 2022/23 to 2026/27

GENERAL SERVICES CAPITAL PLAN 2022/23 to 2026/27	**2022/23 Budget £'000**	**2023/24 Budget £'000**	**2024/25 Budget £'000**	**2025/26 Budget £000's**	**2026/27 Budget £000's**	**Total Budget £'000**
EXPENDITURE - PER PROGRAMME BOARD						
Children, Young People & Estates	7,262	50,725	100,357	121,763	100,980	**381,087**
Asset Management	12,622	15,867	11,656	8,686	7,686	**56,517**
Transport, Energy & Infrastructure	1,045	3,758	16,454	2,862	408	**24,528**
Regeneration & Development	2,731	20,001	13,404	764	11	**36,911**
Other	5,795	8,569	5,402	3,058	528	**23,352**
Provision for return of contingencies	-985	-736	-2,473	-3,682	-3,428	**-11,304**
Total Approved Expenditure	**28,470**	**98,184**	**144,799**	**133,452**	**106,185**	**511,090**
FUNDING						
Government Grants - General Capital Grant	7,392	8,456	7,023	6,826	7,318	**37,015**
Government Grants - Early Years	1,418	5,803	1,877	562	0	**9,660**
Government Grants - Others	2,099	1,348	413	413	413	**4,686**
City Deal Funding (Scottish Government)	883	1,651	7,980	0	0	**10,515**
City Deal Funding (Capital Fund)	0	0	7,694	0	0	**7,694**
Transfer from Capital Fund to Capital Plan	3,000	2,533	0	0	0	**5,533**
Receipts from Sales	1,121	880	0	0	0	**2,001**
Receipts from Sales transferred to General Fund Reserve	-1,121	-880	0	0	0	**-2,001**
Land Transfers from HRA Applied to Capital Plan	0	0	0	0	0	**0**
CFCR	0	0	0	0	0	**0**
Developer Contributions - Learning Estate Strategy	3,157	8,816	18,428	17,876	16,383	**64,659**
Developer Contributions - Learning Estate Retrospective	750	750	750	750	750	**3,750**
Developer Contributions - A701/702	6	0	762	381	0	**1,149**
Developer Contributions - Other Projects	376	325	2,783	2,439	28	**5,951**
Other Contributions	55	5,615	0	0	0	**5,670**
Total Available Funding	**19,136**	**35,296**	**47,710**	**29,247**	**24,892**	**156,281**
Approved Borrowing Required	**9,334**	**62,888**	**97,089**	**104,205**	**81,293**	**354,809**
Government Grants - Learning Estate Investment Programme	0	0	0	11,518	31,728	**43,246**
Net Capital Cost to Council	**9,334**	**62,888**	**97,089**	**92,687**	**49,565**	**311,563**

Appendix 2

Detailed General Services Capital Plan Monitoring 2022/23 Quarter 3

GENERAL SERVICES CAPITAL PLAN Q3 Monitoring	Rephased 2022/23 Budget Q2 £000's	Rephased 2022/23 Budget Q3 £000's	2022/23 Actual to P9 £000's	2022/23 Forecast Outturn Q3 £000's	2022/23 Variance Q3 £000's	2022/23 Carry Forward Q3 £000's
CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOARD						
Education - Primary						
Woodburn Primary 9 class & activity hall extension	828	762	249	762	-	66
Easthouses Primary School	645	645	223	645	-	-
Kings Park PS upgrade to existing building	200	200	-	200	-	-
Mauricewood Refurbishment	70	70	-	70	-	-
Mayfield School Campus replace & extend	15	1,086	-	1,086	-	-
Burnbrae Primary - Conversion of ASN to GP Space	82	1	1	1	-	81
Tynewater Primary School	10	10	-	10	-	-
Education - Primary - Projects near completion						
Paradykes Primary Replacement	144	54	1	54	-	90
St. Mary's RC & Early Burnbrae Primary Schools	140	29	4	29	-	111
New Danderhall Primary hub	277	277	113	585	308	-
Sacred Heart Primary School Extension	415	379	319	379	-	36
Acoustic Upgrades	-	15	-	15	-	-
Education - Secondary						
Beeslack CHS Replacement	1,054	1,054	960	1,054	-	-
Lasswade High - Toilets & Changing to 1,600 pupil capacity	50	50	1	50	-	-
Education - ASN						
Hawthornden Primary - ASN Unit	492	146	116	146	-	-
ASN Provision - Social Complex Needs	250	-	-	-	-	250
Saltersgate Alterations Phase III - Playground Improvements	191	191	191	191	-	-
Saltersgate Phase IV - Internal Alterations	2	2	2	2	-	-
Education - Early Years						
King's Park Primary School	55	40	25	40	-	15
Roslin Primary School	364	10	4	10	-	354
Capital grants to partner providers	343	343	343	343	-	-
Hawthorn Children & Families Centre Alteration	164	77	52	77	-	87
Mauricewood Primary School	247	150	130	150	-	97
Vogrie Outdoor Early Learning Centre	81	-	-	-	-	81
Other Outdoor Spaces	67	67	34	67	-	-
Education _ General						
Learning Estate Strategy: Development Budget	1,222	1,222	524	1,222	-	-
Modular Units - Session 2017/18	107	107	0	0	(107)	-
Burnbrae Primary School External Works	73	73	-	73	-	-
TOTAL - CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOA	**7,587**	**7,060**	**3,293**	**7,262**	**201**	**1,267**

Budget is approved in principle - requires approval of SOBC before budget is fully approved

GENERAL SERVICES CAPITAL PLAN Q3 Monitoring	Rephased 2022/23 Budget Q2 £000's	Rephased 2022/23 Budget Q3 £000's	2022/23 Actual to P9 £000's	2022/23 Forecast Outturn Q3 £000's	2022/23 Variance Q3 £000's	2022/23 Carry Forward Q3 £000's
ASSET MANAGEMENT PROGRAMME BOARD						
Digital						
Business Applications	8	8	43	8	-	-
DS Corporate Solutions	142	-	-	-	-	142
Front Office - Hardware, Software & Services	302	422	178	422	-	(120)
Back Office - Hardware, Software & Services	176	130	(31)	130	-	46
Network, Software & Services	526	179	125	179	-	347
Schools - Hardware, Software & Services	362	753	326	753	-	(391)
Digital: Equipped for Learning	776	776	138	776	-	-
Roads & Street Lighting						
Street Lighting and Traffic Signal Upgrades - New	1,100	1,100	224	1,100	-	-
Footway & Footpath Asset Management Plan - New	500	500	166	500	-	-
Roads Asset Management Plan - New	1,733	1,733	774	1,733	-	-
Accelerated Roads Residential Streets	2,950	2,650	858	2,650	-	300
Fleet						
Vehicle & Plant Replacement Programme	2,066	2,066	531	2,066	-	-
Property						
Property Upgrades	1,283	1,166	384	1,166	-	117
Open Spaces / Play Areas						
Ironmills Park Steps	7	-	-	-	-	7
Outdoor Play Equipment - Rosewell	46	-	-	-	-	46
Outdoor Play Equipment - Gorebridge	1	1	-	1	-	-
Roslin Wheeled Sports Facility	59	-	-	-	-	59
Mauricewood Road Bus Shelter	4	4	-	4	-	-
Millerhill Park Circular Path & Bicycle Pump Track	89	-	-	-	-	89
Welfare Park, Newtongrange	98	96	-	96	-	2
Pump Track, North Middleton	76	74	-	74	-	2
Play Park Renewal 2021/22	98	96	22	96	-	2
Play Park Renewal 2022/23	97	97	-	97	-	-
Nature Restoration Fund 2021/22	41	41	42	41	-	-
Nature Restoration Fund 2022/23	103	100	-	100	-	3
Birkenside Grass Pitch Drainage	12	-	-	-	-	12
Open Spaces - Midlothian Wide Play Areas	169	-	-	-	-	169
Contaminated Land	186	186	42	70	(116)	-
Sport & Lesiure Equipment						
Property - Poltonhall Astro & Training Area Resurfacing	527	527	482	527	-	-
Property - Penicuik Astro Resurfacing	6	6	-	6	-	-
Dalkeith Thistle - Pavilion Upgrade	6	6	-	6	-	-
Loanhead Memorial Park Pitch	4	4	-	4	-	-
Flotterstone Car Park Infrastructure & Charging	16	16	-	16	-	-
TOTAL - ASSET MANAGEMENT PROGRAMME BOARD	**13,571**	**12,738**	**4,306**	**12,622**	**(116)**	**832**
TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME BOARD						
Transport						
A701 & A702 Relief Road City Deal Project	1,423	889	299	889	-	534
A7 Urbanisation	106	106	-	106	-	-
Orbital Bus Route	302	-	-	-	-	-
Cycling, Walking & Safer Streets Projects	398	50	4	50	-	348
FCC Zero Waste - Heat Offtake Facility	1,040	-	-	-	-	1,040
TOTAL - TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME I	**3,269**	**1,045**	**303**	**1,045**	**-**	**1,922**
REGENERATION & DEVELOPMENT PROGRAMME BOARD						
Regeneration						
Place Based Investment Fund 2021/22	649	600	101	612	12	-
Place Based Investment Fund 2022/23+	534	534	-	534	-	-
Development						
Stobhill Depot Upgrade	568	-		-	-	568
Destination Hillend	2,210	1,585	354	1,585	-	1,938
Shawfair Town Centre Land Purchase	5,615	-	106	-	-	5,615
TOTAL - REGENERATION & DEVELOPMENT PROGRAMME BOARD	**9,576**	**2,719**	**561**	**2,731**	**12**	**8,121**

Budget is approved in principle - requires approval of SOBC before budget is fully approved

GENERAL SERVICES CAPITAL PLAN Q3 Monitoring	Rephased 2022/23 Budget Q2 £000's	Rephased 2022/23 Budget Q3 £000's	2022/23 Actual to P9 £000's	2022/23 Forecast Outturn Q3 £000's	2022/23 Variance Q3 £000's	2022/23 Carry Forward Q3 £000's
OTHER (PROGRAMME BOARD NOT YET DEFINED)						
PLACE						
Digital						
Newbattle Centre of Excelllence	258	26	26	26	-	232
Civica Automation	47	47	-	47	-	-
Council Hybrid Meetings	-	52	-	52	-	-
Transport						
North Middleton Bridge	37	37	36	37	-	-
Food Waste Rural Routes	132	132	-	132	-	-
LEZ Electric Vehicles & Charging Points	48	48	1	48	-	-
Rosewell Road Toucan Crossing	50	50	-	62	12	-
Property/Development						
Midlothian & Fairfield House Shower Upgrades	5	5	-	5	-	-
32-38 Buccleuch Street Ground Floor Redevelopment	346	346	235	346	-	-
Hardengreen One and Two	3,107	3,107	0	3,101	(6)	-
Public Sector Housing Grants	198	198	125	366	168	-
Borders Rail - Economic Development Projects	125	-	-	-	-	125
Penicuik THI	132	120	-	120	-	12
Mayfield Town Centre Regeneration	4	4	-	-	(4)	-
CCTV Network	73	55	-	55	-	18
Town Centre Regeneration Fund 2019/20	0	0	11	0	-	-
Town Centre Regeneration Fund 2020/21	91	91	32	91	-	-
Purchase to Pay	2	2	-	2	-	-
EWiM - Buccleuch House Ground Floor	33	33	-	33	-	-
Millerhill Pavilion	23	23	-	23	-	-
PEOPLE & PARTNERSHIPS						
Education						
CO2 Monitors for Schools / Ventilation 21/22 Phase II	93	93	92	92	(1)	-
Free School Meal Provision	162	150	-	150	-	12
Children's Services						
Residential House for 5-12 year olds	210	146	39	146	-	64
Communities & Partnerships						
Members Environmental Improvements	233	233	199	233	-	-
Adult Social Care						
Assistive Technology	176	176	57	176	-	-
Homecare	55	55	-	55	-	-
Highbank Intermediate Care Reprovisioning	500	100	38	100	-	400
General Fund Share of Extra Care Housing	297	297	226	297	-	-
TOTAL NOT ALLOCATED TO PROGRAMME BOARDS	**6,437**	**5,626**	**1,119**	**5,795**	**169**	**863**
SUBTOTAL - PRE RETURN OF CONTINGENCIES	**39,991**	**29,188**	**9,582**	**29,455**	**267**	**13,006**
Provision for Return of Contingencies	(985)	(985)		(985)	-	-
GENERAL SERVICES CAPITAL PLAN TOTAL	**39,006**	**28,203**	**9,582**	**28,470**	**267**	**13,006**

Budget is approved in principle - requires approval of SOBC before budget is fully approved

Appendix 3

Detailed General Services Capital Plan Expenditure 2022/23 to 2026/27

GENERAL SERVICES CAPITAL PLAN 2022/23 to 2026/27	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £000's	2025/26 Budget £000's	2026/27 Budget £000's	Ltr Yrs Budget £000's	Total Spend £'000
CHILDREN, YOUNG PEOPLE & ESTATES PROGRAMME BOARD							
Education - Primary							
Woodburn Primary 9 class & activity hall extension	762	8,667	3,287	200	-	-	**12,916**
Easthouses Primary School	645	17,272	3,557	-	-	-	**21,474**
Kings Park PS upgrade to existing building	200	500	5,761	4,779	691	-	**11,931**
St Davids Primary - 4 class & EY extension	-	500	1,250	2,984	547	-	**5,281**
Mauricewood Refurbishment & Extend	70	500	5,711	2,642	1,000	-	**9,923**
Rosewell Primary School - extend to 2 stream	-	500	5,823	1,324	-	-	**7,647**
Hopefield Farm Primary 2 (HS12)	-	500	4,888	6,735	1,347	-	**13,469**
Bonnyrigg Catchment Primary Schools Expansion	-	-	1,825	4,563	7,301	2,564	**16,253**
Newtongrange refurb & expansion to 2 stream	-	500	1,129	952	-	-	**2,581**
Strathesk Primary one class extension	-	-	-	-	-	-	**-**
Mayfield & St. Luke's School Campus	1,086	5,495	20,267	17,558	1,926	-	**46,332**
Bonnyrigg Primary - Modular Unit	-	562	-	-	-	-	**562**
Burnbrae Primary - Conversion of ASN to GP Space	1	81	-	-	-	-	**82**
Tynewater Primary School	10	-	-	-	-	-	**10**
Education - Primary - Projects near completion							
Paradykes Primary Replacement	54	51	-	-	-	-	**105**
St. Mary's RC & Early Burnbrae Primary Schools	29	0	-	-	-	-	**29**
New Danderhall Primary hub	585	-	-	-	-	-	**585**
Sacred Heart Primary School Extension	379	36	-	-	-	-	**415**
Acoustic Upgrades	15	135	-	-	-	-	**150**
Education - Secondary						-	
Beeslack CHS Replacement	1,054	-	-	-	-	-	**1,054**
Lasswade High - Toilets & Changing to 1,600 pupil capacity	50	403	-	-	-	-	**453**
Beeslack CHS Replacement	-	5,615	27,461	34,461	18,150	465	**86,152**
Penicuik High School	-	3,800	9,500	15,200	9,263	238	**38,001**
Shawfair All-through Campus	-	1,921	9,860	23,564	47,127	35,345	**117,818**
Gorebridge High School	-	-	-	5,452	13,629	35,436	**54,517**
Education - ASN							
Hawthornden Primary - ASN Unit	146	1,501	21	-	-	-	**1,668**
Lasswade High - ASU	-	-	-	1,333	-	-	**1,333**
ASN Provision - Social Complex Needs	-	250	-	-	-	-	**250**
Saltersgate Alterations Phase III - Playground Improvements	191	-	-	-	-	-	**191**
Saltersgate Phase IV - Internal Alterations	2	-	-	-	-	-	**2**
Education - Early Years							
Mount Esk Nursery School Replacement @ Hawthornden	-	-	-	-	-	2,026	**2,026**
King's Park Primary School	40	15	-	-	-	-	**55**
Rosewell Primary School New Build	-			-	-	1,508	**1,508**
Roslin Primary School	10			-	-	752	**762**
Capital grants to partner providers	343	-	-	-	-	-	**343**
Gorebridge Primary School	-	-	-	-	-	-	**-**
Catering & Setting kitchens	-	500	-	-	-	-	**500**
Hawthorn Children & Families Centre Alteration	77	87	-	-	-	-	**164**
Mauricewood Primary School	150	204	-	-	-	-	**354**
Vogrie Outdoor Early Learning Centre	-	81	-	-	-	-	**81**
Other Outdoor Spaces	67	133	-	-	-	-	**200**
Education _ General							
Learning Estate Strategy: Development Budget	1,222	900	-	-	-	-	**2,122**
Modular Units - Session 2017/18	0	-	-	-	-	-	**0**
Burnbrae Primary School External Works	73	-	-	-	-	-	**73**
New Learning Estate Furniture & IT Equipment	-	17	17	17	-	-	**50**
TOTAL - CHILDREN, YOUNG PEOPLE & ESTATES PROGRAM	**7,262**	**50,725**	**100,357**	**121,763**	**100,980**	**78,334**	**459,421**

Budget is approved in principle - requires approval of SOBC before budget is fully approved

Project Under Development - requires approval of SOBC before budget is fully approved

GENERAL SERVICES CAPITAL PLAN 2022/23 to 2026/27	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £000's	2025/26 Budget £000's	2026/27 Budget £000's	Ltr Yrs Budget £000's	Total Spend £'000
ASSET MANAGEMENT PROGRAMME BOARD							
Digital							
Business Applications	8	333	333	333	333	-	**1,342**
DS Corporate Solutions	-	187	478	333	333	-	**1,332**
Front Office - Hardware, Software & Services	422	183	487	333	333	590	**2,349**
Back Office - Hardware, Software & Services	130	385	596	333	333	1,419	**3,197**
Network, Software & Services	179	517	519	333	333	54	**1,936**
Schools - Hardware, Software & Services	753	1,034	661	333	333	603	**3,718**
Digital: Equipped for Learning	776	2,000	2,000	1,000	-	-	**5,776**
Roads & Street Lighting							
Street Lighting Upgrades	1,100	1,236	1,126	1,000	1,000	-	**5,462**
Footway & Footpath Network Upgrades	500	1,088	699	500	500	-	**3,287**
Road Upgrades	1,733	1,500	1,500	1,500	1,500	-	**7,733**
Accelerated Roads Residential Streets	2,650	1,669	-	-	-	-	**4,319**
Roads Asset Management Plan - Temple Ground Stabilisation	-	309	-	-	-	-	**309**
Roads Asset Management Plan - B6372 Arniston Embankment S	-	593	-	-	-	-	**593**
Fleet							
Vehicle & Plant Replacement Programme	2,066	1,795	1,681	1,500	1,500	2,938	**11,480**
Property							
Property Upgrades	1,166	1,506	1,389	1,000	1,000	506	**6,567**
Open Spaces / Play Areas							
Ironmills Park Steps	-	7	-	-	-	-	**7**
Outdoor Play Equipment - Rosewell	-	46	-	-	-	-	**46**
Outdoor Play Equipment - Gorebridge	1	-	-	-	-	-	**1**
Roslin Wheeled Sports Facility	-	59	-	-	-	-	**59**
Mauricewood Road Bus Shelter	4	-	-	-	-	-	**4**
Millerhill Park Circular Path & Bicycle Pump Track	-	89	-	-	-	-	**89**
Welfare Park, Newtongrange	96	2	-	-	-	-	**98**
Pump Track, North Middleton	74	2	-	-	-	-	**76**
Play Park Renewal 2021/22	96	2	-	-	-	-	**98**
Play Park Renewal 2022/23	97	-	-	-	-	-	**97**
Nature Restoration Fund 2021/22	41	-	-	-	-	-	**41**
Nature Restoration Fund 2022/23	100	3	-	-	-	-	**103**
Birkenside Grass Pitch Drainage	-	12	-	-	-	-	**12**
Open Spaces - Midlothian Wide Play Areas	-	338	-	-	-	-	**338**
Contaminated Land	70	217	186	186	186	-	**845**
Sport & Lesiure Equipment							
Property - Poltonhall Astro & Training Area Resurfacing	527	-	-	-	-	-	**527**
Property - Penicuik Astro Resurfacing	6	-	-	-	-	-	**6**
Dalkeith Thistle - Pavilion Upgrade	6	-	-	-	-	-	**6**
Loanhead Memorial Park Pitch	4	-	-	-	-	-	**4**
Flotterstone Car Park Infrastructure & Charging	16	-	-	-	-	-	**16**
Property - King's Park Tennis Courts Resurfacing	-	82	-	-	-	-	**82**
Property - Penicuik Centre Flooring, Cardio & Equipment	-	200	-	-	-	-	**200**
Property - Lasswade Centre Flooring	-	212	-	-	-	-	**212**
Property - Gorebridge Leisure Centre	-	115	-	-	-	-	**115**
Property - Loanhead Centre	-	145	-	-	-	-	**145**
TOTAL - ASSET MANAGEMENT PROGRAMME BOARD	**12,622**	**15,867**	**11,656**	**8,686**	**7,686**	**6,110**	**62,627**
TRANSPORT, ENERGY & INFRASTRUCTURE PROGRAMME BOARD							
Transport							
A701 & A702 Relief Road City Deal Project	889	1,651	16,041	2,449	-	-	**21,030**
A7 Urbanisation	106	108	-	-	-	-	**214**
Orbital Bus Route	-	-	-	-	-	-	**-**
Cycling, Walking & Safer Streets Projects	50	959	413	413	408	-	**2,243**
FCC Zero Waste - Heat Offtake Facility	-	1,040	-	-	-	-	**1,040**
TOTAL - TRANSPORT, ENERGY & INFRASTRUCTURE PROG	**1,045**	**3,758**	**16,454**	**2,862**	**408**	**-**	**24,528**
REGENERATION & DEVELOPMENT PROGRAMME BOARD							
Regeneration							
Place Based Investment Fund 2021/22	612	-	-	-	-	-	**612**
Place Based Investment Fund 2022/23+	534	-	-	-	-	-	**534**
Development							
Stobhill Depot Upgrade	-	568	-	-			**568**
Destination Hillend	1,585	13,818	13,404	764	11	3,367	**32,949**
Shawfair Town Centre Land Purchase	-	5,615	-	-	-	-	**5,615**
TOTAL - REGENERATION & DEVELOPMENT PROGRAMME B	**2,731**	**20,001**	**13,404**	**764**	**11**	**3,367**	**40,278**

Budget is approved in principle - requires approval of SOBC before budget is fully approved

GENERAL SERVICES CAPITAL PLAN 2022/23 to 2026/27	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £000's	2025/26 Budget £000's	2026/27 Budget £000's	Ltr Yrs Budget £000's	Total Spend £'000
OTHER (PROGRAMME BOARD NOT YET DEFINED)							
PLACE							
Digital							
Newbattle Centre of Excelllence	26	232	-	-	-	-	**258**
Civica Automation	47	-	-	-	-	-	**47**
City Deal - Digital	-	240	-	-	-	-	**240**
Council Hybrid Meetings	52	-	-	-	-	-	**52**
Transport							
North Middleton Bridge	37	-	-	-	-	-	**37**
New recycling facility - Penicuik	-	-	-	-	-	243	**243**
Food Waste Rural Routes	132	-	-	-	-	-	**132**
LEZ Electric Vehicles & Charging Points & LAIP	48	-	-	-	-	-	**48**
Rosewell Road Toucan Crossing	62	-	-	-	-	-	**62**
Property/Development							
Midlothian & Fairfield House Shower Upgrades	5	-	-	-	-	-	**5**
32-38 Buccleuch Street Ground Floor Redevelopment	346	-	-	-	-	-	**346**
Hardengreen One and Two	3,101	-	-	-	-	-	**3,101**
Public Sector Housing Grants	366	291	198	198	198	-	**1,251**
Borders Rail - Economic Development Projects	-	125	-	-	-	-	**125**
Gorebridge Connected	-	-	-	-	-	614	**614**
Penicuik THI	120	12	-	-	-	-	**132**
Mayfield Town Centre Regeneration	-	-	-	-	-	-	**-**
CCTV Network	55	417	-	-	-	-	**472**
Town Centre Regeneration Fund 2019/20	0	-	-	-	-	-	**0**
Town Centre Regeneration Fund 2020/21	91	-	-	-	-	-	**91**
Purchase to Pay	2	-	-	-	-	-	**2**
EWiM - Buccleuch House Ground Floor	33	-	-	-	-	-	**33**
Millerhill Pavilion	23	-	-	-	-	-	**23**
PEOPLE & PARTNERSHIPS							
Education							
CO2 Monitors for Schools / Ventilation 21/22 Phase II	92	-	-	-	-	-	**92**
Free School Meal Provision	150	384	-	-	-	-	**534**
Children's Services							
Residential House for 5-12 year olds	146	64	-	-	-	-	**210**
Communities & Partnerships							
Members Environmental Improvements	233	180	180	180	180	-	**953**
Adult Social Care							
Assistive Technology	176	150	150	150	150	197	**973**
Homecare	55	-	-	-	-	-	**55**
Highbank Intermediate Care Reprovisioning	100	6,348	2,455	119	-	-	**9,023**
General Fund share of Extra Care Housing	297	126	7	-	-	-	**430**
Sport & Leisure							
Property - Shawfair Leisure/Library Provision	-	-	2,411	2,411	-	-	**4,822**
TOTAL NOT ALLOCATED TO PROGRAMME BOARDS	**5,795**	**8,569**	**5,402**	**3,058**	**528**	**1,054**	**24,406**
COST OF SALES							
	-	-	-	-	-		**-**
TOTAL COST OF SALES	**-**	**-**	**-**	**-**	**-**	**-**	**-**
SUBTOTAL - PRE RETURN OF CONTINGENCIES	**29,455**	**98,920**	**147,272**	**137,134**	**109,613**	**88,865**	**611,260**
Provision for Return of Contingencies	(985)	(736)	(2,473)	(3,682)	(3,428)	(2,740)	**(14,044)**
GENERAL SERVICES CAPITAL PLAN TOTAL	**28,470**	**98,184**	**144,799**	**133,452**	**106,185**	**86,125**	**597,215**

Budget is approved in principle - requires approval of SOBC before budget is fully approved

Treasury Management and Investment Strategy 2023/24 & Prudential Indicators

Report by David Gladwin, Acting Chief Financial Officer

Report for Decision

1 Recommendations

Council is recommended to:-

a) Approve the restriction of the Authorised Limit to the value of the Capital Financing Requirement at 31 March 2024 (£472.662 million), pending finalisation of the General Services Capital Plan Prioritisation;

b) To note the ongoing review in respect of incorporating Environmental, Social and Governance (ESG) criteria into the decision making process for making deposits, and that officers will continue to monitor and evaluate emerging approaches as the marketplace develops;

c) Note that there are no other material changes proposed to the Treasury Management and Investment Strategy (TMIS) for 2023/24 from the strategy currently in place, other than to update the Prudential Indicators (Section 5 and Appendix 2), to reflect the revised capital plans;

d) Note the retention of the current approach for the repayment of loans fund advances as outlined in Section 7; and

e) Accordingly approve the Treasury Management and Investment Strategy for 2023/24.

2 Purpose of Report/Executive Summary

The purpose of this report to Council is to provide an update on the implementation of the Council's TMIS 2022/23, and to make recommendations to facilitate consideration of the 2023/24 Strategy, specifically the TMIS for 2023/24, the 2021 update to the Prudential and Treasury Management Codes, the Prudential and Treasury indicators contained therein, and the approach to the statutory repayment of loans fund advances.

In accordance with the Treasury Management Code of Practice, the annual Treasury Management & Investment Strategy (TMIS) & Prudential Indicators report is required to be adequately scrutinised before being recommended to the Council. For Midlothian, this role is undertaken by the Audit Committee, with this report being presented to Audit Committee on 7 February 2023, and approved as presented.

Date: 9 February 2023

Report Contact:
Gary Thomson, Senior Finance Business Partner
gary.thomson@midlothian.gov.uk 0131 271 3230

3. Update on implementation of TMIS for 2022/23

3.1 Borrowing

The Council's borrowing position as set out in the 2022/23 Treasury Management Mid-Year Review Report was £323.271 million at 31 March 2022, and six months later was £322.838 million on 30 September 2022.

The principal source of borrowing is the UK Debt Management Office's Public Works Loans Board (PWLB) and fixed rate loans are taken at a time and tenure which takes cognisance of the PWLB rates (derived from the UK Gilts market) and the management of maturity risk in the long term across the Council's loan portfolio.

The Council's loan portfolio, as at 20 January 2023, is shown in table 1 below:-

Table 1: Current Loan Portfolio as at 20 January 2023

Loan Type	Principal Outstanding £000's	Weighted Average Rate
PWLB Annuity	505	8.91%
PWLB Maturity	284,776	2.92%
LOBO	20,000	4.51%
Market Loans	16,886	2.68%
Salix Loans	235	0.00%
Total Loans	**322,402**	**3.01%**

The repayment profile of this debt is shown in graphical and tabular form below:-

Figure 1: Loan Maturity Structure

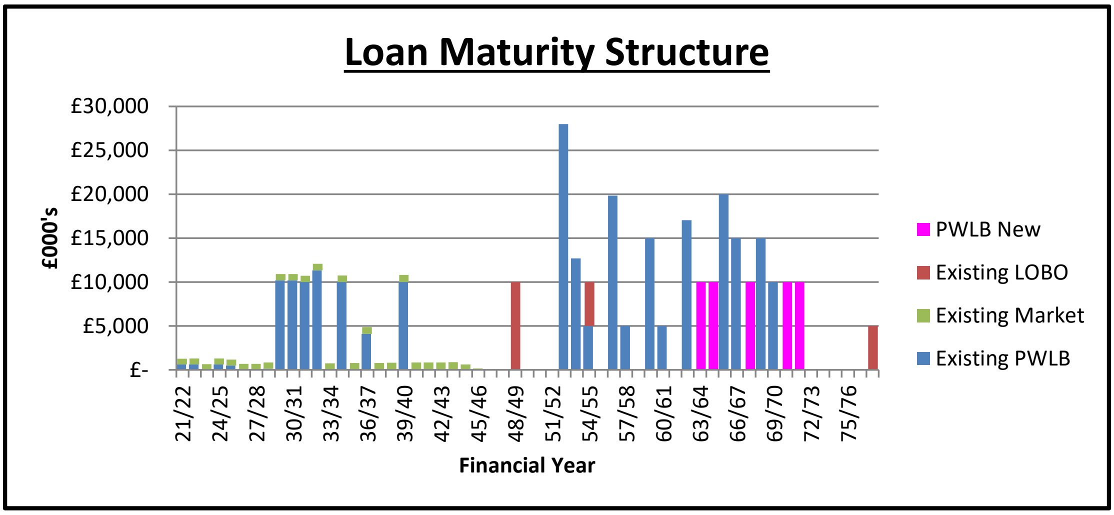


Table 2: Loan Maturity Profile

Financial Year	2022/23 Remaining £000's	2023/24-2026/27 £000's	2027/28-2031/32 £000's	2032/33-2036/37 £000's	2037/38+ £000's
Debt Maturing	648	4,330	33,857	29,258	254,309
% of total portfolio	0.20%	1.34%	10.50%	9.08%	78.88%

As can be noted in the graph and table above, proactive Treasury Management by the Council in the last decade has placed the Council in an extremely strong refinancing position for its existing external debt portfolio, with only £4.978 million, or just 1.54%, of the Council's total Loan Portfolio of £322.402 million requiring refinancing over the current and forthcoming four financial years. This extremely low short-term exposure to refinancing risk has put the Council in a strong position to plan its new borrowings in advance, take advantage of any dips in longer-term borrowing rates from PWLB (as demonstrated above) and other sources, and maintain a low weighted average coupon rate on external debt.

3.2 Deposits

The Council's position for funds on deposit fluctuates on a daily basis, with the 2022/23 Treasury Management Mid-Year Review Report setting out the position at 31 March 2022 of £156.367 million and six months later on 30 September 2022, at £167.399 million.

The position at 20 January 2023, as set out in Table 3 below, totals £146.055 million.

Table 3: Current Deposits as at 20 January 2023

Investment Type	Principal Outstanding £000's	Weighted Average Rate
Bank Call Accounts	14,940	3.30%
Money Market Funds	44,115	3.32%
Bank Fixed Term Deposits	70,000	3.17%
Other Local Authorities	17,000	2.30%
Total Investments	**146,055**	**3.23%**

The cash balances above represent the following:

- Funds held in Bank Fixed Term Deposits and on Deposit with other Local Authorities which are cash backing the Council's projected useable reserves (at 31 March 2023) of £70.273 million;
- A balance held in instant access accounts and money market funds which are used for day to day liquidity to meet cashflow requirements;
- The remainder reflects accumulated balances reflective of (a) the Scottish Government providing upfront funding to local authorities to support a range of grant schemes, (b) advanced

Revenue Support Grant payments and Early Years Capital Grant payments, (c) the receipt of developer contributions from sites across Midlothian, towards new school, community, road and other infrastructure, and (d) the impact of rephasing of the Council's capital plans as reported in the General Services and HRA Quarter 3 Financial Monitoring reports.

The Council's current deposit portfolio is broadly reflective of the wider UK Local Authority position, as noted in the Treasury Management & Annual Investment Strategy Statement – 2023/24 Detailed in Appendix 4, Section 4.4. .

4. Treasury Management & Investment Strategy 2023/24

4.1 Main Objectives of TMIS 2023/24

The objectives of the current and proposed TMIS are:-

- To secure long-term borrowing to fund capital investment, through locking in to long-term interest rates and de-risking the Council's Capital Financing Requirement (CFR);

- To ensure short-term liquidity to manage the Council's day-to-day cashflow. This is achieved through the utilisation of instant access Money Market Fund and Bank Accounts, with the amount held in these reflecting the Council's level of working capital and fluctuating throughout the year due to a number of factors;

- To cash back the Council's usable reserves.

No material changes are proposed to the current TMIS which was scrutinised by Audit Committee in January 2022 and approved by Council in February 2022, other than for the following:-

a) Approve the restriction of the Authorised Limit to the value of the Capital Financing Requirement at 31 March 2024 (£472.662 million), pending finalisation of the General Services Capital Plan Prioritisation;

b) To note the ongoing review in respect of incorporating ESG criteria into the decision making process for making deposits, and that officers will continue to monitor and evaluate emerging approaches as the marketplace develops;

Similarly no changes are recommended to the Permitted Investments, other than the removal of Qatar as an approved country for Investment.

More detail on the borrowing and investment strategy for 2023/24 is provided in Sections 4.2, 4.3 and 4.4 below.

4.2 Borrowing Requirement 2022/23 to 2026/27

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, the Midlothian Energy Limited (MEL) Shareholder Injection, and the maturing long-term loans that require to be refinanced, over the period 2022/23 to 2026/27 is shown in table 4:-

Table 4: Total Borrowing Requirement over the period 2022/23 to 2026/27

	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	Total £000's
Capital Expenditure						
General Services	28,505	86,289	96,822	51,791	12,787	**276,194**
HRA	41,400	94,897	60,711	21,822	8,943	**227,773**
Total Capital Expenditure	**69,905**	**181,186**	**157,533**	**73,613**	**21,730**	**503,967**
Total Available Financing	-28,729	-43,082	-44,357	-21,697	-13,607	**-151,473**
Principal Debt Repayments	-5,986	-9,389	-11,238	-11,830	-12,185	**-50,628**
Capital Expenditure less available Financing	**35,189**	**128,715**	**101,938**	**40,086**	**-4,062**	**301,867**
MEL Shareholder Injection	4,420	710	3,560	0	0	**8,690**
Maturing Long-term Loans	1,465	830	1,448	1,355	851	**5,949**
Total Borrowing Requirement	**41,074**	**130,255**	**106,946**	**41,441**	**-3,211**	**316,506**
Borrowing secured from previous years	-16,024	0	0	0	0	**-16,024**
Total Remaining Borrowing Requirement	**25,050**	**130,255**	**106,946**	**41,441**	**-3,211**	**300,482**

4.3 Borrowing Strategy for remainder of 2022/23 and 2023/24

Borrowing is undertaken to finance the Council's approved Capital plans and to do so in the most cost effective way. As can been noted from Table 4 above the Council has a significant borrowing requirement across the current and forthcoming four financial years (2022/23 to 2026/27).

This TMIS provides for this capital investment to be underpinned by long-term borrowing, recognising the current interest rate environment, the significant borrowing requirement arising from the Council's capital plans, and the long term benefits of de risking the delivery and affordability of these capital plans by locking into the certainty brought by PWLB fixed rate loans.

The Council's external loan debt at 31 March 2023 is projected to be £322.402 million. Based on the Council's historic and current approved Capital Plans, the **Underlying Borrowing Requirement (UBR) –** which is the Council's underlying need to borrow for capital purposes (excluding the long-term liability arising from PFI/DBFM projects) – at 31 March 2023 is expected to equate to £343.625 million.

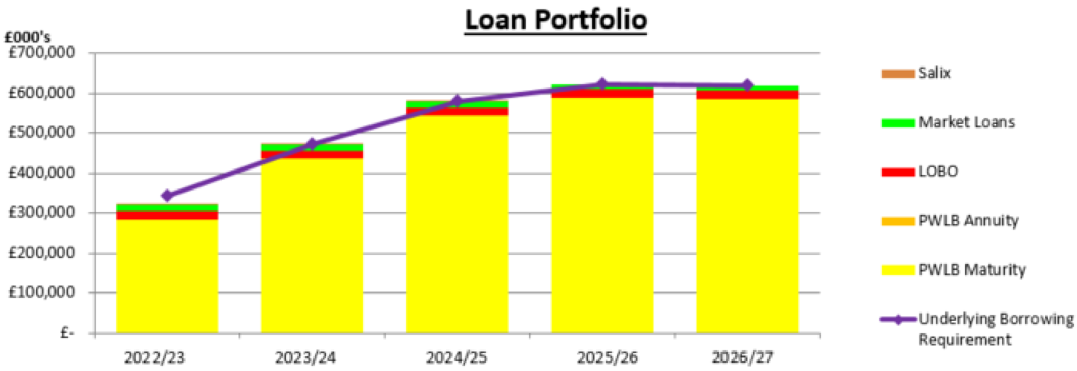
This means that the Council is expected to be £21.223 million (6%) under-borrowed at the end of the 2022/23 financial year i.e. the Council has funded the majority (94%) of its underlying borrowing requirement as at 31 March 2023.

The long-term borrowing the Council took in late 2021/22 to pre-fund part of its 2022/23 borrowing requirement has allowed the Council to defer taking long-term borrowing during 2022/23 when long-term borrowing rates rose significantly, and instead use part of its cash balances to support the in-year borrowing requirement during 2022/23.

In the current economic climate, this is a prudent approach which balances (a) de-risking the longer term borrowing requirement at current longer term borrowing rates; against (b) the current year and forthcoming financial year budget projections. The Council has an extremely low short-medium term exposure to refinancing risk and is therefore in a strong position to plan its new borrowing requirements in advance, taking advantage of any dips in longer-term borrowing rates from PWLB and other sources, and maintain a low weighted average coupon rate on external debt.

The **Underlying Borrowing Requirement** is projected to rise to £619.304 million by 31 March 2027 – almost double the current Underlying Borrowing Requirement. The profile of this, and the projected external loan portfolio to fund the Underlying Borrowing Requirement over the period 2022/23 to 2026/27, is shown in graphical format below.

Figure 3: Loan Portfolio & Underlying Borrowing Requirement



PWLB Borrowing

It is expected that the majority of the Council's remaining 2022/23 and 2023/24 borrowing requirement of £155.306 million (table 4) will be funded through new PWLB maturity loans.

Long-term PWLB borrowing rates for both HRA and non-HRA purposes, which were on a gradual upward trend during the early part of the 2022/23 financial year, saw a significant spike in interest rates due to the tumultuous market volatility experienced in autumn 2022 as a result of the government's economic policy, with longer term PWLB borrowing rates topping out at just under 6.00%. During late 2022, as a degree of market confidence in the UK Economy and Fiscal/Monetary policy returned, rates shifted downwards to around 3.60%-3.90%, before shifting gradually back north during early 2023 to sit at c. 4.24%-4.57% at the time of writing.

The short-medium-term forecast is for PWLB long-term rates to sit flat at around the 4.30% mark during the remainder of 2022/23 and into the early part of 2023/24, before starting to ease off gradually during the mid-latter part of the 2023/24 year, and forecast to sit at c 3.90% by March 2024.

Council officers will therefore continue to monitor PWLB and market rates throughout 2023/24 in order to take advantage of any dips in the market in order to resource the Council's remaining 2022/23, and 2023/24, borrowing requirement of £155.306 million (see table 4).

Temporary Borrowing

The Bank of England's Monetary Policy Committee raised base rate throughout the 2022/23 financial year, to a level of 3.50% at the time of writing and with further rises expected in the 2 remaining meetings in February and March. This is forecast to take base rate to a peak of 4.50% by the start of the 2023/24 financial year, before gradually dropping back to c. 4.00% towards the end of 2023/24.

As such, utilisation of an element of temporary borrowing – which typically tracks close to base rate levels – within the Council's overall loan portfolio may prove attractive whilst the market waits for inflation, and therein gilt yields and PWLB rates, to drop back later in 2023.

However, given the market volatility in 2023/24, this position can shift quickly and Council officers will continue to monitor the temporary borrowing and long-term borrowing markets to assess whether temporary borrowing would add value to the Council's overall portfolio.

The quantum of any temporary borrowing will also be assessed against the backdrop of potential long term costs if the opportunity is missed to take PWLB or other market loans to de-risk the Council's long-term Capital Financing Requirement.

Forward Borrowing

The opportunity also continues to exist to consider further loans on a 'forward dealing' basis, and officers will continue to explore the viability of these loans as part of securing the long term borrowing required to meet the Council's Underlying Borrowing Requirement.

4.4 Investment Strategy for remainder of 2022/23 and 2023/24

No changes are proposed to the Investment Strategy from that approved by Council in the 2022/23 TMIS.

Council should note that in parallel to securing its external borrowing to finance the capital financing requirement, the strategy means that Council should continue to cash back the Council's useable reserves. In doing so, the Council are able to continue to minimise the extent of under-borrowing and at the same time de-risk the Council's forward borrowing requirement; whilst also ensuring that all deposits are securely placed with high creditworthy counterparties, complying with the CIPFA Treasury Management Code principles of security, liquidity and then yield – in that order.

All deposits will be placed with high creditworthy counterparties in accordance with the approved creditworthiness policy as outlined in Appendix 1, with a tenor reflective of the expected drawdown of useable reserve forecasts, and at a yield commensurate with this.

The list of Permitted Investments in Appendix 1 also remains unchanged from that approved by Council in the 2022/23 TMIS, other than the removal of Qatar as an approved country for Investment.

As required by the CIPFA Treasury Management Code, Local authorities "must not borrow to invest for the primary purpose of financial return." Midlothian Council does not and has not borrowed to invest for the primary purpose of financial return.

<u>Environmental, Social and Governance (ESG) in credit and counterparty policies (Treasury Management Practice 1)</u>

The inclusion of ESG criteria is still very much an emerging area in the Local Authority environment which will require ongoing monitoring. For the 2023/24 financial year, the Council's priorities of security, liquidity and then yield remain paramount and unchanged (and in that order), with ESG criteria an added 4th element to consider in the decision making process.

Page 50 of CIPFA's Treasury Management Code states:-

> "*ESG issues are increasingly significant for investors and investment managers. This is better developed in equity and bond markets than for short-term cash deposits, and there is a diversity of market approaches to ESG classification and analysis. This means that a consistent and developed approach to ESG for public service organisations is currently difficult.*
>
> *Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies.*"

For short term investments with counterparties, this Council utilises the Link creditworthiness service which uses the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which in themselves include analysis of ESG factors, and specifically the "G" element, when assigning ratings. Of the 3 elements of ESG, the most important element when considering treasury deposits is the Governance aspect – given the majority of treasury deposits undertaken by Midlothian Council are naturally short dated in duration, poor governance can have a more immediate impact on the financial circumstances of an entity and potential for a default event that could impact the amount of principal returned on the deposit.

Those financial institutions viewed as having poor/weak corporate governance are generally less well rated in the first instance or have a higher propensity for being subject to negative rating action, and the Council's existing creditworthiness policy will therefore take this into account.

Environment and Social factors are also important, but relate more to the long-term impact. Council should note that in relation to the security aspect of Treasury deposits, placing an undue weight on the Environmental and Social factors in the decision making process could have an adverse effect of limiting the list of potential counterparty options, thus decreasing diversification. This could then in turn lead to a widening of credit (security) criteria, or those with a stronger "ESG" performance, in order to restore a balance of diversification across the deposit portfolio, potentially increasing credit risk – and placing the cornerstone of prudent investing at risk.

The inclusion of ESG criteria therefore remains an area which requires ongoing review.

Council officers, in conjunction with the Council's treasury advisers Link, will therefore monitor and assess ongoing developments and emerging standards in this area, and methods in which the Council can incorporate ESG factors into our creditworthiness assessment process, and report back to Council accordingly.

5 Prudential Indicators – Midlothian Council

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.

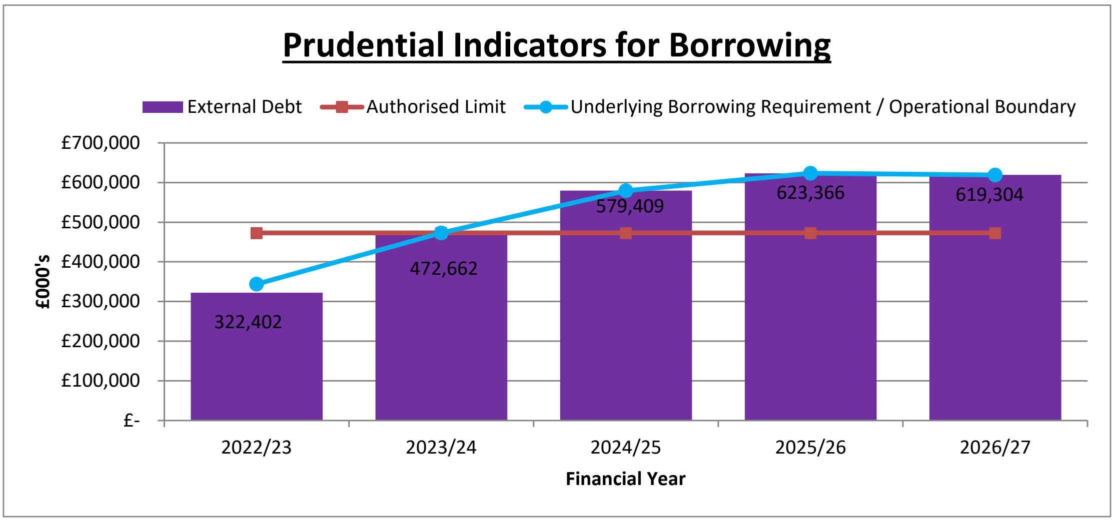
The Prudential Indicators that Councils need to consider relate to both actual, historic outcomes, and future estimated outcomes (covering the same period as the Council's Capital Plans), as follows:-

- Actual outcomes for 2021/22;
- Revised estimates of the 2022/23 indicators; and
- Estimates of indicators for 2023/24 to 2026/27.

The Prudential Indicators required by the Code are listed individually in Appendix 2.

The key Prudential Indicators relating to the Underlying Borrowing Requirement, the expected Gross External Debt, and the proposed Authorised Limit, are shown in graphical format below.

Figure 4: Prudential Indicators for Borrowing



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 PPP/DBFM contracts. The **Underlying Borrowing Requirement** as shown in Figure 4 above strips out the latter of these (long-term liability arising from the Council's PPP/DBFM 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 for the 2023/24 financial year has been calculated to equate to the maximum value of the Underlying Borrowing Requirement in 2023/24. This equates to £472.662 million as outlined in Table 5 below.

Table 5: Authorised Limit for Borrowing: Calculation

Authorised Limit for Borrowing	**Amount £000's**
CFR – General Services (31 March 2024)	192,891
CFR – HRA (31 March 2024)	279,771
Proposed Authorised Limit for Borrowing	**472,662**

Council is therefore asked to approve an authorised limit for borrowing of £472.662 million.

6 CIPFA Codes & CIPFA Toolkit

6.1 CIPFA Codes

CIPFA, on 20 December 2021, released the new editions of the Treasury Management Code and Prudential Code.

The main areas that have been updated were as noted to Council in the TMIS in February 2022.

CIPFA expect Local Authorities to integrate the requirements of the new Treasury Management and Prudential Codes, and the Treasury Management Guidance Note, into their decision-making, monitoring and management.

CIPFA make it clear that the reporting requirements of the new 2021 Prudential Code must be implemented for the 2023/24 financial year. For Midlothian Council, this will be as follows:-

- A fully updated set of Treasury Management Practices (TMPs) were presented to, and approved by, Audit Committee on 6 December 2022;

- The new Prudential Indicators in respect of (a) the Debt Liability Benchmark (Appendix 2, Section 5.5) and (b) Net Income from Service & Commercial Investments as a proportion of Net Revenue Stream (Appendix 2, Section 1.3) are included within this report;

- The reporting requirements of the Prudential Code requires that the Section 95 officer establish procedures to monitor and report Prudential & Treasury Management Indicators on a quarterly basis.

  These are already currently reported to Council as part of the Treasury Mid-Year Review (Q2), Treasury Strategy (Q3), and Annual Treasury Outturn (Q4) reports.

  For the 2023/24 financial year, in addition to the existing reporting arrangements, the monitoring and reporting of Prudential Indicators, along with forecast debt and investments indicators, will be reported as part of the existing Quarter 1 integrated revenue and capital financial monitoring reports.

- Officers will incorporate the new Environmental & Sustainability provisions of the Prudential Code in the next update of the Capital Strategy.

6.2 CIPFA Scottish Treasury Management Forum Toolkit

The Council is a member, and represented at officer level on the Executive Committee, of the CIPFA Scottish Treasury Management

Forum (Scottish TMF), who have recently undertaken work in partnership with CIPFA to develop a new Scottish Treasury Toolkit.

This Toolkit delivers on the Scottish TMF's vision to create a free (to all members of the Scottish TMF) online learning programme aimed at Elected Members and Treasury Practitioners within Scottish Local Authorities. The toolkit focuses on Scottish regulations with commentary on differences to England and Wales, and includes a series of online learning modules developed to assist Officers and Members in their knowledge and understanding of Treasury practices and procedures.

2022 saw the completion of the first 4 e-learning modules and these will be made available to member organisations from early February 2023, with a further 8 modules in the pipeline of development and which are expected to be made available as the year progresses.

The new Treasury Management Code of Practice (TMP10 Training & Qualifications: Knowledge and Skills) requires organisations to retain a knowledge and skills register of elected members and employees that includes a training schedule outlining the aims and objectives of training and the expected level of knowledge, skills and expertise required of those involved in Treasury Management. This is covered in more detail in the Council's TMPs as approved by Audit Committee on 6 December 2022, a copy of which is in the Members Library.

It is therefore proposed that to assist Elected Members to have the necessary expertise, knowledge and skills to undertake their role in the scrutiny of Treasury Management that officers will assemble a list of Elected Members to undertake the Scottish Treasury Toolkit online e-learning programme.

In parallel with this, officers will also assemble a list of employees charged with the execution of the Treasury Management Strategy to undertake the Scottish Treasury Toolkit online learning programme.

As Elected Members and employees progress through the series of online learning modules, the Council's TMP10: Training & Qualifications: Knowledge and Skills schedule will be updated accordingly.

7 Statutory repayment of loans fund advances

Under the Local Government 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.
The TMIS retains the methodology adopted in 2022/23 – that is as follows:-

7.1 New Assets

In accordance with Finance Circular 7/2016, for all advances made in relation to the provision of a new asset, the policy will be to defer the commencement of the first principal repayment of the loans fund advance until the financial year following the one in which the asset is first available for use.

7.2 Prudent Repayment of Loans Fund Advances

Finance Circular 7/2016 provides a variety of options to Councils for the profiling of the repayment of each loans fund advance, so long as the principle of prudence is maintained. There are 4 options available: (a) Asset Life method; (b) Statutory method; (c) Depreciation method; and (d) Funding/income profile method.

In line with the policy adopted in 2022/23, the Asset Life method shall be used for those assets in Table 6.

Table 6: Asset Classes to adopt the "Asset Life" method

Infrastructure	**Current Loans Fund Advance Period**
New Primary Schools/Extensions	60
New Leisure Centres	60
New Offices	60
Road Upgrades	50
Street Lighting Columns	50
Structures/Bridges	50
Footway/Cyclepaths	50
Town Centre Environmental Improvements	50
New Care Homes	45
Children's Play Equipment	20

** Average loans fund advance length*

The annual repayments under the "Asset Life" method for those asset classes as noted above will be calculated using the asset lives and will use the annuity method, to ensure consistency of approach with the Statutory method for all other asset classes (see below). The annuity interest rate that will be used to calculate loans fund principal repayments under the "Asset Life" method will be the in-year loans fund rate, which for 2022/23 is currently estimated to be 2.21%.

For all other asset classes, the policy will be to maintain the practice of previous years and apply what is termed "the Statutory Method" – following the principles of Schedule 3 of the Local Government (Scotland) Act 1975 – with all loans fund advances being repaid by the annuity method. The annuity rate that is proposed to be applied to the loans fund repayments varies and will be the in-year loans fund rate, reflecting the Council's current loan and investment portfolio. The loans fund rate for 2022/23 is forecast to be 2.21%

Whilst neither the Depreciation nor the Funding/income profile methods are currently proposed, Council officers will continue to monitor whether it is appropriate to use this for future capital projects.

8 Performance Indicators 2021/22 – comparison with other Scottish Local Authorities

The Treasury Management Forum collates performance indicators for all Scottish Local Authorities. The indicators relating to financial year 2021/22 have been published and once again demonstrate the continuing effectiveness of the Council's Treasury function in maximising efficiency in Treasury Management activity, with the Council having the 5th lowest weighted average borrowing & investment (loans fund) rate across all Scottish mainland authorities in 2021/22 (2.98%). The Council has consistently maintained the loans fund rate as one of the lowest across all Scottish mainland authorities for the last decade and more. Appendix 3 outlines the loans fund rate for each Scottish Local Authority in 2021/22.

The forecast loans fund rate of 2.21% for 2022/23 is expected to once again be one of the lowest for all Scottish Local Authorities.

Were the internal loans fund rate to have equated to the Scottish weighted average of 3.33%, this would have generated loan charges in 2021/22 of £15.2m. The Council's actual 2021/22 loan charges for General Services and HRA were £14.1m, representing a cash saving (compared to the Scotland average) of £1.1m in 2021/22.

9. Report Implications

9.1 Resource

There are no direct resource implications arising from this report.

9.2 Digital

None

9.3 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.

9.4 Ensuring Equalities

There are no equality issues arising from this report.

9.5 Additional Report Implications

See Appendix A.

Appendix A: Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable.

A.2 Key Drivers for Change

A.3 Key Delivery Streams

Themes addressed in this report:

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

A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value.

A.5 Involving Communities and Other Stakeholders

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.

A.6 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.

A.7 Adopting a Preventative Approach

Not applicable.

A.8 Supporting Sustainable Development

Not applicable.

Background Papers:-
Appendix 1:- Permitted Investments
Appendix 2:- Prudential Indicators
Appendix 3: Performance Indicators 2021/22
Appendix 4:- Treasury Management & Annual Investment Strategy Statement – 2023/24 Detailed

Permitted Investments Appendix 1

The Council uses the Link creditworthiness service for specific categories of permitted investments. 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 specific categories 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:-

Link Asset Services Colour Code	**Maximum Suggested Duration for Investment**
Yellow	6 years*
Dark Pink	6 years**
Light Pink	6 years**
Purple	2.5 years
Blue	1.25 years***
Orange	1.25 years
Red	7 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 Link) for the Yellow, Dark Pink, Light Pink categories (and so to 6 years); the Purple category by 6 months to 2.5 years; the Blue and Orange categories by 3 months to 1.25 years; the Red category by a month to 7 months, and the Green category by 20 days to 120 days. This is 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. A thorough appraisal of the additional risk involved in extending the duration of any deposit (marginally) beyond the maximum suggested by Link, 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%**	**5 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 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 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 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 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%**	**1.25 years**
UK nationalised banks – Fixed term deposits with variable rate and variable maturities: - Structured deposits	Blue	Term	No	**100%**	**1.25 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 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 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 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 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 week**
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	**100%**	**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+0	Yes	**100%**	**Up to 6 yrs** **Up to 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 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 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**
Floating rate notes	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	**100%**	**Up to 6 yrs** **Up to 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**
Corporate Bonds other	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	**100%**	**Up to 6 yrs** **Up to 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 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**	**25 years**
Subordinated Debt Subscription to Newbattle Centre SPV	n/a	Term	No	**£0.326m**	**22 years**
Midlothian Energy Limited	n/a	Term	No	**£10.2m**	**n/a**

Treasury Risks and Mitigating Controls for each type of investment are as outlined in the Treasury Management & Annual Investment Strategy Statement – 2023/24 Detailed – Appendix 5.3. The Council's Treasury Management Practices have also been updated in line with the new CIPFA Prudential and Treasury Management Codes which were approved by Audit Committee on 6 December 2022.

Prudential Indicators Appendix 2

1. Prudential Indicators for Affordability

These indicators provide an indication of the impact of the capital investment plans on the Council's overall finances.

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						
%	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
General Services	1.08%	1.25%	1.57%	3.43%	4.47%	4.67%
HRA	38.27%	40.78%	43.67%	55.12%	54.22%	56.26%

The figures above are based on the current General Services and HRA Capital Plans.

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						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 173,114	£ 199,340	£ 279,771	£ 327,765	£ 341,407	£ 342,046
HRA revenues £000's	£ 31,833	£ 31,143	£ 31,577	£ 32,928	£ 35,361	£ 35,094
Ratio of debt to revenues %	544%	640%	886%	995%	965%	975%

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

HRA Debt per Dwelling						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
HRA debt £000's	£ 173,114	£ 199,340	£ 279,771	£ 327,765	£ 341,407	£ 342,046
Number of HRA dwellings	7,002	7,170	7,451	7,841	8,212	8,224
Debt per dwelling £	£ 24,724	£ 27,802	£ 37,548	£ 41,801	£ 41,574	£ 41,591

1.3 Net Income from Service & Commercial Investments as a proportion of Net Revenue Stream

A new indicator, which is a requirement of the new Prudential Code, identifies the ratio of net income from service and commercial investments as a proportion of the net General Services revenue stream.

Net Income from Service Investments as a proportion of Net Revenue Stream						
%	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual £000's	Estimate £000's	Estimate £000's	Estimate £000's	Estimate £000's	Estimate £000's
Income from Service Investments	51	34	34	34	34	34
Net Revenue Stream	241,017	247,161	250,161	253,602	257,190	262,632
%	0.02%	0.01%	0.01%	0.01%	0.01%	0.01%

2. Prudential Indicators for Capital Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Estimated Capital Expenditure

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

Capital Expenditure	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
General Services						
Children, Young People & Estates	£ 5,688	£ 6,954	£ 39,388	£ 51,710	£ 38,524	£ 5,511
Asset Management	£ 12,542	£ 12,622	£ 15,486	£ 11,656	£ 8,686	£ 7,686
Transport, Energy & Infrastructure	£ 1,440	£ 1,393	£ 3,302	£ 16,454	£ 2,862	£ 408
Regeneration & Development	£ 726	£ 2,731	£ 20,373	£ 13,776	£ 1,136	£ 11
Other	£ 3,232	£ 5,790	£ 8,476	£ 5,402	£ 3,058	£ 528
Provision for return of contingencies	£ (241)	£ (985)	£ (737)	£ (2,176)	£ (2,475)	£ (1,357)
Total General Services	**£ 23,386**	**£ 28,505**	**£ 86,289**	**£ 96,822**	**£ 51,791**	**£ 12,787**
Total HRA	**£ 39,477**	**£ 41,400**	**£ 94,897**	**£ 60,711**	**£ 21,822**	**£ 8,943**
Combined Total	**£ 62,863**	**£ 69,905**	**£ 181,186**	**£ 157,533**	**£ 73,613**	**£ 21,730**

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	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
Capital Expenditure						
General Services	£ 23,386	£ 28,505	£ 86,289	£ 96,822	£ 51,791	£ 12,787
HRA	£ 39,477	£ 41,400	£ 94,897	£ 60,711	£ 21,822	£ 8,943
Total	**£ 62,863**	**£ 69,905**	**£ 181,186**	**£ 157,533**	**£ 73,613**	**£ 21,730**
Financed by:						
Capital receipts	£ 30	£ -	£ -	£ -	£ -	£ -
Capital grants	£ 17,492	£ 21,431	£ 27,244	£ 23,400	£ 9,185	£ 8,251
Capital reserves	£ 27,000	£ 3,000	£ 2,533	£ 7,694	£ -	£ -
Developer/Other Contributions	£ 5,825	£ 4,298	£ 13,305	£ 13,263	£ 12,513	£ 5,356
Net financing need for the year	**£ 12,516**	**£ 41,175**	**£ 138,104**	**£ 113,176**	**£ 51,916**	**£ 8,123**

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)						
	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
Capital Financing Requirement						
CFR – General Services	£ 134,133	£ 144,286	£ 192,891	£ 251,645	£ 281,958	£ 277,258
CFR – HRA	£ 173,114	£ 199,340	£ 279,771	£ 327,765	£ 341,407	£ 342,046
CFR – PFI Schemes	£ 95,914	£ 92,433	£ 88,739	£ 84,815	£ 80,661	£ 76,277
Total CFR	**£ 403,161**	**£ 436,059**	**£ 561,401**	**£ 664,225**	**£ 704,026**	**£ 695,581**
Movement in CFR	**£ 9,259**	**£ 32,898**	**£ 125,341**	**£ 102,824**	**£ 39,802**	**£ (8,446)**
Movement in CFR represented by						
Net financing need for the year (previous table)	£ 12,516	£ 41,175	£ 138,104	£ 113,176	£ 51,916	£ 8,123
Less Scheduled Debt Amortisation	£ (5,670)	£ (5,986)	£ (9,389)	£ (11,238)	£ (11,830)	£ (12,185)
Less net PFI Finance Lease Principal Payments	£ (13,832)	£ (3,481)	£ (3,694)	£ (3,924)	£ (4,154)	£ (4,384)
Movement in CFR	**£ (6,986)**	**£ 31,708**	**£ 125,021**	**£ 98,014**	**£ 35,932**	**£ (8,446)**

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						
	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
External Debt						
Debt at 1 April	£ 274,795	£ 323,271	£ 322,402	£ 472,662	£ 579,409	£ 623,366
Actual/Expected change in Debt	£ 48,476	£ (869)	£ 150,260	£ 106,747	£ 43,956	£ (4,062)
Other long-term liabilities (OLTL) at 1 April	£ 99,203	£ 95,914	£ 92,433	£ 88,739	£ 84,815	£ 80,661
Actual/Expected change in OLTL	£ (3,289)	£ (3,481)	£ (3,694)	£ (3,924)	£ (4,154)	£ (4,384)
Actual/Expected Gross Debt at 31 March	**£ 419,185**	**£ 414,835**	**£ 561,401**	**£ 664,224**	**£ 704,027**	**£ 695,581**
The Capital Financing Requirement	**£ 403,161**	**£ 436,059**	**£ 561,401**	**£ 664,225**	**£ 704,026**	**£ 695,581**
Under / (over) borrowing	**£ (16,024)**	**£ 21,224**	**£ -**	**£ -**	**£ -**	**£ -**
Deposits						
Cash & Cash Equivalents	£ 56,287	£ 65,000	£ 25,000	£ 25,000	£ 25,000	£ 25,000
Short-Term Investments	£ 74,985	£ 70,000	£ 55,000	£ 48,000	£ 48,000	£ 46,000
Total Deposits	**£ 131,272**	**£ 135,000**	**£ 80,000**	**£ 73,000**	**£ 73,000**	**£ 71,000**

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 (2022/23 to 2026/27); 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					
	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
Operational Boundary - Borrowing	£ 343,626	£ 472,662	£ 579,410	£ 623,365	£ 619,304
Operational Boundary - Other long term liabilities	£ 92,433	£ 88,739	£ 84,815	£ 80,661	£ 76,277
Total	**£ 436,059**	**£ 561,401**	**£ 664,225**	**£ 704,026**	**£ 695,581**

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.

The Authorised Limit for Borrowing for the 2023/24 financial year has been calculated to equate to the maximum value of the Underlying Borrowing Requirement in 2023/24. This equates to £472.662 million as outlined below.

Authorised Limit for Borrowing	
	£000's
CFR - General Services at 31 March 2024	£ 192,891
CFR - HRA at 31 March 2024	£ 279,771
Authorised Limit for Borrowing	**£ 472,662**

5. Prudential Indicators for Treasury Management

5.1 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 2023/24	
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%

5.2 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 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 2023/24		
Maturity structure of fixed interest rate borrowing 2023/24	**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 2023/24	**Lower**	**Upper**
Under 12 months	0.00%	30.00%
12 months to 2 years	0.00%	30.00%
2 years to 5 years	0.00%	30.00%
5 years to 10 years	0.00%	30.00%
10 years to 20 years	0.00%	30.00%
20 years to 30 years	0.00%	30.00%
30 years to 40 years	0.00%	30.00%
40 years to 50 years	0.00%	30.00%
50 years and above	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		£70m

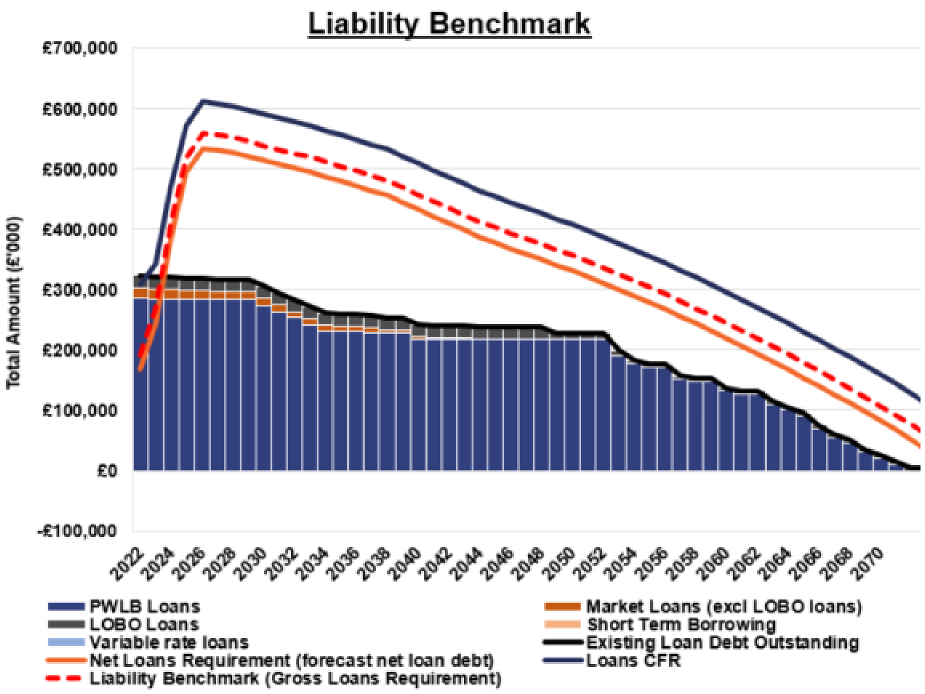
The current strategy as outlined in the body of these reports is to continue to cash-back the Council's balance sheet reserves. It is expected that the majority of this will be in the form of fixed term deposits and/or certificates of deposit. Given expected reserve forecasts and the current interest rate environment, in particular the short-medium term forecast for the Council's Capital Fund and HRA Reserve, the limit for prinicipal sums invested for > 365 days has been retained at £70m.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access accounts and money market funds.

5.5 Liability Benchmark

In the new 2021 CIPFA Treasury Management Code of Practice, a new Treasury Management Indicator – the "Liability Benchmark" is required which identifies future borrowing needs across the short, medium and longer terms, against the maturity profile of the Council's existing loan portfolio.

The Council's Liability Benchmark in graphical format is as shown below.



There are four components to the Liability Benchmark: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years – shown as the stacked bar elements of the figure above.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.

3 **Net loans requirement**: this shows the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows (drawdowns/enhancement of reserves) forecast.

4 **Liability benchmark (or gross loans requirement)**: this equals net loans requirement plus short-term liquidity/working capital allowance.

The Debt Liability Benchmark Indicator identifies the Council's expected future capital financing requirement, as driven by the Council's approved Capital Plans – and therefore the Council's future borrowing needs; along with how this matches to the existing debt maturity profile. It is therefore a key tool to support the financing risk management of the capital financing requirement.

As can be noted from the figure above, the Council has a significant borrowing requirement (which equates to £300.482 million) in the short-medium term, arising as a direct result of the Council's approved Capital Plans. The proposed approach to securing this borrowing need for the 2023/24 financial year is outlined in the main body of this report, Section 4.3.

The Debt Liability Benchmark also outlines the profile of the Council's CFR over the medium-long term, against the Council's existing debt portfolio maturity profile. As can be seen from the figure above, the profile of the CFR movements in the medium-long term broadly matches the movements in the Councils external debt portfolio over this period.

The Debt Liability Benchmark will assist the Council with plotting the tenor of borrowing to finance the Council's approved capital plans that is undertaken in the remainder of 2022/23 and the forthcoming 2023/24 period, to ensure that this aligns with the Council's future expected CFR profile and Liability Benchmark projections, taking into account the profile of existing loan maturities as identified in the figure above.

Authority	Loans Fund Rate
West Dunbartonshire	1.94%
Aberdeenshire	2.32%
North Lanarkshire	2.55%
East Lothian	2.81%
Midlothian	2.97%
East Dunbartonshire	3.00%
Aberdeen City	3.01%
Perth & Kinross	3.15%
Dumfries & Galloway	3.19%
Falkirk	3.23%
South Ayrshire	3.25%
East Ayrshire	3.27%
Stirling	3.32%
Orkney	3.33%
Fife	3.34%
Dundee City	3.36%
Argyll & Bute	3.41%
Inverclyde	3.43%
North Ayrshire	3.46%
Highland	3.50%
East Renfrewshire	3.52%
South Lanarkshire	3.61%
Scottish Borders	3.66%
West Lothian	3.70%
Glasgow City	3.71%
Moray	3.76%
Edinburgh City	3.84%
Renfrewshire	3.99%
Angus	4.44%
Clackmannanshire	5.07%
Comhairle Nan Eilean Siar	7.15%

Appendix 4

Treasury Management Strategy Statement
and Annual Investment Strategy

Midlothian Council
2023/24

INDEX

1 INTRODUCTION

1.1 Background

The main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. As such, the second part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are deposited with low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any loans to third parties, commercial investment initiatives or other non-financial investments will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure),and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA Prudential and Treasury Management Codes require all local authorities to prepare an additional report, a capital strategy report, which provides the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

a) **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:
   - the capital plans (including prudential indicators) for 2022/23 to 2026/27;
   - a policy for the statutory repayment of debt, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy (how the investments and borrowings are to be organised) for 2023/24, including treasury indicators; and
   - a permitted investment strategy for 2023/24 (the parameters on how investments are to be managed).

b) **A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the actual treasury strategy is meeting the strategy outlined in advance of the year, or whether any policies require revision.

c) **An annual treasury outturn report** – This provides details of a selection of actual prudential and treasury indicators for the previous financial year and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee with this report presented to Audit Committee on 7 February 2023, with the report approved as presented.

Quarterly reports
From 2023/24 quarterly reporting is also required. In addition to the three major reports detailed above, Prudential and Treasury Management Indicators will be reported at Quarter 1 as part of the Council's integrated Revenue and Capital Monitoring reports.

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

Capital issues

- the capital expenditure plans and the prudential indicators (Section 2 of this report);
- The loans fund repayment policy (Section 2.4 of this report).

Treasury management issues

- policy on use of external service providers (Section 1.5);
- the current treasury position (Section 3.1);
- treasury indicators which limit the treasury risk and activities of the Council (Section 3.2);
- prospects for interest rates (Section 3.3);
- the borrowing strategy (Section 3.4);
- policy on borrowing in advance of need (Section 3.5);
- debt rescheduling (Section 3.6);
- the investment strategy (Section 4.1); and
- creditworthiness policy (Section 4.2).

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and The Scottish Government Local Authority (Capital Finance & Accounting) (Scotland) Regulations 2016.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsibe for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

Organisations need to consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download. This was presented to members of the Audit Committee and Council as part of the Council's Treasury Management 2022-23 Mid-Year Review Report.

A formal record of Knowledge & Skills Schedule has been developed as part of the Council's Treasury Management Practices. This will be periodically reviewed to assess suitability, and updated to reflect ongoing training, knowledge and skills gained. Similarly, a formal record of the treasury management/capital finance training received by members will also be periodically reviewed and updated.

1.5 Treasury management consultants

The Council uses Link Group, Treasury Solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below summarises the Capital Expenditure forecasts:-

Table 1: Capital Expenditure

	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
General Services						
Children, Young People & Estates	£ 5,688	£ 6,954	£ 39,388	£ 51,710	£ 38,524	£ 5,511
Asset Management	£ 12,542	£ 12,622	£ 15,486	£ 11,656	£ 8,686	£ 7,686
Transport, Energy & Infrastructure	£ 1,440	£ 1,393	£ 3,302	£ 16,454	£ 2,862	£ 408
Regeneration & Development	£ 726	£ 2,731	£ 20,373	£ 13,776	£ 1,136	£ 11
Other	£ 3,232	£ 5,790	£ 8,476	£ 5,402	£ 3,058	£ 528
Provision for return of contingencies	£ (241)	£ (985)	£ (737)	£ (2,176)	£ (2,475)	£ (1,357)
Total General Services	**£ 23,386**	**£ 28,505**	**£ 86,289**	**£ 96,822**	**£ 51,791**	**£ 12,787**
Total HRA	**£ 39,477**	**£ 41,400**	**£ 94,897**	**£ 60,711**	**£ 21,822**	**£ 8,943**
Combined Total	**£ 62,863**	**£ 69,905**	**£ 181,186**	**£ 157,533**	**£ 73,613**	**£ 21,730**

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

Members are asked to approve the capital expenditure forecasts and the financing of these forecasts:-

Table 2: Capital Expenditure and Available Financing

	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
Capital Expenditure						
General Services	£ 23,386	£ 28,505	£ 86,289	£ 96,822	£ 51,791	£ 12,787
HRA	£ 39,477	£ 41,400	£ 94,897	£ 60,711	£ 21,822	£ 8,943
Total	**£ 62,863**	**£ 69,905**	**£ 181,186**	**£ 157,533**	**£ 73,613**	**£ 21,730**
Financed by:						
Capital receipts	£ 30	£ -	£ -	£ -	£ -	£ -
Capital grants	£ 17,492	£ 21,431	£ 27,244	£ 23,400	£ 9,185	£ 8,251
Capital reserves	£ 27,000	£ 3,000	£ 2,533	£ 7,694	£ -	£ -
Developer/Other Contributions	£ 5,825	£ 4,298	£ 13,305	£ 13,263	£ 12,513	£ 5,356
Net financing need for the year	**£ 12,516**	**£ 41,175**	**£ 138,104**	**£ 113,176**	**£ 51,916**	**£ 8,123**

Note: The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for (financed), will increase the CFR.

The CFR does not increase indefinitely, as annual repayments from revenue need to be made which reflect the useful life of capital assets financed from borrowing. From 1st April 2016, Local Authorities may choose whether to use scheduled debt amortisation (loans pool charges) or another suitable method of calculation in order to repay borrowing.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme already include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £95.914m of such schemes within the CFR. The Council is asked to approve the CFR projections below:

Table 3: Capital Financing Requirement (CFR)

	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
Capital Financing Requirement						
CFR – General Services	£ 134,133	£ 144,286	£ 192,891	£ 251,645	£ 281,958	£ 277,258
CFR – HRA	£ 173,114	£ 199,340	£ 279,771	£ 327,765	£ 341,407	£ 342,046
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Total CFR	**£ 403,161**	**£ 436,059**	**£ 561,401**	**£ 664,225**	**£ 704,026**	**£ 695,581**
Movement in CFR	**£ (6,986)**	**£ 32,898**	**£ 125,341**	**£ 102,824**	**£ 39,802**	**£ (8,446)**
Movement in CFR represented by						
Net financing need for the year (previous table)	£ 12,516	£ 41,175	£ 138,104	£ 113,176	£ 51,916	£ 8,123
Less Scheduled Debt Amortisation	£ (5,670)	£ (5,986)	£ (9,389)	£ (11,238)	£ (11,830)	£ (12,185)
Less net PFI Finance Lease Principal Payments	£ (13,832)	£ (3,481)	£ (3,694)	£ (3,924)	£ (4,154)	£ (4,384)
Movement in CFR	**£ (6,986)**	**£ 31,708**	**£ 125,021**	**£ 98,014**	**£ 35,932**	**£ (8,446)**

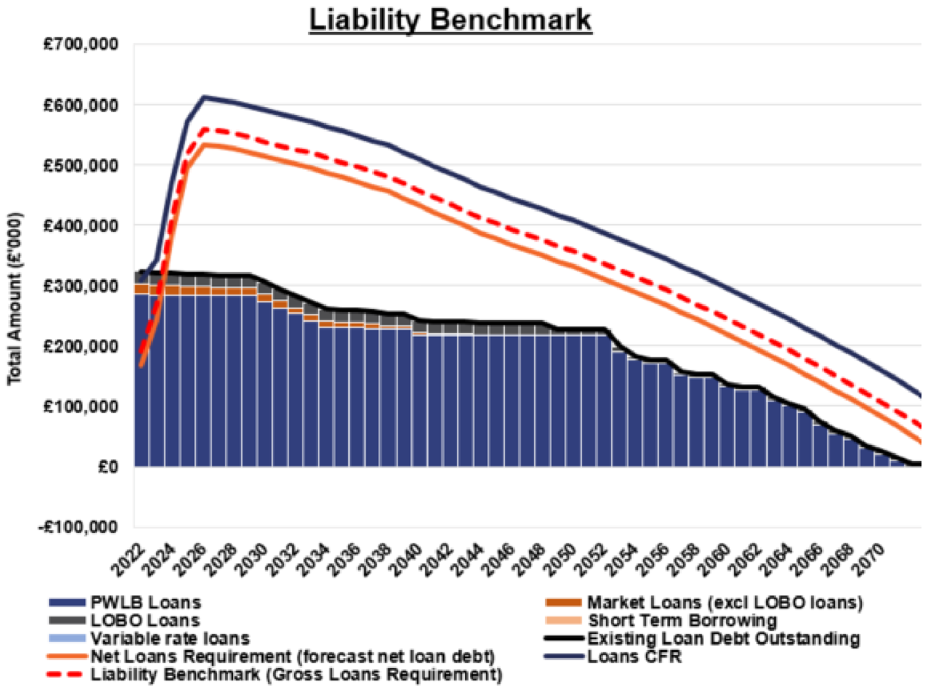
A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Debt Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the Liability Benchmark: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.
3. **Net loans requirement**: this shows the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows (drawdowns/enhancement of reserves) forecast.
4. **Liability benchmark (or gross loans requirement)**: this equals net loans requirement plus short-term liquidity/working capital allowance.



2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Table 4: Balance Sheet Resources						
Reserve	**2021/22 Actual £000's**	**2022/23 Estimate £000's**	**2023/24 Estimate £000's**	**2024/25 Estimate £000's**	**2025/26 Estimate £000's**	**2026/27 Estimate £000's**
HRA Balances	£ 28,084	£ 31,988	£ 33,669	£ 33,217	£ 33,076	£ 31,588
General Fund Balances	£ 3,812	£ 3,812	£ 3,650	£ 3,650	£ 3,650	£ 3,650
Earmarked reserves	£ 28,620	£ 12,404	£ -	£ -	£ -	£ -
Provisions	£ 3,718	£ 3,214	£ 2,787	£ 2,600	£ 2,500	£ 2,400
Capital Fund	£ 22,178	£ 19,178	£ 16,646	£ 8,952	£ 8,952	£ 8,952
Total Reserves / Core Funds	**£ 86,412**	**£ 70,596**	**£ 56,752**	**£ 48,419**	**£ 48,178**	**£ 46,590**
Working capital*	£ 28,836	£ 85,628	£ 23,248	£ 24,581	£ 24,822	£ 24,410
Under/over borrowing	£ (16,024)	£ 21,224	£ -	£ -	£ -	£ -
Expected investments	**£ 131,272**	**£ 135,000**	**£ 80,000**	**£ 73,000**	**£ 73,000**	**£ 71,000**

**Working capital balances shown are estimated year-end; these may be higher mid-year*

2.5 Statutory repayment of loans fund advances

Under the Local Government 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.

It is proposed to retain the methodology adopted in 2022/23 – that is as follows:-

<u>New Assets</u>

In accordance with Finance Circular 7/2016, for all advances made in relation to the provision of a new asset, the policy will be to defer the commencement of the first principal repayment of the loans fund advance until the financial year following the one in which the asset is first available for use.

Prudent Repayment of Loans Fund Advances

Finance Circular 7/2016 provides a variety of options to Councils for the profiling of the repayment of each loans fund advance, so long as the principle of prudence is maintained. There are 4 options available: (a) Asset Life method; (b) Statutory method; (c) Depreciation method; and (d) Funding/income profile method.

In line with the policy adopted in 2022/23, the Asset Life method shall be used for those assets in Table 6.

Table 5: Asset Classes to adopt the "Asset Life" method

Infrastructure	**Curren Loans Fund Advance Period**
New Primary Schools/Extensions	60
New Leisure Centres	60
New Offices	60
Road Upgrades	50
Street Lighting Columns	50
Structures/Bridges	50
Footway/Cyclepaths	50
Town Centre Environmental Improvements	50
New Care Homes	45
Children's Play Equipment	20

** Average loans fund advance length*

The annual repayments under the "Asset Life" method for those asset classes as noted above will be calculated using the asset lives and will use the annuity method, to ensure consistency of approach with the Statutory method for all other asset classes (see below). The annuity interest rate that will be used to calculate loans fund principal repayments under the "Asset Life" method will be the in-year loans fund rate, which for 2022/23 is currently estimated to be 2.21%.

For all other asset classes, the policy will be to maintain the practice of previous years and apply what is termed "the Statutory Method" – following the principles of Schedule 3 of the Local Government (Scotland) Act 1975 – with all loans fund advances being repaid by the annuity method. The annuity rate that is proposed to be applied to the loans fund repayments varies will be the in-year loans fund rate, reflecting the Council's current loan and investment portfolio. The loans fund rate for 2022/23 is forecast to be 2.21%

Whilst neither the Depreciation nor the Funding/income profile methods are currently proposed, Council officers will continue to monitor whether it is appropriate to use this for future capital projects.

3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Treasury management portfolio position

The overall treasury management portfolio as at 31 March 2022 and for the position as at 20 January 2023 are shown below for both borrowing and investments.

Table 6: Portfolio Position 31 March 2022 and 20 January 2023

Loan Type	31 March 2022		20 January 2023	
	Principal Outstanding £000's	Weighted Average Rate	Principal Outstanding £000's	Weighted Average Rate
PWLB Annuity	553	8.91%	505	8.91%
PWLB Maturity	284,776	2.92%	284,776	2.92%
LOBO	20,000	4.51%	20,000	4.51%
Market Loans	17,542	2.68%	17,064	2.68%
Salix Loans	400	0.00%	235	0.00%
Total Loans	**323,271**	**3.02%**	**322,580**	**3.01%**

Deposit Type	31 March 2022		20 January 2023	
	Principal Outstanding £000's	Weighted Average Rate	Principal Outstanding £000's	Weighted Average Rate
Bank Call Accounts	31,059	0.64%	14,940	3.30%
Money Market Funds	30,324	0.52%	44,115	3.32%
Bank Fixed Term Deposits	35,000	0.41%	70,000	3.56%
Other Local Authorities	45,000	1.56%	17,000	1.60%
Total Deposits	**141,383**	**0.85%**	**146,055**	**3.23%**

The Council's forward projections for borrowing and investments are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 7: Net Borrowing Requirement	2021/22 Actual £000's	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
External Debt						
Debt at 1 April	£ 274,795	£ 323,271	£ 322,402	£ 472,662	£ 579,409	£ 623,366
Actual/Expected change in Debt	£ 48,476	£ (869)	£ 150,260	£ 106,747	£ 43,956	£ (4,062)
Other long-term liabilities (OLTL) at 1 April	£ 99,203	£ 95,914	£ 92,433	£ 88,739	£ 84,815	£ 80,661
Actual/Expected change in OLTL	£ (3,289)	£ (3,481)	£ (3,694)	£ (3,924)	£ (4,154)	£ (4,384)
Actual/Expected Gross Debt at 31 March	**£ 419,185**	**£ 414,835**	**£ 561,401**	**£ 664,224**	**£ 704,027**	**£ 695,581**
The Capital Financing Requirement	**£ 403,161**	**£ 436,059**	**£ 561,401**	**£ 664,225**	**£ 704,026**	**£ 695,581**
Under / (over) borrowing	**£ (16,024)**	**£ 21,224**	**£ -**	**£ -**	**£ -**	**£ -**
Deposits						
Cash & Cash Equivalents	£ 56,287	£ 65,000	£ 25,000	£ 25,000	£ 25,000	£ 25,000
Short-Term Investments	£ 74,985	£ 70,000	£ 55,000	£ 48,000	£ 48,000	£ 46,000
Total Deposits	**£ 131,272**	**£ 135,000**	**£ 80,000**	**£ 73,000**	**£ 73,000**	**£ 71,000**

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24.

The Acting Chief Financial Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, 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 in-year value of the CFR over the current and following 4 financial years (2022/23 to 2026/27); 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.

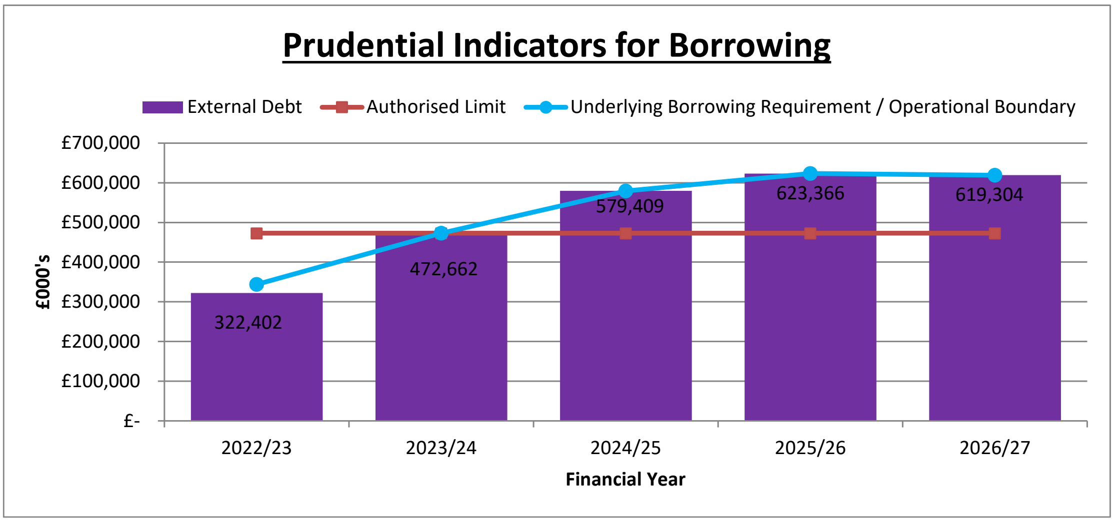
Operational Boundary					
	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's
Operational Boundary - Borrowing	£ 343,626	£ 472,662	£ 579,410	£ 623,365	£ 619,304
Operational Boundary - Other long term liabilities	£ 92,433	£ 88,739	£ 84,815	£ 80,661	£ 76,277
Total	**£ 436,059**	**£ 561,401**	**£ 664,225**	**£ 704,026**	**£ 695,581**

The authorised limit for external debt

This indicator sets the limit for total external debt.

The Authorised Limit for Borrowing for the 2023/24 financial year has been calculated to equate to the maximum value of the Underlying Borrowing Requirement in 2023/24. This equates to £472.662 million as outlined below.

Authorised Limit for Borrowing	
	£000's
CFR - General Services at 31 March 2024	£ 192,891
CFR - HRA at 31 March 2024	£ 279,771
Authorised Limit for Borrowing	**£ 472,662**



3.3 Prospects for interest rates

The Council has appointed Link Group, Treasury Solutions as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts for certainty rates, gilt yields plus 80 bps.

UK Interest Rate Forecast

LINKGroup

Bank Rate	NOW	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Link Group	3.50%	4.25%	4.50%	4.50%	4.50%	4.00%	3.75%	3.50%	3.25%	3.00%	2.75%	2.50%	2.50%
Capital Economics	3.50%	4.50%	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%	3.00%	-	-	-	-
5yr PWLB Rate	NOW	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Link Group	4.17%	4.20%	4.20%	4.10%	4.00%	3.90%	3.80%	3.60%	3.50%	3.40%	3.30%	3.20%	3.10%
Capital Economics	4.17%	4.00%	3.80%	3.70%	3.50%	3.50%	3.40%	3.30%	3.30%	-	-	-	-
10yr PWLB Rate	NOW	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Link Group	4.30%	4.40%	4.40%	4.30%	4.10%	4.00%	3.90%	3.80%	3.60%	3.50%	3.40%	3.30%	3.30%
Capital Economics	4.30%	4.00%	3.80%	3.70%	3.60%	3.50%	3.40%	3.40%	3.30%	-	-	-	-
25yr PWLB Rate	NOW	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Link Group	4.64%	4.60%	4.60%	4.50%	4.40%	4.20%	4.10%	4.00%	3.90%	3.70%	3.60%	3.50%	3.50%
Capital Economics	4.64%	4.40%	4.20%	4.00%	3.80%	3.80%	3.70%	3.60%	3.60%	-	-	-	-
50yr PWLB Rate	NOW	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Link Group	4.26%	4.30%	4.30%	4.20%	4.10%	3.90%	3.80%	3.70%	3.60%	3.50%	3.30%	3.20%	3.20%
Capital Economics	4.26%	4.10%	4.00%	3.90%	3.80%	3.80%	3.70%	3.60%	3.60%	-	-	-	-

Link's central forecast for interest rates reflects a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Bank Rate stands at 3.50% currently, but is expected to reach a peak of 4.50% in H1 2023.

Further down the road, Link anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure, now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.

In the upcoming months, Link's forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).

- The Bank of England acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.

- The Government acts too quickly to cut taxes and/or increases expenditure in light of the cost-of-living squeeze.

- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer term US treasury yields rise strongly and pull gilt yields up higher than currently forecast.

- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields consequently.

The long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

A more detailed interest rate view and economic commentary is provided at appendix 5.1.

3.4 Borrowing strategy

Borrowing is undertaken to finance the Council's approved Capital plans and to do so in the most cost effective way. As can been noted from Table 4 in the main report, above the Council has a significant borrowing requirement across the current and forthcoming four financial years (2022/23 to 2026/27).

The Council's external loan debt at 31 March 2023 is projected to be £322.402 million. Based on the Council's historic and current approved Capital Plans, the **Underlying Borrowing Requirement (UBR)** – which is the Council's underlying need to borrow for capital purposes (excluding the long-term liability arising from PFI/DBFM projects) – at 31 March 2023 is expected to equate to £343.625 million.

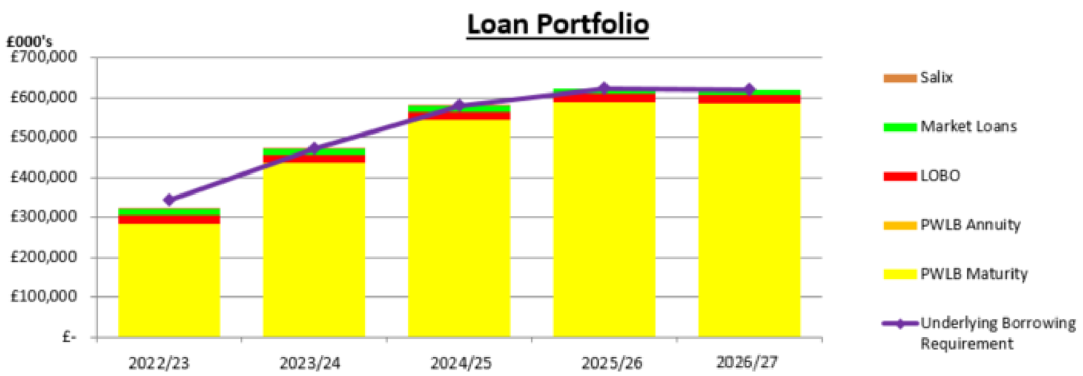
This means that the Council is expected to be £21.223 million (6%) under-borrowed at the end of the 2022/23 financial year i.e. the Council has funded the majority (94%) of its underlying borrowing requirement as at 31 March 2023.

The long-term borrowing the Council took in late 2021/22 to pre-fund part of its 2022/23 borrowing requirement has allowed the Council to defer taking long-term borrowing during 2022/23 when long-term borrowing rates rose significantly, and instead use part of its cash balances to support the in-year borrowing requirement during 2022/23.

In the current economic climate, this is a prudent approach which balances (a) de-risking the longer term borrowing requirement at current longer term borrowing rates; against (b) the current year and forthcoming financial year budget projections. The Council has an extremely low short-medium term exposure to refinancing risk and is therefore in a strong position to plan its new borrowing requirements in advance, taking advantage of any dips in longer-term borrowing rates from PWLB and other sources, and maintain a low weighted average coupon rate on external debt.

The Underlying Borrowing Requirement is projected to rise to £619.304 million by 31 March 2027 – almost double the current Underlying Borrowing Requirement. The profile of this, and the projected external loan portfolio to fund the Underlying Borrowing Requirement over the period 2022/23 to 2026/27, is shown in graphical format below.

The Council's projected loan portfolio over the period 2022/23 to 2026/27 is shown in graphical format below.



PWLB Borrowing

It is expected that the majority of the Council's remaining 2022/23 and 2023/24 borrowing requirement of £155.306 million (table 4 in main report) will be funded through new PWLB maturity loans.

Long-term PWLB borrowing rates for both HRA and non-HRA purposes, which were on a gradual upward trend during the early part of the 2022/23 financial year, saw a significant spike in interest rates due to the tumultuous market volatility experienced in autumn 2022 as a result of the government's economic policy, with longer term PWLB borrowing rates topping out at just under 6.00%. During late 2022, as a degree of market confidence in the UK Economy and Fiscal/Monetary policy returned, rates shifted downwards to around 3.60%-3.90%, before shifting gradually back north during early 2023 to sit at c. 4.24%-4.57% at the time of writing.

The short-medium-term forecast is for PWLB long-term rates to sit flat at around the 4.30% mark during the remainder of 2022/23 and into the early part of 2023/24, before starting to ease off gradually during the mid-latter part of the 2023/24 year, and forecast to sit at c 3.90% by March 2024.

Council officers will therefore continue to monitor PWLB and market rates throughout 2023/24 in order to take advantage of any dips in the market in order to resource the Council's remaining 2022/23, and 2023/24, borrowing requirement of £155.306 million (see table 4).

Temporary Borrowing

The Bank of England's Monetary Policy Committee raised base rate throughout the 2022/23 financial year, to a level of 3.50% at the time of writing and with further rises expected in the 2 remaining meetings in February and March. This is forecast to take base rate to a peak of 4.50% by the start of the 2023/24 financial year, before gradually dropping back to c. 4.00% towards the end of 2023/24.

As such, utilisation of an element of temporary borrowing – which typically tracks close to base rate levels – within the Council's overall loan portfolio may prove attractive whilst the market waits for inflation, and therein gilt yields and PWLB rates, to drop back later in 2023.

However, given the market volatility in 2023/24, this position can shift quickly and Council officers will continue to monitor the temporary borrowing and long-term borrowing markets to assess whether temporary borrowing would add value to the Council's overall portfolio.

The quantum of any temporary borrowing will also be assessed against the backdrop of potential long term costs if the opportunity is missed to take PWLB or other market loans to de-risk the Council's long-term Capital Financing Requirement.

Forward Borrowing

The opportunity also continues to exist to consider further loans on a 'forward dealing' basis, and officers will continue to explore the viability of these loans as part of securing the long term borrowing

Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates for borrowing based upon the gross debt position, and variable interest rates for investments based upon the total investment position;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates for both borrowing and investments;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Upper Limits on Exposure to Fixed and Variable Interest Rates 2023/24	
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%

Maturity Structure of Borrowing 2023/24		
Maturity structure of fixed interest rate borrowing 2023/24	**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 2023/24	**Lower**	**Upper**
Under 12 months	0.00%	30.00%
12 months to 2 years	0.00%	30.00%
2 years to 5 years	0.00%	30.00%
5 years to 10 years	0.00%	30.00%
10 years to 20 years	0.00%	30.00%
20 years to 30 years	0.00%	30.00%
30 years to 40 years	0.00%	30.00%
40 years to 50 years	0.00%	30.00%
50 years and above	0.00%	30.00%

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sum borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates (as detailed in Section 3.2) and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

All rescheduling will be reported to the Council, at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Council's investment policy implements the requirements of the following: -

- Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010);
- CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code");
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above regulations and guidance place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. The Council applies **minimum acceptable credit criteria** in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that are permitted investments authorised for use in appendix 5.2. Appendix 5.3 expands on the risks involved in each type of investment and the mitigating controls.

5. **Lending limits**, (maturity tenors), for each counterparty will be set through applying the matrix table in Section 4.2 (maturity durations).

6. Investments will only placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

7. Lending per **Country** and **Institution** will be set through the application of the criteria in Section 4.3 (amounts).

8. **Transaction limits** are set for each type of investment in appendix 5.2.

9. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in sterling.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

This Council applies the creditworthiness service provided by Link Group, Treasury Solutions. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:-

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:-

Table 14: Recommended Maximum Durations for Investments	
Link Asset Services Colour Code	**Maximum Suggested Duration for Investment**
Yellow	6 years*
Dark Pink	6 years**
Light Pink	6 years**
Purple	2.5 years
Blue	1.25 years***
Orange	1.25 years
Red	7 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

*** *Applies only 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, 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.

The Link Group, Treasury Solutions creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be (Fitch or equivalents):-

- Short term rating F1;
- Long term rating A-.

There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Group, Treasury Solutions creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately;
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to the Council by Link Group, Treasury Solutions. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Country and sector limits

The Council has determined that it will only use approved counterparties from the UK, or approved counterparties from other countries with a minimum sovereign credit rating of AA- from Fitch.

The list of countries that qualify using the above criteria as at the date of this report are shown in Appendix 5.4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

The Council will avoid a concentration of investments in too few counterparties or countries by adopting a spreading approach to investing whereby no more than £30 million will be invested in Lloyds Banking Group and the NatWest (Royal Bank of Scotland) Group, £15 million in any other UK counterparty, and £15 million in any one counterparty, group or country outwith the UK.

4.4 Investment strategy

Current Deposits

As at 20 January 2023, the Council's deposits were as follows:-

Counterparty	**Amount £000's**	**Security *Long/Short Term Rating**** ***(Colour)****	**Liquidity**	**Yield**	**UK Local Authority Investment*** £000's**
MMF Aberdeen	14,903	AAAmmf *(Yellow)*	Instant Access	3.40%	1,931,129
MMF Federated	14,503	AAAmmf *(Yellow)*	Instant Access	3.39%	1,008,282
MMF LGIM	14,709	AAAmmf *(Yellow)*	Instant Access	3.18%	306,784
Lloyds Bank Corporate Markets plc	30,000	A+/F1 (Red)	Start: 30 Nov 2022 End: 30 May 2023	4.25%	272,800
National Westminster Bank plc	15,000	A+/F1 *(Blue)*	Start: 31 May 2022 End: 31 May 2023	2.00%	1,052,317
Handelsbanken AB Call Account	14,940	AA/F1+ *(Orange)*	Instant Access	3.30%	721,491
Toronto Dominion Bank	10,000	AA-F1+ (Orange)	Start: 16 Jun 2022 End: 15 Jun 2023	2.85%	436,311
Landesbank Hessen-Thueringen Girozen	5,000	A+/F1+ (Orange)	Start: 30 Nov 2022 End: 29 Nov 2023	4.47%	306,000
Standard Chartered Bank	10,000	A+/F1 (Red)	Start: 30 Nov 2022 End: 30 May 2023	4.06%	944,807
Wokingham Borough Council	15,000	Quasi-UK Government (AA- / *Yellow*)	Start: 25 Mar 2020 End: 24 Mar 2023	1.60%	3,029,079
Stoke on Trent City Council	2,000	Quasi-UK Government (AA- / *Yellow*)	Start: 06 Apr 2020 End: 06 Apr 2023	1.60%	
Total	**146,055**				**10,009,000**

** Credit Rating from Fitch*
*** Colour represents maximum recommended duration for investment per Link Group, Treasury Solutions, Treasury Solutions Credit Scoring methodology – see Appendix 2.*
**** As at 30 November 2022*

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short -term interest rates. Greater returns are usually obtainable by investing for longer periods.

The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

While an element of cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable;
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations
The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a forecast for bank Rate to reach 4.50% in Q2 2023), are as follows.:

Average earnings in each year	
2022/23	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Long term later years	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and expected usable reserve forecasts, and are based on the availability of funds after each year-end.

The Council is asked to retain the following treasury indicator and limit: -

Principal Sums Invested for > 365 Days			
	2019/20	2020/21	2021/22
Limit	£70m	£70m	£70m

The current strategy as outlined in the body of these reports is to continue to cash-back the Council's balance sheet reserves. It is expected that the majority of this will be in the form of fixed term deposits and/or certificates of deposit. Given expected reserve forecasts and the current interest rate environment, in particular the short-medium term forecast for the Council's Capital Fund and HRA Reserve, the limit for prinicipal sums invested for > 365 days has been retained at £70m.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access accounts and money market funds.

4.5 Investment risk benchmarking

The Council will use an investment benchmark to assess the investment performance of its investment portfolio of 6 month SONIA compounded. The Council also participates in Investment Benchmarking groups with Link Group, Treasury Solutions whereby performance with other Benchmarking club members and the wider Scottish and UK Local Authority Investment benchmarking is compared.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5 Appendices

1. Economic background
2. Treasury Management Practice 1 – Permitted Investments
3. Treasury Management Practice 1 – Credit and Counterparty Risk Management
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 95 officer

5.1 APPENDIX: Economic Background

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	10.7%y/y (Nov)	10.1%y/y (Nov)	7.1%y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

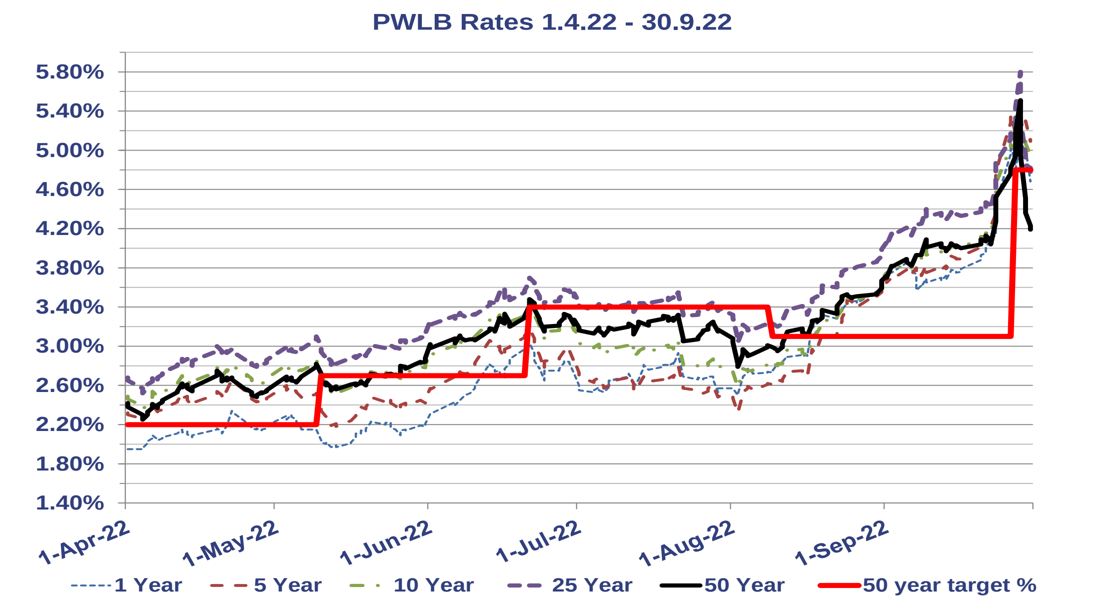
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have almost completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.22. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – DECEMBER 2022

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

5.2 APPENDIX: Treasury Management Practice (TMP1): Permitted Investments

This Council is asked to approve the following forms of investment instrument for use as permitted investments as set out in tables 1.1-1.4.

Treasury risks

All the investment instruments in tables 1.1-1.4 are subject to the following risks:-

1. **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.

2. **Liquidity risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: - a. cash may not be available until a settlement date up to three days after the sale b. there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer. The column in tables 1.1-1.4 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

3. **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long term increase in value.

4. **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report (see Section 3.4).

5. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

Controls on treasury risks

1. **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See Sections 4.2 and 4.3.

2. **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk:** this authority does not purchase investment instruments which are subject to market risk in terms of fluctuation in their value.

4. **Interest rate risk**: this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See Section 4.4.

5. **Legal and regulatory risk:** this authority will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations.

Unlimited investments

Regulation 24 states that an investment can be shown in tables 1 / 2 as being ‘unlimited’ in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category. The authority has given the following types of investment an unlimited category: -

1. **Debt Management Agency Deposit Facility**. This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government’s sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

2. **High credit worthiness banks and building societies**. See paragraph 4.2 for an explanation of this authority’s definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £15 million can be placed with any one institution or group at any one time, other than the Bank of Scotland or Royal Bank of Scotland where the limit is £30 million.

Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted'.

1. DEPOSITS

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

a) **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.

b) **Term Deposits – Local Authorities.** They are quasi-Government bodies with low counterparty and value risk. Typical deposit terms vary from 1 month to 2 years, with longer term deposits offering an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and typically higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date other than with agreement of the counterparty, at which point penalties would typically apply.

c) **Call accounts with high credit worthiness banks and building societies.** See Section 4.2 for an explanation of this authority's definition of high credit worthiness. These typically offer a much higher rate of return than the DMADF and now that measures have been put in place to avoid over reliance on credit ratings, the authority feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. There is instant access to recalling cash deposited (or short-dated notice e.g. 15-30 days). This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit (see 1d below). However, there are a number of call accounts which at the time of writing, offer rates 2 – 3 times more than term deposits with the DMADF. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

d) **Term deposits with high credit worthiness banks and building societies.** The objectives are as for 1c. These offer a much higher rate of return than the DMADF and deposits made with other Local Authorities (dependent upon term) and, similar to 1c, now that measures have been put in place to avoid over reliance on credit ratings, the authority feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. This is the most widely used form of investing used by local authorities. The authority will ensure diversification of its portfolio of deposits ensuring that no more than £15 million is invested with any (non-nationalised) UK counterparty, and no more than £15 million is invested with any other non-UK counterparty, group or country. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

e) Fixed term deposits with variable rate and variable maturities (structured deposits). This encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide greater flexibility to adopt new instruments as and when they are brought to the market.

2. DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF UK GOVERNMENT SUPPORT / OWNERSHIP

These banks offer another dimension of creditworthiness in terms of UK Government backing through either direct (partial or full) ownership. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

a. **Call accounts.** As for 1c. but UK Government stated support implies that the UK Government stands behind these banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. This authority feels this indicates a low and acceptable level of residual risk.

b. **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for 1d. but Government ownership partial or full implies that the UK Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers this indicates a low and acceptable level of residual risk.

c. **Fixed term deposits with variable rate and variable maturities (structured deposits).** As for 1e but UK Government stated support implies that the UK Government stands behind eligible banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. This authority feels this indicates a low and acceptable level of residual risk. This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide greater flexibility to adopt new instruments as and when they are brought to the market.

3. COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

a. **Government liquidity funds.** These are the same as money market funds (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.

b. **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF.

c. **Ultra Short Dated Bond Funds .** These funds are similar to MMFs, can still be AAA rated but have Variable Net Asset Values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

d. **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.

e. **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

4. SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills..

a. **Treasury bills.** These are short term bills (up to 12 months, although none have ever been issued for this maturity) issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

b. **Gilts.** These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

c. **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.

d. **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.

e. **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

5. SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earnings on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

a. **Certificates of deposit (CDs).** These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

6. OTHER

a. Local Authority Mortgage Scheme. Authorities who are participating in the Local Authority Mortgage Guarantee Scheme (LAMS) may be required to place a deposit with the mortgage provider(s) up to the full value of the guarantee. The deposit will be in place for the term of the guarantee i.e. 5 years (with the possibility of a further 2 year extension if the account is 90+ days in arrears at the end of the initial 5 years) - and may have conditions / structures attached. The mortgage provider will not hold a legal charge over the deposit.

b. Loans to third parties – This would involve the Council borrowing from the PWLB/markets and onward lending to Registered Social Landlords to enable them to access lower cost loans and kickstart developments of affordable mid-market homes. The risk associated with such an investment would be mitigated by an assessment of the counterparty in advance of any loan being granted and through the application of a premium on the loan rate. Interest would be paid by the RSL over the term of the loan, with repayment of principal upon the earlier of 10/20 years or at the point of house sales. The Council will also request that a standard security is taken over the property which would allow the Council to require the sale of the homes to another landlord, providing greater risk mitigation.

c. **Subordinated Debt Subscription to the SPV set up to deliver the Newbattle Centre project –** this involved the Council subscribing £332,806 of subordinated debt to the SPV that was set up to deliver the Newbattle Centre project (2 year construction and 25 year operational contract length). The length of the investment is 25 years with the subscription made at operation commencement of the contract. The repayment profile will comprise 81% of the principal remaining invested until the final two years of the contract. The risk associated with this type of investment will be mitigated through an annual assessment as a minimum to review the holding of such debt, and whether the exposure to risk arising from the investment has changed over the period.

d. **ESCO:** Midlothian Energy Limited (MEL) Joint Venture between Midlothian Council and Vattenfall to deliver energy supply to Shawfair using heat supplied from the Millerhill Energy from Waste plant and related projects.

Table 1: Permitted Investments

1.1 Deposits

Investment Category	Minimum Credit Criteria	Liquidity risk	Market risk	Max %/£m of total investments	Max. maturity period	Max Transaction Value
Debt Management Agency Deposit Facility	UK Government	Term	No	**100%**	**6 months**	**n/a**
Term deposits – local authorities	Quasi-UK Government	Term	No	**100%**	**5 years**	**£15m**
Call accounts – banks and building societies	Green	Instant	No	**100%**	**1 day**	**£15m**
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 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**	**£15m**
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 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**	**£15m**

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	Max Transaction Value
UK nationalised banks – Call accounts	Blue	Instant	No	**100%**	**1 day**	**£30m**
UK nationalised banks – Term Deposits / Notice Accounts	Blue	Term	No	**100%**	**2 years**	**£30m**
UK nationalised banks – Fixed term deposits with variable rate and variable maturities: - Structured deposits	Blue	Term	No	**100%**	**2 years**	**£30m**
Non-UK (high sovereign rated country) nationalised banks – Call accounts	Green	Instant	No	**100%**	**1 day**	**£15m**
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 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**	**£15m**
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 2.5 yrs** **Up to 1.25 yrs** **Up to 1.25 yrs** **Up to 7 mths** **Up to 120 days** **Not for use**	**£15m**

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	Max Transaction Value
Government Liquidity Funds	AAA	Instant	No	**100%**	**1 day**	**£15m**
Money Market Funds CNAV	AAA	Instant	No	**100%**	**1 day**	**£15m**
Money Market Funds LVNAV	AAA	Instant	No	**100%**	**1 day**	**£15m**
Money Market Funds VNAV	AAA	Instant	No	**100%**	**1 day**	**£15m**
Ultra Short Dated Bond Funds with a credit score of 1.25	AAA	T+1 to T+5	Yes	**100%**	**1 week**	**£15m**
Ultra Short Dated Bond Funds with a credit score of 1.5	AAA	T+1 to T+5	Yes	**100%**	**1 week**	**£15m**
Bond Funds	AAA	T+2 or longer	Yes	**50%**	**2 days**	**£15m**
Gilt Funds	AAA	T+2 or longer	Yes	**50%**	**2 days**	**£15m**

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%**	**6 months**
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	**100%**	**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	Max Transaction Value
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 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**
Commercial paper other	Yellow Purple Blue Orange Red Green No Colour	Sale T+0	Yes	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**
Floating rate notes	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**
Corporate Bonds other	Yellow Purple Blue Orange Red Green No Colour	Sale T+2	Yes	**100%**	**Up to 6 yrs Up to 2.5 yrs Up to 1.25 yrs Up to 1.25 yrs Up to 7 mths Up to 120 days Not for use**	**£15m**

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	**£0.326m**	**22 years**
ESCO	n/a	Term	No	**£10.2m**	**n/a**

5.3 APPENDIX: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Midlothian Council Permitted Investments, Associated Controls and Limits

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
Cash type instruments			
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	As shown in Appendix 5.2.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	As shown in Appendix 5.2.
c. CNAV, LVNAV and VNAV Money Market Funds (MMFs) **(Low to very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMF has a "AAA" rated status from either Fitch, Moody's or Standard & Poors.	As shown in Appendix 5.2.
d. Ultra Short Dated Bond Funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the Ultra Short Dated Bond Fund has a "AAA" rated status from either Fitch, Moody's or Standard and Poor's.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
e. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's, with the credit scoring methodology by Link Group, Treasury Solutions overlaid. On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.
f. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b), (c) and (d) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's, with the credit scoring methodology by Link Group, Treasury Solutions overlaid. On day to day investment dealing, this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
g. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures	As shown in Appendix 5.2.
h. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available colour band / credit rating to provide additional risk control measures. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) (Low to medium risk depending on period & credit rating)	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b), (c) and (d) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's, with the credit scoring methodology by Link Group, Treasury Solutions overlaid. On day to day investment dealing, this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
j. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. The selection defaults to the lowest available colour band / credit rating to provide additional risk control measures. Corporate bonds will be restricted to those meeting the base criteria. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in Appendix 5.2.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
Other types of investments			
k. Loans to third parties	Using the example of a loan to a RSL, these would be medium risk investments, exhibiting higher risks than categories (a)-(f) above. They are also highly illiquid and are only repaid at the end of a defined period of time (up to 20 years) or on the sale of a property, whichever is the earlier.	The risk associated with such an investment would be mitigated through the application of a premium on the loan rate. The Council will also request that a standard security is taken over the property which would allow the Council to require the sale of the homes to another landlord, providing greater risk mitigation.	£25m
l. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	Per Existing
m. Local Authority Mortgage Scheme (LAMS)	These are service investments at market rates of interest plus a premium.		As shown in Appendix 5.2.
n. Subordinated Debt Subscription to Newbattle Centre SPV	These are investments that are exposed to the success or failure of individual projects and are highly illiquid.	The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. As such they are well placed to influence and ensure the successful completion of the project's term.	As shown in Appendix 5.2.
o. ESCO	These are investments that are exposed to the success or failure of individual projects and are highly illiquid.	The Council is in a joint venture partnership and therefore party to the governance and controls within the project structure. As such the Council is	As shown in Appendix 5.2.

		well placed to influence and ensure the successful completion of the project's term	

The Monitoring of Deposit Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Link Group, Treasury Solutions, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Acting Chief Financial Officer, and if required new counterparties which meet the criteria will be added to the list.

5.4 APPENDIX: Approved countries for investments

Based on the lowest available rating as at 20.01.2022

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- U.K.

5.5 APPENDIX: Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit Committee

- reviewing treasury management reports, the treasury management policy and procedures, and making recommendations to the responsible body.

5.6 APPENDIX: The treasury management role of the section 95 officer

The S95 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ensuring that members are adequately informed and understand the risk exposures taken on by an authority;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above;
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following:-
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Service Concessions

Report by David Gladwin, Acting Chief Financial Officer

Report for Decision

1 Recommendations

a) Approve implementation of the guidance on Service Concession Arrangements (SCA) as detailed in section 3.1 with effect from 1st April 2023;

b) Note the retrospective benefit of £20.463 million to the end of 2022/23 (section 3.15) and the recurring in year saving of £2.608 million in 2023/24 rising to £3.649 million in 2027/28 recognising that whilst this does not release cash (contractors do not refund any payments), it means that the Council's General Fund Reserve increases;

c) Note that additional costs incurred in years beyond the contract terms of Public Private Partnership (PPP) arrangements can be met from PPP unitary charge budget released (section 3.19);

d) Note that the cost of borrowing to access the retrospective funds released by implementing SCA guidance and also the in-year benefits can be met from surplus cash flows that are routinely placed on short term deposit in accordance with the Councils Treasury Management and Investment Strategy. The cost of this is estimated to be £0.147 million in 2023/24 rising to £0.795 million in 2027/28 (section 3.24); and

e) Approve that the utilisation of retrospective benefits is applied prudently on an equal basis over the term of the existing Medium Term Financial Strategy (MTFS) through to 2027/28 to help delivery of achieving longer term financial sustainability as approved by the Business Transformation Steering Group.

Date: **5 February 2023**
Report Contact: David Gladwin, Acting Chief Financial Officer

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2 Purpose of Report / Executive Summary

2.1 This report is to provide Council with information on the changes permitted to how councils account for the repayment of debt on service concessions and to seek approval to implement the change.

2.2 Reprofiling of debt in relation to PPP and similar contracts would mean a retrospective gain of £20.463 million and an annual benefit of £2.608 million starting in 2023/24 rising to £3.649 million in 2027/28 and profiled annually as shown in the “Total (reduction) / cost” column in appendix B.

2.3 While there will be extra costs after the PPP contracts end these can be managed within budget no longer required to pay for PPP unitary charges.

2.4 As the retrospective benefit is on an accounting basis, in order to use this to spend on real expenditure items, the council will have to fund this. Funding this will result in lost interest from short term deposits from short-term surplus cashflow generated funds and grant receipts in advance, phased depending on the timing of applying retrospection.

2.5 The approach proposed in this paper demonstrates that implementing the service concessions guidance is:

- **Affordable** – Ongoing costs of repaying debt after the end of the PPP contract are affordable from the remaining net PPP budget. Any impact of lost income on deposits can be managed within Loan Charges budgets;
- **Sustainable** – The Loan Charges Budget can be maintained at close to current levels and the generation of the retrospective benefit helps sustain the council budget for a period of time;
- **Prudent** – the approach better matched the costs of repaying debt to the useful lives of assets.

3 Background

3.1 The Scottish Government, through Finance Circular 10/2022 published in September 2022, permitted Councils to apply additional flexibility to the accounting treatment for Service Concession Arrangements in place before 1st April 2022. The statutory guidance applies from financial year 2022 to 2023 but permits retrospective application as an option. The key details of the permitted approach are shown in table 1 below.

Table 1: Details of permitted approach.

Options	To calculate the annual charge for the principal repayments of the debt liability: • Equal instalments of principal; or • The annuity method

Discount Rate	The discount rate to be applied should follow the requirements of the Accounting code. The principal repayments should be discounted using the interest rate implicit in the contract if that rate can be readily determined. If that rate cannot be readily determined, the incremental rate of the local authority should be used.
Applicable Years	Applied in 2022/23 or 2023/24 only. Can be either prospective or retrospective application.
Cumulative Statutory Adjustment	The cumulative statutory adjustment is from the Capital Adjustment Account to the General Fund and is made as at 1st April in the year applied. There is no prior year restatement of statutory adjustments. The SCA liability will continue to be written down by the contractual principal repayments.
Applicable Arrangements	The flexibility must be applied consistently to all SCAs entered prior to 1st April 2022 except for contracts with less than 5 years until completion provided the annual charge is not materially different. A body should separately identify the value of each SCA. If not, the asset and liability must be restated at market values. The flexibility does not apply to leases or any similar arrangement.
Governance	The decision to apply the flexibility must be approved by the Full Council.
Prepayments	Where a prepayment was originally funded from a revenue or capital source, the body may revisit that decision and choose to fund the prepayment from borrowing. Borrowing should be recognised as a loans fund advance.

3.2 Accounting for service Concessions refers to how the Council accounts for PPP's and similar contracts. There are four separate contractual arrangements that apply in Midlothian:

- Dalkeith Schools Campus – 30 year PPP contract for the provision and facilities management of schools ending in 2034;
- Midlothian Schools Ltd - 30 year PPP contract for the provision and facilities management of Stobhill, Gorebridge, Tynewater, Moorfoot, Loanhead and St Margaret's, Lawfield and Strathesk Primary Schools ending in 2037;
- Newbattle Community Campus – 25 year not for profit distributing model contract for the provision and lifecycle maintenance of the campus ending in 2043;
- Residual Waste Treatment Plant, Millerhill – 26 year design, build, finance and maintain (DBFM) contract jointly procured by Midlothian and the City of Edinburgh Council ending in 2044.

3.3 The Council engaged Link Asset Services to support detailed work in this area and received a final report on Friday 3rd February. Engagement with Members took place at a Council briefing on Wednesday 8th February and was discussed further at the Business Transformation Steering Group (BTSG) on Thursday 9th February. Engagement with Audit Scotland, the Council's newly appointed auditor, has also commenced. Implementation of this financial flexibility is dependent on approval of full Council.

3.4 Contractors built and sourced the finance for the assets described in section 3.2 above and the Council agreed to make annual contract payments for the duration of each contract (a unitary charge payment).

3.5 For accounting purposes the value of each asset was added to the Council's Balance Sheet with a corresponding long-term debt liability. On an annual basis the unitary charge payment is split into three elements: payments for services, repayment of debt and interest payable.

3.6 The element relating to repayment of debt is used to reduce the long-term debt liability in the Balance Sheet. In effect, the accounting regulations that Councils have followed to date mean that Councils are paying for assets over the life of PPP contracts and at the end point of contracts the outstanding debt in the Balance Sheet will be nil but assets will have some remaining useful life.

Service Concessions Guidance

3.7 At the end of the term of PPP contracts the ownership of assets transfers to the Council, or is shared between the City of Edinburgh Council and Midlothian for the Waste Plant. All assets are subject to a defined repairs and maintenance regime and are anticipated to be in a good condition when they transfer back to the Councils. In other words the date the assets transfer back to the Councils does not equate to the end of their useful lives.

3.8 The new Service Concessions guidance referred to in section 3.1 affords councils the ability to account for the debt repayment element for these assets over their expected useful lives rather than the PPP / DBFM contract term. This is illustrated in Table 2 below.

Table 2: Comparison of PPP contract term against asset useful lives.

PPP Scheme	**PPP contract term**	**Estimated Useful Asset Life**
Dalkeith Schools Campus	30 years	50 years
Midlothian Schools	30 years	60 years
Newbattle Community Campus	25 years	50 years
Residual Waste Treatment Plant	26 years	26 years

3.9 The benefits from using these assets are gained over their expected useful lives and it would be more appropriate to account for the repayment of the original debt liability on this basis. This is consistent with the existing accounting treatment of all other non-current assets and the estimated useful lives illustrated in table 2 for each class of asset are consistent with current accounting arrangements.

3.10 This does not change what the Council pays to contractors every year. This is simply about the accounting transactions to pay for the assets. Neither does it change the term over which we pay the contractors, it is just how the repayment of debt is accounted for in the Council's Revenue budget.

3.11 Councils are allowed to apply this change in accounting treatment retrospectively. This means that the accounting presentation can change to reflect entries consistent with paying for assets over their useful lives rather than the contract. This creates an overpayment in the Council's accounts at 1st April 2023, with repayments of debt having been paid over the original contract term rather than the asset life (ie) too much having been charged to the General Fund to pay for the assets.

3.12 Whilst this does not release cash (contractors do not refund any payments), it means that the Council's General Fund Reserve Balance increases by reversing the overpayments made to 1st April 2023, with an equal and opposite adjustment made to the Capital Adjustment Account which is an unusable reserve.

Financial Implications of Implementing new guidance

3.13 As noted in section 3.8 the Service Concession guidance allows the debt repayments to be better aligned to the expected useful life of the assets. It also allows Councils to decide on their preferred approach to make debt repayments. The options available are to make debt repayments using either equal instalments of principal (EIP) or an annuity method.

3.14 This report adopts the latter, calculation of debt repayment on the annuity basis as it best represents the consumption of assets over their useful lives. The annuity method is used as standard practice in most PPP arrangements. Calculation of the debt liability repayments using the annuity method is considered a prudent approach as it reflects the time value of money as well as providing a charge that is better matched to how the benefits from using the assets are consumed over their useful lives – it reflects that fact that an asset's deterioration is slower in the early years of life and accelerates towards the latter years. As a comparison, had these assets been provided at the time of construction through the Council's General Services Capital Plan, debt repayments would have been calculated on an annuity basis consistent with the current approved methodology for repayment of all loans fund advances made to fund General Services Capital Plan assets.

3.15 By implementing the new Service Concession guidance section 3.11 notes that there will be a retrospective gain to the Council. After full review of guidance and detailed analysis of contract conditions, calculations have been finalised and the retrospective benefit to the end of 2022/23 is £20.463 million. This is shown in detail at appendix B.

3.16 The new profile of repayments means that the council will have over-paid debt to the value of £20.463 million to the end of 2022/23. This can be taken as a financial benefit and transferred to the General Fund Reserve. The increase in the Council's General Fund Reserve can be used over time to support implementation of the MTFS to contribute to achieving a position where annual council expenditure and annual income are in equilibrium thus demonstrating ongoing financially sustainability.

3.17 In addition, there will be a £2.608 million in-year benefit from 2023/24 rising gradually to £3.439 million by 2027/28. Full in-year impacts are shown in the “Total (reduction) / cost” column in appendix B. These in-year figures are reflected in the latest projections of budget gaps as shown in the Medium Term Financial Strategy report at agenda item 8.7 today.

Repayment over a longer term

3.18 As a result of lengthening the repayment periods by aligning these to asset lives there will be an extra cost for each year from the end of the PPP contract to the end of the asset life. This is shown in detail at Appendix B in the “Total (reduction) / cost” column. The first year of additional cost is in 2043/44 and totals £74.431 million through to 2067/68 when all assets will be fully accounted for.

3.19 Taking into account an estimate for inflation over the remaining years and reducing the PPP unitary charge budget by the level playing field support which will no longer be provided by the Scottish Government at the end of 2033/34, it is anticipated that an annual net budget (after deduction of Level Playing Field Support) in excess of £18 million will be available.

3.20 It is suggested that this PPP unitary charge budget that will no longer be required to fund PPP unitary charge payments be used to fund the additional annual payments that arise from 2043/44 from lengthening the repayment period.

3.21 It is also appropriate to consider the time value of money. Modelled at 3.5%, table 3 shows the overall Net Present Value (NPV) of moving from the current repayment methodology to the revised repayment methodology. This highlights an NPV saving of £36.584 million over the period to which the last PPP asset will be fully accounted for.

Table 3: NPV impact of recommendation

Year	Total (reduction) / cost £000	NPV £000
Pre 2023/24	(20,463)	(20,380)
Yrs 2 to 5	(11,636)	(10,293)
Yrs 6 to 10	(20,167)	(15,254)
Yrs 11 to 25	(12,811)	(9,757)
Yrs 26 to 40	43,263	14,237
Yrs 41+	21,814	4,863
Total Saving	**0**	**(36,584)**

Costs linked to using the retrospective benefit

3.22 As noted in section 3.12 this is not a cash benefit, but an accounting benefit. Using the retrospective benefit to support the MTFS and ultimately to pay for council expenditure then it is necessary to access funds. There are two options, to borrow or to use an element of cash balances.

3.23 Midlothian's TMIS supports the cash backing of reserves and it is also common to see short dated cash deposits shaped around cash flow. This is particularly the case when actual capital expenditure occurs later than planned or grants are received in advance. It therefore seems a sensible approach to access funds to support application of retrospective benefits from cash balances as required. It is therefore proposed that the application of the retrospective and in-year benefits be funded by surplus funds as required.

3.24 There will be a cost of utlilising these funds equating to income foregone on cash deposits. The annual values of these will depend on the profile of applying retrospection. For illustrative purposes table 4 below shows this cost based on an equal split of applying retrospection over a five year period along with accessing in-year benefits.

Table 4 – Costs of accessing the benefits of SCAs.

Financial Year	**Retrospective Debt Overcharged £000**	**Use of Retrospective Debt Overcharged £000**	**Use of in-year Benefit £000**	**Interest Foregone £000**	**Net (saving) / cost to General Fund £000**
Pre 2023/24	20,463				
2023/24		(4,093)	(2,608)	147	(6,554)
2024/25		(4,093)	(2,796)	342	(6,547)
2025/26		(4,093)	(3,005)	439	(6,659)
2026/27		(4,093)	(3,227)	609	(6,711)
2027/28		(4,091)	(3,459)	795	(6,755)
Total	**20,463**	**(20,463)**	**(15,095)**	**2,332**	**(33,226)**

3.25 It can be seen from table 4 that interest forgone thus resulting in an increase to the loan charges budget in 23/24 is £0.147 million rising to £0.795 million in 2027/28. By which time all retrospective savings are applied and the ongoing impact will solely relate to use of in-year benefit. Additional loan charges costs are dwarfed by savings from implementation of revised SCA guidance.

Use of Service Concessions Benefit

3.26 It would be prudent and also good fiscal sense to use the retrospective benefits in a staggered way over the period of the current MTFS to smooth pressures that may come from current areas of financial pressure like pay and inflation and also to allow time and investment to support the transformational change that is essential in delivering ongoing financial sustainability for the council. Table 4 above models application on an equal basis over years 2023/24 to 2027/28.

3.27 Should members approve the recommendations in this report consideration can be given to implementation as part of the MTFS report at agenda item 8.7 of today's agenda.

3.28 Members are advised that the Acting Chief Financial Officer, in his capacity as section 95 officer, confirms that the proposals set out in this report, including longer-term budgeting plans for longer-term increased costs, is consistent with the requirements for the proposal to be prudent, sustainable and affordable.

4 Report Implications (Resource, Digital and Risk)

Resource

4.1 The financial outlook remains challenging for the term of this Council and the recommendation of the External Auditor is "*as a matter of urgency, officers and elected members need to work together to develop and agree the medium term financial strategy and progress the Council's transformation plans*".

4.2 Implementation of revised SCA guidance increases the General fund reserve on 1st April 2023 by the retrospective element of £20.463 million and provides in-year savings through to 2042/43.

4.3 Prudent application of retrospective savings can contribute to the overarching goal of ongoing financial sustainability for the Council.

Digital

4.4 The adoption of digital solutions is a central strand of the Medium Term Financial Strategy. One-off areas of investment in digital transformation could be funded from savings generated by approval of this report.

Risk

4.5 The following key risks and issues are highlighted in the context of the MTFS:

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

- Cost pressures, particularly demographic demand, exceeding budget estimates;
- The reform of public services and the implications for the National Care Service (Scotland) Bill;
- The impact of Universal Credit, and potential pension changes;
- The costs of implementation of national policies varying from the resources provided by Government;
- Potential liabilities arising from historic child abuse;
- Unplanned capital investment requirements and the associated cost; and
- Ability to continue to meet the expectations of our communities within a period of fiscal constraint.

4.6 Developing a MTFS is important and can support the mitigation of a number of these risks by setting out the key assumptions on which forward plans are based. The consequences of the challenging grant settlement parameters mean that it is also necessary to bring forward measures to secure financial balance over the period covered by the Medium Term Financial Strategy.

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

4.8 Approval of this report makes available sums that can be applied to not only contribute to ongoing financial stability but can be used to mitigate manifestation of any risks identified at section 4.4 above.

Ensuring Equalities

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

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

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

Additional Report Implications

See Appendix A

Appendices
APPENDIX A – Report Implications
APPENDIX B – Total Proposed rescheduling model

A.1 Key Priorities within the Single Midlothian Plan

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

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

The report does not directly impact on delivering Best Value.

A.5 Involving Communities and Other Stakeholders

The development of the Strategic Plan and associated Medium Term Financial Strategy provides for public engagement.

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

A.6 Impact on Performance and Outcomes

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

A.7 Adopting a Preventative Approach

An effective Strategic plan supported by a Medium Term Financial Strategy will support the prioritisation of resources to support prevention activities.

A.8 Supporting Sustainable Development

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

Appendix

		PPP1 (2004/05, £28m, 30 years)				PPP2 (2008/09, £35m, 30 years)				Newbattle (2018/19, £34m, 26 years)				Millerhill (2019/20, £6m, 26 years)					
		Current position	Principal repayments based on simple 50 year annuity @ 9.689%			Current position	Principal repayments based on simple 60 year annuity @ 7.293%			Current position	Principal repayments based on simple 50 year annuity @ 5.057%			Current position	Principal repayments based on simple 26 year annuity @ 15.43%				
Year	PPP principal repayments	Current repayment £000	Revised repayment £000	(Reduction)/ cost £000	NPV 3.5% £000	Current repayment £000	Revised repayment £000	(Reduction)/ cost £000	NPV 3.5% £000	Current repayment £000	Revised repayment £000	(Reduction)/ cost £000	NPV 3.5% £000	Current repayment £000	Revised repayment £000	(Reduction)/ cost £000	NPV 3.5% £000	Total (reduction)/ cost £000	Total NPV £000
0	**pre 2022/23**	8,406	1,197	(7,208)	(7,208)	8,306	882	(7,424)	(7,424)	2,913	683	(2,229)	(2,229)	1,249	83	(1,166)	(1,166)	**(18,027)**	**(18,027)**
1	**2022/23**	1,008	143	(865)	(836)	997	103	(894)	(864)	849	193	(656)	(634)	57	37	(20)	(20)	**(2,436)**	**(2,353)**
2	**2023/24**	1,106	157	(949)	(886)	1,069	110	(959)	(895)	892	203	(689)	(643)	53	42	(11)	(10)	**(2,608)**	**(2,435)**
3	**2024/25**	1,213	172	(1,041)	(939)	1,147	118	(1,029)	(928)	937	213	(724)	(653)	50	49	(2)	(2)	**(2,796)**	**(2,522)**
4	**2025/26**	1,331	189	(1,142)	(995)	1,231	127	(1,104)	(962)	984	224	(761)	(663)	55	56	1	1	**(3,005)**	**(2,619)**
5	**2026/27**	1,460	207	(1,253)	(1,055)	1,321	136	(1,185)	(998)	1,034	235	(799)	(673)	55	65	10	8	**(3,227)**	**(2,717)**
6	**2027/28**	1,601	227	(1,374)	(1,118)	1,417	146	(1,271)	(1,034)	1,086	247	(839)	(683)	50	75	25	21	**(3,459)**	**(2,814)**
7	**2028/29**	1,756	249	(1,507)	(1,185)	1,520	157	(1,364)	(1,072)	1,141	259	(882)	(693)	42	86	45	35	**(3,708)**	**(2,915)**
8	**2029/30**	1,927	273	(1,653)	(1,256)	1,631	168	(1,463)	(1,111)	1,199	273	(926)	(704)	57	100	43	32	**(4,001)**	**(3,038)**
9	**2030/31**	2,113	300	(1,813)	(1,331)	1,750	180	(1,570)	(1,152)	1,260	286	(973)	(714)	94	115	21	16	**(4,335)**	**(3,181)**
10	**2031/32**	2,318	329	(1,989)	(1,410)	1,878	193	(1,685)	(1,194)	1,323	301	(1,022)	(725)	101	133	32	23	**(4,664)**	**(3,306)**
11	**2032/33**	2,543	361	(2,182)	(1,495)	2,015	207	(1,807)	(1,238)	1,390	316	(1,074)	(736)	123	154	31	21	**(5,033)**	**(3,447)**
12	**2033/34**	1,421	396	(1,025)	(679)	2,162	223	(1,939)	(1,283)	1,461	332	(1,129)	(747)	147	177	30	20	**(4,063)**	**(2,689)**
13	**2034/35**		434	434	278	2,320	239	(2,081)	(1,330)	1,534	349	(1,186)	(758)	174	205	31	20	**(2,801)**	**(1,791)**
14	**2035/36**		476	476	294	2,489	256	(2,232)	(1,379)	1,612	366	(1,246)	(769)	212	236	24	15	**(2,978)**	**(1,840)**
15	**2036/37**		522	522	312	2,670	275	(2,395)	(1,430)	1,694	385	(1,309)	(781)	254	273	19	11	**(3,163)**	**(1,888)**
16	**2037/38**		573	573	330	1,419	295	(1,124)	(648)	1,779	404	(1,375)	(793)	289	315	26	15	**(1,900)**	**(1,096)**
17	**2038/39**		628	628	350		317	317	176	1,869	425	(1,444)	(805)	314	363	49	28	**(450)**	**(251)**
18	**2039/40**		689	689	371		340	340	183	1,964	446	(1,517)	(817)	374	419	46	25	**(443)**	**(238)**
19	**2040/41**		756	756	393		364	364	190	2,063	469	(1,594)	(829)	464	484	20	10	**(454)**	**(236)**
20	**2041/42**		829	829	417		391	391	196	2,167	493	(1,675)	(842)	547	559	11	6	**(443)**	**(223)**
21	**2042/43**		910	910	442		419	419	204	2,277	518	(1,759)	(854)	653	645	(8)	(4)	**(438)**	**(213)**
22	**2043/44**		998	998	468		450	450	211	353	544	191	90	791	744	(46)	(22)	**1,592**	**747**
23	**2044/45**		1,095	1,095	496		483	483	219		571	571	259	69	859	790	358	**2,939**	**1,332**
24	**2045/46**		1,201	1,201	526		518	518	227		600	600	263					**2,319**	**1,016**
25	**2046/47**		1,317	1,317	557		556	556	235		631	631	267					**2,503**	**1,059**
26	**2047/48**		1,445	1,445	591		596	596	244		662	662	271					**2,704**	**1,105**
27	**2048/49**		1,585	1,585	626		640	640	253		696	696	275					**2,920**	**1,154**
28	**2049/50**		1,738	1,738	663		687	687	262		731	731	279					**3,156**	**1,204**
29	**2050/51**		1,907	1,907	703		737	737	272		768	768	283					**3,411**	**1,258**
30	**2051/52**		2,091	2,091	745		790	790	282		807	807	288					**3,689**	**1,314**
31	**2052/53**		2,294	2,294	790		848	848	292		848	848	292					**3,990**	**1,373**
32	**2053/54**		2,516	2,516	837		910	910	303		891	891	296					**4,317**	**1,436**
33	**2054/55**						976	976	314		936	936	301					**1,912**	**614**
34	**2055/56**						1,048	1,048	325		983	983	305					**2,031**	**630**
35	**2056/57**						1,124	1,124	337		1,033	1,033	310					**2,157**	**647**
36	**2057/58**						1,206	1,206	350		1,085	1,085	314					**2,291**	**664**
37	**2058/59**						1,294	1,294	362		1,140	1,140	319					**2,434**	**682**
38	**2059/60**						1,388	1,388	376		1,197	1,197	324					**2,586**	**700**
39	**2060/61**						1,489	1,489	389		1,258	1,258	329					**2,748**	**718**
40	**2061/62**						1,598	1,598	404		1,322	1,322	334					**2,920**	**737**
41	**2062/63**						1,715	1,715	418		1,388	1,388	339					**3,103**	**757**
42	**2063/64**						1,840	1,840	434		1,459	1,459	344					**3,298**	**778**
43	**2064/65**						1,974	1,974	450		1,532	1,532	349					**3,506**	**799**
44	**2065/66**						2,118	2,118	466		1,610	1,610	354					**3,728**	**821**
45	**2066/67**						2,272	2,272	483		1,691	1,691	360					**3,964**	**843**
46	**2067/68**						2,438	2,438	501		1,777	1,777	365					**4,215**	**866**
	Total	**28,204**	**28,204**		**(10,203)**	**35,342**	**35,342**		**(15,587)**	**33,781**	**33,781**		**(10,235)**	**6,272**	**6,272**		**(559)**		**(36,583)**

Medium Term Financial Strategy – 2023/24 to 2027/28

Report by David Gladwin, Acting Chief Financial Officer

Report for Decision

1 Recommendations

a) Note that at its meetings of 9th and 14th February 2023 the Business Transformation Steering Group (BTSG) further considered savings measures necessary to support delivery of a balanced budget for 2023/24;

b) Consider recommendations from BTSG that Council approves:

   i. Savings proposals to increase fees and Charges income by £0.274 million as detailed at section 3.39 below;

   ii. Savings proposals to increase fees and charges by £0.038 million as detailed at section 3.40 below and in proposal number five in appendix B;

   iii. Removal of small grants of £0.089 million as detailed in proposal number 31 in appendix B;

   iv. The phased application of retrospective service concessions equally over a five year period with £4.093 million in years 2023/24 to 2026/27 and £4.091 million in 2027/28 (section 3.44).

c) Approve an allocation to Midlothian Integration Joint Board for 2023/24 of £57.926 million in respect of delegated services (subject to final confirmation of the distribution of Scottish Government funding to support additional cost pressures) (section 3.38);

d) Note that after incorporating BTSG approved measures in recommendation b) above that the remaining budget gap for 2023/24 is £7.836 million;

e) Approve the updated savings proposals of £4.953 million in 2023/24 rising to a full year impact of £9.436 million in 2025/26 as presented at Appendix B;

f) Approve an increase in the Band D Council Tax of 5% in 2023/24 thus generating an additional £2.990 million additional income. Revised Council Tax bandings are shown at appendix E;

g) Approve that the remaining budget surplus in 2023/24 of £0.107 million is set aside to support transformational work required to reach ongoing financial sustainability;

h) Note that the financial outlook remains challenging for this term of Council with the projected budget gap of £15.026 million by 2027/28 (Table 7);

i) Note the recommendation of the external Auditor that, "*as a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council's transformation plans*". The auditor also observed that "*The Council continues to demonstrate good financial management arrangements and control of the in-year budget, including understanding of the ongoing impact of Covid and other financial pressures*";

j) Note the latest positon on Scottish Government funding for Local Authorities and the associated grant settlement for Midlothian Council;

k) Note the outcome from the budget consultation that has taken place as detailed in appendix D; and

l) Otherwise, note the remainder of the report.

Date: 15 February 2023
Report Contact: David Gladwin, Acting Chief Financial Officer

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2 Purpose of Report / Executive Summary

2.1 The main purpose of this report is to provide Council with the budget position for 2023/24 to allow discharge of their statutory duties to set a balanced budget for 2023/24. The report also provides budget projections for financial years 2024/25 through to 2027/28.

2.2 Commentary is provided to Members on the latest position on Scottish Government funding for Midlothian Council in 2023/24 and government timescales to finalise this.

2.3 BTSG approved savings proposals and future planning assumptions around the use of service concession retrospection partially bridge the budget gap.

2.4 The remaining budget gap for 2023/24, after reflecting BTSG recommendations, is £7.836 million rising to £27.452 million by 2027/28. Approval of all savings measures presented in Appendix B reduce the remaining gap to £2.883 million in 2023/24 rising to £18.016 million by 2027/28.

2.5 An increase in Council Tax of 5% in 2023/24 generates additional recurring income of £2.990 million thus generating a small budget surplus of £0.107 million in 2023/24 rising to a projected gap in 2027/28 of £15.026 million;

2.6 The budget surplus of £0.107 million is earmarked within the General Fund to support ongoing transformational work that is crucial to delivering a long term financially sustainable position for the Council.

2.7 The use of one-off measures to balance the 2023/24 budget does not contribute to the underlying financial challenge of bridging the gap between recurring expenditure and income to reach a financially sustainable position for Midlothian Council.

3 Medium Term Financial Strategy 2023/24 to 2027/28 - Background

3.1 Council last considered an update on its Medium Term Financial Strategy (MTFS) on 31st January 2023 where latest projections of the budget gap were presented and discussed.

3.2 Council and officers were reminded of the recommendation of the external Auditor that "*as a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council's transformation plans"*. The auditor also observed that "*The Council continues to demonstrate good financial management arrangements and control of the in-year budget, including understanding of the ongoing impact of Covid and other financial pressures*".

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

3.4 As a result, the approval of the MTFS and, on the recommendation of the BTSG, the subsequent approval of the 2020/21 & 2021/22 budgets ensured that the Council secured strategic budgets which invested in Midlothian to help it fulfil its potential to be a great place to grow.

3.5 The MTFS also provided a strong foundation on which the Council has been able to build its response to the financial impact of the COVID pandemic. It was against this backdrop that a corporate solution for 2022/23 was developed to support the delivery of the last budget determined by the previous Council.

3.6 The pandemic has accelerated financial challenges, exacerbated in recent months by very challenging inflationary pressures. There are some difficult choices ahead as Midlothian Council try to deliver services within available budget alongside sustained demographic growth from being the fastest growing local authority in Scotland. As a result, there is a significant funding gap that will impact on what services the Council can continue to deliver and how they are delivered. Reprioritisation and redesign is crucial to balancing the financial position.

Statutory Responsibilities of Councillors

3.7 Full Council has a statutory duty, as set out in Section 93 of the Local Government Finance Act 1992 (as amended), to set Council Tax and a balanced budget for the following financial year by 11th March.

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

3.9 It is therefore implicit in legislation that Council Tax income funds the gap between income and expenditure. Accordingly, in determining a budget, Council needs to identify the gap between expenditure and income and if no other action is taken to redress any shortfall Council Tax has to be set at a rate that will do so. As a consequence, Council Tax decisions should not normally be taken in advance of other budget decisions.

3.10 Members should also continue to note that in terms of Section 112 of the Local Government Finance Act 1992 (as amended) it is an offence for members to participate in any vote in respect of setting Council Tax where the member has unpaid Council Tax. Accordingly, at the Council meeting on 21st February members would be required to disclose if this section of the act applies to them and subsequently not vote on any question with respect to the matter.

Scottish Government Funding - Local Government Finance Circular 11/2022

3.11 The Scottish Budget was announced on Thursday 15th December 2022 with the first version of the Local Government Finance Circular issued on Tuesday 20th December. There have been several revisions to the circular with the latest version received on Tuesday 10th January. The budget bill has passed stages one and two in the Scottish Parliament with the stage three (final) debate on the bill scheduled for Tuesday 21st February.

Scottish position

3.12 Total cash funding shown in the latest circular received for 2023/24 is £13,229.158 million which is a £543.885 million increase on the published 2022/23 position in Finance Circular 1/2022. Table 1 below provides details.

Table1: All Scotland Aggregated Funding Totals

	2022/23 £m	2023/24 £m	Cash Change £m
Revenue	12,000.632	12,402.517	401.885
Capital	684.641	826.641	142.000
Total	**12,685.273**	**13,229.158**	**543.885**

Revenue Funding

3.13 The 2022/23 figure of £12,000.632 million contains some non-recurring funding and the 2023/24 figure includes some new funding with associated expenditure commitments. Table 2 below illustrates this.

Table 2: 22/23 non-recurring funding and 23/24 new commitments

	£m
Finance Circular 1/2022 (22/23)	**12,000**
Non-recurring 22/23 Expenditure	
Scottish Child Bridging Payments	(68)
Interim Care Funding	(20)
Adjusted Comparator for 2023/24	**11,912**
New Expenditure Commitments	
Recurring funding for pay	140
Local Heat and Energy Efficiency Strategies	2
Whole Family Wellbeing Support	32
Real Living wage in Adult Social care (raising rate to £10.90)	100
Free Personal and Nursing Care	15
Free School Meals – P6+7 expansion for eligible pupils	18
Additional Discretionary Housing Payments	6
School Clothing Grants Increase (inflationary)	1
Adult Social Care Fees (SSSC)	2
Increase in LG contribution to Historic Abuse Redress Scheme	1

Total	**12,229**
Devolution of Empty Property Relief to Local Government	105
Total Scottish Government Funding on a comparative basis	**12,334**

Comparing Scottish Government funding on a comparative basis against cash values in the latest Local Government Finance Circular shows approximately a £68 million increase in funding in 2023/24.

3.15 Converting cash values to real terms figures, as illustrated by various experts including the Institute for Fiscal Studies, Fraser of Allander Institute and the Scottish Parliament Information Centre, describe a significant real terms reduction in funding to Local Government.

3.16 The Scottish Budget also made a change to Non Domestic Rates (NDR) Revaluation Appeals. With effect from 1st April 2023, the implementation date of new rateable values from the 2022 revaluation process, any local authority that reduces their own liability as a consequence of a successful appeal will lose the same value of funding from their Scottish Government Revenue Funding. Previously local authorities benefitted significantly from successful appeals.

3.17 Whilst not being in receipt of an updated Finance Circular the Scottish Government have advised of two areas of material change from the 10th January version as shown below:

- Addition in 2023/24 of £32.8 million nationally to support ongoing costs associated with the 2021/22 teachers pay award. This funding has already been provided in the current financial year; and
- Presentational change of £45.5 million national funding for teachers which was previously treated as “distributed” (without any further deliberation or conditions) and is now shown as “to be distributed”. A letter from the Scottish Government Deputy Director: Workforce, Infrastructure and Digital dated 9th February 2023 to Local Authorities, which is provide in full at Appendix F, outlines in sections 5 and 6 the new conditions to be met for funding to be released.

Impact of Finance Circular 11/2022 on Midlothian Council

3.18 Finance Circular 11/2022 distributes £12,171.054 million to local authorities with the remaining £231.363 million undistributed at this stage. Table 3 below shows Midlothian's share of distributed amounts and estimated shares of undistributed.

Table 3: Local Authority shares of Scottish Government Grant

	Scotland £m	Midlothian £m
Distributed funding		
General Revenue Funding	8,348.099	152.700
Non Domestic Rates	3,047.000	35.215
Ring-Fenced Grants	755.956	15.249
Total	**12,171.054**	**203.164**
Undistributed funding		
General Revenue Funding	231.360	3.065
Non Domestic Rates (NDR)	0	0
Ring-fenced Grants	0.103	0
Total	**231.463**	**3.065**
Total Scottish Government Funding	**12,402.517**	**206.229**

3.19 After allowing for new expenditure requirements these figures give an improvement of £0.836 million on the projected Scottish Government Grant figure included in the latest iteration of Midlothian's budget model as presented to council in December. However, NDR rule changes on appeals as outlined in section 3.16 of this report effectively reduces this figure when taking into account the lost financial benefits that could be achieved from successful Rateable Value appeals.

3.20 The re-instatement of £32.8 million national funding for teachers pay as outlined at section 3.17 above results in a distribution to Midlothian of £0.656 million for which the floor calculation will not be re-opened.

3.21 The Minimum Grant Floor is designed to ensure a stable distribution of grant to ensure that all councils receive at least a minimum guaranteed increase in total revenue support for each year. As expected, due to pace of growth in Midlothian, relative shares of Scottish Government funding lines have increased giving an overall 4.48% upwards movement. The floor, for 2023/24, is set at a minimum growth of 1.95% for all councils thus reducing Midlothian's funded growth to 2.43% and resulting in a cash contribution to the floor of £3.136 million.

3.22 The Deputy First Minister (DFM) and Cabinet Secretary for Covid Recovery wrote to CoSLA on the 15th December outlining details of the Local Government Finance Settlement for 2023/24. The letter is provided at Appendix G. Key points to note are:

- Funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2022/23 recurring budgets for services delegated to Integration Joint Boards (IJBs) and therefore, Local Authority social care budgets for allocation to integration authorities must be at least £95m greater than 2022/23 recurring budgets; and
- Scottish Government will not seek to agree any freeze or cap in locally determined increases to council tax, meaning each council will have full flexibility to set the Council Tax rate that is appropriate for their local authority area.

3.23 At the time of writing this report there are some areas of the Local Government Finance Circular that are not finalised. CoSLA are pursuing these areas with the Scottish Government and they include:

- Clarity of the quantum for Early Learning and Childcare, particularly relating to £15m for targeted holiday provision;
- Clarity on the quantum for Free School Meals provision; and
- A full reconciliation of figures thus allowing Local Authority finance professionals to fully understand the detailed position.

3.24 The planned change to the distribution basis for Early Learning and Childcare has not been implemented, now deferred until 2024/25. It is hoped that the revised distribution base, which will focus more on actual numbers, will provide an increased share for Midlothian.

3.25 Consultation on the Local Government Finance circular ended on 27th January. An amended Finance Circular is expected on or around Wednesday 22nd February after final passage of the budget bill.

Budget Projections

3.26 The projected net cost of services for 2023/24 has been continually refined to reflect new or changing information particularly relating to inflationary forecasts. The current year's budget as approved on 15th February 2022 was reliant on £10.283 million of one-off funding measures as presented in table 4 below. Council on 23rd August 2022 approved a supplementary estimate of £1.395 million in 2022/23 to cover unbudgeted inflationary pressures. This is partially offset by the full year impact of reversing the Employers National Insurance increase.

Table 4: Underlying budget gap for 2022/23

One-off Measures in 2022/23 Budget	**£m**	**£m**
Use of Reserves		
Utilisation of uncommitted earmarked reserves	2.000	
Utilisation of general reserves	0.250	
		2.250
One-off utilisation of COVID funding (to mitigate savings plans)		1.675
Deferment of debt repayments in 2021/22 and 2022/23		
Loans Fund Review to meet repayments in 22/23 (max)	3.032	
From use of Fiscal Flexibility (Loans Fund Repayment Holiday) and utilise Loans Fund Review both in 21/22 (max)	3.326	
		6.358
Non Recurring Expenditure		(0.250)
Impact of 22/23 contractual inflation – Energy and PPP – approved by Council on 23rd August 2022		1.395
Impact of reversal of Employers NI increase (full year effect)		(1.130)
Underlying Budget Gap for 2022/23		**10.298**

3.27 The projections for 2024/25 and beyond as shown in table 5 below are predicted on assumptions related to Scottish Government Grant, pay and other inflation and Council Tax growth. They also assume continuation of the current structure of public services in Scotland. Projections for 2024/25 through to 2027/28 have been updated from those presented to Council in January to reflect updated assumptions on demographic pressures, inflation and debt charges to support capital investment.

Table 5: Financial Outlook 2023/24 to 2027/28 – Analysis of Change

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Opening gap for the year	**10.298**	**12.183**	**18.995**	**24.829**	**27.913**
Budget Changes					
Staffing – pay inflation and salary progression	4.701	3.977	4.077	4.179	4.283
Contractual inflation and indexation	1.762	1.099	1.126	1.154	1.183
Loan Charges	(1.838)	2.088	3.024	0.234	0.230
Energy Inflation based on November pricing information	1.503	0.000	0.000	0.000	0.000
Demographic Pressures	2.604	2.000	1.000	1.000	1.000
Non Domestic Rates Revaluations	1.021	0.000	0.000	0.000	0.000
Digital Software / Cyber Security	0.493	0.000	0.000	0.000	0.000
Service Concessions – in year adjustment	(2.608)	(0.188)	(0.209)	(0.222)	(0.232)
Other	(0.153)	(0.011)	(0.011)	(0.011)	(0.012)
Expenditure Increases	**7.485**	**8.965**	**9.007**	**6.334**	**6.452**
Council Tax – Property Growth	(1.350)	(1.350)	(1.350)	(1.350)	(1.350)
Waste Third Party Income	(0.742)	0.000	0.000	0.000	0.000
Destination Hillend Net Income	(0.412)	(0.507)	(1.413)	0.133	(0.027)
Industrial Unit Rental Income	(0.330)	0.000	0.000	0.000	0.000
Scottish Government Grant	(1.539)	(0.115)	(0.118)	(1.821)	(1.824)
Gross Income Increases	**(4.373)**	**(1.972)**	**(2.881)**	**(3.038)**	**(3.201)**
Budget Gap to Address	**13.410**	**19.176**	**25.121**	**28.125**	**31.164**
Operational savings measures	(1.227)	(0.181)	(0.292)	(0.212)	(0.000)
Budget Gap	**12.183**	**18.995**	**24.829**	**27.913**	**31.164**

3.28 Council Tax income shown in projections above is based on the existing Band D Council Tax of £1,442.60.

3.29 2022/23 pay claims for the SJC bargaining groups have been concluded with the following agreed:

- For those on the Local Government Living Wage and pay scale point (SCP) 19 to 24 and undifferentiated 5% or a £2,000 uplift (calculated on a nominal 36 hour working week), whichever is larger;
- A 10.2% increase for the lowest paid. For SCP 38 (£24,984) a 7.7% increase (£1,925) and for SCP 52 (£30,212) a 6.37% increase (£1,925); and
- An undifferentiated 5% or a £1,925 uplift (calculated on a nominal 36 hour working week), whichever is larger, capped for those currently earning £60,000 or more at a £3,000 uplift (based on a 37 hour working week).

It is estimated that this equates to a 7.23% increase in the Council's SJC paybill.

3.30 A straight offer of 5%, and a further differentiated offer averaging at just over 5% has been made to and rejected by the Scottish Negotiating Committee of Teachers Bargaining Group. Discussions are ongoing with a further offer being considered at the time of writing this paper.

3.31 A pay increase of 2.5% was provided for in the 2022/23 base budget. The Scottish Government have provided additional funding for 3.73% of the increased cost:

- £140m revenue funding nationally of which £2.338m will flow to Midlothian as part of general revenue funding;
- £120.6 million of Capital Funding (Capital Flexibilities) of which £2.014 million will flow to Midlothian as a capital grant. A one-off flexibility option to allow capital grant to fund in-year revenue expenditure has been developed with Scottish Government and CoSLA officials.

3.32 The remaining 1%, estimated at £1.8 million, links into ongoing national discussions around funding flexibilities. Work continues in 2022/23 on identifying areas of the Council budget that can contribute to the £1.8 million target which is proving challenging to reach.

3.33 Pay projections shown in table 5 above include the impact of 22/23 agreed pay awards and the latest offer for those still in dispute, uplifted by a further 2.5% in 23/24 and each year thereafter. Funding for pay awards is included also with the **exception** of £1.8 million of financial flexibilities in 23/24. Given the challenges in identifying valid financial flexibility options in 2022/23 as outlined in section 3.32 above it is considered prudent at this stage to assume they will not be available in 2023/24 and beyond.

3.34 A letter from the Scottish Government Deputy Director: Workforce, Infrastructure and Digital dated 9th February 2023 to Local Authorities, which is provided in full at Appendix F, details new conditions that Local Authorities are required to meet to access the full amount of previously distributed funding. Section 8 of the letter states that

Midlothian are required to maintain a minimum number of teachers, as measured by the annual census, of 1,081 in 2023/24 to access a share of the £45.5 million withheld funding. Failing to do so will result in some, or all, of Midlothian's share of £0.850 million of the £45.5 million national funding being withheld. The 2023/24 base budget has been prepared to comply with the Scottish Government stipulation and as a consequence of this letter the previously presented savings proposal for reduction in devolved School management Budgets involving teachers has been withdrawn.

3.35 Further implications of the letter are being discussed by CoSLA and Scottish Government officials and will shape school related transformation measures that can be considered in coming years.

Midlothian Integration Joint Board

3.36 The Chief Officer and Chief Financial Officer of the Midlothian Integrated Joint Board (MIJB) have been updated on the Council's budget position and are engaged in the development of the MTFS.

3.37 The proposed budget to be delegated to MIJB for 2023/24 together with future year indicative allocations were developed based on the 2022/23 position of cash flat plus additional Scottish Government funding.

3.38 The DFM letter referred to in section 3.22 and provided in full in Appendix G outlines Scottish Government expectations for funding IJBs in 2023/24. Council approved a requisition of £56.438 million in 2022/23. Minor adjustments during 2022/23 revise the figure to £56.593 million. Shares of new funding for Living Wage (£100m) and inflationary increases to Free Personal Nursing Care (£15m) less non-recurring Interim Care Money (£20m) increase the minimum requisition in 2023/24 to £57.926 million.

Medium Term Financial Strategy Savings Measures

3.39 BTSG support implementation of the following proposed savings measures for increased fees and charges as shown in table 6 below and detailed in appendix B.

Table 6: BTSG approved changes to Fees and Charges

Proposal Number	Proposal	Saving £ Million
3	Civic Licensing Fees to reflect full cost recovery	0.050
15	Economic Recovery – Discretionary charge for Planning services	0.010
16	Building Standards – increase fees for non-statutory duties and continue visual inspections	0.006
19	Burials income raised to the Scottish average value	0.080
22	Safety Advisory Group co-ordination fee	0.025
29	Road Construction Consent	0.093
30	Location and vehicle advertising	0.010
	Total	**0.274**

3.40 BTSG also supported implementation of further fees and charges increases of £0.038 million as shown in savings proposal number 5 in appendix B and savings proposal 31 in appendix B for small grants of £0.089 million.

Fiscal Flexibilities

3.41 Although Fiscal Flexibilities are one-off in nature and do not contribute to bridging the ongoing gap between recurring expenditure and recurring income they can, whilst available, be used as a means to plug in-year gaps whilst detailed work takes place to develop and implement permanent transformational savings. For the period of the current MTFS there are two options that can be accessed.

3.42 The first relates to Service Concessions. The Scottish Government, through Finance Circular 10/2022 published in September 2022 permitted Councils to apply additional flexibility to the accounting treatment for Service Concession Arrangements in place before 1st April 2022. The statutory guidance applies from financial year 2022 to 2023 but permits retrospective application as an option.

3.43 A full report on service concessions with recommendations is included at item 8.6 on today's agenda. If Council were to approve the recommendations as presented an additional £20.463 million would become available for use in 2023/24 with in-year adjustments of £2.608 million in 2023/24 rising to £3.459 million in 2027/28. The in-year impacts have been included in projections shown in table 5 above.

3.44 It would be prudent and also good fiscal sense to use the retrospective benefits from service concessions in a staggered way over at least the life of the existing term of the MTFS as a means to smooth unbudgeted or emerging pressures that arise and to also provide time and investment to support transformational change that is essential in delivering ongoing financial sustainability for Midlothian Council. BTSG have supported this approach and are recommending the use of £4.093 million in years 2023/24 to 2026/27 and £4.091 million in 2027/28.

3.45 Application of service concessions in this way, offset by the additional loan charges cost to access funding, reduces the remaining gap to £7.836 million in 2023/24 rising to £27.452 million in 2027/28.

3.46 The second Fiscal Flexibility available for use relates to financing Loans Fund Principal repayments and is one Council have adopted previously. The mechanism for implementing this in 2023/24 would be use of retrospective Loans Fund Review savings to repay debt. The maximum value that can be applied in 2023/24 is £2.9 million.

Setting the 2023/24 Budget

3.47 Public consultation on the savings proposals is complete and feedback from this process is included at Appendix D for information.

3.48 Table 7 below shows a remaining budget gap for 2023/24 of £7.836 million as described in section 3.45. It is proposed that the following decisions are taken to balance the 23/24 budget:

- A 5% increase in Band D Council moving from £1,442.60 in 22/23 to £1,514.73 in 23/24 as set out at appendix E thus generating additional recurring income of £2.990 million;
- Approval of the remaining savings measures of £4.953 million, after incorporating BTSG approvals as laid out in sections 3.39 and 3.40 above and as set out in Appendix B; and
- Enhancement of Reserves of £0.107 million earmarked to support transformational work.

Table 7: Budget gap reflecting officer proposals to balance 2023/24

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Budget Gap	**7.836**	**14.828**	**20.759**	**24.013**	**27.452**
5% Council Tax increase	(2.990)	(2.990)	(2.990)	(2.990)	(2.990)
Savings Measures - Appendix C	(4.953)	(8.246)	(9.436)	(9.436)	(9.436)
Enhancement to Reserves	0.107	0.000	0.000	0.000	0.000
Remaining Budget Gap	**0.000**	**3.592**	**8.333**	**11.587**	**15.026**

3.49 The resultant service budgets, reflecting the recommendations of BTSG and further officer recommendations on Council Tax, pay funding and reserves are set out in Appendix H.

4 Report Implications (Resource, Digital and Risk)

Resource

4.1 The financial outlook remains challenging for the term of this Council and the recommendation of the External Auditor is "*as a matter of urgency, officers and elected members need to work together to develop and agree the medium term financial strategy and progress the Council's transformation plans*".

Digital

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

Risk

4.3 Within any financial projections, there are a number of inherent assumptions in arriving at figures and setting budget. Therefore risks exist if costs change or new pressures emerge.

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

- Uncertainly over the Scottish Government's and Council's financial position;
- The economic outlook and decision by Scottish Government on future years grant settlements and grant distribution;
- The risk to service provision and service users associated with a continued decline in available resources to fund services;
- Future years Public Sector pay policy and current and future year pay award settlements;
- Actual school rolls varying from those provided for in the budget;
- The impact of the wider economic climate on range of factors including: inflation, interest rates, employment, tax and income levels and service demands;
- Cost pressures, particularly demographic demand, exceeding budget estimates;
- The reform of public services and the implications for the National Care Service (Scotland) Bill;
- The impact of Universal Credit, and potential pension changes;
- The costs of implementation of national policies varying from the resources provided by Government;
- Potential liabilities arising from historic child abuse;
- Unplanned capital investment requirements and the associated cost; and
- Ability to continue to meet the expectations of our communities within a period of fiscal constraint.

4.4 Developing a MTFS is important and can support the mitigation of a number of these risks by setting out the key assumptions on which forward plans are based. The consequences of the challenging grant settlement parameters mean that it is also necessary to bring forward measures to secure financial balance over the period covered by the Medium Term Financial Strategy.

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

Ensuring Equalities

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

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

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

4.9 Individual Equality Impact Assessments (EQIA) will be placed in the members Library in respect of future policy savings measures and an overarching EQIA will be published alongside the MTFS report presented to the Council meeting on 21st February 2023.

Additional Report Implications

See Appendix A

Appendices
Appendix A – Report Implications
Appendix B - Budget Proposals – Savings Templates
Appendix C – Overview Equality Impact Assessment on Midlothian Council Medium Term Financial Strategy 2023/24 to 2027/28
Appendix D – Budget Consultation Feedback
Appendix E – Council Tax Bandings
Appendix F – Letter from the Deputy Director: Workforce, Infrastructure & Digital, Scottish Government dated 9th February 2023
Appendix G – Letter from the Deputy First Minister and Cabinet Secretary for Covid recovery to COSLA president dated 15 December 2022
Appendix H – Service Budgets

A.1 Key Priorities within the Single Midlothian Plan

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

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

The report does not directly impact on delivering Best Value.

A.5 Involving Communities and Other Stakeholders

The development of the Strategic Plan and associated Medium Term Financial Strategy provides for public engagement.

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

A.6 Impact on Performance and Outcomes

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

A.7 Adopting a Preventative Approach

An effective Strategic plan supported by a Medium Term Financial Strategy will support the prioritisation of resources to support prevention activities.

A.8 Supporting Sustainable Development

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

Midlothian

Appendix B

Budget Proposals – Savings Templates

Midlothian Council

21 February 2023

V12 14/02/23

No.	Cat.	Proposal	RAG	Page No.
PLACE DIRECTORATE				
Corporate Solutions				
1	1	Redesign of Community and School Libraries	G	1
2	1	Adopt e-book services	G	3
3	6	Civic Licencing fees to reflect full cost recovery	G	4
4	6	Reduce administration costs of benefits process	G	5
5	6	Fees and Charges summary	G	6
Place Services				
6	1	School Crossing Patrol Service	G	8
7	1	Remove Christmas Light Funding	G	10
8	1	Galas and events support - costs recovery or cancel support	G	11
9	1	Dalkeith Bowling Green maintenance cancelled	G	13
10	1	Reduce shrub bed maintenance	G	15
11	2	PPP School closures during holidays	G	17
12	1	Cease out of hours Footpath Gritting	G	18
13	1	Supported Bus Travel	G	19
14	1	Community Transport Funding	G	21
15	6	Economic Recovery – Discretionary charge for Planning Services	G	23
16	6	Building Standards – increase fees for non-statutory duties and continue virtual inspections	G	24
17	1	Penicuik Recycling Centre closure	G	25
18	1	Standalone Public Toilet closures	G	27
19	6	Burials Income raised to Scottish Average value	G	29
20	6	Non-Housing Maintenance budget reduction	G	30
21	1	Reduction in frequency of grass cutting	G	31
22	6	Safety Advisory Group (SAG) Co-ordination fee	G	33
23	1	Protective Services: Trading Standards Collaboration, Efficiencies & Income Generation	A	34
24	1	Cease the Night Security Service at Stobhill Depot	G	36
25	6	Reduce 5 FTE PFM roles	G	37
26	1	Reduce Countryside Rangers Posts	G	38
27	1	Cease the Midlothian Community Action Team	G	39
28	6	Increase Garden Waste Fee	G	41
29	6	Road Construction Consent - charging developers	G	43
30	1	Location and vehicle advertising	G	45
CHILDREN, YOUNG PEOPLE AND PARTNERSHIPS DIRECTORATE				
Children' Services, Partnerships and Communities				
31	1	Transformation of grants funding	G	46
32	2	Reduction in Instrumental Music Service	R	47
33	2	Reduction in non-statutory early years provision	R	48
Education				
34	2	Cease P4 swimming programme	G	49
35	2	Reduction in commissioned services	G	50
36	2	Rationalise Home to School and ASN Transport	G	51

37	2	Devolved School Management Budgets involving other staff groups and budgets	G	53
38	2	Rationalisation of school estate	R	54
39	2	Reduction in the Devolved School Management Scheme allocation to Schools by 1%	R	55
40	2	Increase shared headships	R	57
41	2	Transformation of school week	G	59
HEALTH AND SOCIAL CARE				
Sport & Leisure				
42	3	Stop All Overtime	R	60
43/44	3	Community Asset Transfer or alt Closure of Leisure Centre – Newtongrange & Gorebridge (X2)	R	61
Welfare Rights				
45	3	Reduction of Welfare Rights Services		63
IJB Delegated Budget				
46	3	IJB Delegated Budget – potential reduction		65
Additional Savings				
47	6	Continuous Improvement – Non-recruitment to vacant post	G	66
48	6	To remove Internal Audit by 1FTE vacancy	G	67

Strategic Theme Key	
1. Fostering empowered, inclusive, resilient and safe communities	1
2. Supporting individuals and communities to be the best they can be	2
3. Transforming health and social care	3
4. Accelerating inclusive growth	4
5. Carbon neutral by 2030	5
6. Reviewing income, concessions and other contributions	6

Financial Outlook 2023/24 to 2025/26 - Measures to address projected budget gaps

		2023/24 £m	2024/25 £m	2025/26 £m	RAG	CAT	TEMP	EQIA
	Recurring Reductions to Service Budgets from:-							
	Corporate Solutions							
1	Redesign of Community and School Libraries	-0.315	-1.029	-1.029	G	1	Y	Y
2	Adopt e-book services	-0.144	-0.144	-0.144	G	1	Y	Y
3	Civic Licencing fees to reflect full cost recovery	-0.050	-0.050	-0.050	G	6	Y	Y
4	Reduce administration costs of benefits process	-0.070	-0.070	-0.210	G	6	Y	Y
5	Fees and Charges summary	-0.038	-0.038	-0.038	G	6	Y	Y
	Corporate Solutions	-0.617	-1.331	-1.471				
	Place							
6	School Crossing Patrol Service	-0.153	-0.306	-0.306	G	1	Y	Y
7	Remove Christmas light funding	-0.060	-0.060	-0.060	G	1	Y	Y
8	Galas and events support - costs recovery or cancel support	-0.044	-0.044	-0.044	G	1	Y	Y
9	Dalkeith Bowling Green maintenance cancelled	-0.025	-0.025	-0.025	G	1	Y	Y
10	Reduce shrub bed maintenance	-0.036	-0.036	-0.036	G	1	Y	Y
11	PPP School closures during holidays	-0.040	-0.040	-0.040	G	2	Y	Y
12	Cease out of Hours Footpath Gritting	-0.073	-0.073	-0.073	G	1	Y	Y
13	Supported Bus Travel	-0.060	-0.120	-0.120	G	1	Y	Y
14	Community Transport Funding	-0.157	-0.314	-0.314	G	1	Y	Y
15	Economic Recovery - Discretionary charge for Planning Services	-0.010	-0.010	-0.010	G	6	Y	Y
16	Building Standards- increase fees for no statutory duties & continue virtual inspections	-0.006	-0.006	-0.006	G	6	Y	Y
17	Penicuik Recycling Centre closure	-0.109	-0.109	-0.109	G	1	Y	Y
18	Standalone Public Toilet closures	-0.081	-0.081	-0.081	G	1	Y	Y
19	Burials Income raised to Scottish Average value	-0.080	-0.080	-0.080	G	6	Y	Y
20	Non Housing Maintenance budget reduction	-0.300	-0.300	-0.300	G	6	Y	Y
21	Reduction in frequency of grass cutting	-0.025	-0.025	-0.025	G	1	Y	Y
22	Safety Advisory Group SAG Co-ordination fee	-0.025	-0.025	-0.025	G	6	Y	Y
23	Protective Services: Trading Standards Collaboration, Efficiencies & Income Generation	-0.090	-0.090	-0.090	G	1	Y	Y
24	Cease the Night Security Service at Stobhill Depot	-0.150	-0.150	-0.150	G	1	Y	Y
25	Reduce 5 FTE PFM roles	-0.125	-0.125	-0.125	G	6	Y	Y
26	Reduce Countryside Rangers Posts	-0.075	-0.075	-0.075	G	1	Y	Y
27	Cease the Midlothian Community Action Team	-0.436	-0.582	-0.582	G	1	Y	Y
28	Increase Garden Waste Fee	0.000	-0.026	-0.026	G	6	Y	Y
29	Road Construction Consent - charging developers	-0.093	-0.093	-0.093	G	6	Y	Y
30	Location and vehicle advertising	-0.010	-0.025	-0.025	G	1	Y	N
	Place	-2.263	-2.820	-2.820				
	Place Directorate	-2.880	-4.151	-4.291				
	Children, Young People & Partnerships							
	Childrens Services, Partnerships and Communities							
31	Transformation of grants funding	-0.089	-0.089	-0.609	G	1	Y	Y
32	Reduction in Instrumental Music Service	-0.444	-0.444	-0.444	R	2	Y	Y
	Childrens Services, Partnerships and Communities	-0.533	-0.533	-1.053				
	Education							
33	Reduction in non-statutory early years provision	-0.215	-0.215	-0.215	R	2	Y	Y
34	Cease P4 swimming programme	-0.027	-0.027	-0.027	G	2	Y	Y
35	Reduction in commissioned services	-0.500	-0.500	-0.500	G	2	Y	Y
36	Rationalise Home to School and ASN Transport	-0.030	-0.060	-0.090	G	2	Y	Y
37	Devolved School Management Budgets involving other staff groups and budgets	-0.034	-0.034	-0.034	G	2	Y	Y
38	Rationalisation of school estate	0.000	-0.290	-0.290	R	2	Y	Y
39	Reduction in the Devolved School Management Scheme allocation to Schools by 1%	-0.400	-0.607	-0.607	R	2	Y	Y
40	Increase shared headships	-0.017	-0.027	-0.027	R	2	Y	Y
41	Transformation of school week	0.000	-1.500	-2.000	G	2	Y	Y
		-1.223	-3.260	-3.790				
	Children, Young People & Partnerships	-1.756	-3.793	-4.843				
	Health & Social Care							
	Non Delegated Sport & Leisure							
42	Stop all overtime	-0.472	-0.472	-0.472	R	3	Y	Y
43	Community Asset transfer or alt Closure of Newtongrange	-0.136	-0.136	-0.136	R	3	Y	Y
44	Community Asset transfer or alt Closure of Gorebridge Leisure Centre - figures not shown as either / or with Newtongrange	0.000	0.000	0.000	R	3	Y	Y
45	Reduction of Welfare Rights Service	-0.027	-0.027	-0.027	R	3	Y	Y
	Health & Social Non Delegated	-0.635	-0.635	-0.635				
	Health & Social Care Delegated							
46	IJB Delegated Budget - potential reduction	0.000	0.000	0.000	?	3	Y	N
	Health & Social Delegated	0.000	0.000	0.000				
	Health & Social Care	-0.635	-0.635	-0.635				
	Chief Executive							
47	Continuous Improvement - Non-recruitment of vacant post	-0.028	-0.028	-0.028	G	6	Y	Y
48	To remove Internal Audit by 1FTE vacancy	-0.055	-0.055	-0.055	G	6	Y	Y
	Chief Executive	-0.083	-0.083	-0.083				
	Overall Savings Measures	-5.354	-8.662	-9.852				
	Savings Measures Approved by BTSG	-0.401	-0.416	-0.416				

1.		
Directorate	Place	
Service Area	Customer Services	
Proposal	Redesign of Community and School Libraries	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.315	0.714	0.000	1.029
Cumulative savings	0.315	1.029	1.029	1.029
FTE staff impact	11	12	0	23

Description of Savings Proposals
Redesign of the library service, bringing together school and community library provision. Savings figures above are aligned with the removal of staffing in all libraries (school and community) and the implementation of full self-service. Alternative models of delivery to consider include the roll out of self-service in specific locations across the library estate, shared staffing provision across locations, community run options, relocation/co-location in alternative spaces within communities and/or closure. Alternative provision also includes the review of the Mobile Library service and further adoption of the locality Hub and Spoke model.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Shifting how the services provided by Libraries are sustained in communities will inevitably lead to criticism of the Council and needs to be considered in the context of the locality model being considered. Given the integration of Libraries in Hubs it will be a challenge to reduce the property ownership costs and so the focus would be on pursing different delivery models of delivery which reduce the cost to be met through taxation on a co-production basis with communities. Self-service provision is already available out of hours at the Newbattle and Loanhead Hub libraries. Community and staff engagement would be a key part of any next stage. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and

additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

2.		
Directorate	Place	
Service Area	Corporate Solutions	
Proposal	Adopt e-book services	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.144	0.000	0.000	0.144
Cumulative savings	0.144	0.144	0.144	0.144
FTE staff impact	0	0	0	0

Description of Savings Proposals
Shift the focus on Libraries to online services and do not replace or refresh the books on offer to customers. The more traditional lending service of Libraries would be impacted and lending would ultimately reduce as stock becomes old and dated, though there are an ever increasing proportion of the population who have moved from physical books to e -books. Library services would shift to other emerging service areas in a Hub & Spoke model.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Shifting how the services provided by Libraries are sustained in communities will inevitably lead to criticism of the Council but in the absence of funding to support local services sustain the book refresh programme it is an option open to the Council. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

3.		
Directorate	Place	
Service Area	Corporate Solutions	
Proposal	Civic Licencing fees to reflect full cost recovery	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.050	0.000	0.000	0.050
Cumulative savings	0.050	0.050	0.050	0.050
FTE staff impact	0	0	0	0

Description of Savings Proposals
Increase Civic Licencing Fees to reflect full cost recovery. Costs include staff time across Licensing, Corporate Resources, Legal and Governance and Protective Services. These costs have risen in recent years but the charging for processing have remained static; not reflective of the cost to the Council. Benchmarking of Public Entertainment Licences within the LGBF family group show that overall Midlothian is charging less than other local authorities.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Licence applicants will respond negatively to increased charges, even if these simply reflected full cost recovery. It will place additional costs on businesses and voluntary sector. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

4.		
Directorate	Place	
Service Area	Corporate Solutions	
Proposal	Reduce administration costs of benefits process	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.070	0.000	0.140	0.210
Cumulative savings	0.070	0.070	0.210	0.210
FTE staff impact	2	0	2	4

Description of Savings Proposals

The Council administers a rage of benefits, including Housing Benefit and Council Tax reductions scheme. The proposal here is to focus on the effective administration of these benefits and seek to reduce the element that falls on the Council by 6%, this will require the effective recovery of overpayments, potentially limiting discretionary awards and careful assessment and evaluation of the benefits payable and grant subsidy arrangements.

Efficiencies can be achieved through more use of e-forms and cessation of paper based processes; introduction of online payments for arrears and e-billing (e.g. council tax). Furthermore the introduction of online claim applications including the ability to upload evidence; and self-service aligned to the revenues system.

Potential challenge to achieving this is the current financial climate and cost of living crisis. There is additional pressure on the service as demand for revenue support increases i.e. increased applications received which require assessment.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

There is no change in policy and all claims and assessments will be dealt with in line with the benefit criteria. The change is about the effective operation of benefits within a pre-defined policy framework.

5.		
Directorate	Place	
Service Area	Corporate Solutions	
Proposal	Fees and Charges – Review and increase Council wide fees and charges	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.038	0.00	0.00	0.038
Cumulative savings	0.038	0.038	0.038	0.038
FTE staff impact	0	0	0	0

Description of Savings Proposals

Fees and Charges have been reviewed in line with our corporate charging strategy, benchmarking against other local authorities/competitors and ensuring costs to provide the service are met. Council wide charges have remained static since April 2020. Prior to April 2020 a standard inflationary rate of 4.79% was applied across some services.

Based on the proposed increases to the Council's fees and charges it is anticipated that additional income for 2023/24 is £38,000.

This includes only income from the increase in fees for:

- Electric Vehicle charging (Fast and Slow charger types (22kW and lower) with a proposed increase of 118% from 16p per KWh to 35p per KWh), Rapid charger types (over 43kW capacity) with a proposed increase of 66% from 30p to 50p per KWh. In addition, proposals to overstay charges of £1 per minute after 60 minutes of charge for rapid chargers (over 43kW), capped at £30. £1 per minute after 4 hours of charge for fast chargers (8kW-22kW), capped at £30. (Not applied between 22:00 and 08:00) and overstay charge of £1 per minute after 12 hours of charge for slow chargers (up to 7kW), capped at £30. (Not applied between 22:00 and 08:00). Proposals to increase charges cover service costs including maintenance. Benchmarking carried out against other local authorities and private sector shows that Midlothian is charging less for both rapid and fast and slow chargers. Guidance received from Scottish Futures Trust provided further insight into current and planned EV charging prices.

- A 15% increase in all street naming and numbering fees, including naming of a new street, allocation of a house name or renumbering/change of address and scaled charges for the naming and numbering of new properties or alternations to existing properties. Charges for street naming and numbering have been benchmarked with other local authorities.

- New proposed administration charges for the issuing of food hygiene certificates for premises looking for a premises licence under Section 50 of the Licensing (Scotland) Act 2005 and Certificates of Compliance, for street trading vehicles under Section 39 Civic Government Scotland Act.

All other income forecasted from fees and charges is set out in separate budget proposals in this pack as follows:

- Civic Licencing Fees to reflect full cost recovery (document no 3) – est. income £50k
- Economic Recovery – Discretionary charge for Planning Services (document no 15) – est. income 10k
- Building Standards – increase fees for non-statutory duties and continue virtual inspections (document no 16) – est. income £6k
- Burials income raised to Scottish Average value (document no 19) – est. income £80k
- Safety Advisory Group (SAG) coordination fee (document no 22) – est. income £25k
- Increase Garden Waste Fee (document no 28) – est. income £26k **note implementation would be 2024/25 onwards*
- Road Construction Consent – charging developers (document no 29) – est. income £93k
- Location and vehicle advertising (document no 30) – est. income £25k

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes, EQIA

Concessionary rates are available across a range of services in most circumstances.

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

6.		
Directorate	Place	
Service Area	Place	
Proposal	School Crossing Patrol Service	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.153	0.153	0.000	0.306
Cumulative savings	0.153	0.306	0.306	0.306
FTE staff impact	5	5	0	10

Description of Savings Proposals
The Council currently provides school crossing guides to assist children primarily to cross the roads on their journey to and from school. This is a non-statutory service. Aim to implement after Easter break to those with controlled crossings or zebra crossings. Subsequent years is for uncontrolled crossings implementation based on risk review and any engineered mitigations, i.e. traffic controls or the opportunity to align with a possible 20mph speed limit introduction. An alternative sponsorship option for the service is a prospect that could be investigated.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
This would almost certainly lead to substantial concerns raised by parents/guardians of the pupils affected, and others e.g. the elderly or disabled. The EQIA has not identified any further mitigation or issues. However, there is the option to replace guides with controlled crossings (where none exist) although this would have capital and ongoing revenue implications. Communication would be through the schools directly to the parents/guardians affected. In addition there would be a need for wider information release. Communication with staff would be through the normal Council process involving trade unions.

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

7.		
Directorate	Place	
Service Area	Place	
Proposal	Remove Christmas Light Funding	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.060	0.000	0.000	0.060
Cumulative savings	0.060	0.060	0.060	0.060
FTE staff impact	0	0	0	0

Description of Savings Proposals
Council withdraws all resource and support for setting up and dismantling Christmas lights across the county. Where relevant, community groups involved would be required to set up (and maintain) all equipment on an annual basis (or elect to keep lights in place). Pull tests for equipment would be required along with maintenance. An alternative sponsorship option is a prospect that could be investigated. A rechargeable service from the Council is also an alternative option.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Event organisers have come to rely on this support. Local events attract a number of residents and visitors which will have a local economic benefit. Communication with groups could be undertaken at the annual meeting involving councillors and group committees. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

8.		
Directorate	Place	
Service Area	Place	
Proposal	Galas and events support - costs recovery or cancel support	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.044	0.000	0.000	0.044
Cumulative savings	0.044	0.044	0.044	0.044
FTE staff impact	0	0	0	0

Description of Savings Proposals
Staff currently assist at a variety of events across Midlothian which predominantly occur outside the normal working day. This includes galas and events in local towns and villages for example in Gorebridge, Newtongrange and Loanhead. Assistance includes the provision, erection and dismantling of marquees, staging and temporary fencing, generators and floral troughs. In addition, staff are engaged and support with litter pick-ups and clearance. Events are supported currently approximately 26 weekends a year. This support costs up to £34,000 per annum and a further £10,000 in grants. An alternative option is for income generation through charging organisations for the full cost recovery of workforce services, staging and facilities provided.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Event organisers have come to rely on this support and have indicated previously that events may not take place without this support. Local galas attract a number of visitors to their event which will have a local economic benefit. Communication with groups could be undertaken at the annual meeting involving councillors and Gala committee staff.

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

9.		
Directorate	Place	
Service Area	Place	
Proposal	Dalkeith Bowling Green maintenance cancelled	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.025	0.000	0.000	0.025
Cumulative savings	0.025	0.025	0.025	0.025
FTE staff impact	0	0	0	0

Description of Savings Proposals
This measure would mean that no further maintenance on the green would be carried out other than occasional grass cutting for amenity purposes. The bowling club has approximately 100 members and generally performs well in the local competitions. A rechargeable service for cost recovery is an alternative option. The pavilion building is used by social work clients and it is intended that this would remain open.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
The bowling green has been used for many years by Dalkeith bowling clubs and currently has approximately 100 members. One option may be an asset transfer although there is no evidence that this would be taken up. Members could migrate to other local clubs but the local identity would be lost. Communication with staff would be through the normal Council process involving trade unions. Communication with the affected Dalkeith bowling clubs and any other users would be undertaken and include option for asset transfer.

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

10.		
Directorate	Place	
Service Area	Place	
Proposal	Reduce shrub bed maintenance	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.036	0.000	0.000	0.036
Cumulative savings	0.036	0.036	0.036	0.036
FTE staff impact	0	0	0	0

Description of Savings Proposals
There are a significant number of shrub beds generally in urban areas. These have been put in place for a variety of reasons including general landscape value, to protect a particular area from parking or to discourage anti-social use. The cost of maintenance is circa £180,000. Through a combination of reduced maintenance and removal a reduction of 20% of the overall cost is achievable. An alternative option is for income generation through sponsored advertising. An alternative option is for community involvement in maintenance and planting.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
There will be a general deterioration in the built environment where standards are reduced. Where shrub beds are removed they will be replaced with grass which will have an ongoing maintenance need. Any further changes would result in significantly increased impact on the built environment and potential safety concerns e.g. at sightlines. It is inevitable that there would be an increase in complaints received. Communication with staff would be through the normal Council process involving trade unions. Communication would be carried out with local communities more widely to advise of the change in grounds maintenance standards together with an offer to work with local communities to mitigate the effects.

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

11.		
Directorate	Place	
Service Area	Place	
Proposal	PPP School closures during holidays	
Strategic Theme	Supporting individuals and communities to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.040	0.000	0.000	0.040
Cumulative savings	0.040	0.040	0.040	0.040
FTE staff impact	0	0	0	0

Description of Savings Proposals
Closing PPP2 schools (7 primary schools) during school holidays would realise £40k savings. However, this would impact on the increased out of school term use of buildings for early years and nursery groups that have been utilising this space. An alternative is cost recovery from user groups.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources

12.		
Directorate	Place	
Service Area	Place	
Proposal	Cease out of hours Footpath Gritting	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.073	0.000	0.000	0.073
Cumulative savings	0.073	0.073	0.073	0.073
FTE staff impact	0	0	0	0

Description of Savings Proposals
Cessation of early morning (start time from 05:30am) footpath gritting which would reduce additional payments. Gritting of footpaths would take place during normal working hours, commencing at 7.30am instead, and so no overtime payments. Crews would continue treating road carriageways out of hours.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
By not gritting in the early morning, there is a risk of pavements being dangerous and impacting on the safe routes to schools and amenities in the early part of the day. There would be an impact on accessibility. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

13.		
Directorate	Place	
Service Area	Place	
Proposal	Supported Bus Travel	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.060	0.060	0.000	0.120
Cumulative savings	0.060	0.120	0.120	0.120
FTE staff impact	0	0	0	0

Description of Savings Proposals

This measure would see the removal of grants that currently support commercial bus services. As a consequence the bus providers may remove the services in part or in entirety.

This currently directly impacts service 339 (since withdrawn by the operator from October); 101/102 bus station charges; 111 ELC cross boundary service; and the SBC cross boundary service.

A lead in notice period of 6 months has been included for contract withdrawal in 2023/24.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

The service loss would be particularly felt by those on low incomes, the elderly and the disabled and may be the only way for these groups to lead a full life.

If the Lothian Buses dividend came to fruition it may be considered prudent to use this to maintain the current service level and still achieve a lesser saving overall. However, this will be challenging given Lothian Buses commitments to CEC in terms of its extra ordinary dividend to support the tram network.

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county’s

population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

14.		
Directorate	Place	
Service Area	Place	
Proposal	Community Transport Funding	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.157	0.157	0.000	0.314
Cumulative savings	0.157	0.314	0.314	0.314
FTE staff impact	0	0	0	0

Description of Savings Proposals

The Council provides grants to HcL (£104k) for Dial-a-Ride to provide individual transport for users unable to access main stream bus services due to the nature of their disability. HcL also operate Dial-a-bus (£61.5k) which offer scheduled services for trips to shopping locations to the same client group.

LCTS provide group transport for various voluntary and disabled user groups across Midlothian and provide direct services to Midlothian Council (£106k). They also provide community bus scheduled services in areas not served by mainstream operators (£37k). In addition the Council provide and maintain two vehicles to LCTS and one vehicle to HcL.

LCTS provide a Midas driver training service at a discounted rate to the Council.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

A lead in notice period of 6 months has been included for contract withdrawal in 2023/24.

Removal of HcL service could mean that some users would not have access to public transport. Loss of LCTS would have a similar impact on transport for the voluntary sector and would impact on social work clients supported by Midlothian Council.

Both the organisations involved would be communicated with in terms of any reductions. This in turn would be relayed to the users of these services. Discussions would also be held with colleagues in other services to agree any prospective mitigation measures.

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

15.		
Directorate	Place	
Service Area	Place	
Proposal	Economic Recovery – Discretionary charge for Planning Services	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.010	0.000	0.000	0.010
Cumulative savings	0.010	0.010	0.010	0.010
FTE staff impact	0	0	0	0

Description of Savings Proposals
Income generation - provision of an advisory and check service over and above the measures currently captured as part of the planning application mechanism and charges. **Note this is a new charge and requires Council approval which would be assumed through the acceptance of the proposal.**

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Means discretionary services and helpful services can continue to be provided and an income derived from the same. Provides a resource to allow all applicants the opportunity to engage with Planning Service without seeking independent advice (probably chargeable) from Agents.

16.		
Directorate	Place	
Service Area	Place	
Proposal	Building Standards – increase fees for non-statutory duties and continue virtual inspections	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.006	0.000	0.000	0.006
Cumulative savings	0.006	0.006	0.006	0.006
FTE staff impact	0	0	0	0

Description of Savings Proposals
Income generation - provision of an advisory and check service over and above the measures currently captured as part of the building warrant application mechanism and charges. **Note this is a new charge and requires Council approval which would be assumed through the acceptance of the proposal.**

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Means discretionary services and helpful services can continue to be provided and an income derived from the same. Provides a resource to allow all applicants the opportunity to engage with Building Standards Service without seeking independent advice (probably chargeable) from Agents.

17.		
Directorate	Place	
Service Area	Place	
Proposal	Penicuik Recycling Centre closure	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.109	0.000	0.000	0.109
Cumulative savings	0.109	0.109	0.109	0.109
FTE staff impact	0	0	0	0

Description of Savings Proposals
Within the draft waste strategy there are a range of options listed for consideration; Closure of the facility, retention of the facility, upgrading of the facility, moving to a new purpose built site The proposed facility closure would save £86,000 of Waste Services staff costs initially with staff potentially transferring to Stobhill for any current vacancies. Current users of the site would be directed to Stobhill. Site savings amount to £23,000, subject to alternative welfare facilities in the Penicuik area being identified for the area based workforce in other services.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Current users of the site would be required to bring their waste to Stobhill which would result in additional journeys on the road network and inconvenience to users. There is a potential for contamination in the bins and a potential increase in fly tipping. The closure of the site would be communicated widely to existing users. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public

services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

18.		
Directorate	Place	
Service Area	Place	
Proposal	Stand Alone Public Toilet closures	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.081	0.000	0.000	0.081
Cumulative savings	0.081	0.081	0.081	0.081
FTE staff impact	1	0	0	1

Description of Savings Proposals
Closure of the 5 standalone Public Toilets across Midlothian. In the first year there would be a one off capital cost for the demolition of the buildings to avoid continuing rates and utilities liabilities. The residents and visitors of Midlothian would still be able access toilet facilities within our Public buildings such as Penicuik Centre, Lasswade Centre, Newbattle Centre, Loanhead Centre and Dalkeith Art Centre. An alternative toilet access scheme with commercial premises could be investigated. Alternative options are community asset transfer, community group operation, or commercial sale.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
These facilities are regularly closed due to vandalism, with remedial costs incurred, although complete closure may lead to criticism of the Council. Due to the ability to transfer staff between locations, it is expected that employees will be able to be accommodated elsewhere through normally occurring vacancies. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county’s population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public

services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

19.		
Directorate	Place	
Service Area	Place	
Proposal	Burials Income raised to Scottish Average value	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.080	0.000	0.000	0.080
Cumulative savings	0.080	0.080	0.080	0.080
FTE staff impact	0	0	0	0

Description of Savings Proposals
Benchmarking with other local authorities show that overall Midlothian is charging less than other councils. Increasing burial charges to derive an increase of £80k brings Midlothian to a comparable level to Scottish Average: **Midlothian** Exclusive Right of Burial: £866.00; Coffin Interment £827.00. **Scottish Averages**: £943.43 and £860.46 respectively (CEC £1515.00 and £1322.00)

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

20.		
Directorate	Place	
Service Area	Place	
Proposal	Non-Housing Maintenance budget reduction	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.300	0.000	0.000	0.300
Cumulative savings	0.300	0.300	0.300	0.300
FTE staff impact	0	0	0	0

Description of Savings Proposals
A reduction of £300k from the non-domestic maintenance budget is a significant decrease to the annual budget for property repairs. This would move to a Safe & Secure only maintenance policy on non- housing buildings.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
This would create a deteriorating asset position with little to no repairs and maintenance on the assets. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county’s population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

21.		
Directorate	Place	
Service Area	Place	
Proposal	Reduction in frequency of grass cutting	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.025	0.000	0.000	0.025
Cumulative savings	0.025	0.025	0.025	0.025
FTE staff impact	0.5	0	0	0.5

Description of Savings Proposals
This measure concerns all rural and urban grass cutting which has a total cost of circa £440,000 per annum. Currently rural verges are cut twice per year at a cost of circa £80,000. This is restricted to one metre from the road edge and is largely to ensure visibility is maintained and the road width is not reduced. It is not proposed that this is reduced. Urban areas are generally in towns and villages adjacent to housing. Currently cuts are twelve times per year. To reduce this to make significant savings would require a significant change to three cuts per year in a number of areas (not all). This would lead to a significant deterioration in the built environment (long grass, excess litter, dog fouling and fly tipping).

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
There would be a significant impact on the built environment with a similar rise in complaints. Whilst efforts would continue to have communities take on grounds maintenance responsibilities this is proving to be a very slow process currently with minimal uptake. Communication with staff would be through the normal Council process involving trade unions. Communication would be carried out with local communities more widely to advise of the change in grounds maintenance standards together with an offer to work with local communities to mitigate the effects.

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

22.		
Directorate	Place	
Service Area	Place	
Proposal	Safety Advisory Group (SAG) Co-ordination fee	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.025	0.000	0.000	0.025
Cumulative savings	0.025	0.025	0.025	0.025
FTE staff impact	0	0	0	0

Description of Savings Proposals
Income generation - commercial events require a significant amount of time from various services across the Council. This would require a fee to be paid to assist in the delivery of the commercial event (not planning or managing the event). **Note this is a new charge and requires Council approval which would be assumed through the acceptance of the proposal.**

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Not applicable to smaller scale, community type events. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

23.		
Directorate	Place	
Service Area	Place	
Proposal	Protective Services: Trading Standards Collaboration, Efficiencies & Income Generation	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.090	0.000	0.000	0.090
Cumulative savings	0.090	0.090	0.090	0.090
FTE staff impact	2	0	0	2

Description of Savings Proposals

A Chief Officer for Weights & Measures is required to be retained to satisfy the Council's legal obligations, other staff reduction is a prospect, or alternative service delivery could be through Protective Services witnessing corroboration and regulatory work.

An alternative cost reduction option is to initiate and engage in a Trading Standards collaborative model with neighbouring authorities to best utilise resource across the region, and explore options for a shared service, which could result in the reduction of the current FTE.

Introduce/initiate:

- Primary Authority Agreements
- Fixed Penalty Notices
- Trusted Trader Scheme
- Negotiation of existing contracts and revision of fees and charges across Protective Services
- Training delivery on a chargeable basis
- Discretionary charges for non-statutory activities across Protective Services

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Reduction in statutory service provision creates a risk. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for

public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources. Retaining current establishment across the regulatory services of Protective Services safeguards our communities and visitors. The participation within a regional collaborative model ensures expertise and targeted campaigns benefit our citizens as well as regional deterrence and diversion of crime. The income/savings proposal whilst generating equivalent targets, retains existing staffing establishment and maximises regulatory outcomes.

24.		
Directorate	Place	
Service Area	Place	
Proposal	Cease the Night Security Service at Stobhill Depot	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.150	0.000	0.000	0.150
Cumulative savings	0.150	0.150	0.150	0.150
FTE staff impact	2	0	0	2

Description of Savings Proposals
The positioning of redeployable CCTV units would negate the requirement to have an omni-presence onsite. Key holders would be allocated as part of existing standby arrangements for BMS, Waste and Land Services.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

25.		
Directorate	Place	
Service Area	Place	
Proposal	Reduce 5 FTE PFM roles	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.125	0.000	0.000	0.125
Cumulative savings	0.125	0.125	0.125	0.125
FTE staff impact	5	0	0	5

Description of Savings Proposals
Existing Grade 1 vacancies deletion would realise an equivalent 5FTE posts across the Property & Facilities Management Team from a range of part time roles.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

26.		
Directorate	Place	
Service Area	Place	
Proposal	Reduce Countryside Rangers Posts	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.075	0.000	0.000	0.075
Cumulative savings	0.075	0.075	0.075	0.075
FTE staff impact	2	0	0	2

Description of Savings Proposals
Senior Countryside Ranger post would be retained to maximise the number of voluntary hours currently being realised and benefiting the Council. Remove 2 FTE Grade 5 Countryside Rangers Posts

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Risk that volunteer offering from communities is impacted by withdrawal and necessary tasks revert to limited workforce. The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

27.		
Directorate	Place	
Service Area	Protective Services – Place	
Proposal	Cease the Midlothian Community Action Team	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.436	0.146	0.000	0.582
Cumulative savings	0.436	0.582	0.582	0.582
FTE staff impact	0	0	0	0

Description of Savings Proposals

This proposal would be to terminate the SLA between Midlothian Council and Police Scotland for the Midlothian Community Action Team (MCAT). Currently, this provides 2FTE Police Scotland Sergeants and 12FTE Police Scotland Constables. The aim of the MCAT is to impact positively on the quality of life within the communities of Midlothian, concentrating on preventing anti-social behaviour and crime.

It should be noted that the current contract ends on 31 March 2024 and is currently circa 582k/year. If the contract was to be terminated early, the Council is required to give **three months written notice**, therefore no savings would be realised until part way into 23/24 (this proportion can only be fully understood at the point that members agree to this proposal i.e. if this is agreed in March 2023, then the contract would end no sooner than 30 June 2023, so the first year savings would be 75% of the annual costs)

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

There would be a negative impact on community safety and anti-social behaviour and there would be a decrease in Police Scotland support and activity as a result of this proposal.

The Council's statutory responsibilities of developing and implementing an ASB Strategy and also council housing landlord responsibilities would require as a minimum an alternative resource provided in an ASB/ Housing Officer Grade 6 role to fulfil those.

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to

increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

28.		
Directorate	Place	
Service Area	Neighbourhood Services – Place	
Proposal	Increase Garden Waste Fee	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.000	0.026	0.000	0.026
Cumulative savings	0.000	0.026	0.026	0.026
FTE staff impact	0	0	0	0

Description of Savings Proposals

Income Generation.

Propose annual fee increase for the non- statutory, optional Garden Waste collection service from current £35.00 up to £37.00 in 2024/2025.

Assuming Same Current Customer Base in 2023/24	No. 19,582
Increased Annual Subscription Cost from 24/25	£37.00
Current Income	724,534
2024/25 Budget Increase	26,467

Benchmarked values in 2022/23 with other councils-
City of Edinburgh Council and Stirling Council are £35.00
Highland Council charge £47.74
Perth & Kinross Council, East Renfrewshire Council and Moray Council are £40.00

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Garden Waste collection is a non- statutory, optional service with no Equalities outcomes. The online service request can be accessed at libraries where facilities and assistance is provided for customers requiring digital support.

The subscription portal opens each year in January and customers then have until mid- February to “sign up and pay”. This gives time to check the addresses and pass them to the mail fulfilment company before collections start on 13 March.

To reduce the admin burden/cost of the service, we aim to introduce payments "phases" rather than allow customers to sign up and pay at any time.

We propose to have the initial payment phase and then "suspend" this while processing the bin stickers issue. This would then "re-open" after a couple of weeks ie:

Jan to mid-February – Registration Phase 1
March to 30 March – Registration Phase 2
April to 11 May – Registration Phase 3 etc

This also means customer receive their bin sticker a maximum of 2 weeks after payment, rather than the current 6 weeks.

From a customer consultation in 2021, 63% of respondents would prefer set payment "phases" as we propose.

29.		
Directorate	Place	
Service Area	Neighbourhood Services – Place	
Proposal	Road Construction Consent - charging developers	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**N**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.093	0.000	0.000	0.093
Cumulative savings	0.093	0.093	0.093	0.093
FTE staff impact	0	0	0	0

Description of Savings Proposals
Income Generation. To bring income from developers into line with expenditure and simplify the charging process it is proposed that the charging mechanism be changed. Instead of an hourly rate it is proposed that a fixed fee be charged in relation to the size of the Road Bond. The charge rate will be 4.5% of the bond value. The fee increase is also comparable to other local authorities. A proposed fee increase is contained in the separate Fees & Charges exercise for an hourly rate of £77.70 to full cost recovery in contrast to the present £42.81 and will be included hereinafter in the fees & charges exercise. Section 21 of the Roads (Scotland) Act 1984 (the Act) requires that any person or organisation who seeks to construct a new road, or an extension of an existing road, must first obtain a Road Construction Consent (RCC). This is additional to planning consent. Before commencement a developer must first lodge security with the Council in the form of a road bond or cash to cover the cost of providing the roads to the standard set out in the RCC if the developer is unable to do so. Depending on the size of the development the road bond value can reach around £2m but is more typically around £0.5m. Section 140 of the Act gives the Council the power to recover costs for inspecting roads which are constructed by developers. These inspections are performed by officers in the RCC and Street Lighting teams during the construction process to ensure that the road is built in accordance with the consent. Developers are charged from officer timesheets on an hourly basis at a rate of £42.81 per hour. This charging mechanism currently recovers less than half of the cost to the

Council. The Council is subsiding this service for developers. In addition, due to the increase in developer activity in recent years that has put significant pressure on the team impacting on turnaround times and customer service.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
The proposal does not have a significant detrimental impact on equalities, the environment or economy. A downturn or recession in the economy may lead to a risk of reduction or pause in the pace of development. This would mean that income would not cover the full costs of officers. The current pipeline of 800 housing units per year planned for the next decade and more provides some reassurance.

30.		
Directorate	Place	
Service Area	Neighbourhood Services	
Proposal	Location and vehicle advertising	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Y**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.010	0.015	0.000	0.000
Cumulative savings	0.010	0.025	0.025	0.025
FTE staff impact	0	0	0	0

Description of Savings Proposals
Income generation - tender an advertising offer for council vehicles and prime location spaces i.e. traffic roundabouts for commercial advertising income and also a sponsorship option for services is a prospect to be investigated. **Note this is a new charge and requires Council approval which would be assumed through the acceptance of the proposal.**

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources.

31.		
Directorate	Children, Young People and Partnerships	
Service Area	Children's Services, Partnerships and Communities	
Proposal	Transformation of grants funding	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Yes (*reduced in previous years)***

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Cumulative savings removal of all 3 year **large grants**	0.000	0.000	0.520	0.520
Cumulative savings removal of annual **small grants**	0.089	0.089	0.089	0.089
FTE: Will impact Third sector staff	0	0	0	0

Description of Savings Proposals
Currently, the council offers large grant funding for a three year period which currently supports 28 community/third sector projects and initiatives aimed at reducing poverty, improving health, learning outcomes, climate change and supporting the most vulnerable members of our communities. Funding was allocated and approved at full [Midlothian Council > Meetings (cmis.uk.com)] This proposal is to review allocation of large grants from 2025 onwards. Small grants are awarded annually to small locally based groups/organisations to tackle priorities such as carbon emissions, improving health and learning outcomes and reducing economic circumstances. The maximum grant awarded to any organisation/group is £3,000.

32.		
Directorate	Children, Young People and Partnerships	
Service Area	Children's Services, Partnerships and Communities	
Proposal	Reduction in Instrumental Music Service	
Strategic Theme	Fostering empowered, inclusive, resilient and safe communities	
Proposal (requires Council Approval)	Yes	
RAG Rating: RED	**Has the Proposal been presented to Council previously?**	**No**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.444	0.000	0.000	0.444
Cumulative savings	0.444	0.444	0.444	0.444
FTE staff impact	8.8	0	0	8.8

Description of Savings Proposals
As a result of a Scottish Government and COSLA agreement, no charging fees for children learning a musical instrument was introduced academic session 2021/22. The proposal is to operate an instrumental music service within the funding provided by the Scottish Government; this will equate to £206k.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Within the funding available, prioritisation would be given to supporting those studying for music qualifications within secondary schools. Over 1,200 pupils currently access the instrumental music service, less than 10% are eligible for free school meals.

33.		
Directorate	Children, Young People and Partnerships	
Service Area	Education	
Proposal	Reduction in non-statutory early years provision	
Strategic Theme	All children, young people and adults are supported to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: RED	**Has the Proposal been presented to Council previously?**	**No**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.215	0.000	0.000	0.215
Cumulative savings	0.215	0.215	0.215	0.215
FTE staff impact: Might impact PVI staffing				

Description of Savings Proposals
Good Time to be Two hours is available for 2 years olds within Midlothian in certain situations in line with the Scottish Government criteria Funded early learning and childcare - mygov.scot Local authorities have discretion to award further places based on circumstances beyond that included within the Scottish Government criteria. The proposal is to remove the use of discretionary allocations. This would provide a saving of circa £215k

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Removal of support that is currently available to parents and children who may be in need due to trauma, illness or change in family circumstance EQIA available

34.		
Directorate	Children, Young People and Partnerships	
Service Area	Education	
Proposal	Cease P4 swimming programme	
Strategic Theme	All children, young people and adults are supported to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Yes**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.027	0.000	0.000	0.027
Cumulative savings	0.027	0.027	0.027	0.027
FTE staff impact : potential on Sport and Leisure staff				

Description of Savings Proposals
Currently swimming is provided for free to all primary 4 pupils across the authority, in blocks of 12 weeks with lesson periods of forty minutes. The Learn to Swim programme would be offered to all pupils who cannot swim and would otherwise have benefitted from school swimming lessons.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Benefits: • The current programme is staff intensive and the revised model will free up staff to support in-class learning. EqIA available

35.		
Directorate	Children, Young People and Partnerships	
Service Area	Education	
Proposal	Reduction in commissioned services	
Strategic Theme	All children, young people and adults are supported to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Yes**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.500	0.000	0.000	0.000
Cumulative savings	0.500	0.500	0.500	0.500
FTE staff impact: May impact staffing at partner organisations				

Description of Savings Proposals
The proposal is to review all service contracts as they come up for renewal. There is currently c£1.3m of contracted third party services/arrangements. Taking into consideration statutory provisions, we may be able to realistically save £500k.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Benefits: • There are potentially budget savings to be had, mainly through the Early Years. Risks: • Removal of commissioned services may impact some of our more vulnerable children and families. EqIA available

36.		
Directorate	Children, Young People and Partnerships	
Service Area	Education	
Proposal	Rationalise Home to School and ASN Transport	
Strategic Theme	All children, young people and adults are supported to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**Yes**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.030	0.030	0.030	0.090
Cumulative savings	0.030	0.060	0.090	0.090
FTE staff impact	Mainstream transport provision is outsourced			

Description of Savings Proposals

<u>School transport</u>

Jointly with the Transport Team, we propose to increase the distance for eligibility to free transport for all Secondary age pupils from 2 to 3 miles. Current legislation requires us to provide transport for all pupils over the age of eight years where the safe walking route is more than three miles, for those up to eight years the current legislation is for routes over two miles. The introduction of the National Entitlement Card also provides an opportunity to replace some of our school transport with public transport, which would provide additional savings. Neighbouring authorities are already signposting pupils to public transport timetables and promoting the NEC cards.

Recent transport costs are highlighted in the table below.

	2022	**2021**
Primary & Secondary	1,311,905	1,515,057
Special	867,613	804,268
Total	**2,179,518**	**2,319,325**

<u>ASN Transport</u>

There is scope to review our ASN transport in line with other authorities.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

School transport Benefits: • Aside from budgetary benefits, this would contribute positively to our carbon neutral strategy • The healthiest and most fun way for children to get to school is by **walking, cycling and scooting**. • Making more use of active travel options will improve their physical and mental health too. Mitigating Action: • Provision of safe walking routes EqIA available

37.		
Directorate	Children, Young People and Partnerships	
Service Area	Education	
Proposal	Devolved School Management Budgets involving other staff groups and budgets	
Strategic Theme	All children, young people and adults are supported to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	**No**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.034	0.000	0.000	0.000
Cumulative savings	0.034	0.034	0.034	0.034
FTE staff impact: Change in job remit and responsibilities				

Description of Savings Proposals
Proposal: We propose that each ASG should have their own Business Manager who would provide peripatetic support to the primary schools.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Benefits:

- Along with the central business support team, the Business Managers would also be responsible for inductions and ongoing training of the admin teams in schools, raising the calibre of our staff and creating ongoing efficiencies in our Education provision.
- The ASG BMs would work closely with the central Business Support Team, which would strengthen the relationships between the centre and the schools even further. This would be particularly beneficial in terms of the information flowing from the schools to the centre.
- Similar models are currently applied at other local authorities, therefore, there is strong evidence of the benefits it provides in practice.

Risks:

- This model is a change for the current structure, we would need to carefully consider the training requirements to implement this model successfully and undertake a service review in line with our managing change policy.

EqIA available

38.		
Directorate	Children, Young People and Partnerships	
Service Area	Education	
Proposal	Rationalisation of school estate	
Strategic Theme	All children, young people and adults are supported to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: RED	**Has the Proposal been presented to Council previously?**	**Yes**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.000	0.290	0.000	0.290
Cumulative savings	0.000	0.290	0.290	0.290
FTE staff impact: staff redeployed				

Description of Savings Proposals
The proposal is to seek Council approval to undertake a statutory consultation on the closure of St Matthew's RC PS. There is currently 51 children over three classes attending the school. Midlothian Council does not own the school building which is category C condition and suitability. The proposed savings relate to staffing and utility costs.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Benefits:

- There may be further benefits in terms of educational outcomes as pupils would be able to experience a broader range of learning experiences, in which they could interact with a larger group of peers at their age and stage.

Risks:

- If approved, the impact on Rosewell PS and St Mary's RC PS will require to be factored into school roll projections.

EqIA available

39.		
Directorate	Children, Young People and Partnerships	
Service Area	Education	
Proposal	Reduction in the Devolved School Management Scheme allocation to Schools by 1%	
Strategic Theme	All children, young people and adults are supported to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: RED	**Has the Proposal been presented to Council previously?**	**Yes**

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.400	0.207	0.000	0.607
Cumulative savings	0.400	0.607	0.607	0.607
FTE staff impact				

Description of Savings Proposals

Include:

The Devolved School Management scheme (DSM) is the funding provided to early learning and childcare, primary, secondary and special schools. It includes staffing (teaching & non-teaching), educational supplies, staff development, property repairs, cleaning materials, excursions, copyright and other supplies. Staffing accounts for 98% of a schools DSM budget.

This measure would involve pursuing an initial percentage cut from each school budget (proposed 1%) or a cash target.

Savings:

The table below presents the savings for two options:

- 1% of the total schools budget. Savings: £607k
- 1% of the non-staff budget only. Savings: £13k

	Primary Devolved	**Secondary Devolved**	**TOTAL**
Teachers	30,200,000	25,598,000	**55,798,000**
Non Teachers	1,662,000	1,959,000	**3,621,000**
Non Staffing	731,000	579,000	**1,310,000**
TOTAL	**32,593,000**	**28,136,000**	**60,729,000**
1% TOTAL	325,930.00	281,360.00	**607,290**
1% Non-staffing only	7,310.00	5,790.00	**13,100**

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
Benefits: • Depending on the amount we pursue, the clawback could lead to significant savings. Risks: • Impact on closing the poverty related attainment gap exacerbated by the pandemic due to reduced staffing and resources. • There is a reputational risk of presenting a five-year plan that focuses on improving attainment in our schools, while simultaneously reducing the resources/ability to help achieve this outcome. • This will lead to a reduction in support staff which would impact on the workload of school management as well as our more vulnerable children and young people. • A full clawback means loss of teachers. This must be considered in conjunction with the proposal to reduce Education staffing levels in schools and ELC settings. • Activities currently funded by schools such as, skiing at Hillend may have to cease because of the reduction in budget to schools. This would have an impact on the revenue and staffing required at Hillend. EqIA available

40.		
Directorate	Children, Young People and Partnerships	
Service Area	Education	
Proposal	Increase shared headships	
Strategic Theme	All children, young people and adults are supported to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: RED	**Has the Proposal been presented to Council previously?**	

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.017	0.010	0.000	0.027
Cumulative savings	0.017	0.027	0.027	0.027
FTE staff impact depends on the model chosen				

Description of Savings Proposals
Head teacher recruitment is becoming increasingly difficult, from the number of applications to the calibre of applicants. This is recognised nationally and is, in part, due to the requirement for suitable candidates to hold the Into Headship qualification. With this, there is an opportunity to develop the way we recruit head teachers that will strengthen our leadership and promote more collaborative working. Proposal: We propose that our smaller schools enter into joint Headships, within their ASG. We currently have successful joint headships in the authority (Sacred Heart and St Matthew's), and this model could be replicated across the authority. We are presenting two options. Capping the total roll of the shared schools to 300 or capping the roll of the schools to be in line with our largest primary school, Woodburn (700). Introducing a shared headship does require us to maintain some level of management across the schools so we may need to appoint additional deputy head teachers or principal teachers to ensure there is appropriate management available at all schools at all times. Savings: The savings from the two options are presented below. As anticipated, while there are savings to be realised with head teacher salaries, there is a significant increase in the costs associated with deputy head teachers and principal teachers. This requirement is set out in the current DSM. If we wanted to review the management time allocations, we would need to overhaul the DSM and undergo further consultation.

Option One –Thee Shared Headships				
	HT	**DHT**	**PT**	**TOTAL**
Current	486,906	146,790	302,870	936,566
Proposed	258,656	289,645	363,444	911,745
Diff	*228,250*	*- 142,855*	*- 60,574*	*24,821*
Option Two – Seven Shared Headships				
	HT	**DHT**	**PT**	**TOTAL**
Current	1,341,198	879,160	1,150,906	3,371,264
Proposed	674,608	1,458,236	1,211,480	3,344,324
Diff	*666,590*	*- 579,076*	*-60,574*	*26,940*

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Benefits:

- One of the key drivers for the shared headship model is to strengthen leadership pathways, especially for those aspiring to be head teachers (by creating more DHT posts) and those in headships already who aspire to take on wider responsibilities.
- Joint headships would decrease the ongoing recruitment challenges, which is already becoming costly.

Risks:

- There is a reputational risk associated with this strategy.
- This would be an overhaul of the current structure which would mean removing HTs from their current posts or waiting for HT posts to become vacant. Both options would be costly and time consuming, with very little reward if we are to follow the management time of the DSM allocations.
- In order to realise any significant savings, we would need to adjust the DSM and seek re-approval with MNCT. Given the controversial nature of this proposal, this will be difficult.

EqIA available

41.		
Directorate	Children, Young People and Partnerships	
Service Area	Education	
Proposal	Transformation of school week	
Strategic Theme	All children, young people and adults are supported to be the best they can be	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.000	1.500	0.500	2.000
Cumulative savings	0.000	1.500	2.000	2.000
FTE staff impact				

Description of Savings Proposals
This proposal is to redesign the primary school week and a review of the secondary school curriculum.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Benefits:

- The redesign of the primary week could support Scottish Government plans to increase non-contact time.
- A revised secondary curriculum would allow our pupils to enjoy a greater depth and breadth of choice with regards to subjects offered.

Risks:

- We are still to receive confirmation of the additional funding that will be required to accommodate a reduction in class contact time.
- Any changes to the curriculum needs to be appropriate to meet local needs of children and young people of Midlothian as well as national expectations (CFE, ASFL etc.).

EqIA available

42.		
Directorate	Health and Social Care	
Service Area	Sport and Leisure	
Proposal	Stop All Overtime	
Strategic Theme	Transforming Health and Social Care	
Proposal (requires Council Approval)	Yes	
RAG Rating: RED	**Has the Proposal been presented to Council previously?**	

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.472	0.000	0.000	0.472
Cumulative savings	0.472	0.472	0.472	0.472
FTE staff impact				

Description of Savings Proposals
The proposal is to stop all overtime within Sport and leisure as a cost saving measure. Staff would work their contracted hours only with no option of overtime.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
The service is reliant on overtime throughout the year, primarily to accommodate staff annual leave, and stopping overtime would result in service reductions and periodic leisure centre closures. Whilst the service would work hard to mitigate these, no guarantee could be given that closures would not affect times when leisure facilities are more busy. There is a further risk that closures would further erode the membership base. Whilst there are current opportunities, through a staffing review, to reduce a reliance on overtime, there remains and would remain a need for some overtime to ensure current opening hours were maintained in all circumstances. This proposal will impact on a range of ages in the areas affected should the proposal result in shorter opening hours as this is most likely to affect weekends and evenings. Leisure facilities are open to all and used by all ages. Currently, Sport and Leisure provide opportunities at reduced rates (and in some cases, free) for people who meet the criteria set. The opportunity to provide these in their local community would be lost with closure and the ability of people to access resources further from home would be significantly compromised due to their economic circumstances.

43/44.		
Directorate	Health and Social Care	
Service Area	Sport and Leisure	
Proposal	Community Asset Transfer or alt Closure of Leisure Centre – Newtongrange or Gorebridge	
Strategic Theme	Transforming Health and Social Care	
Proposal (requires Council Approval)	Yes	
RAG Rating: RED	**Has the Proposal been presented to Council previously?**	

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Cumulative savings - Newtongrange	0.136	0.136	0.136	0.136
Cumulative savings - Gorebridge	See note below	See note below	See note below	See note below
FTE staff impact	4.34	0	0	4.34

Description of Savings Proposals
This measure would be to either close one of the non-hub Leisure Centres in Midlothian - in Newtongrange or Gorebridge – or undertake a Commhnity Asset Transfer. Either measure would result in the loss of Sport and Leisure facilities in that location. The saving actualised would be as follows: • Gorebridge – Based on actual 2022/23 activity if this centre was to close the savings made on costs would be £244k, however the income that would be lost is £22k. The net effect being a **£222k** saving. • Newtongrange – Based on actual 2022/23 activity if this centre was to close the savings made on costs would be £152k, however the income that would be lost is £16k. The net effect being a **£136k** saving. The income figures do not vary markedly from 2019/20 (pre-Pandemic). Both Centres provide a range of activities alongside gym access: • Group sessions or classes – classes provided to members and customers; • Private bookings where an individual or community group hire facilities and are charged room hire as per the scale of the charges; • NHS activity where staff lead a group of individuals to aid them in their recovery. Income can be variable due to fluctuations in “pay-as-you-go” customers. Also, some classes are have low income yield but high numbers so it is not always a clear picture.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

Currently, Gorebridge have 171 members paying monthly direct debits and Newtongrange has 427. This is determined by where the member took out their membership and the facility they use the most as Tone Zone members can use any leisure facility in Midlothian. There is some evidence that both Gorebridge and Newtongrange members also use Newbattle Leisure Centre with a degree of frequency.

Usage figures for both sites for Tone Zone only usage (October 2022 – December 2022):

- Gorebridge: 1743;
- Newtongrange: 849.

This figure refers to an episode of Tone Zone usage and incorporates "pay-as-you-go" customers, Access to Midlothian customers (free and concession) and Tone Zone members.

The benefits of this measure are as follows:

- There are clear budget savings by closing a Leisure Centre.
- Customers can access any Leisure Centre in Midlothian as part of their membership currently so, in theory, customers would have access to Leisure facilities.

The risks of this measure are as follows:

- Reputational risk.
- Opposition from community affected as each Leisure Centre covers a specific geographical area.
- Evidence suggests most customers use their local Leisure Centre so likely to be loss of customers from area affected by closure.

45.		
Directorate	Health and Social Care	
Service Area	Welfare Rights	
Proposal	Reduction of Welfare Rights Service	
Strategic Theme	Transforming health and social care	
Proposal (requires Council Approval)	Yes	
RAG Rating: RED	**Has the Proposal been presented to Council previously?**	Yes

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.027	0.000	0.000	0.027
Cumulative savings	0.027	0.027	0.027	0.027
FTE staff impact	0.6 Reduction	0	0	0.6 Reduction

Description of Savings Proposals
This proposal is to reduce the number of Welfare Rights Officers against a value of £27,000. This corresponds to approximately 0.6WTE of a Welfare Rights Officer. The Welfare Rights Service is managed by Midlothian Health and Social Care Partnership although is a non-delegated service so sits out with the Midlothian Integrated Joint Board. The Welfare Rights Service has two main components: • The Welfare Rights Team that provides welfare benefits advice to individuals who are being supported by Midlothian Social Care Services and also advice to cancer patients in partnership. The service to cancer patients is provided in partnership with McMillan Cancer Support • Funding to support community based benefits advice services in Midlothian. Currently this is contracted to Citizen's advices who operate CAB service in Dalkeith and Penicuik. Welfare rights services include: • Welfare advice and benefits checks • Help with applying for benefits • Help in a crisis, e.g. if you have no money • Help with benefit appeals and tribunal representation • Basic debt and housing advice. The Welfare Rights Team are employed by Midlothian Council. In the past year this team has supported approximately 1000 individuals and generated financial gains of £4.3m for the people they supported. The close working with colleagues in the Health and Social Care Partnership mean that they are able to respond to many or the most vulnerable people in Midlothian. They work significantly in No.11, the Justice, Mental Health and Substance Use Hub – these clients represent some of the most vulnerable people in society and bring a high level of acuity and complexity. The Team attempts to operate without a waiting list, although not always possible but this means caseloads are high and there is no evidence that activity will lessen and

there is some early evidence to suggest that activity will increase.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA
A reduction of 0.6WTE of a Welfare Rights Officer would broadly result in 130-140 fewer people being engaged with per annum and would therefore see incomes not being maximised. There is also a risk of waiting lists increasing. It is anticipated there will be in increased pressure on all welfare rights service in the coming years due to the overall economic position and the pressures that increases in the cost of living will have on households that are already stretched financially.

46.		
Directorate	Health and Social Care	
Service Area	IJB Delegated Budget	
Proposal	IJB Delegated Budget – potential reduction	
Strategic Theme	Transforming health and social care	
Proposal (requires Council Approval)	Yes	
RAG Rating:	**Has the Proposal been presented to Council previously?**	

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings				
Cumulative savings				
FTE staff impact				

Description of Savings Proposals
Members may wish to consider a reduction of their offer to the IJB for delegated services. This should be considered in the context of Scottish Government correspondence on maintaining a minimum cash flat IJB budget plus additional annual funding flowing through the Local Government Finance Settlement as described in sections 3.20 and 4.3 to 4.6 of the Medium Term Financial Strategy – 2023/24 to 2027/28 report.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

47.		
Directorate	Chief Executive	
Service Area	Continuous Improvement Team	
Proposal	Continuous Improvement Team - Non-recruitment of vacant post	
Strategic Theme	Reviewing income, concessions and other contributions	
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.028	0.000	0.000	0.028
Cumulative savings	0.028	0.028	0.028	0.028
FTE staff impact	1	0	0	1

Description of Savings Proposals
Remove existing Grade 4 vacancy.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

The Continuous Improvement Team functions include responsibility for Performance Management and Reporting at a corporate level. Removal of the Grade 4 post will reduce the future capacity of the performance function of the team resulting in reduced development activity relating to performance monitoring and reporting.

Future developments in respect of ‘Pentana’ the online browser for Performance Management data, while continuing to progress, will be impacted in terms of delivery timescales. However, the ongoing focus and development of digital tools, automation and data analytics via the Digital Strategy could provide a potentially more efficient and effective approach to what is currently a significant time consuming exercise to produce quarterly and annual reports which could mitigate the reduction in FTE.

The initial impact will be monitored in terms of statutory and quarterly corporate performance activities and a close link to the project looking at the development of the proposed Midlothian Office of Data Analytics (MODA) as part of the Digital Strategy will inform future considerations.

48.		
Directorate	Chief Executive	
Service Area	Internal Audit	
Proposal	To remove Internal Audit by 1FTE vacancy	
Strategic Theme		
Proposal (requires Council Approval)	Yes	
RAG Rating: GREEN	**Has the Proposal been presented to Council previously?**	

Forecast Savings	**2023/24**	**2024/25**	**2025/26**	**Total**
	£m	**£m**	**£m**	**£m**
Incremental savings	0.055	0.000	0.000	0.055
Cumulative savings	0.055	0.055	0.055	0.055
FTE staff impact	1	0	0	1

Description of Savings Proposals

Remove existing vacancy.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes. Include EQUiA

The internal audit workplan will require to be revised and presented to audit committee as part of the 2023/24 planning process, a more significantly risk based process will need to be applied as a result of reduced staff capacity removing a third of the auditor capacity. As a result of the reduction in Internal Audit Staff there may not be the capacity to complete enough work to provide and maintain moving forward a full opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. Limitation of scope of the of the opinion would then be reflected in the Annual Governance Statement as advised in the CIPFA Guidance to Internal Auditors and the Leadership Team and Audit Committee of Local Government Bodies Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope, November 2020.

As per the CIPFA guidance consideration will be given to the mitigating actions that can be taken to review the audit processes to mitigate the risk including the following:

- Streamlining audit processes to increase capacity, beyond what has already been achieved.
- Narrowing the focus of audit scopes to examine only key risks, beyond what is already completed.
- Buying in audit expertise from an external provider or considering a deepening of the Shared Service Arrangement with East Lothian Council.
- Evaluating any requests for advisory work and prioritising assurance work and advisory work that supports the annual opinion.

- Avoiding diversion of internal audit staff on to counter fraud work, or other non-core audit work, beyond that which is already accommodated within the plan.
- Increasing communication with client services to help ensure good co-operation from client services and avoid unnecessary delays in undertaking engagements, beyond what is already in place.

Review of the assurance requirements as part of the planning process will then be completed with the Audit Committee on an annual basis to confirm that enough assurance can be provided and that the Internal Audit Team is appropriately resourced to provide the appropriate assurance for the Council.

Appendix C

Overview Equality Impact Assessment (EqIA)

on

Midlothian Council

Medium Term Financial Strategy

2023/24 to 2027/28

09 February 2023

Midlothian Council

Equality Impact Assessment (EqIA) on Medium Term Financial Strategy

2023/24 – 2027/28

Medium Term Financial Strategy Proposals	As set out in grid attached to this EqIA
Directorate and service area	List as detailed above

Overview of Budget Investment through the Financial Strategy	The aim of developing a Medium Term Financial Strategy continues to be that of providing a multiyear strategy aligned to the development and approval of the Midlothian Council Strategic Plan 2022-2027, A great, green place to grow: where people and the environment flourish. It seeks to support the Council in fulfilling its statutory duty to set a balanced budget and determine Council Tax levels annually. In that respect, the final budget for 2023/24 will be updated to reflect the actual position for Scottish Government grant and Council Tax policy once the Scottish Government's budget bill and the associated finance circular are published.
Completion Date	09 February 2023
Lead officer	David Gladwin

Aims and Objectives

The public sector continues to face significant service delivery challenges due to reduced income streams, funding constraints, inflationary cost pressures and additional legislative burdens. Demand for public services in Midlothian continues to increase as a consequence of changes in the size and profile of the county's population with greater numbers of young and older people, those in poor economic situations, and those with disabilities be they physical, sensory, mental health or learning disabilities. The Council must continue to prioritise expenditure on public services, which prevent negative outcomes for those within its communities whilst securing maximum benefit from all available resources. Accordingly, it is prudent that significant savings and cuts are made over the coming years and projected budget shortfalls stemmed. This will allow the Council to maintain its financial sustainability and also to ensure that all within its communities, irrespective of protected characteristics, (age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation) as well as poor socio-economic circumstances, (The Fairer Scotland Duty), are not unlawfully discriminated against, and that equality of opportunity and advancement of good relations is upheld between those who have a protected characteristic and those who do not.

1. Does the proposed budget affect people? Yes ■ No ☐

2. What is/are the reason(s) for Council's proposed budget savings

Savings are part of a process of continual review of service provision as we seek to secure efficiencies and redesign services in response to the financial challenge.

3. Impact

Which of the nine protected characteristics* will the proposed budget savings have an impact upon?

Equality Target Group*	**Positive Impact**	**Negative Impact**	**Relevant evidence/ information**
Age			Overall Grid attached to this appendix.
Disability			
Gender Reassignment			
Marriage & Civil Partnership			
Pregnancy and maternity			
Race			
Religion or Belief			
Sex			
Sexual Orientation			

4. Overall Impact of Financial Strategy proposals

Each budget proposal presented has been subjected to an Equality Impact Assessment. The overall grid (attached to the end of this appendix) details the protected characteristics which are considered to be most likely to be affected in a potentially negative way. The overall grid also includes the new duty regarding poor socio-economic deprivation which Midlothian Council has considered.

In no proposal area has any unlawful negative impact been identified, and where possible reduction/removal of services will be monitored to establish the actual affect to those within our communities.

5. How will the implementation of proposed Medium Term Financial Strategy savings be communicated to those affected by any changes?

Information will be available on the Council's web site and communicated to affected businesses/customers/service users by letter, email, etc. In addition, information documents, as required, can and will be made available in different formats and languages on request. If an individual or group require this information in another language or format, then they should email equalities@midlothian.gov.uk or telephone the Equality, Diversity & Human Rights Officer on 0131 271 3658.

6. How will you monitor the impact of the changes proposed? When is the budget due to be reviewed?

Changes will be monitored through Pentana, the Council's performance management system, discussion groups and forums, fees and charges income, and various other methods detailed in the individual equality impact assessments.

7. Please use the space below to detail any other matters arising from the Equality Impact Assessment (EqIA) process.

Midlothian Council is committed to the ethos of the Equality Act 2010 and has considered this through equality impact assessment of all its policy budget proposals.

The Medium Term Financial Strategy and the resource allocation measures, which will support financial sustainability, have, as far as the constraint on resources allows, been developed within the context of the Single Midlothian Plan, ensuring as far as possible that resources are directed towards the key priorities of reducing inequalities in learning, health and economic circumstance outcomes.

If available, mitigating actions for each of the proposals have been outlined in the individual equality impact assessments. Where no mitigating actions are possible it is considered that any negative effects are not unlawful and are justifiable on a benchmarking/inflationary basis. The mitigating actions will form part of the implementation of changes when approved.

In addition, these actions underline the Council's commitment in its Midlothian Equality Plan 2021 – 2025 to tackle inequality and promote inclusion within the limitations of the resources available. These actions also will allow the Council to plan and deliver services, which meet the needs of our diverse communities and respond to the changes ahead.

SERV	No.	DESCRIPTION	EQIA Comp?	Age	Disability	Gender re-assignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion or Belief	Sex	Sexual Orientation	Socio-economic deprivation	Staffing FTE	**OVERALL NOTE** Members of staff who may be affected by service proposal/(s) will need to be consulted and appropriate HR policies would be followed with those individuals, All HR policies and procedures are subject to independent EqIA or Integrated Impact Assessment (IIA). **NOTES**
CORP SOL	1	Implement Libraries Self Service	Yes	√	√			√					√		See overall note.
CORP SOL	2	Adopt e-book services	Yes	√	√			√					√		
CORP SOL	3	Civic Licencing fees to reflect full cost recovery	Yes	√	√								√		
CORP SOL	4	Reduce administration costs of benefits process	Yes												See overall note.
PLACE	5	School Crossing Patrol Service	Yes	√	√			√			√		√		See overall note.
PLACE	6	Remove Christmas Light Funding	Yes	√	√								√		See overall note.
PLACE	7	Galas and events support costs recovery or cancel	Yes	√	√								√		See overall note.
PLACE	8	Dalkeith Bowling Green maintenance cancelled	Yes	√	√						√		√		See overall note.
PLACE	9	Reduce shrub bed maintenance	Yes	√	√						√		√		See overall note.
PLACE	10	PPP School closures during holidays	Yes	√	√			√			√		√		See overall note.
PLACE	11	Cease out of hours Footpath Gritting	Yes	√	√			√			√				See overall note.

SERV	No.	DESCRIPTION	EQIA Comp?	Age	Disability	Gender re-assignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion or Belief	Sex	Sexual Orientation	Socio-economic deprivation	Staffing FTE	**OVERALL NOTE** Members of staff who may be affected by service proposal/(s) will need to be consulted and appropriate HR policies would be followed with those individuals, All HR policies and procedures are subject to independent EqIA or Integrated Impact Assessment (IIA). **NOTES**
PLACE	12	Supported Bus Travel	Yes	√	√			√					√		
PLACE	13	Community Transport Funding	Yes	√	√			√					√		
PLACE	14	Economic Recovery – Discretionary charge for Planning Services	Yes	√							√		√		
PLACE	15	Building Standards – increase fees for non-statutory duties and continue virtual inspections	Yes	√							√		√		
PLACE	16	Penicuik Recycling Centre closure	Yes	√	√						√		√		See overall note.
PLACE	17	Standalone Public Toilet closures	Yes	√	√			√			√		√		See overall note.
PLACE	18	Burials Income raised to Scottish Average value	Yes	√						√	√		√		
PLACE	19	Non-Housing Maintenance budget reduction	Yes	√	√						√		√		See overall note.
PLACE	20	Reduction in frequency of grass cutting	Yes	√	√						√		√		See overall note.
PLACE	21	Safety Advisory Group SAG Co-ordination fee	Yes										√		
PLACE	22	Reduce Trading Standards	Yes	√	√						√		√	2	See overall note.

SERV	No.	DESCRIPTION	EQIA Comp?	Age	Disability	Gender re-assignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion or Belief	Sex	Sexual Orientation	Socio-economic deprivation	Staffing FTE	**OVERALL NOTE** Members of staff who may be affected by service proposal/(s) will need to be consulted and appropriate HR policies would be followed with those individuals, All HR policies and procedures are subject to independent EqIA or Integrated Impact Assessment (IIA). NOTES
		Officers													
PLACE	23	Cease the Night Security Service at Stobhill Depot	Yes	√	√								√		See overall note.
PLACE	24	Remove 5 FTE Grade 1 Cleaners	Yes	√	√						√		√	5	See overall note.
PLACE	25	Reduce Countryside Rangers Posts	Yes	√	√								√	2	See overall note.
PLACE	26	Cease the Midlothian Community Action Team	Yes	√	√	√	√	√	√	√	√	√	√	14	Staff affected are from Police Scotland.
PLACE	27	Increase Garden Waste Fee	Yes	√	√								√		
PLACE	28	Road Construction Consent - charging developers	Yes												Developer cost – does not directly affect individuals.
PLACE	29	Location and vehicle advertising	No												No EqIA – appears there is no direct effect on individuals
CYPP	30	Review of council grants	Yes	√	√	√	√	√	√	√	√	√	√		
CYPP	31	Reduction in Instrumental Music Service	Yes	√	√						√		√		See overall note.
CYPP	32	Reduction in non-statutory early years provision	Yes	√	√								√		
CYPP	33	Cease P4 swimming programme	Yes	√	√								√		See overall note.

SERV	No.	DESCRIPTION	EQIA Comp?	Age	Disability	Gender re-assignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion or Belief	Sex	Sexual Orientation	Socio-economic deprivation	Staffing FTE	**OVERALL NOTE** Members of staff who may be affected by service proposal/(s) will need to be consulted and appropriate HR policies would be followed with those individuals, All HR policies and procedures are subject to independent EqIA or Integrated Impact Assessment (IIA). **NOTES**
CYPP	34	Reduction in commissioned services	Yes	√	√								√		
CYPP	35	Rationalise Home to School and ASN Transport	Yes	√									√		
CYPP	36	Devolved School Management Budgets involving other staff groups and budgets	Yes	√	√						√		√		See overall note.
CYPP	37	Service reduction in school library service	Yes	√	√						√		√		See overall note.
CYPP	38	Rationalisation of school estate	Yes	√	√					√			√		
CYPP	39	Reduction in the Devolved School Management Scheme allocation to Schools by 1%	Yes	√	√						√		√		See overall note.
CYPP	40	Increase shared headships	Yes	√	√						√		√		See overall note.
CYPP	41	Proposal Removed													
CYPP	42	Transformation of the school week	Yes	√	√						√		√		See overall note.
CYPP	43	Stop all overtime	Yes	√	√						√		√		See overall note.
HSCP S&L	44	Community Asset transfer or alt Closure of Newtongrange *	Yes	√	√			√					√		See overall note.

SERV	No.	DESCRIPTION	EQIA Comp?	Age	Disability	Gender re-assignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion or Belief	Sex	Sexual Orientation	Socio-economic deprivation	Staffing FTE	**OVERALL NOTE** Members of staff who may be affected by service proposal/(s) will need to be consulted and appropriate HR policies would be followed with those individuals, All HR policies and procedures are subject to independent EqIA or Integrated Impact Assessment (IIA). NOTES
HSCP S&L	45	Community Asset transfer or alt Closure of Gorebridge Leisure Centre *	Yes	√	√			√					√		See overall note.
HSCP	46	Reduction in Welfare Rights Service	Yes	√	√								√	0.6WTE	See overall note.
HSCP IJB	48	Continuous Improvement – Non-recruitment to vacant post	Yes											1	See overall note but note position vacant at present.
ADDL	49	Internal Audit – To reduce Internal Audit by 1 FTE	Yes	√	√								√	1	See overall note.

LNC/09/02/2023v4 – final

Midlothian

FEEDBACK ON MIDLOTHIAN COUNCIL SAVINGS PROPOSALS

More than 1,800 people commented on Midlothian Council savings proposals to help bridge a budget gap of £13.87million in 2023/24 rising to £25.94million by 2027/28.

- 1,459 online responses
- More than 350 HaveYourSay email comments
- 61 written comments

Strongest opposition (most comments against)

- **Libraries savings: 601 comments**
- **Reducing instrumental music tuition: 495 comments**
- **Cutting the devolved school management budget (teacher numbers) and general education cuts: 215 comments**
- **Cuts to school library service: 174 comments**
- **Reducing the rangers service: 185 comments**
- **Cuts to grants and Third Sector: 104 comments but many from umbrella organisations such as Third Sector Interface**
- **Local opposition to cuts to commercial bus services 51 and 111, for example: 115 comments**

Please find below a summary of each of the main savings proposals feedback, including number of responses, sentiment, concerns raised and examples of typical comments.
Some savings proposals, mainly those around discretionary fees and charges for services, did not generate a great deal in the way of comment and therefore no report has been produced for those.
More general feedback such as other income generation ideas can be found at the end of this report.
Respondents' names have been removed unless commenting on behalf of a named organisation.
Councillors have been supplied with all comments under each of the savings proposals to help inform their budget decisions.

Savings proposals and comments for our neighbourhood ‘Place’ services including parks, libraries and recycling

Libraries proposals:

Remove staff from libraries: Each library would eventually either be self-service, run by community volunteers or closed.
Adopt e-book service: Shift the focus on libraries to online services and do not replace or refresh the books or other materials on offer to customers.

Feedback summary: 601 comments with less than handful identified as in general favour of any cut. Remainder, including from staff members, library users, children and professional bodies, strongly opposed stressing public libraries and staff vital community assets, offering safe, warm spaces and free access to information, culture, learning and social opportunities. Closing libraries would adversely impact disadvantaged groups and have knock on effect in areas such as educational attainment, mental health and wellbeing.

Examples of comments:

Comment 1
I am writing to express my concern about the implementation of “self-service” across Midlothian’s public libraries as part of Midlothian Council’s proposed budget cuts.
Midlothian’s public libraries and the people who work in them are an incredibly important part of society, offering vital access to information, culture and learning. In addition to the valuable service libraries offer in terms of book provision, they provide vital *person-to-person* support in giving access to PCs and the internet, Bookbug sessions for children and families, homework support, a means of engaging with local democracy, job seeking services and other support that is not available anywhere else.
Libraries and the teams who work in them are worth far more than the sum of their parts. The people who work in the libraries are integral to the community spirit of these important service hubs in Midlothian.

Comment 2
The number of children living in poverty has risen to 1 in 4. These vulnerable children do not seek support from community hubs/charitable food banks - they go to libraries, warm, safe spaces where they are not judged.
Families facing financial hardship cannot afford to buy books - libraries provide free access to books and knowledge in an environmentally friendly manner. A library book can be read, 10, 20, 100 times before being recycled, donated or sold as withdrawn stock.
Children living in poverty cannot access extracurricular activity clubs or expensive holiday clubs but can attend free library events.
Who 'sees' vulnerable children when school is closed - library staff.
Libraries are so much more than shelves of books.

Charges, fees and income proposals:

Increase Civic Licencing Fees by 50% to cover actual costs.

Feedback Summary: 10 comments with five against increasing the licence fees and five in favour for income generation. Those against include the Loanhead Gala Day organisers who argue the entertainment licence fee is already prohibitive.

Examples of comments

Comment 1
Public Entertainment Licences – Along with the organisers of other galas and similar events in Midlothian, we have argued for several years that the current scale of charges (which has already increased very substantially from the fees which applied a few years ago) is highly unfair in that it levies the same fees on community events organised by local voluntary, not for profit, organisations as are charged for commercial events run by businesses with a view to generating a financial return. Any review of licensing fees must finally include the introduction of either different scales of fees for community and commercial events, or alternatively, other mitigations to protect community events. It is understood that such arrangements are in place in other local authority areas.

Comment 2
Some items, such as licensing fees being set to cover costs, I support.

Increase burials charges to the Scottish average

Summary: Seven online comments with four in favour of an increase and three against any increase.

Examples of comments

Comment 1
I think a small increase in burial fees is also acceptable given the fact that obviously many very difficult and unpleasant decisions need to be made.

Comment 2
Absolutely shocking increasing burial charges paying for a funeral is hard enough, have you no shame Midlothian Council?

School crossing patrols proposal:

Remove school crossing guides from controlled (traffic lights) and zebra crossings

Feedback summary: 103 and petition of 30 signatories to save the service. Nine comments identified as in agreement with the proposal and one suggests volunteers could take on the duties. Remainder against largely on road safety grounds.

Examples of comments

Comment 1
I currently use the zebra crossing at main street Newtongrange at the Welfare park every school day throughout the year.I appreciate this service as it's a busy road and I regularly see drivers who appear not to see pedestrians waiting to cross and speed through it I feel our children would not be safe without the presence of a school crossing patrol officer and it would only be a matter of time before a child was injured or worse.

Comment 2
I agree. I am not a parent but I certainly think parents and other responsible adults should teach children how to push a button and wait for the green man, and other appropriate road crossing behaviours. How do these children make it safely across the road at other times and in other locations?

Community events and facilities savings proposals:

Stop funding Christmas lights
Stop supporting gala days and events

Feedback summary: Please note Christmas lights and gala days comments grouped together. 55 comments. 21 in favour, some suggesting looking for alternative funding models such as sponsorship. Remainder against largely on grounds erodes community spirit.

Examples of comments

Comment 1
I believe that such things as nicely planted borders, cut grass and Christmas lighting, lift the spirits of the people and encourage a pride in the towns that we live in. Without these simple provisions we are going to live in very grey towns indeed!
The gala days are part of our heritage and history, the input from the council is already minimal but with no input at all this could kill them altogether.

Comment 2

End all funding and support to communities in setting up and taking down Christmas lights. The council could look at both sponsorship or charging communities as alternative ways to pay for this service.
Yes good idea especially if it comes to a choice between Christmas lights and other far more essential services like staffed libraries and school crossing patrols. Sponsorship sounds like a good idea here, would the Council be willing to provide any advice to communities in this regard? I expect there will be calls to retain this service on the grounds that it gives the community a boost to have Christmas lights. We get more of a boost from properly staffed libraries and safe road crossings for our children.

Stop maintaining Dalkeith Bowling Green

Feedback summary: 15 comments. Six respondents in favour of charging, four in favour of the saving, four against, one suggesting if well-used then keep maintaining. Those against the saving concerned about losing the last council run green in Midlothian, which they say is a well-used resource by local community.

Examples of comments

Comment 1

Good afternoon, I have noticed that the council are considering stopping the maintenance of our bowling green in Kings Park. This green has been a part of Dalkeith for well over 100 years and I think could be the last council run green in Midlothian. I along with many of my friends have been members of this green for several years. A few of us are now retired and bowling is one of the few recreational hobbies available to us. It is a really special sport which anyone of any age can participate in. As we get on in life we desperately need friends and companionship. Our bowling club is more than just bowls. We all try to encourage children and anyone to join us and take up this beautiful game .I completely understand how difficult it must be to try and make cuts but feel the savings you would make by stopping maintenance would not in any way compensate for the demise of our older community. We need this green and appeal to you for your kind and considerate attention.

Comment 2

Looking at other ways of supporting communities to fund Christmas lights and Gala days is also sensible and maintaining Dalkeith Bowling Green should be a charge to members/users not council tax payers generally.

Parks and green spaces proposals:

Reduce shrub bed maintenance or grass over some shrub beds

Feedback summary: 18 comments, seven comments are against the cut and remainder broadly in favour with some stating on basis communities can take over the maintenance.

Examples of comments

Comment 1
For both sections concerning shrub bed maintenance and grass cutting of public areas. The council must maintain these otherwise such areas will begin to look run down which will lead to further degradation.

Comment 2.
Re flower beds and gardens, try and get local groups to take on maintenance of these. I would be happy with other locals to look after the flower bed opposite Parkend on the corner of Bank Street, Penicuik for example. Think creatively and look at how our communities can thrive, adopt a more business model charging this who can afford it more.

Reduce how often grass areas are cut

Feedback summary: 36 comments with 10 against, 24 in favour, two suggesting a compromise in terms of cut numbers and one asking if sharing the service with a neighbouring authority has been explored.

Examples of comments

Comment 1
Looking for Shared Services Opportunities - i.e. with other Councils in the Lothian or Borders. I am thinking opportunities to share services - e.g. parks service and grass cutting, or administration of certain benefit services or call centres.

Comment 2
I believe that such things as nicely planted borders, cut grass and Christmas lighting, lift the spirits of the people and encourage a pride in the towns that we live in. Without these simple provisions we are going to live in very grey towns indeed!

School buildings and council properties proposals:

Close 7 primary schools' community spaces during school holidays

Feedback summary: 20 identified comments, with 16 against the saving. Comments include two from Gorebridge Out of School Care service and two from parents using this service. Making the saving would potentially see the club close with the loss of 8 jobs. This, in turn, would adversely impact on more than 70 families who rely on the club's breakfast and after school services not to mention holiday club users. Parents also saying rely on clubs in those schools while they go to work. One comment in favour only if alternative provision available in areas affected, another asked if service providers pay fair market share. If not, may be in favour of the saving. Remaining two (both same wording) in favour of saving.

Examples of comments

Comment 1
Proposed closure of schools during holidays:
This will have an absolutely profound effect on the provision of childcare which uses these schools as there are no other suitable spaces, resulting in no holiday childcare for primary school aged children. If this is the case, it is likely that the term time provision from Gorebridge Out of School Care will no longer be financially viable, removing even term time wrap around childcare. Without either or both of these it is likely that many local parents, including myself, will be unable to continue to work, and it directly contravenes the Scottish Government's plans around out of school care. This would also be likely to have a significant impact on the number of children using the local nursery, because if parents can't work they won't put their children into nursery until they have government-funded places.

Comment 2
If there are community hubs etc within affected areas with for groups during holidays then this may be feasible. If not then no.

Cut the budget to maintain council buildings (not housing)

Feedback summary: Five comments, only one in favour of the saving. Remaining three against with two citing greater costs will be incurred in long run.

Examples of comments

Comment 1
This seems like an unwise move as failure to maintain buildings will inevitably incur greater costs in the long run and may have safety implications.

Comment 2
I agree

Roads, footpaths and transport proposals:

Delay gritting footpaths (currently from 5.30am) until 7.30am

Feedback summary: 45 comments with majority against because of risk of slips and falls for people going to work and school.

Examples of comments

Comment 1
What about those who have to leave early to get to work? They would face hazardous pavements if using those that are currently gritted.

Comment 2
Delay gritting footpaths until 07:3Qam.
Not a good idea but a compromise could be 06:30 am.

End grants for commercial bus services

Feedback summary: 115 comments (one response on behalf of 39 signatories). All against cuts to end grants with serious concerns raised by users of the 51 bus and the 111. Removing the 51, responders argued would effectively end bus services for those living in Pathhead, isolating vulnerable, elderly and those without alternative transport. Same concerns for the 111. People also arguing we should be encouraging use of public transport to support the council's green agenda.

Examples of comments

Comment 1
I have been informed that there is some discussion happening about the bus service in Pathhead.
This seems to be one of the first services to be discussed every time the council announces even more cuts from Scotland's Government.
There are about 1000 residents in and around this village with more houses planned to be built. At least half of these folk are elderly and use the bus for shopping, hospital visits, dentist appointments etc. we have bus passes but without a bus they are useless. Also we have a thriving school full of kids with their bus passes. Again useless.

Our bus service is the only public transport available to us.
The train service to the borders while helping folk around the A7 as an alternative to the bus is unavailable to us. Are there any possible cuts there?
While I realise the council has difficult decisions to make, I must sincerely ask you not to withdraw our only public transport. It will affect the mental wellbeing of many residents young and old.

Comment 2
Removal of funding to bus service 101, this is the only direct route from Penicuik to Ashley Ainsley Hospital and the Royal Edinburgh Hospital. In this case can the service 15 which runs to the Bush Estate be reconsidered to cover Penicuik.

Stop Community Transport funding

Feedback summary: 57 comments including from HcL Exec Committee, Forward Mid and the Community Transport Association. One comment in favour of cutting this funding. Remainder deeply concerned no service for people who cannot use ordinary bus services because of disabilities etc will isolate the most disadvantaged and stop them accessing clubs, amenities and other services.

Examples of comments

Comment 1
Community bus transport is vital to people with disabilities and older people and cutting that service again diminishes people's life and health and wellbeing. Encouraging public transport is meant to be the way forward for environmental purposes so cutting services seems illogical.

Comment 2 – Extract from HcL Exec Committee letter
As part of the saving plan for 23/24 onwards for Midlothian Council there has been an announcement on proposed cuts that will impact greatly on HcL services- with 100 percent of the funding being withdrawn– this will have a devastating impact on the services we can provide -impacting on over 4000 of the most vulnerable and isolated people in Midlothian if these cuts go ahead- please support us to continue to support others.

Waste and recycling proposals:

Close Penicuik recycling centre

Feedback summary: 87 comments, 86 against closing and one non-committal. Arguments for keeping the centre open include an increase in flytipping if it were to close, loss of recent financial investment in the centre, increased demand with influx of new builds in the town, queues at Stobhill likely if Penicuik was to close and residents having to drive to Stobhill inconvenient and harmful to the environment.

Examples of comments

Comment 1
I object very strongly about the proposed closure of Penicuik Recycling Centre. Houses of great amounts have been built and still being built in Penicuik, so a recycling centre is a must. As someone older I can manage to take somethings for recycling, but if closure goes ahead, I will have to pay to have it removed. That means pensioners will take a hit again. They do a good job in Penicuik and always keep the yard clean and tidy. Penicuik has been allowed to have houses built everywhere without infrastructure. For the biggest town in Midlothian, it is being sorely neglected. Hope you agree in some aspects of this.

Comment 2
Penicuik Recycling Centre – what sense is there in closing this facility and having hundreds of people travel across the county to Stobhill. During Covid when this was the only option, there were huge queues taking an hour to get in sometimes. Do you think that people are going to do this on a regular basis? I doubt it very much. It's a ten mile trip to Stobhill, costing petrol and time and I believe that people will not do it. This will result in more dumping of items at a cost of cleaning it all up eventually. Could it not even remain open at the weekends when it is probably busier?

Increase charges for the garden waste collection service

Feedback summary: 26 comments, 8 comments, six state would pay extra, three against, two unclear and one suggesting we should adopt Fife's policy of putting food waste bags in with garden waste, and not charging for the service.

Examples of comments

Comment 1
I don't love having to pay extra money for garden refuse but appreciate that not everyone has a garden and therefore yes I would pay £37

Comment 2
The fee we pay for our garden waste pick up is more than Edinburgh city council. We live in a development which there are many throughout Midlothian that pay private factors fees for our grass cutting, playpark care and general maintenance. What exactly are the council doing for their money?

Public toilets proposal:

Close all five stand-alone public toilets in Midlothian

Feedback summary: 40 comments with two in favour and other suggesting compromise by closing less than five or outsourcing maintenance and staffing. Concerns raised include impact on people with disabilities, elderly and vulnerable and reduced footfall in town centres. One comment suggested unlawful while another argued, would cause further longer term issues, if the council closes other public buildings like libraries and leisure centres.

Examples of comments

Comment 1
I am particularly concerned about the closure of public toilets. There will be members of the public that need to use facilities when they are in their towns. We should be promoting people being on the high street, not giving them a reason to not attend. How do you think this may impact the elderly or children?

Comment 2
Why choose to close all 5 public toilets and not just 2 or 3? These all seem needlessly drastic when smaller changes might make as much financial sense but still lessen the impact on the general public.

Staffing proposals:

Share or cut two trading standards officer posts

Feedback summary: Eleven comments found all in favour of retaining the Trading Standards posts. Comments include those from the trading standards team outlining the impact of cutting this service and losing the specialist knowledge of two staff members. The Chartered Trading Standards Institute has also commented raising serious concerns the council would not meet its statutory requirements if the posts were eliminated.

Examples of comments

Comment 1
Trading standards cuts. As a Midlothian resident, this concerns me. The team do a lot of work for the county. Who is going to deal with the fall out when we have underage children buying cigarettes and vapes? When a child dies or is seriously hurt because an unsafe product is in the shops? When the vulnerable consumer is scammed for all their savings, or heaven forbid a bird flu outbreak or a case like foot and mouth disease.

Comment 2 – Extract from Chartered Trading Standards Institute
…. we feel that the proposal to cut the Trading Standards workforce within Midlothian by two-thirds would potentially put the Council at risk of being unable meet a host of its statutory responsibilities, including under the Consumer Scotland Act 2020; and it could also damage the people and businesses of Midlothian.
Midlothian Trading Standards has a critical role to play in enforcing over 250 pieces of legislation vital to protecting the public.

Cut five full-time equivalent property and facilities posts

Feedback summary: Three specific comments against leaving these cleaning posts vacant as first line of defence in schools against infection etc. And finally, one comment also raised concerns that the majority of cuts to staffing levels are in front-line services.

Examples of comments

Comment 1
…these are cleaning posts in schools. Cleaning is the first line of defence against viruses such as covid, flus etc. There are also some pupils who have severe and life threatening allergies too

Comment 2

- **The proposed cuts in staff seem to focus on front-line services.**

There is too little detail in the public domain to be absolutely clear but from what has been presented online the proposed staff cuts amount to an annual saving (2023/24) of around £5m of which only proposed reductions in Benefits Administration (around £70k) and an internal audit to save one FTE (£55k) might be considered as 'back office' posts. That would suggest that ***more than 97% of proposed staff reductions are in front-line services*** the loss of which will have the most direct effect on the quality of life of Midlothian residents

Cut two full-time countryside rangers posts

Feedback summary: 185 comments, some of behalf of multiple signatories, in favour of retaining the full rangers service. Many comments from volunteers who work with the team. Comments also from professional bodies including the Scottish Countryside Rangers Association. Concerns around increased grounds maintenance costs, diminished green spaces, general loss of much loved team, end of ranger events including Outdoor Festival, negative impact on biodiversity goals.

Examples of comments

Comment 1
It is with incredulity and disbelief that I have learned of the proposal to cut back on the excellent Midlothian Ranger Service.
At a time when so much focus is on wellbeing and mental health, countryside education, greener options etc to decimate the facilities, amenities, maintenance of walkways and educational opportunities that this Service provides and contributes to is a disgrace.
All sections of the local population as well as large numbers of visitors and tourists benefit from what is provided by the Midlothian Ranger Service and of course visitors and tourists bring income into the area.
Midlothian residents who volunteer in large numbers to work with the Service will no longer be able to do so to the same extent, if at all, so inevitably the areas previously mentioned will fall into disrepair and may eventually close / disappear completely.
The value of what this Service brings to Midlothian cannot be measured purely in £`000s and if it could it would certainly be a lot more than the possible saving of £75000 so please have a serious rethink of this proposal

Comment 2
I have found out today about the plans to reduce the number of rangers from 3 to 1, whilst continuing to provide the same amount of work with the help of volunteers.
I think this is a terrible idea. It will be impossible for one person to keep up with all the outstanding work, manage and recruit new volunteers and organise a work plan.
Safe volunteer programmes require adequate risk assessments (paperwork), work assessment (paperwork) and volunteer management. It will be impossible for one person to keep up with this.
In addition, volunteer engagement can only happen when representatives are present during work days, which will be impossible.
This is a time where we need to focus on encouraging more people to enjoy nature for their own wellbeing (mentally and physically). It is also a time where we need to support biodiversity. I can't see how one person will be able to maintain walk ways and cycle paths (even with volunteers), coordinates non-native invasive plant control and ensures appropriate volunteer engagement and care.
I would ask you to strongly reconsider your ranger cuts and reverse the decision to cut numbers at all.

Police:

Stop funding the Midlothian Community Action Team

Feedback summary: 69 comments, majority in favour of retaining the MCAT service on the basis Police presence needed or criminal and anti-social behaviour will increase.

Examples of comments

Comment 1
I would also further like to highlight my concerns in relation to proposals to cease funding for the Midlothian Community Action team. This collaboration with police Scotland provides a vital local service to ensure our families and children live in a safe community. With dwindling support and services being offered to our young people, anti-social behaviour will be left to fester and at the hands of locals to police. A truly horrifying proposal which shows a complete lack of awareness of the benefits and preventative action this collaboration provides for our community.

Comment 2
Police – whilst I agree that Police Scotland should be proving policing – losing these Police officers is only going to mean that crime, local disputes etc will increase and not be dealt with effectively. Will these officers be replaced by Police Scotland?

Savings proposals for Education and Communities

Community and Third Sector funding proposal:

Review council grants

Feedback summary: 104 comments against cuts. Open letters from number of third sector organisations such as Third Sector Interface. This section includes some comments in support of Midlothian Sure Start, Play Therapy Base, Home Link Support Service and various other organisations.

Examples of comments

Comment 1

Read the Third Sector Interface letter

Comment 2

Read the Midlothian Federation of Community Councils letter

Education proposals:

Reduce the Instrumental Music Service

Feedback summary: 495 comments, vast majority strongly against the savings proposal. Arguments for retaining the full funding levels included breaching equal opportunities by depriving poorer families who cannot afford private tuition, music makes children more ‘well-rounded’ by improving social and interpersonal skills, jobs will be lost, and by limiting/withdrawing lessons in primary and up to S3, pupils in S4 upwards will not have enough time to become proficient enough to pass SQA exams.

Examples of comments

Comment 1

Comment 2

Reduction in non-statutory early years’ provision

Feedback summary: 66 comments about cuts to early learning with all but one identified as opposed. Please note comments on cuts impacting one of the council’s main early learning providers, Midlothian Sure Start, are listed under Third Sector savings proposal HaveYourSay. Respondents concerned the early years’ proposal further disadvantages poorest families and will impact on attainment, equity of opportunity etc. Many blanket comments opposed to all education cuts and these have been captured separately.

Examples of comments

Comment 1
I am also sad to read that many teachers will lose their jobs e.g. music tuition. Not all children flourish in the traditional “academic” subjects and many excel in the expressive art areas of the curriculum such as music. Having this removed from schools means lost opportunities for our young people to develop a talent and have it nurtured by specialists.

Comment 2
I would like to express my concern about the above cuts and the detrimental effect this will have on all children in Midlothian. My 3 children have each had a fantastic experience being introduced to a variety of musical instruments in Primary school. They all still play now and this has such a positive effect and I believe is an essential part of their education. The music teachers we have are all fantastic and go above and beyond to help each child learn and I have no doubt that many children will miss out if this fantastic service is cut.

End P4 swimming programme

Feedback summary: 182 comments, the majority of which are against ending P4 swimming. Those against say unfairly targets disadvantaged children, swimming is a valuable life skill, private lessons hard to get and many leisure centre swimming lessons booked up already.

Examples of comments

Comment 1
To end the swimming programme is ridiculous! Swimming is a life skill and must be learned!!

Comment 2
A more targeted approach seems reasonable. Given that a number of parents pay for private swim lessons, and do so before P4, then beginners only lessons might mitigate against the potential for pupils to compare themselves against peers who are already capable swimmers.

Rationalise Home to School and ASN Transport

Feedback summary: 79 comments. Majority against with concerns around unfairly targeting families with children with ASN, no safe routes to school and commercial buses not having enough capacity/regular service. Arguments of respondents in favour include children and young people now have National Entitlement Cards for free bus travel.

Examples of comments

Comment 1
All pupils now have bus passes, is there a need to still privately transport them to and from school every day, surely this could be a cost saving exercise.

Comment 2
Free transport to be cut for ASN school provisions and this would place vulnerable children at risk of not being able to attend school due to this.

Service reduction in school library service

Feedback summary: 174 comments. Only one comment identified as broadly in favour of the proposal. Deep opposition among remaining with comments around how school librarians are integral to raising attainment, encouraging a love of reading and provide a warm, safe space for many children who may otherwise struggle at school.

Examples of comments

Comment 1
During my many years of teaching in Midlothian, I cannot remember a time when Librarians have had it easy. There has always been something being cutback in schools – quite often affecting the library budget. However, school libraries are so very important to the life of a school. There is such a wealth of resources for the education of all the children / young adults (and I'm not just referring to the books / computers). The importance of Librarians should not be underestimated. The demand on librarians within the school is constant and beneficial to the customers/pupils. I personally, have seen librarians at work in different school libraries. They can be a major contributor to lessons. They have good relationships with the pupils, not only knowing their names, but in many cases, also their needs.
I foresee a massive hole in every Secondary School ethos should Midlothian carry out its 'threat' to remove librarians from schools and the public. Hopefully, the reaction of horror and despair resonating throughout the schools of Midlothian that this proposal has produced will bring Council members to their senses and revise their decision.

Comment 2
Please don’t remove librarians, from schools or public libraries. Computers cannot replace the knowledge, advice, kindness and compassion offered by humans. And please don’t replace actual books with ebooks, it’s not the same and young children will be less inclined to read from a kindle rather than an actual book.

Rationalisation of school estate (a statutory consultation on the closure of St Matthew’s RC Primary School).

Feedback summary: 53 comments with many from parents (including parent/teachers association), all strongly opposed to closing what they see as a thriving school with an expanding roll in an area with more new homes soon to be built. Parents angry because the denominational review within last two years concluded the school would stay open. However, minority of comments in favour of the proposal in generalwith some respondents stating not in favour of denominational schooling in general, others citing costs of keeping a small school open and St Mary’s in easy reach.

Examples of comments

Comment 1

Read the letter from St Matthew’s Parent Teacher Association

Comment 2
I would support this. I would suggest the spend on all schools should be compared on an equal basis on a per capita/ per child basis, irrespective of the denomination. Except in special circumstances like in remote parts of the highlands and islands, where it is acceptable in my view to socialise higher costs per capita and justify having smaller numbers of children in a school and accept that there are higher costs per capita to achieve this, no council should accept spending more per capita/ per child
Clearly there are no remote schools in Midlothian so closing smaller schools where the costs per child are higher is a fair way of achieving budget savings.
I am not in support of having different schools for children of different religions anyway (it is divisive for society) so would support this cost saving measure in any case

Rather than commenting specifically on devolved school management budgets involving other staff groups and budgets, reviewing commissioned services etc, respondents have generally commented on 'education budgets' with separate comments around cuts to teacher numbers. Therefore, feedback reports have been produced under 'education budgets' and 'teacher numbers'.

Education savings in general

Feedback summary: 87 comments identified, the majority covering education budgets in general. Those highlighting the devolved budget cut affecting teacher numbers has been dealt with separately. Majority strongly opposed to any cuts to education budgets. Parent councils including Burnbrae, Tynewater, Newbattle, Paradykes and St Andrew's have commented with concerns raised about impact on attainment, already stretched budgets, equity of opportunity and ongoing impact of lockdown curing Covid on children's education.

Examples of comments

Comment 1
On behalf of Newbattle Parent Council, I am writing to protest in the strongest terms about the cuts Midlothian Council are proposing to the Education Services. This will have an enormous and lasting impact upon the quality of educational provision and opportunity for young people from across Midlothian now and in the future.
These cuts are about more than budgets, they will have very real and lasting impacts on the education of our children.
While you seek to slash teachers from schools and put our children at risk by extending the distance disqualifying children for transport to school you are ignoring the area where you could make huge savings in Council headquarters streamlining
Midlothian continues to grow at a rapid rate yet the council can only think of cutting the most essential services for our young ones.

Comment 2
I am writing to express my concern for the proposed education cuts Midlothian plan to make in the next academic session.

With the suggested changes, those children already in poverty and the most vulnerable in society are not going to be well supported. The attainment gap will continue to grow. As per GIRFEC legislation, we have a legal (and moral) responsibility to support this cohort. These changes will be hugely detrimental to thousands of our Midlothian families.
Reducing the school day - I would like Midlothian Council to explain to me how they are going to ensure equity for pupils with this proposal. If you reduce the day but other authorities remain the same (no reduction), then our pupils will have less educational input than their peers in other authorities.
I understand Midlothian's need to cut some services and support the cut of extra music tuition, P4 swimming, P5 skiing. I absolutely reject the other proposals and would urge the council to reconsider.
I do not support the proposed cuts and wish my views to be shared during this consultation process.

Increase shared head teacher posts

Feedback summary: 63 comments along with same letter submitted by circa 75 parents and Bilston Parent Council against the savings proposal. Identified one respondent in agreement if head teachers adequately compensated.

Examples of comments

Comment 1
I have also read the proposal for Head Teachers to have shared responsibility for more than 1 school. The job of a Head Teacher is to be responsive to the needs of a school, support staff and work alongside pupils and parents. This is something they won't be able to do effectively across 2 schools. I also worry that this proposed change may make the retention of Head Teachers difficult for our authority and not attract the best school leaders as they'll be put off by the enormous workload challenge they'll face. Our schools need strong leadership - this proposal does not support this.

Comment 2
The focus on degradation to services for our children and next generation continues. I've never been in favour of this practice anywhere in the country but the fact that it is being considered to be utilised more in the authority is now seriously concerning. A school should have dedicated leadership – and there should be no stronger statement than that when it comes to our children's educations. Especially when the saving cost is a only measly £17,000 (maximum £27,000).

Reduction in Devolved School Management Budgets involving teachers – teacher numbers would reduce

Feedback summary: 128 comments about cutting the devolved budget and teacher numbers. Majority strongly opposed to cutting teacher numbers with concerns around impact on attainment, already overstretched schools and ability to deliver National Improvement Framework priorities. Concerns also that will impact most on disadvantaged children. .

Examples of comments

Comment 1
The teaching profession is currently at an all time low due to previous budgets cuts, excessive work load, class sizes and poor pay. Schools struggle to provide additional support and budget cuts will only exacerbate the problem. Long term the education of children will suffer and the service Midlothian Schools provide will be insufficient to equip young people with the essential knowledge and life skills that are required. Reducing teacher numbers is a backward step and would be catastrophic.

Comment 2
Reduction in Devolved School Management Budgets involving teachers:
I have concerns around the reduction in teachers which could, as a result mean that the size of classes are increased. I do not think this is a good thing - so many teachers are already currently stretched with the class sizes and needs of the children in classes. If class sizes were to increase, many things would go unnoticed in children's learning, development and health and well being.

Transformation of school week – redesigning the primary school week and review the secondary school curriculum.

Feedback summary: 140 comments with majority against, raising concerns about negative impact on child's education, impact on working parents and/or concerned proposal is too vague. Small number in favour of four day with some stipulations such as no cuts to teacher/pupil contact hours. Others expressing some broad agreement if extended across Lothians or four day weeks adopted by businesses.

Examples of comments

Comment 1
I have read that Midlothian Council propose a change to the school day. My assumption is this will be a reduction in hours. I would like to know how Midlothian are going to ensure equity for children with this proposal. If you reduce the day in our authority but it isn't reduced elsewhere, our children will have less schooling hours than others. Over time, this amount adds up and will put Midlothian children at a hugely unfair advantage. While I understand cuts need to be made, I am gravely concerned with this one as believe it will have a direct effect on the prospects of Midlothian children. It will also have a huge impact on already struggling families who need to find additional childcare. All of which, comes at a cost when money is already right due to the cost of living crisis.

Comment 2
Why not close schools on a Friday morning ,then you will save on transport and heating ,the children could get a bit added to their day Monday to Thursday to make up for the Friday.

Savings proposals for sport and leisure, health and social care and other savings

Sport & Leisure proposals:

Stop All Overtime

Feedback summary: Four comments captured but only two relevant to the savings proposal, one for and one against.
Examples of comments

Comment 1
The proposals to stop all overtime for sport and leisure staff will kill the centres. They have skeletal staff as it is and won’t be able to operate if overtime is stopped.

Comment 2
Savings with sport and leisure and not healthcare or education please,

Community Asset Transfer or closure of either Newtongrange or Gorebridge Leisure Centre

Feedback summary: 17 comments all against closing either centre or centres in general. Comment came from Forward Mid, the charity support people with disabilities who argue would lead to social isolation, poorer health outcomes. Gorebride and Newtongrange not being part of hubs seems to be a plus for local users who argue the centres are easily accessible and part of the community.

Examples of comments

Comment 1
I honestly can't believe we are here again. Closing down the only thing open to the general public which promotes healthy lifestyles and mental health, especially in times like these.
Gorebridge Leisure Centre is an integral part of the community and would really be sadly missed, we have proven that this building is needed, even during the pandemic!
The distance to any other centre is unacceptable to expect people to travel to by bus for a workout or meeting in a group etc. Especially with the cost of living crisis.
I honestly think this would be a massive mistake on the council’s part. Not to even mention the staff, which some have put there life and soul into the place.

Surely we could come up with maybe some reduced hours etc. until we are in a better position financially and not let this proposal ruin a growing, fantastic community.

Comment 2
I would like to give my opinion on the proposal that the Newtongrange Leisure Centre be closed in the savings required by the council.
I agree that there are hard decisions to have to be made by the council and it is necessary that savings must be made. I just would like to advise that as the Newtongrange Centre is not part of a hub is what makes it popular with customers. It is used by many regulars and I am sure that you can understand that as well as a fitness centre given the clientele are regulars there is a real community spirit there. We enjoy regular exercise as well as connecting together and giving a lot of customers are older there is definitely a strong sense of company and genuine support that sadly is lost in the bigger centres. When the gyms are based in schools the school has the preference over the general public I know of under 5 classes continually being changed as the schools needs are given priority.
Also as a regular gym goer and having used the facilities within the hub the disrespect from the pupils is off putting if your unfortunate to be using the gym when pupils come in you are up against not getting on equipment as pupils are having a carry on on them and it's not a isolated incident getting made fun of by them.
You are also held with times that suits the timetables of the school not just the gym but the other rooms used for classes.
I just feel that there is a need within Midlothian to have leisure centres outwith the educational hubs.

Welfare Rights

Reduction of Welfare Rights Services – reducing the number of Welfare Rights Officers by 0.6 Whole Time Equivalent

Feedback summary: 18 including one from team manager, one joint submission from Welfare Rights Team, one from Justice team, one from a social worker and one from Forward Mid, the disabilities group. One respondent broadly in favour of the saving, remainder against on grounds the service supports the most vulnerable residents to maximise their income. This in turn helps other services as having income reduces stress, increases wellbeing etc.

Examples of comments

Comment 1
I would like to express my concerns about the alleged cut back proposed to the Welfare Rights Team. If this is correct it really concerns me, especially in the present climate of increased utility bills and cost of living in general. From my experience they are a Team with high demand and their work is essential to maximise clients incomes in order for them to be able to cope with heating their homes and for financial support for carers, who are usually under a great deal of pressure both emotionally, physically and financially. I would hope that consideration is given to the current impact but also the impact of carers potentially relinquishing their support.

Comment 2
Re: the proposed budget cuts, I would strongly urge **not** to agree the reduction of Welfare rights team by 0.6 fte. This is a vital service as the team works hard to assist service users to maximise their income and social work teams, including myself, send a huge amount of referrals following service user assessments. They already operate a waiting list and any reduction would mean a further delay in applying for vital benefits.

.Health and Social Care Integrated Joint Board - Delegated Budget:

IJB Delegated Budget
The council contributes a total of £56,438,000 to the IJB. Members may wish to consider a reduction of their offer to the IJB for delegated services. This should be considered in the context of Scottish Government correspondence on maintaining a minimum cash flat IJB budget plus additional annual funding flowing through the Local Government Finance Settlement as described in sections 3.20 and 4.3 to 4.6 of the Medium Term Financial Strategy – 2023/24 to 2027/28 report.

Feedback summary: 32 relevant comments with majority either in favour of no cut or increasing funding of health and social care services.

Examples of comments

Comment 1
IJB Health and Social Care - this needs to be increased not cut. This is a wider issue than just Midlothian and the Scot Gov need to come up with a proper plan and not just say there is no more money.

Comment 2
…health and social care are crucial components to the foundation of all communities and to take funding from these is to threaten the very fabric of our communities in Scotland.

General comments: 58 general emailed comments not specifically about individual savings. Topics covered included the consultation process, concerns around Destination Hillend, green energy initiatives and other potential income generation ideas.

Examples of comments

Comment 1
Please consider other options - for example, have you looked at the salary cost of top heavy senior managerial posts within the council? Have you chased the contributions that housing developers are supposed to make towards schools, GP surgeries etc. (as historically this was not being chased)? With all the new house building going on in Midlothian, where is all this additional council tax being spent? Have you looked at

the cost of Midlothian office buildings, which look to be mainly empty most of the time with most staff working from home? How much is spent on upkeep /maintenance and heating of these buildings and can this be better spent elsewhere? Rather than cutting up-keep of our parks (already some of the work traditionally being done by the council is being picked up by guerrilla gardeners and other volunteers; don't reduce this further) and making it less safe for our kids to get to school, please look at efficiencies within the council first?

Comment 2
It seems to me that the only reason you need to bridge a deficit is because you insist on proceeding with the destination hillend project. Yes that project might well bring new employment but how many other jobs and services are being sacrificed all over the region. I for one don’t see that it is justified.

APPENDIX E

MIDLOTHIAN COUNCIL

Council Tax for Financial Year 2023/24

This statement gives details of the 2023/24 Council Tax payable in respect of a chargeable dwelling in each of the valuation bands specified in Section 74(2) of the Local Government Finance Act 1992 determined in accordance with Section 74(1) of the Act (as amended) **Based on Band D Council Tax of £1,514.73.**

Band	**Range of Values From £**	**To £**	**Band D Proportion**	**Council Tax £**
A	-	27,000	240/360	1,009.82
B	27,001	35,000	280/360	1,178.12
C	35,001	45,000	320/360	1,346.43
D	45,001	58,000	360/360	1,514.73
E	58,001	80,000	473/360	1,990.19
F	80,001	106,000	585/360	2,461.44
G	106,001	212,000	705/360	2,966.35
H	212,001	upward	882/360	3,711.09
Z	-	-	-	841.52

Buidheann-Stiùiridh an Ionnsachaidh
Learning Directorate

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Scottish Government
Riaghaltas na h-Alba
gov.scot

Appendix F

Local Authority Chief Executive
Directors of Education
Directors of Finance

9 February 2023

Protecting teacher numbers, pupil support staff and learning hours

Teacher numbers

1. Following the Cabinet Secretary's statement to Parliament on 7 February, you will now be aware that we have taken steps to ensure that the current level of teachers and support staff are maintained. In addition, we also indicated our intention to introduce legislation to standardise learning hours for pupils. The purpose of this letter is to confirm the position for your local authority and to set out the implications for local government finance settlement for 2023-24.

2. As you will are aware, in 2022/23 we provided additional funding of £145.5 million to local authorities to support the recruitment of additional teachers and support staff.

3. Following a drop in teacher numbers as published in the Summary Statistics for Schools in December 2022, the Cabinet Secretary set out in her statement to Parliament the actions we have taken to:

- maintain teacher numbers and the number of pupil support assistants at their current levels in the year ahead, as we continue to work towards our aim to increase teacher numbers by 3,500 and support staff by 500 by the end of this Parliament.
- Ensure places remain available for probationer teachers who need them through the Teacher Induction Scheme.
- Ensure there is no reduction in the number of pupil learning hours delivered by teachers in the school week.

4. You will be aware that local authorities already receive £88 million per year to (i) maintain teacher numbers and (ii) provide places on the Teacher Induction Scheme for all

probationers who need one (£37 million of the £88 million is held back by as undistributed funding in the annual local government finance settlement for this specific purpose). In addition, we are providing a further £145.5 million each year from 2022/23 explicitly to fund teacher numbers and pupil support staff.

5. This funding will be maintained in full, but from 1 April 2023 both components (giving a total allocation in 2023-24 of £233.5 million) will now be conditional upon the successful delivery of the following expectations:

- Maintain teacher numbers at 2022 census levels, as published in the Summary School Statistics in December 2022 (details provided at Annex A).
- Maintain pupil support staff numbers at 2022 census levels, which we will publish on 21 March 2023 based on the data collected from local authorities in September 2022.
- Ensure that places remain available for probationer teachers who need them through the Teacher Induction Scheme

6. Of this total of £233.5 million, £151 million will be distributed as normal and included in the Local Government Finance (Scotland) Order 2022/23 for delivering the first two of these expectations. A further £45.5 million will also be distributed as a redetermination of General Revenue Grant in the last two weeks of March 2024 subject to confirmation that those conditions above have been met in full by each local authority. The remaining £37 million will continue to be distributed depending on the number of teachers that receive a place on the Teacher Induction Scheme in August 2023 as has been the case in previous years.

7. A full breakdown of the teacher numbers we expect to be maintained, both nationally and locally, is attached at Annex A, with the relevant financial allocations set out in Annex B. Details of the figures for Pupil Support Staff will be provided in March when the 2022 statistics are published. In the event of these requirements not being met, the Scottish Government will recover or withhold relevant monies allocated to individual authorities for these purposes.

8. The number of teachers we expect Midlothian local authority to maintain is 1,081

Financial allocations are as follows:

Local Authority	£51m	£100m	£45.5m*
Midlothian	1.019	1.869	0.850

9. We are working with COSLA to reach agreement on what monitoring arrangements will be put in place, but it is likely to be quarterly in line with previous monitoring and include, but not be limited to, the data collection for the 2023 school census.

10. For completeness, all grant funding streams to local authorities and schools through the Scottish Attainment Challenge programme remain bound by their existing grant conditions and should be targeted towards supporting children and young people impacted by poverty. This includes Pupil Equity Funding, where headteachers should continue to be empowered to invest their PEF to support the children and young people impacted by poverty.

Learning Hours

11. Similarly, we have made clear our serious concern that any reduction in learning hours for pupils, reportedly considered by some local authorities due to pressure on budgets, would have a significant negative impact on children and young people, and on their families.

12. We propose to commence section 21 of the Education (Scotland) Act 2016, which confers powers on the Scottish Ministers to specify by regulations the minimum number of learning hours which must be made available to pupils in a school year. We intend to consult shortly on proposals to make regulations under that power which would ensure that there is no reduction in the number of learning hours made available to pupils.

13. Decisions over the delivery of the school week are primarily for local authorities and we am aware that many authorities have already used a degree of flexibility in order to adapt provision, for example, to implement an asymmetric week. We would not intend to restrict that flexibility, but to ensure that the current levels of provision, which are so important to pupils and parents, are protected.

14. It will be important to gather accurate information on current provision in order to inform our consultation and ensure that new regulations would have their intended effect. Officials have prepared short surveys that local authorities are asked to complete via SmartSurvey to provide information on the number of learning hours per week currently taught in schools. The surveys can be accessed here:

Primary schools - https://www.smartsurvey.co.uk/s/4M7LJ6/
Secondary schools - https://www.smartsurvey.co.uk/s/53W3L7/
Special schools - https://www.smartsurvey.co.uk/s/60KAF4/ .

We would be grateful if these are completed by **Wednesday, 22 February**.

Sam Anson
Deputy Director: Workforce, Infrastructure & Digital

Teacher FTE from the 2022 census (as published in December 2022) including ELC. Local Authority	FTE
Aberdeen City	1,836
Aberdeenshire	2,747
Angus	1,156
Argyll and Bute	835
City of Edinburgh	3,725
Clackmannanshire	556
Dumfries and Galloway	1,389
Dundee City	1,395
East Ayrshire	1,243
East Dunbartonshire	1,393
East Lothian	1,031
East Renfrewshire	1,393
Falkirk	1,651
Fife	3,724
Glasgow City	5,779
Highland	2,356
Inverclyde	781
Midlothian	1,081
Moray	977
Na h-Eileanan Siar	320
North Ayrshire	1,434
North Lanarkshire	3,726
Orkney Islands	257
Perth and Kinross	1,419
Renfrewshire	1,780
Scottish Borders	1,067
Shetland Islands	339
South Ayrshire	1,164
South Lanarkshire	3,516
Stirling	974
West Dunbartonshire	950
West Lothian	2,075
All local authorities	***54,071**

* This total does not include teachers in grant -aided schools.

Annex B

Local Authority	£51m	£100m	£45.5m*
Aberdeen City	1.732	3.446	1.568
Aberdeenshire	2.591	5.065	2.305
Angus	1.091	2.094	0.953
Argyll and Bute	0.787	1.482	0.674
Clackmannanshire	0.525	0.938	0.427
Dumfries and Galloway	1.310	2.743	1.248
Dundee City	1.316	2.754	1.253
East Ayrshire	1.172	2.278	1.036
East Dunbartonshire	1.314	2.267	1.031
East Lothian	0.972	2.027	0.922
East Renfrewshire	1.314	2.306	1.049
City of Edinburgh	3.514	7.256	3.302
Na h-Eileanan Siar	0.302	0.494	0.225
Falkirk	1.557	3.052	1.389
Fife	3.512	7.076	3.219
Glasgow City	5.451	11.314	5.148
Highland	2.223	4.413	2.008
Inverclyde	0.736	1.439	0.655
Midlothian	1.019	1.869	0.850
Moray	0.921	1.689	0.769
North Ayrshire	1.353	2.602	1.184
North Lanarkshire	3.514	6.868	3.125
Orkney Islands	0.243	0.440	0.200
Perth and Kinross	1.338	2.478	1.128
Renfrewshire	1.679	3.282	1.493
Scottish Borders	1.007	2.018	0.918
Shetland Islands	0.319	0.518	0.236
South Ayrshire	1.098	2.016	0.917
South Lanarkshire	3.317	6.449	2.934
Stirling	0.919	1.779	0.810
West Dunbartonshire	0.896	1.740	0.792
West Lothian	1.957	3.808	1.733
All local authorities	51.000	100.000	*45.50

*To be withheld subject to conditions being met

An Leas-phrìomh Mhinistear agus Ath-shlànachadh Cobhid
Deputy First Minister and Cabinet Secretary for Covid Recovery
John Swinney MSP

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Councillor Morrison
COSLA President
Verity House
19 Haymarket Yards
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EH12 5BH

Copy to: Councillor Steven Heddle
The Leaders of all Scottish local authorities

15 December 2022

Dear Shona,

Today I formally set out the Scottish Government's proposed Budget for 2023-24 in a statement to the Scottish Parliament. I write now to confirm the details of the local government finance settlement for 2023-24.

As discussed when I met with you, the Resources Spokesperson, and Group Leaders on 1 December, we are facing the most challenging budget circumstances since devolution. This is primarily due to over a decade of austerity eroding financial settlements from Westminster, compounded by the impact of Brexit and the disastrous mini-budget. Scottish and local government are experiencing unprecedented challenges as a result of the UK Government's economic mismanagement, resulting in rising prices and soaring energy bills, with inflation estimated to be running at a 41 year high of 11.1% at the time of the Chancellor's Autumn Statement.

My Cabinet colleagues and I have engaged extensively with COSLA Leaders and spokespersons over the course of the year and there is collective understanding that this economic context is also having a significant impact upon local authorities. Councils, like the Scottish Government and rest of the public sector, are working hard to support people through the cost crisis. In this regard we are hugely grateful to councils for their hard work and we fully appreciate that no part of public life has been immune from taking deeply difficult decisions to live within the current fiscal reality.

I have already taken the unprecedented step of making a statement to Parliament to reprioritise over £1.2 billion of funding as part of my Emergency Budget Statement. Despite the scale of that challenge the Scottish Government actively chose to protect Councils during that exercise and increased the funding available to councils whilst most other portfolios were required to make significant savings.

The Scottish Government's revenue raising powers offer limited flexibility to deal with challenges of this magnitude. I wrote to the Chancellor on 19 October to highlight the impact of inflation on the Scottish Government's budget and to call for additional funding to help us deal with these inflationary pressures and to support public services.

As we face these challenges, and in the absence of meaningful change in direction by the UK Government, we need to work together to ensure that we deliver for people within the financial constraints we have. I very much welcomed the open discussion on 1 December about how we focus our efforts on our shared priorities, and to that end we are offering to jointly develop an approach to working within this budget which delivers our ambitions.

The Local Government Settlement

Before turning to that offer, I will first set out how I have sought to support local government through the budget itself.

The Resource Spending Review guaranteed the combination of General Revenue Grant and Non-Domestic Rates Income at existing levels between 2023-24 and 2025-26 including the baselining of the £120 million that was added in Budget Bill 2022-23. The Budget delivers those commitments in full, despite the fact that the UK Government's Autumn Statement reversed their previous position on employer National Insurance Contributions resulting in negative consequentials. This decision has conferred around £70 million of additional spending power for local government.

The difficult decisions in the Emergency Budget Statement provided one-off additional funding to support enhanced pay deals for local government staff. We recognise the role that increasing pay for local authority employees, especially those on lower incomes, plays in helping more people cope with the cost crisis, but the fact remains that every additional pound we spend on recurring pay deals, must be funded from elsewhere within the Scottish Government budget. I therefore hope that councils will welcome the fact that the budget baselines the additional £260.6 million allocated in 2022-23 to support the local government pay deal and also delivers additional funding to ensure that payment of SSSC fees for the Local Government workforce will continue to be made on a recurring basis.

Despite the challenging budget settlement I have sought to increase funding as much as I can. I have been able to increase General Revenue Grant by a further £72.5 million, taking the total increase to over £550 million. I have also ensured that we have maintained key transfers worth over £1 billion and added a further £102 million of resource to protect key shared priorities particularly around education and social care.

The Resource Spending Review also confirmed the outcome of the 2021 Capital Spending Review and this has been supplemented by £120.6 million mentioned as part of the support to the local government pay deal plus a further £50 million to help with the expansion of the Free School Meals policy.

With regards to that wider settlement, we are providing £145 million to be used by councils to support the school workforce. The Cabinet Secretary for Education and Skills has written separately to COSLA on this matter.

I am also very grateful for the work undertaken through the Early Learning and Childcare Finance Working Group to develop and scrutinise detailed analysis of the delivery costs for the 1140-hour commitment. This is crucial to ensuring we meet our shared commitment to providing transparency and value for money in a significant programme of public sector investment. The Early Learning and Childcare settlement for 2023-24 takes account of significant declines in the eligible population in recent years and makes provision for important policy and delivery priorities based on feedback from COSLA and local government colleagues.

As set out in separate detailed communications, the Health and Social Care Portfolio will transfer net additional funding of £95 million to Local Government to support social care and integration, which recognises the recurring commitments on adult social care pay in commissioned services (£100 million) and inflationary uplift on Free Personal Nursing Care rates (£15 million). This is offset by the non-recurring interim care money ending (£20 million).

The overall transfer to Local Government includes additional funding of £100 million to deliver a £10.90 minimum pay settlement for adult social care workers in commissioned services, in line with Real Living Wage Foundation rate.

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2022-23 recurring budgets for services delegated to IJBs and therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £95 million greater than 2022-23 recurring budgets.

The consolidation of funding into the new £30.5 million homelessness prevention fund not only reflects the importance local and national government jointly place on homelessness prevention and earlier intervention, but also simplifies the homelessness funding landscape. This provides more flexibility for council and greater clarity for citizens who want to understand how national and local government are working jointly to improve outcomes.

In total, including the funding to support the devolution of Empty Property Relief, the budget increases the local government settlement by over £550 million relative to the Resource Spending Review position.

I am conscious of the position you set out to me, and the challenges which councils will still face, like all parts of the public sector, in meeting current and emerging demands from within this budget. Therefore, I am offering to continue to work with you with real urgency in the coming weeks to determine how we might jointly approach these challenges and ensure sustainable public services to support our shared priorities now and in the future.

Delivering for People and Communities by Working Together Flexibly

Through the Covid Recovery Strategy, Scottish Government and Local Government, committed to work together to address the systemic inequalities made worse by Covid, to make progress towards a wellbeing economy, and accelerate inclusive person-centred public services.

We must sustain this focus on the outcomes we care most deeply about, in particular:

i) tackling child poverty,

ii) transforming the economy to deliver net zero, and
iii) sustaining our public services.

No single part of the public service landscape can deliver these outcomes alone. We need to work in partnership to deliver outcomes for people and places across Scottish and local government as our two spheres of government, recognising our joint accountability for change. Local service providers have the critical relationships with people and communities and must be empowered and enabled to organise services around their needs, rather than the funding stream, policy area or body delivering. By doing so, we will collectively reduce complexity and barriers for people, deliver improved outcomes and reduce inequalities among communities in Scotland, and enable the fiscal sustainability of key public services.

Strong local leadership will make this approach work in practice, supported by a national vision and learning from good practice. Community Planning Partnerships are the mechanism in which we need to see a collective and intensive effort to align available resources into prevention and early intervention focused on delivering shared outcomes for people and place. Local authorities have the leading, critical role in CPPs, but CPPs also involve a range of public bodies which must play their part, alongside local third sector and community bodies.

The Scottish Government is committed to building trust and maximising benefits for our citizens and communities. We will act to:

- align budgets to maximise impact on outcomes;
- remove barriers which hinder flexibility in funding, and in the design and delivery of services around people, helping to embed the service changes flowing from this;
- require our partner public bodies and agencies to work collaboratively within CPPs to deliver shared outcomes, take action to address local priorities and align local funding, this will be supported by our Place Director network;
- enable third sector partners to participate and contribute in local plans, including through flexible funding.

Local authorities are key partners in this endeavour. Through COSLA, we will invite local authorities to work with us to:

- prioritise spending to agreed key outcomes for which we are jointly accountable, with clarity as to the way in which we will work together to secure and measure success;
- ensure that joint plans of activity across Community Planning Partnerships can deliver those outcomes in a way which reflects the needs of a local communities, and to robustly account for delivery of these plans;
- share resources across CPPs to deliver these activities in whatever way is most effective;
- continue to share and learn from best practice nationally and locally to embed person centred approaches that work for individuals and communities, and reduce barriers and duplication in our joint systems.

We will seek to agree jointly how to put this commitment into operation practically over the coming months and to develop robust assurance that demonstrates delivery of critical priorities and reform. We need to be data driven and transparent, reflecting the accountability which comes with responsibility. Scottish and Local Government need to agree metrics and mechanisms for monitoring impact and outcomes, so that intervention and resource can be targeted where it is most needed to secure improvement. This will include seeking to reduce unnecessary reporting.

This approach is aimed at building trust and relationships and as well as adopting it through this budget, it will be reflected in the partnership agreement that will underpin the New Deal for Local Government set out in the Resources Spending Review. In order to offer flexibility across funding and work towards removal of ring fencing, the Scottish Government will need clear commitment from local government about delivery of agreed joint outcomes.

The Cabinet Secretary for Social Justice, Housing and Local Government would welcome an initial discussion on this when you meet next week at the Strategic Review Group, in order to pave the way for work at pace among our officials.

Non-Domestic Rates and Other Local Taxation Measures

As Leaders will be aware, the 1 April 2023 marks the date of the next Non-Domestic Rates revaluation, and the first to reflect the reforms introduced by the independent Barclay Review of Non-Domestic Rates. These reforms, including the move to three-yearly revaluations and a one-year tone date, will ensure that property values more closely align with prevailing property market conditions in Scotland.

The Budget freezes the poundage and acknowledges the impact of the revaluation by introducing a number of transitional reliefs to ensure that any properties which see significant increases in their rates liabilities following the revaluation do so in a phased manner. The Barclay Review also recommended a number of reforms to the Non-Domestic Rates appeals process which are critical to ensuring the deliverability of the three-yearly revaluation.

The new two-stage appeals process will commence on 1 April 2023 alongside the transfer of functions of Valuations Appeals Committees to the Scottish Courts and Tribunals Service. The Non-Domestic Rates (Scotland) Act 2020 and subsequent regulations have, amongst other things, provided Assessors and Councils with greater information-gathering powers and have also increased the transparency of the process for ratepayers including, for the first time, the provision of draft values on 30 November 2022. These reforms are intended to reduce the reliance on the formal appeals process to deliver accurate rateable values and the Act also provided a legal basis for the pre-agreement of values.

Many of the reforms of the Barclay Review seek to incentivise behaviour changes to deliver a more effective and efficient system. Reflecting the ability to pre-agree values and the importance of building resilience in the new appeals system to support the transition to more frequent revaluations, Ministers plan to make administrative changes to the funding treatment of appeals associated with public sector bodies, including councils.

The current system essentially sees the public sector challenge other parts of the public sector with private sector advisor fees effectively extracting resources from public services. The conclusion of the process determines funding allocations outside the remit of the annual budget framework with successful public bodies benefiting financially to the detriment of other ratepayers and public services. The volume of public sector appeals also serves to delay access to justice for other appellants.

Ministers do not believe that this offers value for money for the public. Whilst the right to propose and appeal will remain, to incentivise the use of the pre-agreement powers and discourage the continued reliance on the formal appeals process, from 1 April 2023, all bodies, including councils, who receive their funding through the Scottish Government budget process, will see the financial incentive for proposing and appealing removed.

Where a property occupied by a public body is subject to a successful proposal or appeal, the financial benefit from the reduction in rateable value will result in a downward re-determination of revenue allocations at a subsequent fiscal event. On this basis, Ministers will be encouraging all public bodies to begin the process of pre-agreement with their local assessors ahead of 1 April 2023 to ensure that values are accurate prior to the start of the revaluation and that this approach be adopted by default for future revaluations.

The Non-Domestic Rates (Scotland) Act also had the effect of abolishing Empty Property Relief as agreed with the Scottish Green Party a part of the 2019-20 Budget process. Unoccupied properties will therefore be liable for full rates from 1 April 2023 if relief is not available under a local scheme. To effectively devolve responsibility for the relief and provide greater fiscal empowerment for council, as agreed by the Settlement and Distribution Group, the budget provides an additional £105 million of General Revenue Grant, significantly more than the cost of maintaining the national relief in light of the subsequent decision to freeze the poundage.

In addition, following consultation with members of the Institute of Revenues, Rating and Valuation, we will bring forward regulations intended to empower councils to tackle rates avoidance more effectively. In combination, the funding transfer and the proposed new powers will provide significant additional fiscal flexibility to councils to administer support for unoccupied properties in a way that is tailored to local needs.

Furthermore, I can confirm that the Scottish Government will not seek to agree any freeze or cap in locally determined increases to Council Tax, meaning each council will have full flexibility to set the Council Tax rate that is appropriate for their local authority area. I do hope that councils will reflect carefully on the cost pressures facing the public when setting council tax rates.

We are also committed to expanding councils' ability to raise additional revenues and discussions among our respective officials have commenced to identify a structured approach to future potential local taxes. At the same time, councils now have the power to establish local workplace parking levy schemes and our work to introduce a local visitor levy bill in this parliamentary session is on track.

Finally, I am conscious that, while it is not directly applicable to Local Government pay negotiations, many stakeholders have used Public Sector Pay Policy as a reference point in previous years. For this reason, I feel it is important to highlight to you that we have taken the decision not to announce pay uplifts or publish a Public Sector Pay Policy for 2023-24.

There are a number of reasons for this, not least among them the desire to approach pay negotiations differently for 2023-24, the imperative for reform and the need to ensure the sustainability of public sector pay and workforce arrangements. This does not change our view that our job in the midst of a cost crisis is not to press down on pay, particularly the most vulnerable. We will be sharing further guidance in relation to 2023-24 pay at an appropriate point in the new year which is likely to be considered by Trade Union colleagues relevant in Local Government pay negotiations, if you agree I will ask my officials to engage with COSLA officers as this develops to determine if you might wish to formally endorse or adopt it.

I am under no illusions about the challenging fiscal environment we face across all of our public services over the next few years but I have sought to protect the local government settlement as far as possible as far as possible with an overall settlement of over £13.2 billion. The budget goes significantly beyond the commitments made in the Resource Spending Review. It provides substantive additional funding and it does not pass on the negative consequentials for employer national insurance contributions resulting from of the Autumn Statement. Importantly, it provides a number of fiscal and policy flexibilities. Alongside the settlement, I hope my offer to build on the Covid Recovery Strategy will be warmly and urgently received, to enable us to make urgent progress on the New Deal.

I want us to work in partnership, to build on the Covid Recovery Strategy and agree an approach which improves delivery of sustainable public services, designed around the needs and interests of the people and communities of Scotland, at its heart.

I would welcome confirmation that you are supportive of the proposed joint work outlined above and I look forward to working with COSLA and Leaders in the months ahead to deliver on our shared priorities.

Yours sincerely

JOHN SWINNEY

Appendix H

MIDLOTHIAN COUNCIL

REVENUE BUDGET 2023/24 SUMMARY

SERVICE FUNCTION	2023/24 £
Management and Members	1,942,186
People and Partnerships	
Childrens Services, Partnerships and Communities	19,654,496
Education	119,484,849
Midlothian Integration Joint Board	57,926,028
Non-delegated services - Leisure Services, Community Safety And Welfare Rights	1,346,355
Place	
Place	38,205,423
Corporate Solutions	24,028,831
Joint Boards	581,659
Non Distributable Costs	898,936
GENERAL FUND SERVICES NET EXPENDITURE	**264,068,763**
Loans Charges	4,398,000
Investment Income	(110,736)
Centrally Held Budget Provisions	132,000
Service Concessions in-year saving	(2,608,000)
Allocations to Housing Revenue Account, Capital Account	(5,414,898)
NET EXPENDITURE	**260,465,129**
Enhancement of Reserves	(106,871)
Utilisation of Reserves – Retrospective Service Concessions	4,093,000
Transfer from Housing Revenue Account	2,014,000
Council Tax Income	62,836,000
Scottish Government Grant	191,629,000
TOTAL FUNDING	**260,465,129**

Midlothian Council
21 February 2023
Item 8.8

Capital Plan Prioritisation – Update Report

Report by Kevin Anderson, Executive Director - Place

Report for Information

1 Recommendations

Council is recommended to;

1. Note that the Council is required, by the CIPFA 2021 Prudential Code, to have capital plans that are affordable, prudent, sustainable and proportionate to the authority's overall financial capacity;
2. Note that in order to deliver a capital plan in line with the requirements of the Prudential Code, a review of all projects in the General Services Capital Plan has been undertaken;
3. Note the prioritisation process that has been implemented and applied as outlined in this report, in order to reduce the possible levels of Prudential Borrowing within the plan and the associated Loan Charges arising from capital investment between the years 2023/24 to 2027/28.
4. Approve the deletion, pause or deferral of the capital projects and adjustment of block budgets identified in this prioritisation process at Table 16.
5. Note that based on the outcome of this prioritisation process, the Loan Charges as set out in Table 18 of this report are still expected to exceed what was deemed as affordable in the Medium Term Financial Strategy by £1.0m, £3.1m, £3.5m and £3.6m respectively between the years 2024/25 - 2027/28; and
6. Note that the Loan Charges forecasts are significantly higher with the inclusion of any future approvals of planned Learning Estate Strategy projects, as outlined in Table 19 of this report.
7. Agree the prioritisation methodology contained within this report and support a further round of prioritisation within the General Services Capital Plan to achieve the targeted Prudential Borrowing reduction of £71.901m between 2023/24 to 2027/28.

2 Purpose of Report/Executive Summary

This report sets out the requirement to reduce the level of Prudential Borrowing required to support the delivery of the approved capital plan. The report sets out the collaborative process that has been taken to review and prioritise the Capital Plan and the outcomes of this process. With a target of £71.901m of Prudential Borrowing reduction, the prioritisation process has removed, or deferred, the requirement to borrow £10.604m against the above target to date.

Date 10 February 2023

Report Contact:
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3 Background/Main Body of Report

3.1 The Council's General Services Capital Plan outlines the levels of approved capital expenditure, and how this capital expenditure will be funded.

3.2 While some capital projects are able to attract external funding from other sources, many of Midlothian Council's capital projects require the expenditure to be funded through Prudential Borrowing, as allowed for under the Prudential Framework. The majority (88%) of the Council's Prudential Borrowing is sourced from the Public Works Loan Board (PWLB), with the remaining 12% sourced from other external lenders.

3.3 Prudential Borrowing, whether from the PWLB or other external lenders, requires repayment of the original principal of the loan plus interest, both of which are charged to the Council's loan charges budget. The costs associated with this are then charged to the Council's annual revenue budget.

3.4 In October 2022, Midlothian Council began a process to allow the Council's General Services capital projects to be reviewed and prioritised. This process is being driven to ensure that the Council's capital plans are affordable, prudent, sustainable and proportionate to the authority's overall financial capacity, as required by the 2021 CIPFA Prudential Code.

3.5 One of the key indicators to assess the Council's capital plans against these requirements is the Ratio of Financing Costs to Net Revenue Stream. This is the ratio of the annual cost of the Council's capital investment (Loan Charges) to the Council's Net Revenue Stream (Scottish Government Revenue Support Grant and Council Tax).

3.6 Through the approved Medium Term Financial Strategy, the Council has incorporated planning assumptions in respect of Loan Charges, to ensure that, as a % of the overall revenue budget, Loan Charges do not exceed 3.00%. This is illustrated in Table 1 below:-

Table 1: Medium Term Financial Strategy - Loan Charges

%	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Loan Charges (£000's per annum)	2,957	3,739	7,250	7,500	7,750	8,000
Ratio of Loan Charges to Revenue Budget	1.25%	1.49%	2.86%	2.92%	2.95%	2.98%

3.7 The borrowing requirements for projects will vary across the period/life of the Capital Plan, due to the existence of sources of external funding for some capital projects. Projected capital expenditure for those projects currently approved by full Council, and the level of borrowing required to deliver these, is set out below.

Figure 1:

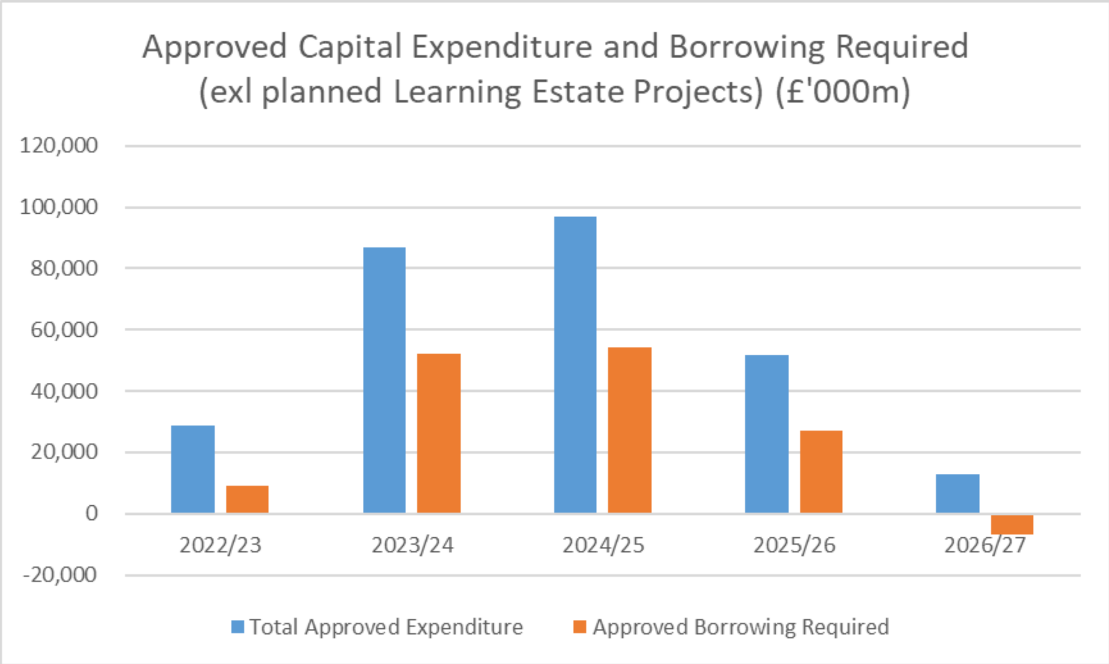
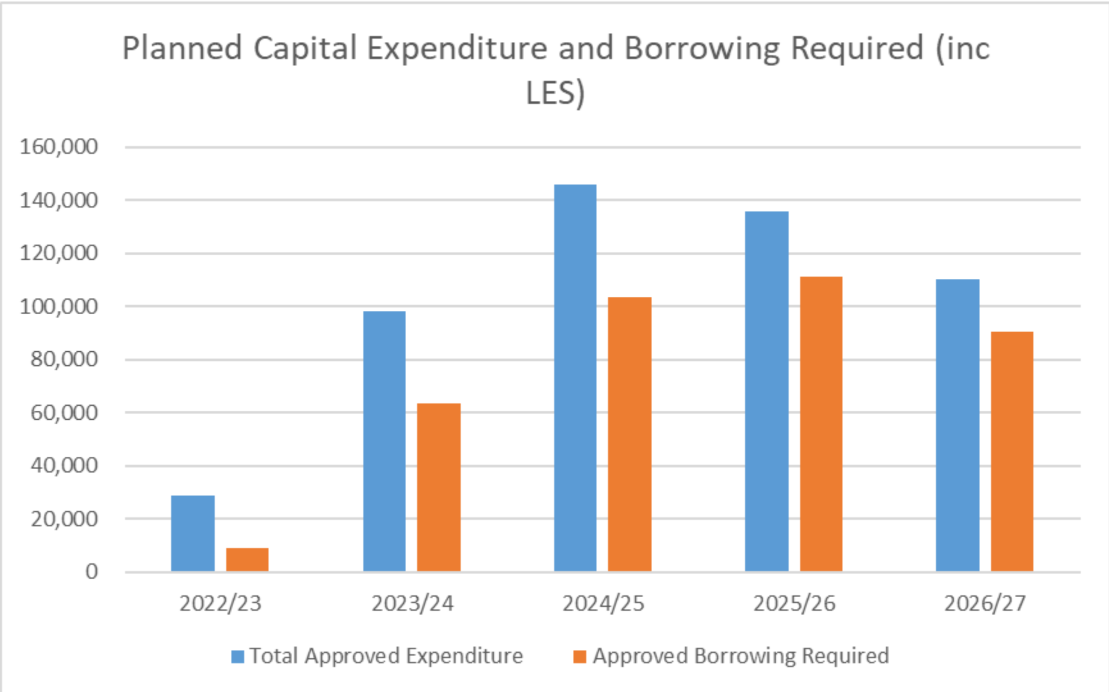


Figure 2



Loan Charge Projections

3.8 Line 1 of the table below shows the General Services Capital Plan Target, which is the planning assumption set out in the Medium Term Financial Strategy for loan charges, where loan charges do not exceed 3% of the annual revenue budget.

Table 2: Loan Charge Forecasts	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
GSCP Target	2,957	3,739	7,250	7,500	7,750	8,000
GSCP Pre-December Council	2,957	3,739	7,689	9,133	9,528	10,141
GSCP Post-December Council	2,957	3,937	8,710	11,496	12,275	12,888
GSCP Post-December Council + Planned Learning Estate Strategy Projects	2,957	4,108	10,040	15,109	19,358	22,296

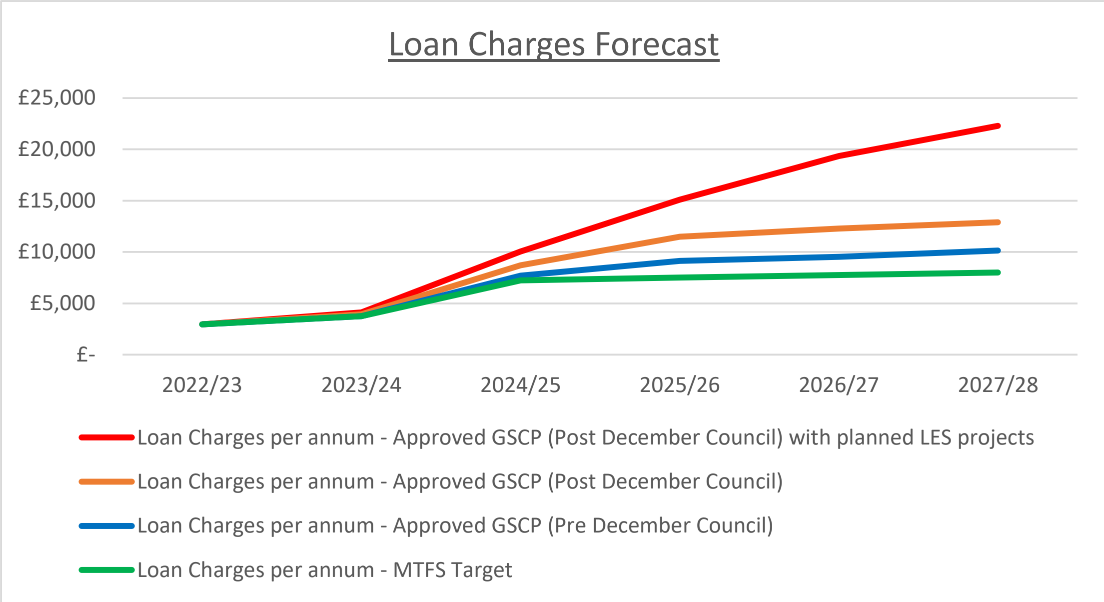
3.9 The second line of the table shows how Midlothian Council was performing against this target prior to the 13 December 2022 Council meeting.

3.10 Line 3 shows the impact the addition of new projects as approved by 13 December 2022 Council (Mayfield Joint Campus and Council Hybrid Meeting Technology) and adjustment to existing project budgets (Destination Hillend and Hawthornden ASN) on loan charges.

3.11 Finally, Line 4 shows the impact of the additional planned Learning Estate Strategy projects within the General Services Capital Plan. Including all of these takes the Council's General Services Loan Charges to the level as outlined in the final row of the table above.

3.12 The forecast change in loan charges is presented in Figure 3 below.

Figure 3



3.13 The Loan Charges outlined in the table above, as a proportion of the Council's overall General Services revenue budget (the Ratio of Financing Costs to Net Revenue Stream) is outlined in Table 4 below:-

Table 4: Ratio of Financing Costs (Loan Charges) to Net Revenue Stream	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
GSCP Target	1.25%	1.49%	2.86%	2.92%	2.95%	2.98%
GSCP Pre-December Council	1.25%	1.49%	3.03%	3.55%	3.63%	3.78%
GSCP Post-December Council	1.25%	1.57%	3.43%	4.47%	4.67%	4.80%
GSCP Post-December Council + Planned Learning Estate Strategy Projects	1.25%	1.64%	3.96%	5.87%	7.37%	8.31%

Affordability Target

3.14 In order to bring Loan Charges within the Medium Term Financial Strategy affordability targets, an assessment has been carried out of the level of Prudential Borrowing i.e. capital expenditure that is not funded from external sources, that would require to be deferred, paused or deleted from the capital plan over the period 2023/24 to 2025/26.

3.15 This assessment indicated that, prior to 13 December 2022 Council, Prudential Borrowing equating to £34.050 million would need to be deferred, paused or deleted from the capital plan in order to bring Loan Charges within the MTFS affordability target, with this equating to £30.000 million in 2024/25 and £4.050 million in 2025/26.

3.16 Following decisions at the meeting of Council on 13 December 2022, relating to approvals in respect of new projects (Mayfield Joint Campus and Hawthornden ASN) and adjustment to existing project budgets (Destination Hillend), that affordability target – and the level of Prudential Borrowing that needs to be deferred, paused, or deleted, has increased due to the addition of these new capital projects and currently sits at £71.901m.

3.17 This is phased as follows:-

£9.698 million in 2023/24
£46.104 million in 2024/25
£16.099 million in 2025/26
£71.901 million total

3.18 With the inclusion of planned Learning Estate Strategy projects, the level of prudential borrowing that needs to be deferred, paused, or deleted increases from £71.901m to £246.159m.

Prioritisation

3.19 Officers across Directorates have been engaged in a process that seeks to prioritise capital projects. Steps taken to date are set out below:

- Collation of the General Services Capital Plan, with all planned capital investments in the next four years clearly set out, aligned where possible to each programme board that oversees that expenditure, namely Children, Young People and Partnerships Estate; Asset Management; Transport, Energy & Infrastructure; and Regeneration and Development; in addition to 'other' expenditure that currently sits outwith these boards.
- In total there is an approved programme of capital expenditure of **£272m**. Once the costs associated with the delivery of the approved Learning Estate Strategy, including 'in principal' projects, are taken into account, this increases to **£511m.**
- Total available external funding, such as known and anticipated developer contributions and external grant funding from the Scottish Government and other external funding bodies, equates to **£135m**, rising to **£199m** once funding for planned Learning Estate Strategy projects is taken into account.
- This results in a **total borrowing requirement** of **£137m**. This rises to a total borrowing requirement of **£312m (a further increase in borrowing of £174m)** once expenditure and funding associated with delivering the planned Learning Estate Strategy projects is applied.

- It should be noted that these costs exclude other projects which are still in the feasibility stage, such as the replacement of Stobhill Depot, the regeneration of Dalkeith Town Centre or any budget other than that already approved for the A701 Relief Road.

Figure 5

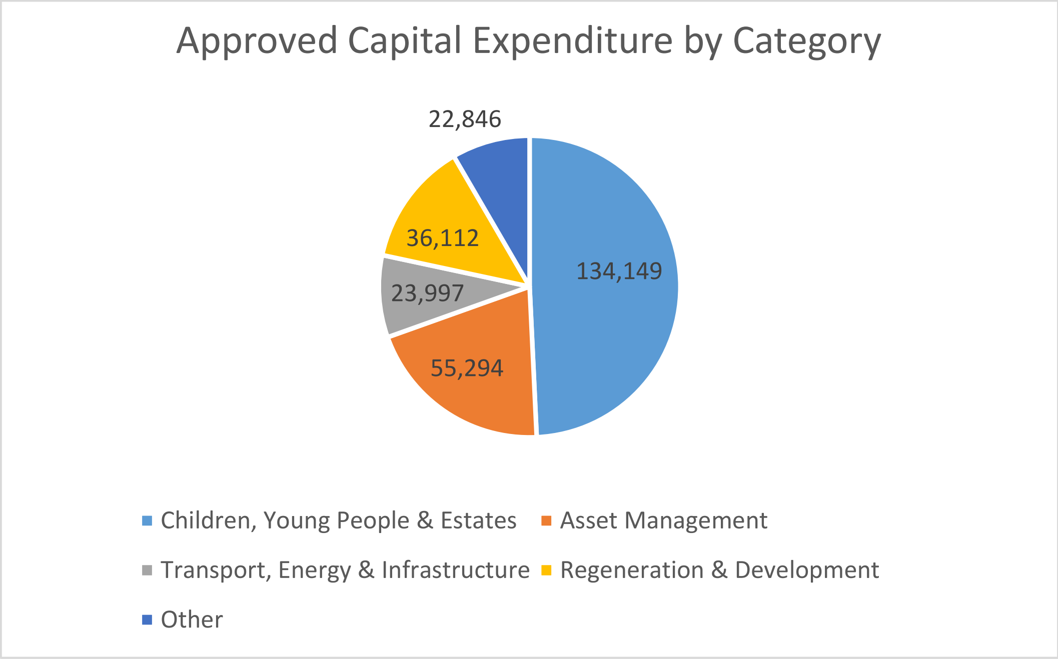
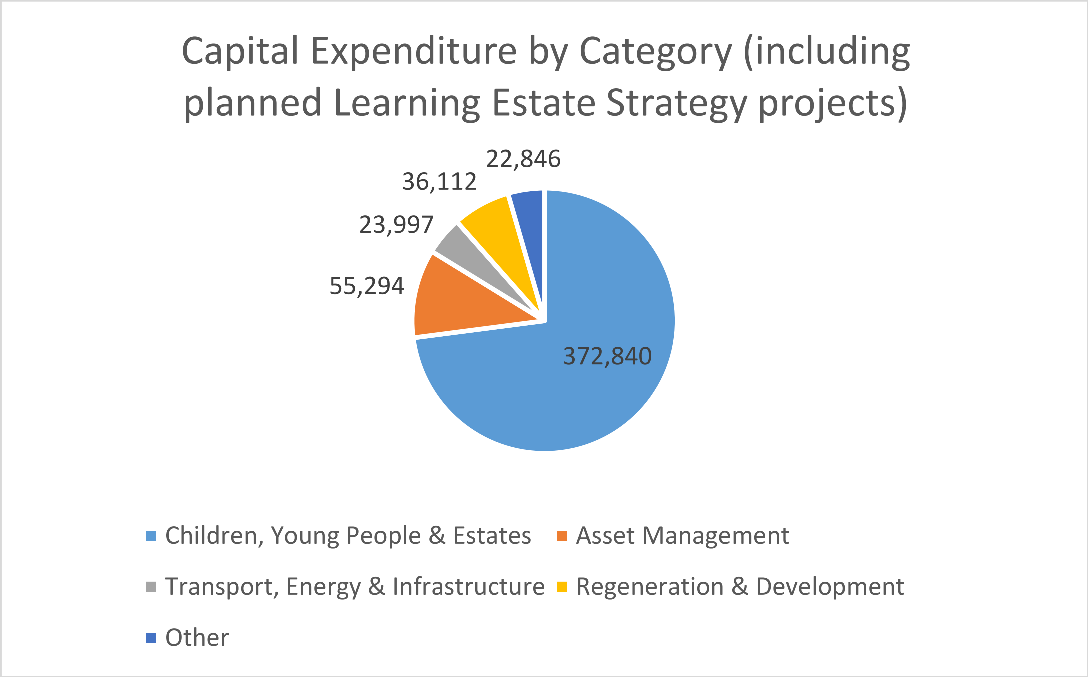


Figure 6



3.20 Following this process, projects were then assessed for their ability to be deleted, paused or deferred.

3.21 A target for each Programme Board was put in place to articulate the scale of the challenge. The internal governance of the capital programme is through these Programme Boards, which oversee specific tranches of the capital plan.

3.22 **This assessment is based on achievement of a target reduction in borrowing of £71.901m** i.e. excluding any further reduction in borrowing that would be required to offset the inclusion of the planned Learning Estate Strategy projects (**with associated total borrowing requirement of £174.258m**).

3.23 Initially, a target for each programme board based on a value that was proportionate to the overall value of these approved programmes was set. The results of this and the limitations of this approach is set out below.

Table 7

EXPENDITURE PER PROGRAMME BOARD	Total Capital Budget	% of GSCP	% of £70.763m	£m per annum
Children, Young People & Estates	134,149	49%	-35,409	-11,803
Asset Management	55,294	20%	-14,595	-4,865
Transport, Energy & Infrastructure	23,997	9%	-6,334	-2,111
Regeneration & Development	36,112	13%	-9,532	-3,177
Other	22,846	8%	-6,030	-2,010
Total Approved Expenditure	**272,398**	**100%**	**-71,901**	**-23,967**

3.24 In general terms therefore, a saving of £23.967m needs to be found per annum with, if a proportionate approach is to be taken, the majority of this needing to come from the learning estate capital programme.

Parameters on Prioritisation

3.25 In relation to the Children, Young People and Partnerships Estates Board, many of these projects have external funding in place or have statutory drivers requiring delivery, for example to ensure sufficient school places are available to all children in a catchment area. This is reflected in the prioritisation of projects as presented in the updated

Learning Estate Strategy, as approved by Council in December 2022. These priorities are as follows:

Priority 1. LEIP (Learning Estate Investment Plan) funded projects

3.26 LEIP projects are part funded by the Scottish Government with a stated delivery timeframe. Due to the impact of the pandemic, some flexibility has been built into the timeframes. The Scottish Government has provided LEIP funding to support the delivery of:

- A replacement Beeslack CHS (Estimated completion 2026/27)
- A new Mayfield Primary Campus which incorporates Mayfield PS, St Luke's RCPS and Mayfield Nursery (Estimated Completion 2025)
- A refurbishment and extension of Penicuik HS (Estimated completion (2027/28)

3.27 Further delays to LEIP funded projects could result in the reallocation of this funding.

Priority 2. School Capacity Breaches

3.28 Capacity is forecast to be exceeded in the following schools if investment projects are not progressed, resulting in insufficient pupil places to fulfil the Council's statutory responsibilities.

- Kings Park PS breaches August 2023
- Rosewell PS breaches August 2024
- Roslin PS breaches August 2024
- Woodburn PS breaches August 2024
- Bilston PS breaches August 2026
- Mauricewood PS breaches August 2027

Priority 3. Projects in Planning

3.29 The Learning Estate Strategy update highlights the following projects for continued monitoring and for plans to be progressed in conjunction with Place Directorate colleagues.

- HS12 PS Bonnyrigg
- Gorebridge HS
- Shawfair Schools' solution
- Hawthornden PS extension and ASN works
- Newtongrange PS refurbishment
- Redheugh PS Gorebridge
- Lasswade PS refurbishment and extension

3.30 These priority drivers are taken into account when reviewing the learning estate prioritisation.

External Funding

3.31 There are also parameters regarding other developments in receipt of external funding.

3.32 The **A701 Improvement Programme** (£21.030 million expenditure budget) has a significant funding gap emerging and Midlothian Council were recently unsuccessful in a Levelling Up Fund 2 application to address this. This project has committed external funding from the Government's City Deal (£10.515 million), a proportion of already-received and forecast developer contributions (£2.822 million) along with the approved utilisation of the Council's Capital Fund (£7.694 million).

3.33 However, the Council's committed funding for the A701 Relief Road project from the Capital Fund (£7.694 million) could be utilised/diverted to fund other projects within the General Services Capital Plan subject to further assessment of how this would risk the delivery of the overall project, the wider development it is to enable along the transport corridor and external funding requirements.

3.34 This programme is currently completing a design and costing phase. Once complete, a report will be brought to Council setting out how this project can be delivered that will consider its impact on the Council's capital plan.

3.35 Other projects not considered for deferral or deletion as they are fully funded are:

- The FCC Zero Waste Heat Offtake Facility which is contractually committed.
- Orbital Bus Route STAG report and Cycling, Walking and Safer Routes, which are fully funded by external grants and therefore do not require borrowing.
- Place Based Investment Fund, which is fully funded by the Scottish Government.
- Shawfair Town Centre Land Purchase, which is fully funded through the back-to-back arrangements with Shawfair LLP.

Spend to Save or Earn

3.36 In addition, there are projects in the capital plan which, through capital investment, aim to deliver either reduced revenue costs or surpluses to the revenue budget. Their deletion from the capital plan would result in an overall negative impact on the revenue budget, taking into account any reduced Loan Charges that would result.

3.37 The updated Outline Business Case (OBC) for Destination Hillend was approved by Midlothian Council in December 2022. Within the OBC, Table 9 showed the impact the project would have on the Council's revenue budget as below.

Extract Destination Hillend Outline Business Case: Impact of Preferred Option on Council's Revenue Budget

Financial Year	**2022/23 £000's**	**2023/24 £000's**	**2024/25 £000's**	**2025/26 £000's**	**2026/27 £000's**	**2027/28 £000's**	**2028/29 £000's**	**2028/29 + £000's**
Preferred Option	95	68	126	(1,098)	(973)	(1,000)	(1,016)	(1,029)

3.38 This table shows the impact on the Council's revenue budget **after** all costs associated with the construction and operation of Destination Hillend are taken into account. Once operational, the project is forecast to cover its own borrowing costs and generate a **surplus of £1.0m per annum from 2025/26.**

3.39 A sensitivity analysis was carried out as part of the OBC. This showed a worst case scenario of 15% reduction in footfall would still yield a positive net contribution of just under £0.596m to the revenue budget (see table below).

Extract from Destination Hillend Outline Business Case

Sensitivity Analysis on Overall Footfall

	Scope Adjusted Base Case £000's	**Scope Adjusted Base Case Footfall - 5% £000's**	**Scope Adjusted Base Case with Footfall - 10% £000's**	**Scope Adjusted Base Case with Footfall -15% £000's**
Capital Costs	31,103	31,103	31,103	31,103
Lifecycle Costs	3,367	3,367	3,367	3,367
Total Capital costs over the life of the assets	34,470	34,470	34,470	34,470
Operating Costs	967	960	954	947
Revenue Income	(3,221)	(3,071)	(2,920)	(2,769)
Loan Charges	1,226	1,226	1,226	1,226
General Fund Impact	**(1,028)**	**(885)**	**(740)**	**(596)**

3.40 Therefore, whilst the deletion or deferral of Destination Hillend would result in a saving in borrowing (and operating) costs, this is more than offset through the loss of income the project is expected to generate (i.e. the loss of a net contribution of £1.0 million per annum to the Council's revenue budget from 2025/26). The deletion of the project therefore does not serve the aims of the prioritisation review, which is to reduce the level of prudential borrowing required to deliver the capital programme, as the project covers its own borrowing costs. Its deletion or deferral would result in a **net loss** to the revenue budget of £1.0m per annum from 2025/26 that would have to be compensated for elsewhere.

3.41 Other examples where there may be negative revenue impacts from deletion or deferral of capital investment are street lighting, which is aimed at reducing the Council's energy bill, and fleet replacements, where newer more efficient vehicles will present some revenue savings.

Affordable Housing

3.42 The Affordable Housing programme is a form of capital investment undertaken by Midlothian Council. However, it is not funded by the General Services Capital Plan, but through the Housing Revenue Account.

3.43 The current approved Housing Revenue Account Capital Plan provides for investment of £177.069 million over the period 2023/24 – 2025/26, of which £110.644 million is earmarked for completion of Phase 2 – Phase 4 of the New Social Housing Programme.

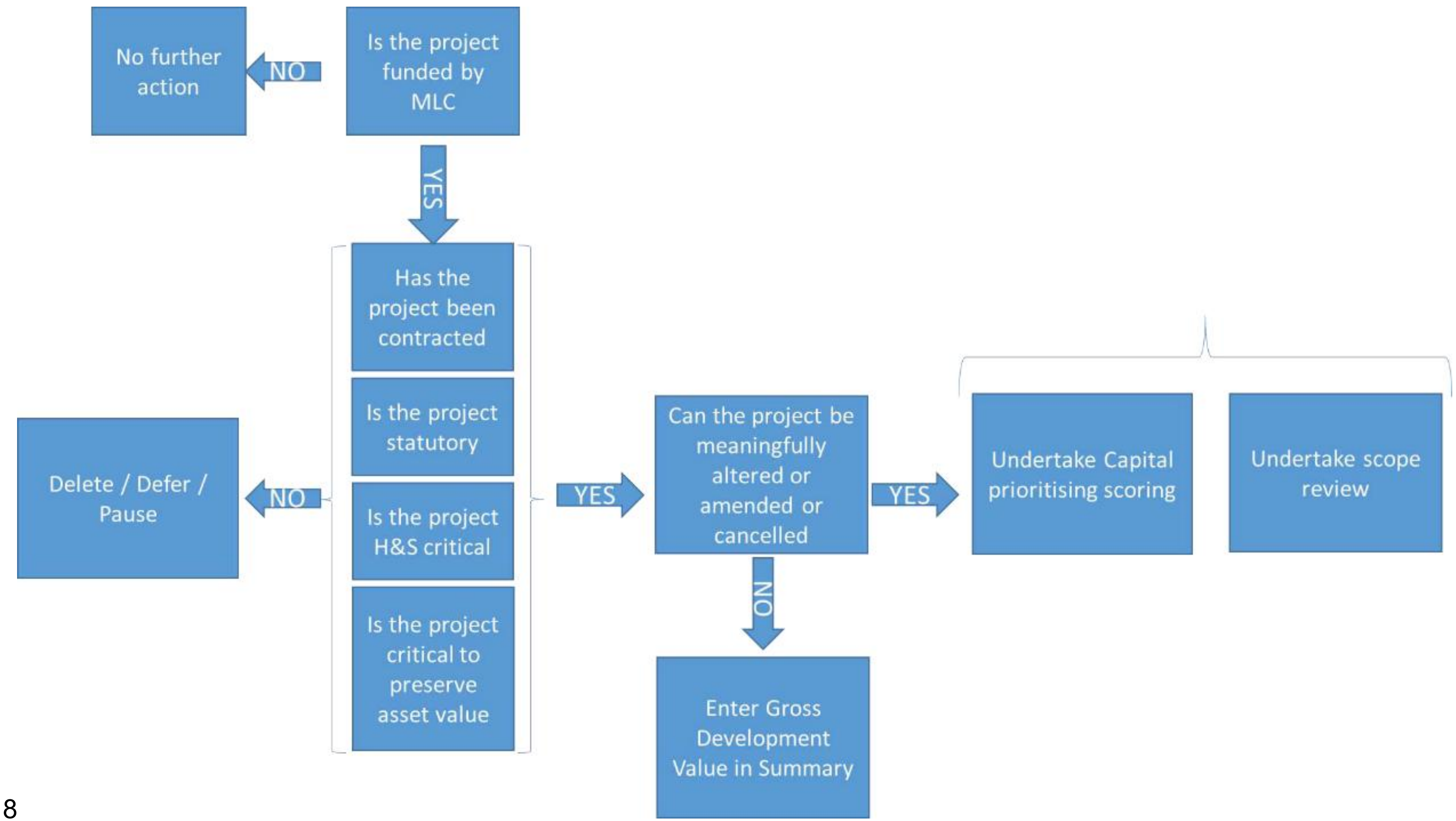
3.44 Subject to the approval of the proposed Rent Setting Strategy, a proposed 4.8% rent increase per annum for 2023/24 – 2025/26 and the longer term assumption of 4.1% to 2031/32 will continue to support our current investment in new social housing and in existing stock as well as provide additional investment of £77.640 million for a further phase of New Social Housing and £140 million for Energy Efficiency Standard for Social Housing (EESSH) works for completion over the period 2023/24-2031/32.

3.45 This additional investment would fund approximately 300 new homes and contribute towards reducing emissions in our current housing stock. The resultant Housing Revenue Account Revenue Budget and Capital Plan 2023/24 – 2025/26 of the proposed rent increase is presented to February Council for approval in a separate finance report.

3.46 Housing generates rent which supports further investment in housing. There is a growing need to create affordable homes in Midlothian to meet the rising level of need evidenced by the housing waiting list. There is also an obligation to deliver 25% affordable homes on all new residential developments in Midlothian, as set out in the Midlothian Local Development Plan. Therefore, there are no current proposals to reduce the level of investment in affordable housing as this would not have an impact on the borrowing requirement related to the General Services Capital Plan.

Prioritisation Methodology

3.47 Bearing these parameters in mind, a methodology was developed in order to assess whether projects should be put forward to the prioritisation process or not and then what additional factors should be considered that would make a project a priority.



No further action
NO
Is the project funded by MLC
YES
Has the project been contracted
Is the project statutory
Is the project H&S critical
Is the project critical to preserve asset value
Delete / Defer / Pause
NO
YES
Can the project be meaningfully altered or amended or cancelled
YES
Undertake Capital prioritising scoring
Undertake scope review
NO
Enter Gross Development Value in Summary

Figure 8

3.48 This methodology has been further developed. Projects under contract are not taken forward for prioritisation given the contractual commitment and the exit costs (financial and reputational) associated with this. In addition, the availability of external funding sources for projects, such as government grants and developer contributions, was integrated into the methodology.

3.49 For the Learning Estate programme, in addition to recording whether a project has a statutory requirement, the nature of these statutory drivers were recorded under four key categories:

- Capacity
- Condition
- Suitability; and
- Additional Support Needs requirements.

3.50 Finally, where it is not possible to delete, defer or pause projects in their entirety, it may be possible to change the scope of the project. This has also been recorded for individual projects in the capital programme.

3.51 Having categorised each project in this way, work is now underway to reach the conclusions of this process and put projects forward for:

- Deletion, deferral or delay; or
- Scope review

3.52 The review of project scopes will be conducted through each project's existing governance structures, for example by a project or programme board. This is to ensure that where there are statutory drivers for a project, these are still met, therefore not jeopardising the delivery of legislative outcomes of the capital investment.

Outcomes

Children, Young People and Estates

3.53 The learning estate represents the largest segment of the capital plan. Reviewing these projects with colleagues in Children, Young People, Families and Partnerships, the following emerged regarding priorities, which links to the priorities set out in the Learning Estate Strategy. Projects from the updated Learning Estate Strategy were included in this process, although they do not form part of the approved Capital Plan as yet.

Table 9

	Contract		Statutory Drivers				Timing	External Funding	Notes	Capacity for Scope Adjustment
			Capacity (spaces/ breach)	Suitability (core accom/DDA)	ASN capacity/ suitability	Condition				
Beeslack (LES Priority 1)	N	Y	x	x	x	x	2026	LEIP 1 & DevCon		**Yes (through Project Board)**
Mayfield (LES Priority 1)	N	Y		x	x	x	2025	LEIP 2		**No / v limited**
Penicuik HS (LES Priority 1)	N	Y		x		x	2027/8	LEIP2	External funding key driver as well as condition. Need to accelerate delivery to meet funding requirements.	**Yes (brief to be prepared)**
Kings Park PS Masterplan (LES Priority 2)	N	Y	x	x		x			LEIP3 bid submitted. TU required to address capacity issues.	**Yes (potential to address breach through TU and condition seperately)**
Rosewell PS (LES Priority 2)	N	Y	x	x		x		Part DevCon (£3.8m)	LEIP3 bid submitted. TU required to address capacity issues.	**No / v limited**
Roslin Expansion PS (LES Priority 2)	N	Y	x				2024	DevCon (£2.5m)	Growth in Roslin - breech in 2024. 2 class TU in 2023.	**No/limited**
Woodburn Primary extension (LES Priority 2)	Y	Y	x	x			2024	DevCon (£6m for KP and WB)	Extension w gym hall & dining hall	**No (scope already revised)**
Bilston Expansion (LES Priority 2)	N	Y	x				2026	DevCon	Breach	**Yes (brief to be prepared)**
Mauricewood (LES Priority 2)	N	Y	x	x		x	2027	DevCon	Capacity breach due to Auchedinny housing	**Yes (brief to be prepared)**
Newtongrange PS	N	Y		x		x		£1.3m DevCon	Can't extend, not DDA compliant.	**Yes**
Shawfair	N	Y	x				2026	DevCon (approx 70%)		**Yes (brief being developed)**
Dalkeith High School Breach	N	Y	x				2024	DevCon (circa £0.5m)	To address short term capacity issues due to delay in Shawfair	**No/limited**
Gorebridge HS	N	N	x						Monitoring for future / emerging requirement.	**Yes (brief to be prepared)**
St David's PS	N	N		x		x			1960's building - £5.2m in capital plan	**Yes (brief to be prepared)**

3.54 Following this prioritisation process, the following projects were suggested for deletion or deferral from the approved capital plan.

Table 10

Children, Young People & Estates Programme Board	Budget	Funding	Net	Decision	Saving £000's
Project	£,000	£,000	£,000		
Kings Park PS upgrade to existing building	11,931	-2,351	9,580		
St Davids Primary - 4 class & EY extension	5,281	-2,367	2,914	DEFER	2,914
Mauricewood Refurbishment & Extend	9,923	-6,700	3,223		
Rosewell Primary School - New 2 Stream	7,647	-3,824	3,824		
Newtongrange refurb & expansion to 2 stream	2,581	-1,291	1,291		
Bonnyrigg Primary - Modular Unit	562	-	562	DELETE	562
Tynewater Primary School	10	-	10	DELETE	10
Lasswade High - ASU	1,333	-	1,333		
ASN Provision - Social Complex Needs	250	-	250		
New Learning Estate Furniture & IT Equipment	50	-	50	DELETE	50
Total CYPE Programme Board	**39,568**	**-16,532**	**23,037**		**3,536**
Target					**35,409**

<u>Asset Management Programme Board</u>

3.55 Reviewing projects under the Asset Management strand of the capital plan, the following projects are to be deleted. These are either projects that were incorporated in the initial iteration of the Council's Capital Strategy in 2018, and have been rephased/carried forward since and are either no longer required or where funding has been found from another source (e.g. Scottish Government Capital Grant funding for Play Park Renewal) to deliver.

Table 11

Asset Management Programme Board	Budget	Funding	Net (£000's)
Birkenside Grass Pitch Drainage	12	-	12
Open Spaces - Midlothian Wide Play Areas	338	-	338
Property - King's Park Tennis Courts Resurfacing	82	-	82
Property - Penicuik Centre Flooring, Cardio & Equipment	200	-	200
Property - Lasswade Centre Flooring	212	-	212
Property - Gorebridge Leisure Centre	115	-	115
Property - Loanhead Centre	145	-	145
Total Asset Management Programme Board Saving	**1,104**	**-**	**1,104**

3.56 In addition, block budgets have been reduced in consultation with the Chief Officer, Place and service leads.

Table 12

Reduction in Block Budgets	2023/24 – 2026/27 Forecast Spend £'000	2023/24 – 2026/27 Adjusted Budget £'000	Saving (£000's)
Digital: All Strands inc. Business Apps	9,714	7,854	3,353
Digital: Equipped for Learning	5,000	5,000	
Street Lighting Upgrades	4,362	4,236	126
Footway & Footpath Network Upgrades	2,787	2,000	787
Road Upgrades	6,000	6,000	
Accelerated Roads Residential Streets	1,669	1,669	
Vehicle & Plant Replacement Programme	6,476	6,000	476
Property Upgrades (£850k pa)	4,895	4,895	
Total Budget/Saving to Block Budget	**40,903**	**39,514**	**4,742**
Saving through delete/pause/defer			**1,104**
Total Saving			**5,846**
Target			**14,595**

3.57 The following were the conclusions of the prioritisation process with relation to Transport, Energy & Infrastructure and Regeneration & Development projects.

Table 13

Transport, Energy & Infrastructure Programme Board	Budget	Funding	Net (£000's)
None suitable however report required on priorities within A701 Programme once design and costings complete.	-	-	-
Target			**6,334**

Table 14

Regeneration & Development Programme Board	Budget	Funding	Net (£000's)
Stobhill Depot Upgrade	568	-	568
Target			**9,532**

3.58 An allowance has been made in the Capital Plan for the upgrade of the Stobhill Depot for many years. This has never been utilised, as there have also been longstanding plans to relocate and redevelop the depot as this is not a facility considered fit for purpose.

3.59 Should the business case for the redevelopment of Stobhill Depot be approved by Midlothian Council, this allowance will no longer be required. However, at present the business case for the depot is under development and there is likely to be a borrowing requirement to address a funding shortfall. Should the proposals for the redevelopment not proceed, Midlothian Council may wish to make another capital allocation in order to improve the built fabric at the Stobhill Depot.

Other Projects

3.60 It is proposed that the following projects be deleted from the capital plan as the project expenditure budgets for these have not been utilised, are no longer required or are being funding through a different route.

Table 15

Other	Budget	Funding	Net (£000's)
Newbattle Digital Centre of Excellence	232	-	232
City Deal - Digital	240	-	240
New Recycling Facility - Penicuik	243	-	243
Borders Rail - Economic Development Projects	125	-	125
Assistive Technology	197	-	197
Total Others	**1,037**	**-**	**1,037**
Target			**6,030**

Recommendation

3.61 In summary, it is recommended that following the first round of this prioritisation process, the following projects be deleted, paused or deferred from the Capital Plan by Midlothian Council. It is also proposed that the Asset Management block budgets are adjusted as summarised in Table 16 below.

Table 16

Reduction in Block Budgets	2023/24 – 2026/27 Forecast Spend £'000	2023/24 – 2026/27 Adjusted Budget £'000	Saving (£000's)
Adjusted Block Budgets - Asset Management			
Digital: All Strands inc. Business Apps	9,714	6,744	2,970
Street Lighting Upgrades	4,362	4,236	126
Footway & Footpath Network Upgrades	2,787	2,000	787
Vehicle & Plant Replacement Programme	6,476	6,000	476
Block Budget Savings			**4,359**
Projects to Delete / Pause / Defer			
Children Young People & Estates			
St David's Primary - 4 class & EY extension	2,914	-	2,914
Bonnyrigg Primary - Modular Unit	562	-	562
Tynewater Primary School	10	-	10
New Learning Estate Furniture & IT Equipment	50	-	50
Savings			**3,536**
Asset Management			
Birkenside Grass Pitch Drainage	12	-	12
Open Spaces - Midlothian Wide Play Areas	338	-	338
King's Park Tennis Courts Resurfacing	82	-	82
Penicuik Centre Flooring, Cardio & Equipment	200	-	200
Lasswade Centre Flooring	212	-	212
Gorebridge Leisure Centre	115	-	115
Loanhead Centre	145	-	145
Saving			**1,104**
Regeneration & Development			
Stobhill Depot Upgrade	568	-	**568**

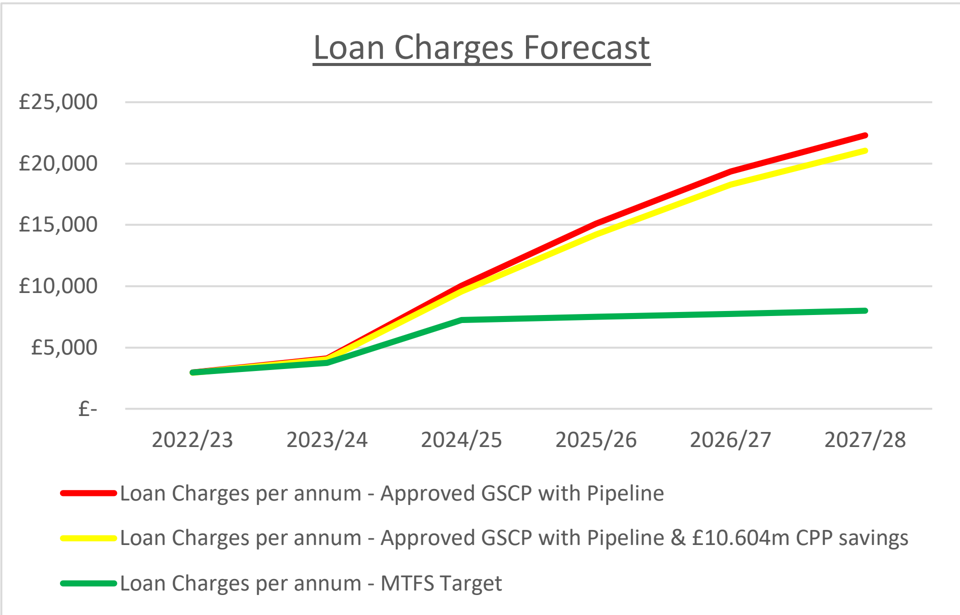
Other			
Newbattle Digital Centre of Excellence	232	-	232
City Deal - Digital	240	-	240
New Recycling Facility - Penicuik	243	-	243
Borders Rail - Economic Development Projects	125	-	125
Assistive Technology	197	-	197
Savings			**1,037**
Total Capital Plan Savings			**£10,604**
Target			**£71,901**

3.62 This prioritisation process has deferred, paused or deleted £10.604m from the approved capital plan, against a target of £71.901m.

Impact of Proposed Reduction

3.63 Figure 17 below shows the marginal impact this reduction has compared to the target reduction in capital expenditure.

Figure 17



Impact of Climate Change Strategy on Capital Projects

3.64 The Midlothian Climate Change Strategy (2020) states in its action plan that the Council is committed to “Adopting the passivhaus design standard for all new housing and non residential buildings”.

3.65 The adoption of the passivhaus standard within the affordable housing programme has resulted in an uplift in costs on the projects where it is implemented. The cost differential varies depending on the site, however an allowance of 8-12% uplift is generally made by cost consultants to reflect both the additional time and complexity required at the design stage and the costs associated with ensuring the development achieves its certificate post completion.

3.66 The adoption of a passivhaus standard on larger and more complex developments such as schools will also come with an associated cost. Again, this will vary depending on the nature of the project. For LEIP funded projects, there is a requirement to build schools that will deliver Band A energy efficiency standards, which comprises an operational energy target of 67kwH/sqm. This is results in an approximate 12% uplift in costs. The additional cost associated with achieving passivhaus certification, in order to achieve an operational energy target of 15kwH/sqm is an additional 3%, taking the uplift in costs above the baseline of meeting building standards to approximately 15% increase in costs for a school project. Achieving a passivhaus standard does eliminate the performance gap, and has been adopted by several local authorities in Scotland to ensure outcomes based funding linked to the achievement of LEIP Band A energy efficiency is achieved post occupancy.

3.67 Like spend to save initiatives such as moving to LED street lighting, there are also revenue benefits associated with savings in relation to energy costs, that may outweigh the upfront capital costs. Potential revenue savings of £3.64/kWh/sqm can be achieved by moving a school from LEIP Band A to Passivhaus standard. The assessment of these savings over the life time of the asset should form part of a whole life costing exercise for capital projects to establish the relative costs and benefits of adopting a passivhaus approach.

3.68 Furthermore, there are benefits in terms of the quality of the building and the internal environment being created for a building’s users as well as savings in carbon emissions.

3.69 The delivery of buildings to a passivhaus standard will result in higher upfront capital costs that may put budgets under pressure for individual projects. However, it is necessary to understand revenue savings over the lifetime of a project and the role the standard may play in securing outcomes based LEIP funding while reducing exposure to energy market volatility.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

Based on the first round of the prioritisation process, the affordability target for Loan Charges, as set in the Medium Term Financial Strategy, will not be met.

Loan Charges over the period 2022/23 to 2025/26 would be as follows:-

Table 18: Loan Charge Forecasts excluding planned Learning Estate Strategy Projects						
	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
GSCP Target	2,957	3,739	7,250	7,500	7,750	8,000
GSCP exc. Planned LES Development Projects	2,957	3,937	8,710	11,496	12,275	12,888
GSCP exc. Planned LES Development Projects with £10.604m CPP Saving	2,953	3,861	8,229	10,588	11,211	11,649

Table 19: Loan Charge Forecasts including planned Learning Estate Strategy Projects						
	2022/23 Estimate £000's	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
GSCP Target	2,957	3,739	7,250	7,500	7,750	8,000
GSCP with planned LES Development Projects	2,957	4,108	10,040	15,109	19,358	22,296
GSCP with planned LES Development Projects and CPP £10.604m savings	2,953	4,032	9,558	14,202	18,294	21,057

4.2 Digital

There are no resource implications of this report at this point in time.

4.3 Risk

The purpose of this report is to update Midlothian Council on measures taken to address emerging financial risks associated with the need to meet identified affordability targets in the General Services Capital Plan.

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

An IIA is not required at this stage.

4.4 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications
Appendix B – Background information/Links

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Actively managing priorities within the GSCP will ensure that capital investment required to ensure Midlothian Council's priorities as set out in the Single Midlothian Plan are achieved in a financial sustainable way.

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

Not applicable

A.5 Involving Communities and Other Stakeholders

Not applicable

A.6 Impact on Performance and Outcomes

Not applicable

A.7 Adopting a Preventative Approach

Not applicable

A.8 Supporting Sustainable Development

Not applicable

APPENDIX B

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

Midlothian Council
21 February 2023
Item 8.9

National Public Holiday for HM The King's Coronation

Report by Kevin Anderson, Executive Director - Place

Report for Decision

1 Recommendation

Council is requested to;

i. consider the introduction of 8th May, 2023 as a public holiday, in light of the announced national bank holiday on that date to mark the Coronation of His Majesty King Charles III, which will take place on Saturday 6th May, 2023, and, if approved;

ii. requires the Executive Director Children, Young People and Partnerships to progress the exceptional school closure request for the day from the Scottish Government.

2 Purpose of Report/Executive Summary

With the Scottish Government confirming an additional bank holiday, consideration needs to be given to whether the additional day should be recognised locally.

CoSLA has advised that it is unlikely to provide guidance on this, as leave is a matter for local determination by each Council. If guidance is provided it is likely to be flexible and retain local determination, in line with guidance for the recent Jubilee.

Bank holidays or local public holidays do not have to be given as paid leave as these can be included as part of a worker's statutory annual leave and the approach to be taken is for each local authority to determine. Consequently options for members to consider are:

- offering an additional fixed day, or
- offering an additional public holiday onto annual leave entitlement, or
- making no adjustment to holidays for the Coronation

Date 10 February 2022

Report Contact

Name: Kevin Anderson, Executive Director Place
Tel: 0131 271 3102
Email: kevin.anderson@midlothian.gov.uk

3 Background

Buckingham Palace has announced that King Charles III's Coronation will be held on Saturday 6th May 2023 at Westminster Abbey in London and Camilla, Queen Consort, will also be crowned at the same event.

The First Minister has confirmed, together with the other nations of the United Kingdom, that an extra bank holiday will take place on Monday 8th May 2022 two days after the official ceremony. This is in addition to the national public holiday already in place on 1st May, and although it is a recognised Early May Bank Holiday, this is not a local public holiday in Midlothian to permit an alternative date swap option.

In relation to schools in Scotland, Ministers have confirmed their view that it is important that families in Scotland are also able to participate in the Coronation celebrations and are supportive of this being taken as a school holiday. Consequently, SQA exams that were scheduled to take place on the 8th May will no longer be held then, with the SQA to engage in finalising alternative dates within the existing timetable.

Midlothian Council has already published school term dates for 2022/23 and if this additional public holiday is agreed, the education service will be required to progress an exceptional school closure request from the Scottish Government.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

Given the recent pay agreement for local government, SJC employees will already have an additional day's leave from 2022 and beyond which comes at a cost. An initial assessment of an additional fixed public holiday has been made of added paybill costs which would need to be provided for in the

2023/24 budget as an extra pressure amounting to £100,000.

4.2 **Digital**

There are no digital implications arising from this report.

4.3 **Risk**

Officers are aware of the costs of a public holiday and financial position of the Council, and the impact if additional monies are to be found.

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

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

4.5 **Additional Report Implications**

Appendices

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

Not applicable

A.5 Involving Communities and Other Stakeholders

Initial, informal engagement with local Trades Unions did not express a preference on local arrangements. An employee working on a public holiday will receive the appropriate overtime rate for all hours worked on the public holiday, regardless of the hours worked in the week.

A.6 Impact on Performance and Outcomes

Not applicable

A.7 Adopting a Preventative Approach

Not applicable

A.8 Supporting Sustainable Development

Not applicable.

**Edinburgh and South East Scotland City Region Deal –
Regional Prosperity Framework Delivery Plan**

Kevin Anderson, Executive Director Place

Report for Decision

1 Recommendations

Council is recommended to;

i. approve the Regional Prosperity Framework Delivery Plan draft (RPF) as included in Appendix 1; and

ii. note that the Delivery Plan will be considered by the other five constituent Local Authorities in the Edinburgh and South East Scotland City Region (ESESCR) ahead of the ESESCR Joint Committee meeting on 3 March 2023.

2 Purpose of Report/Executive Summary

2.1 The Regional Prosperity Framework Delivery Plan is the articulation of the next phase of the development of the regional economy, building upon the successes of the City Region Deal. It sets out a prospectus for investment which can deliver on the City Region's ambitions to become the data capital of Europe; support inclusive growth; and a just transition to a net zero economy over the next 20 years.

2.2 The document is a live document that will be updated every 12 months to reflect changes to the local, regional, and macro economy and to ensure that regional activity can react and remain relevant to city region partners. The full Delivery Plan can be found in Appendix 1. Over the next 12 months four key programme areas have been identified:

- Green Regeneration of the Forth Estuary;
- Infrastructure & Recovery;
- Visitor Economy & Culture; and
- Data-Driven Innovation

2.3 To realise the ambitions of the Delivery Plan, Regional Partners will ask both the Scottish and UK Governments to:

- Commit to work in tripartite (UKG/SG/ESES) partnership to progress the Delivery Programme which is aligned with Scotland's National Strategy for Economic Transformation and UK Government Levelling Up and Shared Prosperity priorities; and

- For our Delivery Plan to be supported through a medium to long term, integrated, place-based funding allocation based on shared outcomes.

  The Regional Prosperity Framework Delivery Plan will be considered for approval by the other five constituent Local Authorities in the region ahead of the meeting of the Edinburgh and South East Scotland City Region Joint Committee on 3 March 2023. Subject to the necessary approvals at the above committees, regional partners will undertake the following:

- Ask both the Scottish and UK Governments to commit to work in tripartite (UKG/SG/ESES) partnership to progress the Delivery Programme which is aligned with Scotland's National Strategy for Economic Transformation and UK Government Levelling Up and Shared Prosperity priorities.

- Ask for our Delivery Plan to be supported through a medium to long term, integrated, place-based funding allocation based on shared outcomes.

Date 2 February 2023

Report Contact:
Kevin Anderson, Executive Director Place

Kevin.Anderson@midlothian.gov.uk

3 Background/Main Body of Report

3.1 The maturity of the regional partnership with UK and Scottish Governments has seen the City Region Deal partners develop an ambitious Regional Prosperity Framework (formerly Growth Framework), approved in September 2021 before being ratified individually by each of the six Local Authorities and the University of Edinburgh Court. Joint Committee ratified the Regional Prosperity Framework on 5th October 2021.

3.2 The Framework is the articulation of the next phase of the development of the regional economy, building upon the successes of the City Region Deal both in terms of the programmes but also the regional collaboration. It provides a blueprint for regional economic recovery post-pandemic; resilience through the ongoing cost of living crisis; and provides future direction for major projects and investment.

3.3 Since the publication of the RPF, regional partners have been developing the Delivery Plan appended to this report. This period has covered the COVID 19 Pandemic and ongoing cost-of-living crisis. Partners have aimed to develop a Delivery Plan that responds to these crises and recognises that this crisis has disproportionately impacted the most economically disadvantaged members of the community, with the cost of basic necessities e.g. food and fuel far exceeding any increases to wages.

3.4 The Regional Prosperity Framework (RPF) provides a blueprint for Regional economic recovery post-pandemic; resilience through the ongoing cost of living crisis; and provides future direction for major projects and investment that support inclusive growth and the transition to a net zero economy over the next 20 years.

3.5 The RPF and its Delivery Plan align closely with Scotland's National Strategy for Economic Transformation (NSET) and the UK Government's Levelling Up White Paper with its funding allocations, and the additional funding allocations available through the UK Shared Prosperity Fund. All three of these present major opportunities for our region to truly capitalise on additional funding.

3.6 The Regional Prosperity Framework has a vision to become *the data capital of Europe. We will ensure the social and economic benefits of this capability extend to all. All sections of the community will have the opportunity to develop the key skills that will help to end inequalities in our society. We will protect our environment and make best use of our extraordinary built and natural assets, ensuring that the Edinburgh and South East Scotland City Region delivers a just transition to a net zero economy. Our institutions, ancient and modern, will deliver positive outcomes that enhance our local, national, and international reputation.*

3.7 The regional partners are committed to this vision and to use it to guide and integrate public, private, and third-sector decisions, actions, collaborations, strategies, policies, and investments across areas such as sustainability, climate change, energy, transport, planning, housing, infrastructure, education, digital, services, inequalities, well-being, economic development, procurement, and delivery. Regional Priorities have been developed around three core themes which support an economy that is **resilient; innovative and flourishing.**

4. Regional Prosperity Framework Delivery

All actions under the RPF are framed to support:

- **People** – to access fair work, to learn and develop new skills and to live happy and healthy lives
- **Places** – that are sustainable, and attractive to live and work in and where enterprise thrives
- **Planet** – meeting our needs in a way that will allow future generations to meet theirs, with a focus on the reduction of greenhouse gas emissions.

4.1 As we emerge from Covid-19 it is a different economic world than the one we had known before. Subsequent global events, such as the war in Ukraine, inflation, and emerging financial and political uncertainties, mean that there is a need to develop a different strategic approach if we are to achieve the shared ambition for the region and to deliver a resilient economy that can meet the needs of its citizens and businesses.

4.2 To be able to reflect current and future economic shocks, the Delivery Plan has been developed with the immediate priorities for the region set out over a 1 to 3-year horizon, but in the context of the longer-term ambitions for the region. Regional priorities will be reviewed annually and refreshed to align to current events impacting the regional and local economy. Programmes and projects will be added or subtracted to ensure that continued focus on our ambitions and reflect what is happening at the local, regional, national, and macro level of the economy.

4.3 This Delivery Plan establishes a clear process for delivery of the projects and sets out an ambitious prospectus for investment. Four key programme areas have emerged as the priority for the next 12 months – Green Regeneration of the Forth Estuary; Infrastructure and Recovery; Visitor Economy and Culture; and Data- Driven Innovation. A summary of each programme is outlined below with further detail provided in appendix 1.

Green Regeneration of the Forth Estuary
From Eyemouth to Grangemouth, the Forth Economic Corridor has the potential to drive transformational economic and climate adaptation through major waterfront regeneration including Granton Waterfront, Blindwells and Cockenzie; reuse and modernising of existing assets, sites, and operations to create strategic net zero employment opportunities; support innovative manufacturing and shipbuilding; and proposals for a Green Freeport aim to underpin and enhance the area’s future economic success including the creation of the nation’s largest offshore renewable energy hub.

Cross partner support will be required to establish a Forth Estuary Collaboration Network. Enabling closer collaboration between neighbouring authorities to deliver their national and regional priorities for the Forth, and to promote the reputation of the Forth economic corridor domestically and internationally.

Key to the future success of the Forth and region the development of future green skills to meet the needs of businesses today and in the future economy whilst creating new high value jobs. The creation of a Net Zero Accelerator Hub can help to address the demand and supply side barriers that exist, helping key sectors begin or accelerate the transition to net zero.

Infrastructure & Recovery

The most productive regions are the best connected and the most sustainable. Much of Scotland's future population and household growth is set to take place in the region, with available capacity to grow in parts of the region. The scale and nature of the consequential impact on the region's infrastructure is substantial and is crucial to the success of the regional and national economy.

The housing need and demand in the city region is the greatest in Scotland with nearly 60% of the total annual affordable homes requirement for Scotland needed in our city region. This region delivers more homes than any other part of Scotland and continues to drive construction innovation. Resources are required to sustain and accelerate this activity:

The Edinburgh & South East Home Demonstrator Project is a new business model for the delivery of Net Zero affordable homes at scale. There are currently 75 Homes are under construction at Granton Waterfront with support required to secure a delivery partner and to scale up a regional pipeline of sites. The region needs financial support to both deliver the Energy Efficiency Standards for Social Housing 2 (EESH2) programme of retrofitting existing homes and continue to build new affordable homes.

Accelerating delivery of the City Region Deal strategic sites can deliver 35,000 homes, transforming vacant and derelict land to deliver net zero carbon homes. It is essential that regional transport priorities are co-ordinated to deliver the aspirations of the: Regional Transport Strategy; Strategic Transport Projects Review 2 and National Strategy for Economic Transformation. This will best ensure that we can: Effect Modal Shift; Promote Mass Transit; Decarbonise Transport (support transition to net zero); and Tackle Transport poverty. To deliver on these strategic ambitions, including fairer and more equal economic prosperity, requires a skilled population. We must ensure that everyone has the opportunity to participate fully in the labour market. The transition to net zero and the data revolution, in particular, will necessitate a new supply of skills. Housing, transport and skills are essential for removing barriers faced by some in participating and progressing in the labour market and in ensuring that employers have the supply of skills they need. A Net Zero Accelerator Hub proposal is being developed by regional partners.

Visitor Economy & Culture
The renewal of our world class cultural and visitor offer is key to our Regional economy can be realised through establishing a Regional Visitor Economy Partnership to create and deliver a regional visitor economy development plan will allow for collaborative public sector investment and delivery in the visitor economy. A Data Driven Innovation led approach to tourism destinations can help to position the region as a global leader in regional data-driven decision-making for strategic tourism investments, aligning and contributing towards the regional ambition of being the Data Capital of Europe.

Data-Driven Innovation
Embedding and extending the impact of the City Region Deal Data-Driven Innovation investment in the regional and national economy. Ensuring the region provides the skills, support network, data and transport infrastructure needed to grow data-led organisations. Cross partner support is needed to promote the aspiration for the Region to be a Data Capital, and its linkages to delivering Scottish and UK Government Digital and Data Strategies.

Partners will work to support the operational growth of the TechScaler Network, funded by Scottish Government, and support the ongoing recognition of the Region as a World Leading Centre for Informatics and High-Performance Computing Academic Excellence.

The delivery programmes above are critical to the region's future economic success, providing clarity for future investment and collaboration to ensure this region has a prosperous net zero future. These programmes will be monitored and reviewed every 12 months to ensure they are still relevant to local, regional, and national partners.

5 Report Implications (Resource, Digital and Risk)

5.1 Resource

The work on the RPF has been overseen by the City Region Deal Directors Group including representation from both Scottish and UK Government; the Regional Enterprise Council; and the Elected Member Oversight Committee. Paul Lawrence, Executive Director of Place at City of Edinburgh Council, is Senior Responsible Officer for this activity.

An officer working group with membership from across each of the six local authorities, the University of Edinburgh, and Scottish Enterprise, supported by the Programme Management Office has developed the Regional Prosperity Framework and Delivery Plan.

Over the lifetime of the project consultancy support was secured to assist with development work. This was paid for by monies received from Scottish Government, Scottish Enterprise and £30k SESplan rebate.

Approval of the RPF Delivery Plan does not commit resources from Midlothian Council or the other five constituent Local Authorities.

Delivery will be achieved through existing resources and additional public and private sector investment. As external funds are secured programmes and projects will be progressed on a business case basis.

City Region Partners want the Delivery Plan to be supported through a medium to long term, integrated, place-based funding allocation based on shared outcomes. Officers are developing the case for this funding approach, which should cover the whole-life costs of delivery and will present this to UK and Scottish Government in advance of the UK Government budget next year. Partners will continue to work with Scottish Government to ensure that the RPF Delivery Plan aligns to programmes and spend on NSET, STPR2, infrastructure and other relevant areas.

5.2 Digital

Not applicable

5.3 Risk

Not applicable

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

An IIA is not required

5.5 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications
Appendix 1 – ESESCRD Regional Prosperity Framework

Background papers:

Regional Prosperity Framework - Final Version, Edinburgh and South East Scotland City Region Deal Joint Committee - Friday, 3rd September 2021

Edinburgh and South East Scotland City Region Deal Annual Report 2021/22

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value
Not applicable

A.5 Involving Communities and Other Stakeholders

The work on the RPF has been overseen by the City Region Deal Directors Group including representation from both Scottish and UK Government; the Regional Enterprise Council; and the Elected Member Oversight Committee.

Each of the six constituent local authorities are considering the RPF Delivery Plan ahead of the City Region Deal Joint Committee meeting on 3 March 2023 to ensure that any final local contributions are reflected in the final version of the Plan.

The RPF was approved for public consultation by the City Region Deal Joint Committee on Friday 4 June 2021. The RPF was agreed by the ESESCR Joint Committee in September 2021.

A.6 Impact on Performance and Outcomes

Delivery of the programmes and projects in the RPF Delivery Plan can deliver on the city Regions ambitions to become the data capital of

Europe; support inclusive growth; and a just transition to a net zero economy over the next 20 years.

A.7 Adopting a Preventative Approach

Not applicable

A.8 Supporting Sustainable Development

Not applicable

Appendix 1 – Regional Prosperity Framework

Draft ESECRD RPF attached

REGIONAL PROSPERITY FRAMEWORK

DELIVERY PLAN & PROSPECTUS

2023/24

Edinburgh and South East Scotland Joint Committee

Councillor Cammy Day
Leader, The City of Edinburgh Council

Councillor Norman Hampshire
Leader, East Lothian Council

Councillor David Ross
Leader, Fife Council

Councillor Russell Imrie
Councillor, Midlothian Council and Chair, Joint Committee 2022

Councillor Euan Jardine
Leader, Scottish Borders Council and Chair, Joint Committee 2023

Councillor Lawrence Fitzpatrick
Leader, West Lothian Council and Vice Chair, Joint Committee 2023

Professor Sir Peter Mathieson
Chair, Higher & Further Education Consortium and Principal, University of Edinburgh

Claire Pattullo
Chair of Regional Enterprise Council and Chief Executive Officer, Edinburgh Social Enterprise

Garry Clark
Vice-Chair of Regional Enterprise and Council Development Manager (East of Scotland), Federation of Small Businesses

Contents

Foreword

The Edinburgh and South East Scotland City Region Deal brings together six local authorities, four universities, six colleges and the Regional Enterprise Council with representatives from the business, social enterprise and third sectors. The partnership is now in the fifth year of the delivery of the Deal programme, and we continue to make excellent progress.

Building on the successful delivery of the City Region Deal, partners have developed an ambitious Regional Prosperity Framework (RPF) that articulates the next phase of activity to develop the regional economy, building upon the successes of the Deal. The RPF sets out a blueprint for regional economic recovery post-pandemic; resilience through the cost-of-living crisis; and transition to net zero.

Our RPF Delivery Plan is both an action plan, focused on more immediate interventions that can currently be resourced; and a prospectus, setting out collective future ambition and opportunities. A "living" document, the Delivery Plan sets out an ambitious and dynamic series of four key programmes to deliver the region's ambitions:

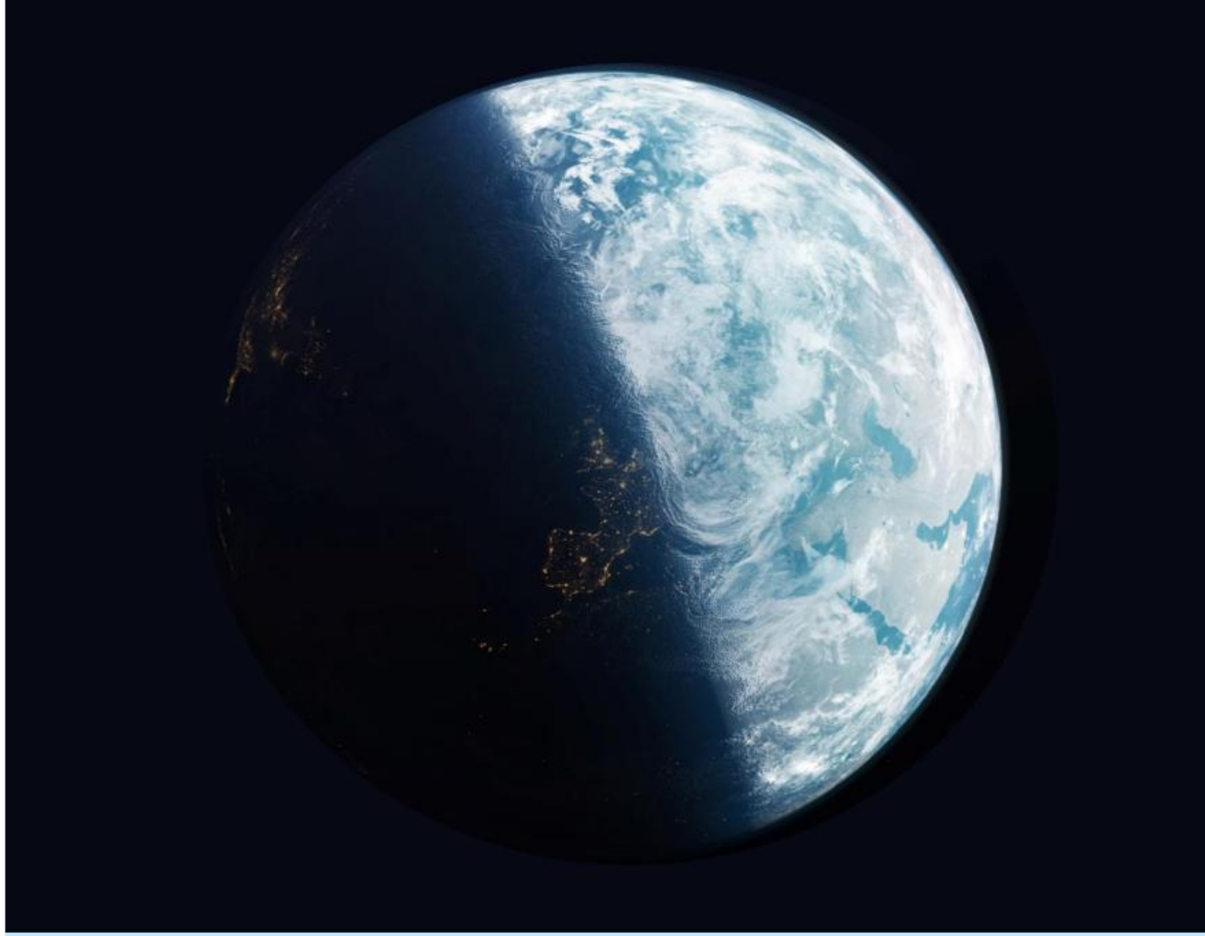
- Green Regeneration;
- Infrastructure for Recovery and Prosperity;
- Visitor Economy and Culture; and
- Data Driven Innovation (DDI) Economy

These programmes will enable the city region to maintain and enhance its global reputation and become the data capital of Europe, delivering sustainable and inclusive growth.

Our Delivery plan aligns with Scotland's National Strategy for Economic Transformation (NSET), Scotland's Regional Economic Policy Review recommendations, and UK Government's Levelling Up priorities, as well as the 2022 Autumn Statement.

We ask the Scottish and UK Governments to continue to commit to work in tripartite partnership to deliver our Blueprint through a long term, integrated, place-based funding allocation to deliver shared outcomes.

Cllr Euan Robson
Chair of the Edinburgh & South East of Scotland Joint Committee



The Regional Prosperity Framework is an exciting next step for the Edinburgh and South East Scotland City Deal. Great progress across all parts of this area has been made to ensure this region can continue to be the engine room of the Scottish economy. The focus on having an action plan to deliver prosperity for all who live in this diverse region is a really important development in the work of this partnership. We need to be bold to make lasting change to ensure we can share prosperity better and the action plan commits us to progress in promoting sustainable communities, delivering more affordable homes, testing innovative constructive methods and using investment to drive a just transition to a net zero carbon future. There is much more to do, but the commitment to work together in partnership is a vital and necessary step. **Nile Istephan - Chief Executive - Eildon Housing Association**

Executive Summary

Over the last five years the regional partnership behind the South East Scotland City Region Deal has flourished, resulting in the publication of the Regional Prosperity Framework (RPF) in September 2021.

A range of acute external pressures have strained the Regional Partnership and this living Delivery Plan is our remedy. The Plan targets three goals: reduced economic exclusion; increased regional competitiveness; and accelerated transition to net zero.

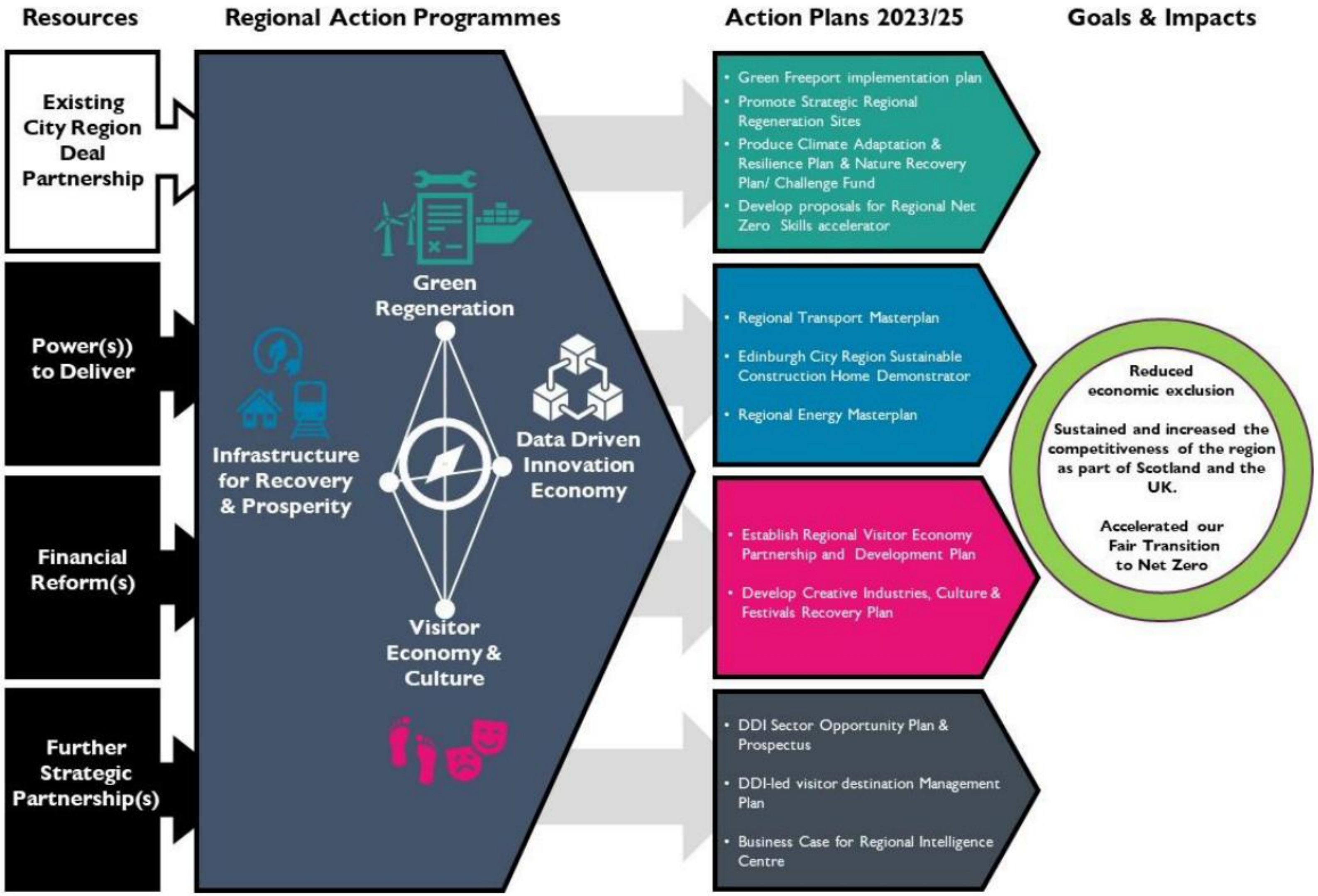
The Delivery Plan comprises four key programmes and associated regional action plans. The action plans will deliver immediate benefits whilst providing a longer-term platform for future activities that deliver our goals.

Early momentum is key to consolidating the Regional Partnership, as a more formal Regional Economic Partnership, and is core to our actions plans. The four priority initiatives in our Call to Action are:

- Infrastructure for Recovery and Prosperity by developing with the Governments a place-based capital and revenue funding model for delivery of regional ambitions;
- Develop Green Regeneration (focused on the Forth) investment prospectus;
- Secure a sustainable visitor economy and promotion of our cultural assets; and
- Promote the transition to a data driven innovation (DDI) enabled economy in the region.

These initiatives will: provide further evidence of the positive impact of our Partnership; build further confidence in our ability to collaborate; and deliver and demonstrate the positive outcomes that investment in our region will deliver.

The Regional Partners now seek to co-create the delivery and resourcing approach for this Delivery Plan with government partners and other stakeholders.



CodeBase fully supports Edinburgh's ambition to become the Data Capital of Europe. That is why we are excited about plans to embed, and broaden the impact of, Data-Driven Innovation investment in the regional and national economy.

In order to become Europe's Data Capital, it is essential that Edinburgh and South East Scotland continue to provide the skills, support network, data and transport infrastructure that will facilitate the continued growth of data-led organisations - companies old and new - in the region. **Steven Drost, CSO CodeBase**

Introduction

Our Delivery Plan has been developed through our Regional Economic Partnership (REP) in collaboration with the governments and their agencies. The Plan sets out our opportunities for regional action and investment that better deliver regional inclusive economic growth through regional collaboration.

The Delivery Plan Builds Upon our shared Strategic Framework

The Regional Prosperity Framework (RPF) articulates the long-term aspirational goals for Edinburgh and South East Scotland city region. It guides the future direction of regional economic and wider policy by setting out an ambitious vision for the regional economy to 2041. All actions under the RPF are framed to support:

People: expand access fair work, learn and develop new skills and to live happy and healthy lives

Places: develop communities that are sustainable, attractive to live and work in and where enterprise thrives

Planet: meet our needs whilst enabling future generations to meet theirs, with a focus on climate action through emissions reduction and adaptation.

Our Vision for the Region is Challenging but Achievable…

We will ensure the social and economic benefits of future growth extend to all. All sections of the community will have the opportunity to develop and enhance the key skills that will help to end inequalities in our society. We will protect our environment and make best use of our extraordinary built and natural assets, ensuring that our Region delivers a just transition to a net zero economy. Our institutions, ancient and modern, will deliver positive outcomes that enhance our local, national, and international reputation. Our aim is to become the data capital of Europe.

….by Remaining Responsive to Change

Global events, such as global pandemic recovery, the war in Ukraine, inflation and emerging financial and political uncertainties, demand an agile strategic response if our shared regional ambitions are to be achieved. As a result, the Delivery Plan focuses on the immediate **1 to 3-year horizon**, but in the context of our longer-term regional ambitions. It will be **reviewed annually**, adding or subtracting Programmes and projects to ensure continued focus on our ambitions and enable dynamic responses to any challenges as they emerge.

Our Plan Builds Upon the Unique Attributes of the Region

The Delivery Plan describes:

- **The Region's Diverse Economy,** identifying the unique strengths and assets of our regional economy.
- **Opportunities and Challenges**, assessing our regional growth levers and the barriers we must overcome.
- **Delivering together,** describing the aims and priorities for our Plan including the pathway that we can follow if we are going to positively impact the regional economy.

A RESILIENT REGIONAL ECONOMY

Our Diverse Region

Edinburgh

- Key driver of Scottish economy with diverse global business base, quality retail core, and world heritage cityscape.
- Global strengths in professional services, finance, insurance, education, science, health and data.
- Thriving retail, hospitality and leisure sector.
- Forth Bridge world heritage site frames key green growth and regeneration opportunities along the Forth.
- Continued strong demand in housing and commercial property markets.
- Regional actions underway to distribute economic opportunity, address commuting travel patterns, improve affordable housing supply and enhance strategic local infrastructure.

West Lothian

- Broad and extensive business base is supported by a skilled workforce
- Key strengths in life sciences, engineering, construction, food & drink, aerospace, retail, software development, renewables, advanced manufacturing, health, communications, support services and logistics.
- Heartlands offers 2,000 homes and 1.5 million square feet of employment space with easy motorway access.
- Winchburgh is delivering thousands of new homes and 40 acres of employment and retail space, with easy motorway access and potential for a new rail station.

Midlothian

- Shawfair, 4000 homes, community campus with nursery, primary, secondary education including swimming pool and vocational training facilities.
- At the forefront of world leading research and development programmes in biomedicine and agritech.
- Data Driven Innovation (DDI) Skills Gateway established at Newbattle High School Centre of Excellence.
- Destination Hillend is a strategic proposal for multi-activity leisure tourism with business opportunities at Hillend Snowsports Centre.
- St

Scottish Borders

- Strong cultural heritage, high quality environment and communities with a good quality of life.
- Strengths in agriculture, energy, tourism, food & drink, manufacturing, forestry and construction
- Well connected to Central Scotland and the Cities of the North of England.
- Borders Rail has catalysed regional opportunities.
- Future extension of railway to Carlisle and planned 4G/5G investments will sustain economic opportunities.
- Scottish Borders Mountain Bike Innovation Centre will cement the region’s international cycling reputation.
- Inspire Learning Centre - Tweedbank. Delivering a world class digital learning environment in partnership with Apple

The Firth of Forth and Coast

- Economic renaissance of the Forth estuary is driven by green growth, net zero energy innovation and sustainable infrastructure, new fuel production and nature based solutions.
- Strengths in life sciences, engineering, construction, agriculture, food and drink, distribution, aerospace, retail, software development and renewables, advanced manufacturing health, information, communications, support services and logistics.
- Three regeneration and renewal zones along its length:

1. South Zone: Hound Point (deep water facilities), Edinburgh Waterfront and East Lothian's Climate Evolution Zone (including the former Cockenzie Power Station), Blindwells new settlement (with potential for expansion), and Eyemouth as a hub for off-shore renewables;
2. North Zone: former Longannet Power Station site (with rail link), Rosyth International Port, Braefoot Bay Oil and Gas Terminal (deep water facilities), Mossmorran fuel and distribution hub, the Fife Renewables Innovation Centre and ORE Demonstrator at Levenmouth; and
3. West Zone: the Forth provides links to the Falkirk and Grangemouth Investment Zone with its green fuel production, biotechnology and skills development, and Scotland's National Environment Centre and National Aquiculture Technology and Innovation Hub.

Fife

- Strengths include advanced manufacturing, financial and business services and food and drink.
- Outstanding coastline and strategic travel routes provide opportunities for inclusive, sustainable growth.
- Dunfermline awarded city status and offers large housing development area including shared learning campus for Fife College.
- Rosyth International Port and Arrol Gibb Campus complement local strengths in freight and logistics.
- Centre of Excellence in Low Carbon and Renewable Energy innovation being created at Guardbridge.
- Number of transformative investments are already underway (e.g. reopening of the Levenmouth Rail Link.
- Outstanding natural and cultural assets (the Forth Bridges, 48 golf courses, the Fife Coastal Path, and the Pilgrim Way)

East Lothian

- Celebrated for its attractive market towns, prime countryside and coast, and golf and leisure tourism.
- Green growth opportunities in emerging **Climate Evolution Zone**, including **Cockenzie Power Station site** and potential expansion of **Blindwells new settlement**,
- Potential investments in strategic sustainable infrastructure, including the **High Speed Rail**,
- Internationally significant scientific, biomedical and education activities, including **Edinburgh Innovation Hub and Edinburgh Innovation Park,**
- The future use of Torness Nuclear Power Station site is a significant longer term opportunity.

Our Economy

- **65%** of 1.4m residents are of working age. The Region's dependency ratio is projected to increase from **54%** in 2018 to **57%** by 2043, compared to Scotland's **60%** (number of dependents over the number of people working).
- This is the fastest growing region in Scotland and one of fastest-growing in the UK. Forecasted change in population 2018 – 2043 is **9.1%,** compared with **2.5%** for Scotland and **9%** for the UK.
- In 2022, **20.7%** of residents aged 16-64 were economically inactive, **2.2%** lower than Scotland. This ranges from **16.3%** to **26.9%** across the six Local Authorities. It is a decrease from pre-pandemic levels. Reasons for inactivity include long-term sickness. Unemployment rates by disabled status range from **15.6%** to **33.7%**.
- By 2032, there will be a need to replace **264,100** people who have left the labour market in the Region. (RSA Nov 22)
- Productivity, calculated by dividing total regional Gross Value Added by total regional employment (measured by jobs), in 2022, was forecast to be **£59,700**, higher any other region and than the Scottish average **of £54,100**.
- Over the long-term (2025-2032), productivity is expected to grow by **1.1%** on average each year, broadly similar to Scotland as a whole.
- **4.6** tonnes of CO2 emissions per head in 2020, similar to the UK and Scottish national positions.

Our Goals

Reduce Economic Exclusion

- Reduce levels of economically inactivity.
- Reduce unemployment levels by disabled status.
- Reduce the number of people suffering the greatest levels of deprivation.
- Minimise the impact of an increasing dependency ratio (i.e. those not in work who depend on those in work) in the region.

Sustained and Increased Competitiveness

- Increase productivity per capita by increasing adoption of data driven innovation and business start-ups.

Accelerate Fair Transition to Net Zero

- Reduce per capita end-user greenhouse gas emissions for the region and by sector.
- Achieve net zero by 2045, with a 90% net reduction by 2040 and a 75% net reduction by 2030.

Opportunities & Challenges

Opportunities

Devise circular investment opportunities where benefits from investments are retained and magnified within the region.

Link supply and demand at a regional level so that regional needs can be better met locally in a sustainable fashion.

Develop a "*pack mentality*" in the REP to seek and deliver regional opportunities which transects all sectors and builds on the success of the City Region Deal.

Building on the progress in the digitisation of the regional economy, further drive adoption of this innovation into all sectors.

Improve food and resource security at a regional level, and develop sustainable forms of tourism, culture and heritage.

Deliver interventions that are collaborative, multi-faceted and diffused to address local needs across the region.

Embed community wealth building in anchor institutions to increase focus on a wellbeing economy.

Develop new partnerships with industry and the governments and secure funding through a "one region" approach that complements local action within communities.

Mobilise a whole societal 'one region' approach to Net Zero, involving communities, businesses and governments.

Goals

Sustained and Increased Competitiveness

Reduced Economic Exclusion

Accelerated Fair Transition to Net Zero

Challenges

Place-based capital and revenue funding allocations, recognising the delivery of regional ambition, need to be designed and delivered.

Significant fiscal uncertainty exists for the governments and the public sector. Maintaining core key services is the priority for all regional partners in the short term.

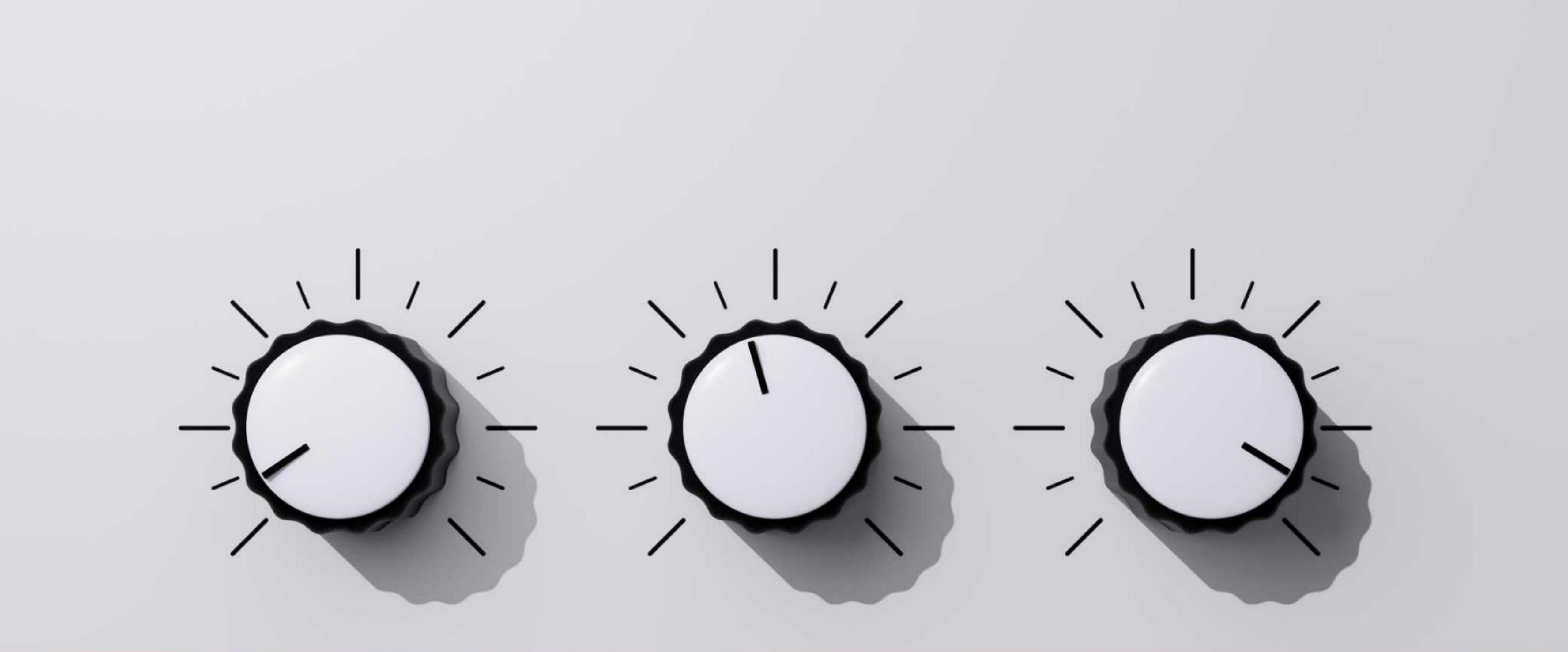
The scale and complexity of our external challenges requires a response that is equal to it, and **collective action at scale is vital** to meet them with the necessary capability and capacity.

Change in national policies and approaches is needed if regional opportunities are to be realised.

Quality of life shocks are having a real and sustained impact on the quality of life across the region, reinforcing regional inequalities.

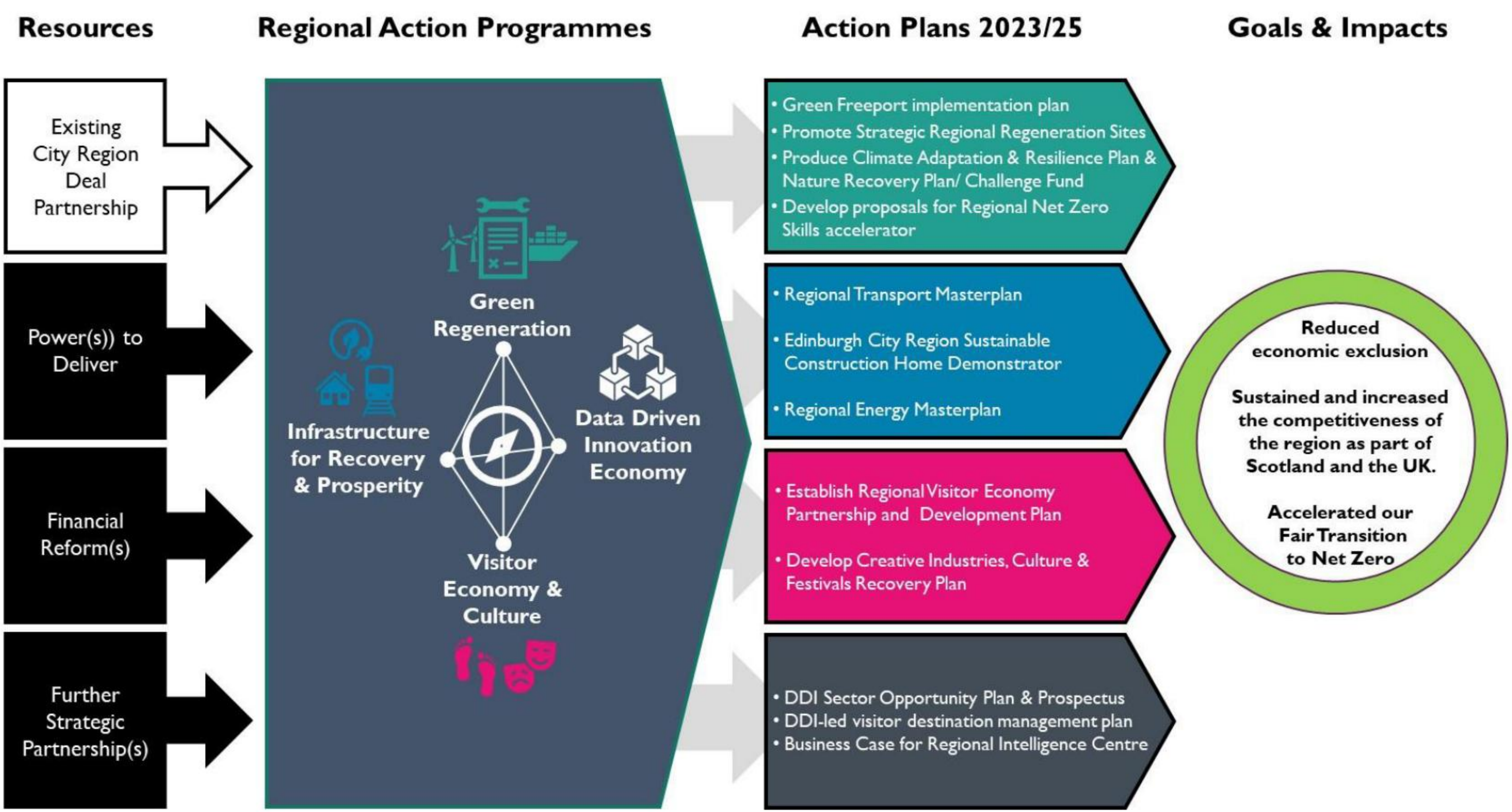
Labour shortages have been experienced in a wide range of sectors in the region. While shortages exist in Health and Social Care across all parts of the region, there is variation amongst other sectors.

Whilst unprecedented transformative change is essential the cost of delivering a **just transition**, in the short term, is beyond the means of local government **alone**.



OUR ACTION PLAN PRIORITIES

2023 - 2025



Resources
Regional Action Programmes
Action Plans 2023/25
Goals & Impacts
Existing City Region Deal Partnership
Power(s)) to Deliver
Financial Reform(s)
Further Strategic Partnership(s)
Green Regeneration
Infrastructure for Recovery & Prosperity
Data Driven Innovation Economy
Visitor Economy & Culture
• Green Freeport implementation plan
• Promote Strategic Regional Regeneration Sites
• Produce Climate Adaptation & Resilience Plan & Nature Recovery Plan/ Challenge Fund
• Develop proposals for Regional Net Zero Skills accelerator
• Regional Transport Masterplan
• Edinburgh City Region Sustainable Construction Home Demonstrator
• Regional Energy Masterplan
• Establish Regional Visitor Economy Partnership and Development Plan
• Develop Creative Industries, Culture & Festivals Recovery Plan
• DDI Sector Opportunity Plan & Prospectus
• DDI-led visitor destination management plan
• Business Case for Regional Intelligence Centre
Reduced economic exclusion
Sustained and increased the competitiveness of the region as part of Scotland and the UK.
Accelerated our Fair Transition to Net Zero

Green Regeneration

- **Successful Forth Green Freeport Bid & Cockenzie Power Station Site Levelling Up Bid:**
  - *Develop, define and deliver business cases for longer term projects and programmes.*
- **Establish Forth Collaboration Network to oversee successful Forth transformation, including ambition to deliver:**
  - *Leith Renewables Hub and wider Edinburgh Waterfront.*
  - *Climate Evolution Zone with net zero infrastructure and employment at former Cockenzie Power Station site (with rail link) and Blindwells New Settlement (with potential for expansion), as well as Eyemouth off-shore renewables service and operations hub, and in the longer term future opportunities at Torness Nuclear Power Station site.*
  - *Rosyth International Port, including Green & Blue Innovation Economy Opportunities, reuse of former Longannet Power Station site (with rail link), and* Energy Park Fife.
- **Define and Develop a Regional Climate Adaptation & Resilience Plan:**
  - *Build on Adaptation Scotland's Regional Climate Risk Assessment to develop a regional adaptation and mitigation strategy.*
- **Establish Nature Recovery Plan and Project Fund:**
  - *Use regional and local plans and strategies, including coastal management programmes and practices, and project planning to define and deliver cross border Other Area Based Conservation Measures and net benefits for biodiversity, linked to potential developer contribution protocols.*
- **Regional Net Zero Accelerator:**
  - *Finalise Business Case for Regional Net Zero Skills Accelerator Hub to deliver programmes that enable key sectors to accelerate transition to net zero by meeting demand for green skills.*

Infrastructure for Recovery & Prosperity

- **Regional Transport Masterplan**
  - Collaboratively develop a brief for the South East Scotland Regional Transport Masterplan, Funding & Delivery Programme.
- **Edinburgh City Region Sustainable Construction Home Demonstrator**
  - New business model for delivering net zero affordable homes.
  - Identify funding and delivery partner and potentially suitable sites for off-site manufacturing facilities – e.g. for infrastructure and / or housing.
- **Regional Energy Masterplan**
  - Phase 1 funding secured and develop Phase 2 proposition and demonstrators.

Visitor Economy and Culture

Visitor Economy

We will work in collaboration at regional level to responsibly grow, maximise and spread the benefits generated by the regions significant visitor economy by creating a:

- **Regional Visitor Economy Partnership:**

Seek to establish a Regional Partnership with Visit Scotland, Scottish Enterprise and others, to facilitate stronger more efficient and effective cross regional working to the benefit of the regional visitor economy.

- **Regional Visitor Economy Development Plan:**

Regional Partnership to co-produce a Plan that aligns regional ambitions and actions to become a world-class year round visitor destination, delivering a forward looking ambitious response to responsible tourism.

Culture

We will capitalise on the Region's reputation as a leading cultural destination maximising the opportunities of our cultural offering to benefit the wider region and support:

- **Festivals Recovery**:

  Build on the ambitions of our festivals to strengthen the region's by establishing a Festivals Recovery Fund to enable festivals to recover and be more resilient through implementing a new business model.

- **Creative Industries:**
- *Define regional creative industries sectoral challenges and opportunities, and co-produce a recovery and growth plan.*

Data-Driven Innovation (DDI) Economy

- **DDI Prospectus Sector Opportunity Plan**:
  - *Develop new regional and sectoral plans and prospectus to align the role and impact of data services across the business base and region, focusing on sectorial priorities.*
- **DDI-led approach to visitor economy destination management**:
  - *Scope business case, which will help to position the region as a global leader in regional data-driven decision-making for strategic tourism investments and allow for the implementation of innovative digital assets to help work towards a truly responsible and sustainable visitor economy for the region.*
- **Regional Intelligence Centre**:
  - *Finalise business case to enable regional policy makers, service delivery executives and the public to access relevant useful knowledge and insights to develop regional policy and improve services.*

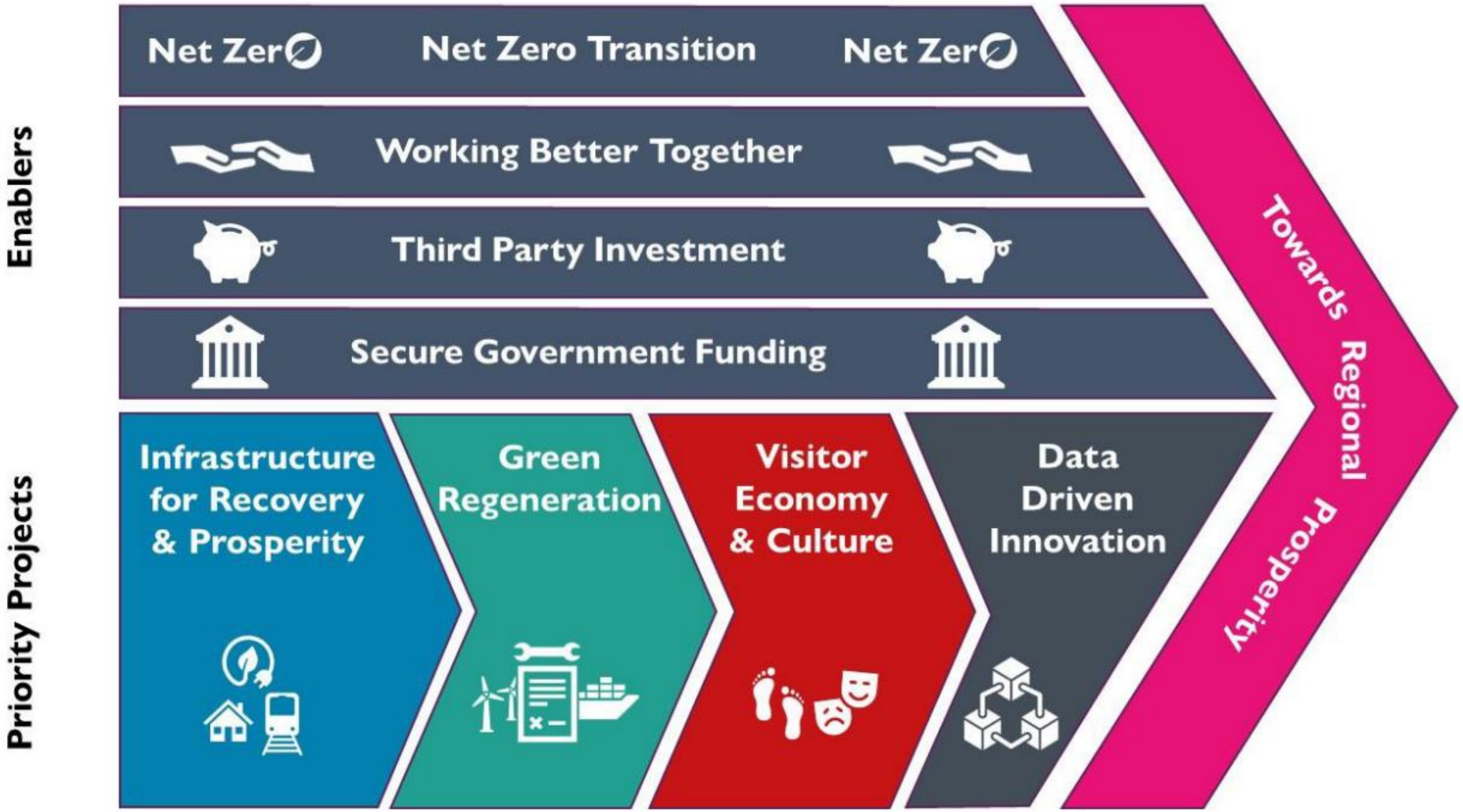
OUR SHARED PROSPECTUS: DELIVERING TOGETHER

A Call to Action

Early momentum is key to any major initiative and is embedded in the Action Plan. Our Call to Action does not require all **12** initiatives to be launched simultaneously and immediately. Instead, we will undertake the following four activities as a priority:

- Infrastructure for Recovery and Prosperity – developing, with the UK and Scottish Governments, a new funding model for regional infrastructure initiatives that incorporates capital and revenue place-based funding allocations.
- Develop an investment prospectus for the Green Regeneration (focused on the Forth).
- Secure a sustainable visitor economy and promotion of our cultural assets.
- Promote the transition to data enabled business performance in the region.

These early wins will: provide us with further evidence of the positive impact of regional working; build further confidence in our ability to collaborate and deliver; and demonstrate the positive outcomes that investment in our region will deliver.



Our Ask of the Governments

Transformation is a Team activity

Addressing the scale of transformation required to transition the region to a balanced economy that meets the needs of its citizens and businesses within the limits of its resources will require action at a local, regional and national level. It is for this reason that the Partners have set out an ambitious yet pragmatic vision for innovation and change. New ways of working together are required.

The region has the diversity and attributes to tackle many of its economic challenges in ways that provide for the needs of its citizens and businesses. But the nature of some of the actions required mean that **a *new* multi-governmental Team approach is required**. Many of the controls through which local and regional challenges can be addressed sit with others at Scottish or UK Government level. Through the right form of partnership (new collaborative approaches and funding models) the Edinburgh and South East Scotland Region has the potential to harness the opportunity of the drive to net zero, to build a more self-sustaining regional economy that can support a just transition for Scotland and the UK.

Our Asks of Government Span Financial Support and New Forms of Partnership

To realise the aim and objectives of the Regional Prosperity Framework, and this associated Action Plan, Scottish and UK Government are asked to offer the following support:

Financial Support for Programmes
- We ask for our Action Plan to be achieved through a **medium to long term, integrated, place-based funding allocation** based on shared outcomes.

New forms of Partnering
- Support to **develop a new Regional delivery capability** to support the Regional Prosperity Framework
- Align national strategies & policies to **support regional aspirations**
- We ask both the Scottish and UK Governments to **commit to continue to work in tripartite (UKG/SG/ESES) partnership**.
- Recognise the region is closely aligned and uniquely positioned to progress the recommendations made in the Scottish Government's Regional Economic Policy Review.

Enablement

New powers and new delivery tools to deliver the Framework, through a “live” Action Plans.

National Strength Recognition – there are a basket of regional economic assets that are a vital part of the national economy, but which have been buffeted by recent economic upheavals. We want to work the Governments to secure these for the long term.

What Will Change?

Measuring impact

As with the City Region Deal activity, it is intended that a Benefits Realisation approach be adopted for the Regional Prosperity Framework.

Given the emerging activities of the Scottish Government, and its National Strategy for Economic Transformation, and the Regional dimension to this being developed, and UK Government, through its Levelling Up Missions and Shared Prosperity Fund activity, the Regional Partners want to work with both UK and Scottish Government, and other Regional Partners, to develop a Benefit Realisation approach that enables all of these activities to be answered with the lowest possible resource demand, ensuring that resources are primarily focused on delivery and impact.

This will look at build up on the work already defined through the City Region Deal, to create a sustained suite of indicators of success and impact, supported by the stories of impact that allow economic development to be understood, allowing the stories of our citizens and businesses to be heard and amplified.

It has been a pleasure for the Regional Enterprise Council (REC) to have been part of developing the Regional Prosperity Framework (RPF), from its original vision through to this Delivery Plan. The REC advises the City Region Deal's Joint Committee on the delivery of projects across the city region and encourages further investment opportunities, and has helped shape the ambition and strategic direction of the RPF.

There has been considerable change at a national, local and regional level since the RPF was published in September 2021. The City Region Deal Partners are determined to respond positively to challenges and changes in the economy. It is critically important that the RPF Delivery Plan is a living document that is regularly reviewed and re-focussed to ensure that everyone benefits from regional prosperity and growth.

The four key programmes - Green Forth; Housing and Recovery; Culture & Visitor Economy; and Data Enabled Business - are critical to the region's economic future. They provide clarity for collaboration and future investment to ensure this region continues to be Scotland's most successful and productive regional economy. The RPF Delivery Plan is a key step in delivering sustainable, inclusive growth to enhance and protect our environment and make best use of the region's built and natural assets, ensuring that the region delivers a just transition to a net zero economy.

Claire Pattullo and Gary Clark, Chair and Vice Chair of the Regional Enterprise Council

It has been a privilege to have been part of the team preparing the Regional Prosperity Framework to constitute a flexible and lasting template for economic development across the whole Region and to maximise the benefits for all from the Edinburgh and South East Scotland City Deal.

A most welcome characteristic of how that team has worked together is the collaboration across geographies among the elected representatives from all political parties, council officials, communities and enterprises. As we have sought to build back differently for the future many open conversations have taken place about where we are now, where we want to be, and how we are going to get there. These conversations have been conducted, not as a dance of opposites, fueled by self-interest or point-scoring, but as heartfelt dialogues to collectively create and deliver a common vision for the future.

The team have had the confidence to be bold and ambitious in how the pressing challenges that exist for our enterprises, workplaces, marketplaces, communities and for our environment can be addressed. We have had a shared vision of a sustainable, respectful Scotland, where individuals and communities can flourish, and our diversity is celebrated. That vision recognises that our wellbeing is dependent upon the people most affected taking informed decisions about their futures.

As the Framework process now moves from design the team is wrestling with how the pace of delivery can be accelerated. As the actions and outputs are measured, we will answer the timeless question posed by immunologist Jonas Salk, who developed the polio vaccine in the 1950s: are we being good ancestors?

Robert Carr, Regional Enterprise Council, Partner and Solicitor Advocate - Anderson Strathern

CITY REGION DEAL
Edinburgh & South East Scotland

Regional Prosperity Framework: 2023/24 Delivery Plan

This is a '*living document*' and will be updated on an annual basis to reflect the delivery of activities to ensure that the Region meets its long term goals of a regional economy that is **resilient**, **flourishing** and **innovative**.

East Lothian Council · EDINBVRGH THE CITY OF EDINBURGH COUNCIL · Fife Council · Midlothian · Scottish Borders Council · West Lothian Council

ANNEX 1: CASE STUDIES ON EXISTING REGIONAL COLLABORATION

Case Studies

Case Study: Borders Railway

When opened in September 2015, the Borders Railway marked the longest domestic railway to be constructed in Britain for over 100 years. The new railway quickly and substantially exceeded the predicted patronage figures and wider benefit forecasts.

The line has breathed fresh vitality and investment into the communities it serves, transforming the places and local economies by:

- Retaining and attracting residents;
- Enabling the local business base to expand; and
- Doing so in a sustainable manner.

There is a commitment in the Borderlands Growth Deal for UK and Scottish Governments to fund a Feasibility Study to deliver the remaining section to Carlisle, providing an important regional and national connection southwards to the rest of the UK.

***Source**: Borders Railway Completion The missing link - re-connecting the Borderlands – Produced by Borderland Inclusive Growth Deal*

Transport Scotland evaluation of the existing line has revealed the wide-ranging nature of the impacts in just the first two years of operation (since 2015/16). Only two years of data is likely to vastly underreport the full impacts - major rail infrastructure would typically take five to ten years for the full effects. Impact summary below:

Connectivity

- 40% of journeys were not previously made.
- In only two years, 15% of survey respondents indicating they had changed employment, and over half indicating that the line was a factor.
- 90%+ of travel is to/from Edinburgh and beyond.
- 15% of users did not have a car available.

Modal Shift

- 60% used another mode, of which 64% previously travelled by car.
- 6% of survey respondents had reduced their car ownership.

Housing

- Housing delivery in Midlothian doubled in years before opening.
- Over 50% of new residents stated the line had been a factor in their decision to move to the area.

Visitor Economy

- Visitor numbers for Midlothian and Borders attractions increased by 7% in the first half of 2016.
- 70% of tourist and day visitor users said the railway had been a factor in their decision to make the trip.

Skills/Qualifications/Training

- Applications to Borders College (Galashiels) increased by 74% in 2016/17 compared to the previous year.

Approach: Partnership
Themes: Innovative – Flourishing & Resilient
Benefits: Net Zero, jobs, connectivity, housing, skills

Case Studies

Case Study: Preparing for Tomorrow Today – Granton Net Zero Housing

As part of the Region's commitment to "net-zero" 75 net-zero carbon homes and three retail units have been developed as part of the Granton D1 initiative.

This is an Edinburgh Home Demonstrator (EHD) pilot, championed by City Region partner, the City of Edinburgh Council, with support from construction and academic partners. It is part of the region's ambitions to deliver 18,000 affordable homes by 2028.

The project was undertaken in partnership with CCG (Scotland) Ltd, to test this new business model for building affordable, net zero homes. A large proportion of the construction was carried out off-site in a factory setting, reducing the overall time it takes to build the homes.

The homes include zero emissions heating, reducing the risk of fuel poverty for tenants. In addition, this will help reduce their greenhouse gas emissions and support the region's net-zero targets.

The pilot is also supported by a team from Napier Edinburgh University, who are analysing the energy performance of the homes to validate and inform the net-zero carbon strategy for future EHD projects. The EHD project aims to deliver 1000 affordable net-zero carbon homes across the region as part of the City Region Deal.

Approach: Partnership
Themes: Innovative – Resilient
Benefits: Net Zero, homes, jobs, model for other developments

Case Studies

Case Study: Integrated Regional Employability & Skills (IRES)

CITY REGION DEAL Skills

IRES is a £25m, 8 year change programme which started in April 2018. Excellent progress is being made towards delivering an additional 14,700 skill improvements; 5,300 people into employment; and a further 500 career enhancements through its 7 themes:

CITY REGION DEAL Edinburgh & South East Scotland Workforce Mobility Project

Workforce Mobility (WFM)

Data Skills Gateway

Data-Driven Innovation (DDI) Skills Gateway

HCI Skills Gateway

Housing Construction and Infrastructure (HCI) Skills Gateway

HELIX

Integrated Knowledge Management Systems (IKS)

INTENSIVE FAMILY SUPPORT SERVICE

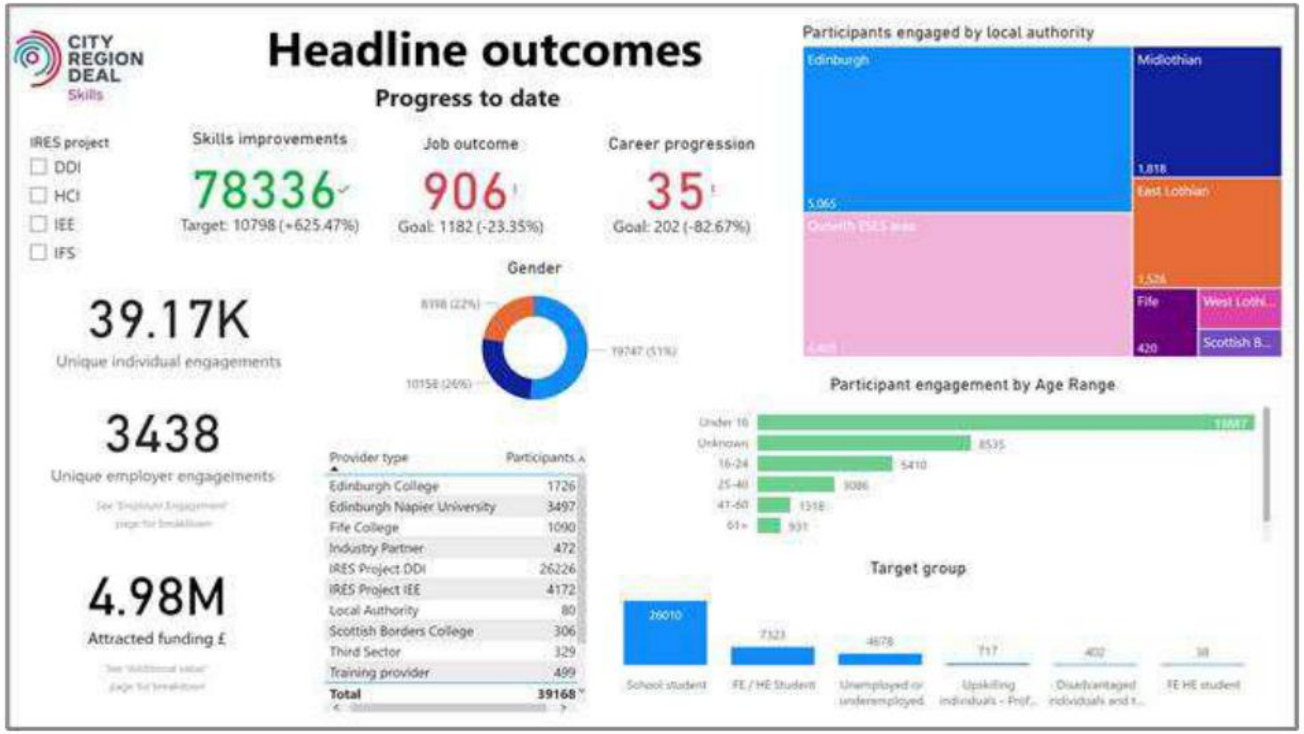
Intensive family support service (IFSS)

Skills Development Scotland

Labour Market Analysis and Evaluation (LMAE)

INTEGRATED EMPLOYER ENGAGEMENT

Integrated Employer Engagement (IEE)



Outputs and outcomes are tracked through a bespoke monitoring and evaluation framework and reported using a live dashboard

Building on the successful partnerships established through the IRES programme we will support the Regional Prosperity Framework through the establishment of additional Skills Gateways. A Net Zero Accelerator to develop skills linked to green economy jobs including Construction, Energy and Transport; whilst there is a strong ambition for a Health and Social Care Skills Gateway to support innovation and capacity.

Approach: Partnership
Themes: Resilient – Aligning Skills
Benefits: Skills, Jobs, Poverty Reduction

Case Studies

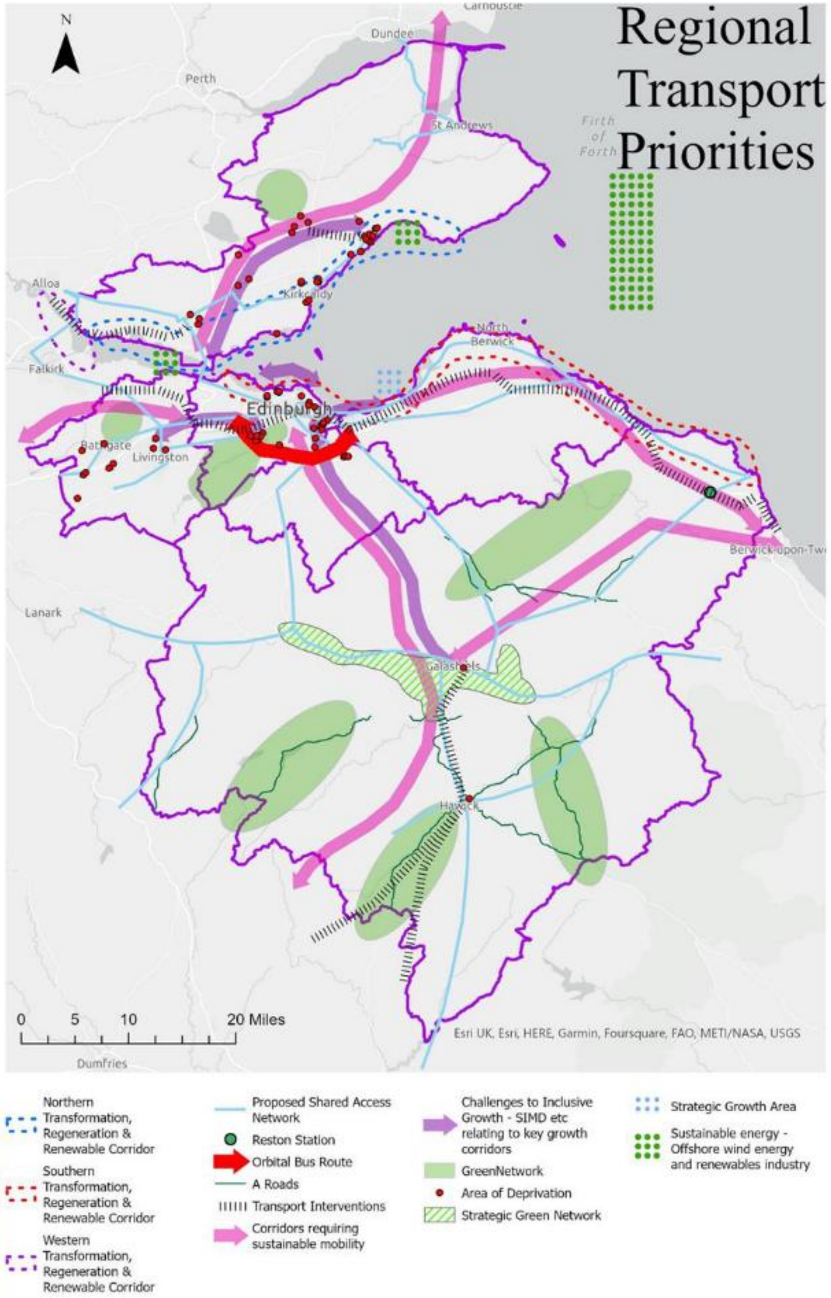
Case Study: Regional Transport Master Plan

Transport is a key enabler to unlock the region's potential, but in many areas, it has constrained the full realisation of opportunities and benefits for our people, place and economy. The national commitment to decarbonised transport and infrastructure provides a once in a generational opportunity to deliver a 'Just Transition' to tackle transport poverty and the inequalities that currently exist across the region. Coupled with the publication of the Regional Transport Strategy, Strategic Transport Projects Review 2 and the National Planning Framework 4, it all supports an 'infrastructure first' approach to deliver a sustainably connected region.

Our previous approach to public transport no longer responds to our region's needs and barriers. Instead, having a transport system which is collaborative, coordinated, collects/analyses/responds to the emerging data, is inclusive and responsive, attracts a diverse workforce, while minimising its impact on the environment is critical to the region's success.

A regional Master Plan will respond to the needs of the region by identifying the cross-boundary opportunities that will fill the gaps of SPTR2, identify economies of scale, build on existing partnerships to support the region's ambition and respond to current and future challenges.

Approach: Partnership
Themes: Innovative, Flourishing & Resilient
Benefits: Net Zero, jobs, connectivity, enabling the RPF 4 Priority Projects



As an example of this is Mass Rapid Transit (MRT). It must be designed with regional coordination, smarter (utilising data) and be responsive to accommodate high volumes of movement to key local and regional destinations, while acknowledge the variances in daily demand for a flexible working population. Regional MRT will include:

- Tram;
- Light / heavy rail (existing and new);
- Bus; and
- Active travel to deliver integration into wider local transport networks (whole journey approach – first mile/last mile).

Key to its success will be the equitable delivery of scaled journey hubs, targeted local/regional infrastructure improvements, a single Mobility as a Service information and ticketing system, open API's across all transport modes to optimise the network and experience for the end user

This will also support the expectations and demands of the visitors to our region, whether they are local, national or international. Assisting the role of the visitor arrival hubs like Edinburgh Airport, as a crucial access point for national and international visitors, before they seek coordinated sustainable transport options to visit the wider region and Scotland.

Master Plan Priorities:

- Partnership;
- Mobility as a Service;
- Data sharing and digital infrastructure aligned to transport network;
- Public transport infrastructure and services investment and funding models**;**
- Improve arterial routes into rural communities;
- Active Travel;
- Efficient movement of freight;
- Behavioral Change; and
- Decarbonising Transport.

Case Studies

Case Study: people, Place and Prosperity

East Lothian

Edinburgh Innovation Hub & Park

- Joint venture between East Lothian Council and Queen Margaret University to deliver the Edinburgh Innovation Hub
- Is funded by UK Government, the Scottish Government, and the Council
- The Hub will drive company growth, support and develop existing businesses and create sustainable new businesses to access a global market for healthy and functional food
- Will be a catalyst for subsequent delivery of wider Edinburgh Innovation Park (EIP)
- The EIP will create a nationally significant centre of knowledge exchange, innovation and high value businesses

East Lothian's Climate Evolution Zone

As part of the wider greening of the Forth, strategic net zero and just transition opportunities in this Zone include:

- the redevelopment of the Cockenzie Power Station site for net zero infrastructure and strategic employment
- Blindwells new settlement, with potential for expansion into a significant new town
- Sustainable infrastructure, including strategic transport improvements, potential for high speed rail, and green and blue network and nature based solutions

These major green growth projects can also be a catalyst for significant regeneration, and require partnership to enable and accelerate benefits.

Future of Torness Power Station Site

The future reuse of Torness Power Station site, with its grid connection, coastal location and deep water access, is a significant long term opportunity linked to the wider greening of the Forth. Strategic collaboration and partnership on the future use of this site and wider area could deliver long term benefits.

Approach: Partnership
Themes: Flourishing – Innovative – Resilient
Benefits: Green growth and jobs, and biomedical, net zero and just transition innovation, housing delivery, including affordable homes, strategic and sustainable infrastructure, regeneration and place-making,

Council Meeting
2 February 2023
Item 8.11

UK Shared Prosperity Fund

Report by Michelle Strong, Chief Operating Officer

Report for Information

1 Recommendations

Council is recommended to:

- Approve the outcome of the funding panel's decisions as detailed in Appendix 1 for 17 organisations totalling £1,826,811 revenue and £174,276 capital expenditure over 3 years, including 3 Midlothian Council Projects

- Approve the disbursement of funds for Year 1 as per original applications

- Note that an additional round of funding/tender will be conducted in the new financial year and will include Economic Development

- Note the £20,000 for preparing the investment plan will be split proportionately between the Council and the Third Sector Initiative (TSI) (TSI £5,000)

2 Purpose of Report/Executive Summary

The Oversight Board agreed at its meeting on 21 September 2022 that part of its remit is to ensure governance for the funding recommendations to be presented for final approval.

This funding round addressed three of the four investment priorities; Communities and Place, People and Skills and Multiply.

The supporting local business investment priority will be taken forward on a different basis as per the approved investment plan.

The funding panel has considered and scored the applications and made recommendations.

Date Wednesday 11 January 2023

Report Contact:
Name Annette Lang Tel No 07880 279937 or Gillian Cousin

annette.lang@midlothian.gov.uk gillian.cousin@midlothian.gov.uk

3 Background/Main Body of Report

3.1 The UK Shared Prosperity Fund (UKSPF) is one strand of a suite of funding which succeeded the old EU structural funds. This money will invest in the following priorities set by the UK Government: Communities and Place, Support for Local Businesses and People and Skills. In addition, there is a pot of funding called Multiply which focuses on improving adult numeracy for those aged 19 plus.

3.2 Midlothian Council will receive £3,558,662 of funding over a 3 year period through the UKSPF to be distributed locally. We have submitted an Investment Plan to the UK Government outlining how the money will be spent and this has been approved.

3.3 Funding applications opened in September and closed on 7 October 2022. 21 applications were received.

3.4 Clear guidance was issued with the application forms detailing the information required under each section *(Appendix 2 and 3).* Offers of advice and support were made to anyone considering making an application.

3.5 A funding panel was set up with representatives from NHS Lothian, Skills Development Scotland, City Deal, Third Sector and a Volunteer Panel Member. CLLE chaired the funding panel and provided administrative support.

3.6 Panel members were asked to declare if they had a vested interest or potential conflict of interest in advance of the panels. Those who declared this were asked to leave whilst the application was scored.

3.7 All assessments followed clear scoring criteria *(Appendix 4)* and were scored out of 80. There was a clear cut off point in the scoring process and only those scoring more than 50 were considered for funding.

3.8 The Investment Plan was approved by UK Government on 6 December 2022. This is later than expected and will have an impact on project delivery and expenditure. 17 applicants recommended for funding.

3.9 All projects will require revisions to outputs, outcomes and expenditure to reflect the delay in start date.

3.10 Propose to distribute funds as quickly as possible to successful applicants to ensure some expenditure occurs in Year 1.

3.11 UK Government has confirmed that there is flexibility on carry forward of year 1 allocations of funding into Year 2. We will be required to submit a plan through routine end of year reporting setting out how we propose to utilise any underspend.

3.12 Carry forward of funding into Year 2 will alleviate the over allocation of year 2 funds (to be adjusted) in the People & Skills priority.

3.13 Funding cannot be moved from the allocation to deliver Multiply – this is ring fenced (£152,279 remaining).

3.14 UK Government approval required only if moving funding between investment priorities involves moving 30% of the total funding allocation over the three years. Realignment of funding below the 30% threshold can be approve by the section 95 officer.

3.15 Based on proposed funding allocations to date, there is no material change to be approved by UK Government.

3.16 City Deal identified core investment priorities in relation to Midlothian and 40% over all was applied to those priorities in the investment plan. However the applications were not received for these, so this will have to be reviewed with city deal PMO.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

The recommended awards are included in *Appendix 1* of this report.

Key points to note:

- 21 applications totalling £2,005,308 revenue and £240,276 capital were received
- 4 applications scored 55% or below and the recommendation is not to fund them as it would be difficult to justify if audited
- 17 applications have been recommended for funding totalling £1,826,811 revenue and £174,276 capital expenditure
- There were no requests for funding under intervention S13
- Over the three year period we have not yet allocated all of the available funding.
- There is £20,000 available for organisations who incurred costs in preparing the investment plan. As per the recommendation we propose to split this proportionally between Council and the TSI (£5,000).

4.2 Digital

There are no implications directly for Council digital service. However there is direct investment from shared prosperity in Midlothian as People and Skills and Multiply have specific interventions to address increasing digital skills in the community.

4.3 Risk

The programme is subject to internal audit that helps reduce the risks associated with managing the programme and a nominated audit officer is acting as a critical friend on the Oversight Board for shared prosperity. The processes associated with awarding funding includes robust risk assessment procedures to ensure compliance with Following the Public Pound guidance. The current risk assessment is being updated as we move from strategic planning to operational implementation.

The funding from the Department of Levelling Up, Housing and Communities is ring fenced for the UKSPF programme. Year 2 and 3 funding is dependent on satisfactory reporting from the year before. All applicants have been made aware of this and they will be subject to ongoing reporting and monitoring to ensure milestones are achieved.

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

The integrated impact assessment concluded that the UKSPF programme will have a positive impact on equality groups across Midlothian. The scoring criteria specifically references the impact on protected characteristics groups and how the organisation will promote equalities. (Appendix 5)

4.5 Additional Report Implications (See Appendix A)

See Appendix A

Appendices

Appendix A – Additional Report Implications
Appendix B – Background information/Links
Appendix 1 - Recommended list of awards
Appendix 2 - UKSPF Guidance
Appendix 3 - Application Guidance
Appendix 4 - Scoring criteria
Appendix 5 – Integrated Impact Assessment

APPENDIX A – Report Implications

A.1 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 the gap in economic circumstances*
- *Reducing the gap in learning outcomes*
- *Reducing the gap in health outcomes*
- *Reducing the impact of climate change*

Please explain under this section how the proposals contained in this report will contribute to the achievement of the key priorities.

The interventions under each of the 4 Investment Priorities are aligned to the four outcomes of the Community Planning Partnership and Single Midlothian Plan. The strategic investment plan was directly informed by the data from the Midlothian Profile and the views of the partners. Applications were assessed on how they met each of the selected interventions of the plan and the differences they would make.

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

The UKSPF programme cannot be used to replace existing or statutory services. Funding can only be used as per the investment plan.

This programme of funding has a key role to play in developing communities, reducing inequalities, improving skills, specifically numeracy and supporting sustainable development. In addition it will help improve public services and grow the private sector. Scoring all applications against key criteria has ensured that Best Value was a key part of the assessment process. One of the questions assessed focused on whether the project was good value for money and demonstrated realistic costs.

A.5 Involving Communities and Other Stakeholders

The application forms and criteria were co-produced with the voluntary sector and designed based on feedback from previous and potential grant applicants about the process and information available. The Local Employability Partnership were a key forum to identify the priorities for the investment plan. They will be instrumental moving forward as they form the main component of the Shared Prosperity Local Partnership Group. The funding panel included representatives from NHS Lothian, Skills Development Scotland, City Deal, Third Sector and a Volunteer Panel Member. CLLE chaired the funding panel and provided administrative support. Both CLLE staff and MVA staff offered significant support to organisations making applications through drop-in surgeries and one to one consultations and offered to give feedback and advice on draft applications.

A.6 Impact on Performance and Outcomes

By supporting the voluntary sector, growing the private sector and improving public services, the UKSPF recommendations will have a positive impact on the performance and outcomes of the Council and the Community Planning Partnership and contribute towards meeting the four key priorities.

A.7 Adopting a Preventative Approach

The successful organisations will undertake preventative work by reducing inequalities, carbon emissions, social isolation and the impact of poverty, improving mental and physical health and wellbeing, developing communities and supporting people into learning and employment. Without this valuable contribution, many of these services could not be delivered in Midlothian.

A.8 Supporting Sustainable Development

There were no applications under Intervention S13. This will be addressed at a later date with a more targeted approach.

S13: Support for linking communities together and with employment opportunities with a focus on decarbonisation.

APPENDIX B

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

Appendix 1 - Recommended list of awards
Appendix 2 - UKSPF Guidance
Appendix 3 - Application Guidance
Appendix 4 - Scoring criteria

Appendix 1 – Recommended Allocations of UKSPF Funding 2022 – 2025

Organisation and Interventions	Purpose	Year 1 CAPITAL	Year 1 REVENUE	Year 2 CAPITAL	Year 2 REVENUE	Year 3 CAPITAL	Year 3 REVENUE	TOTAL CAPITAL	TOTAL REVENUE	OVERALL TOTAL
Access to Industry S31, S34, S40	Staff and running costs to provide learning across Midlothian to unemployed people of working age who experience barriers - to both accessing and participating in learning	£ -	£ -	£ 5,700	£ 44,879	£ -	£ 46,232	£ 5,700	£ 91,111	£ 96,811
Rosewell Development Trust Community Company Ltd S8, S9, S10, S33	Staff and running costs to provide community-led volunteering opportunities , capacity building, community led projects to address the cost of living and enrichment and volunteering opportunities	£ -	£ 17,047	£ -	£ 25,368	£ -	£ 38,143	£ -	£ 80,558	£ 80,558
Midlothian Voluntary Action S9, S11	Feasibility study into 3rd sector hub and staff costs for capacity building to upskill 3rd sector organisations in community benefits, charity related support and gift aid	£ -	£ 7,683	£ -	£ 36,305	£ -	£ -	£ -	£ 43,988	£ 43,988

Intowork S10, S31, S33, S39, S40	Staff and running costs to provide person-centred, trauma informed approaches which are needs based, provide pathways into sustainable and fair work, promote and embed this locally with SME's and work to close the disability employment gap	£ 2,400	£ 29,830	£ 3,600	£ 56,895	£ 6,000	£ 119,946	£ 12,000	£ 206,671	£ 218,671
Volunteer Midlothian S2, S8, S33	Staff, running costs and small amount of capital to increase volunteer numbers, establish a volunteering hub and provide tailored work experience placements	£ 5,000	£ 11,825	£ -	£ 26,778	£ -	£ 28,117	£ 5,000	£ 66,719	£ 71,719
Mayfield & Easthouses Development Trust S2, S8, S10, S33, S39, S40	Staff and running costs for Development Trust activities and roof repair / installation of solar panels (renegotiating as may have secured additional funding for part of project).	£ -	£ 11,434	£ 15,000	£ 64,502	£ 30,000	£ 67,801	£ 45,000	£ 143,737	£ 188,737

Newbattle Abbey College – Prescribe Nature S31, S32	Staff and running costs to deliver a programme of outdoor-based skills development, wellbeing in nature and personal development	£ -	£ 12,800	£ -	£ 12,800	£ -	£ 25,600	£ -	£ 51,200	£ 51,200
Cyrenians S8, S10	Staff and running costs to provide local, accessible opportunities for individuals to increase their social capital and mitigate the effects of the cost of living crisis	£ -	£ 16,240	£ -	£ 39,501	£ -	£ 73,495	£ -	£ 129,236	£ 129,236
Gorebridge Community Development Trust S2, S8, S10, S33, S40	Staff and running costs to increase user participation, improve and increase community wellbeing and deliver impactful volunteering	£ -	£ 33,224	£ -	£ 54,979	£ -	£ 77,877	£ -	£ 166,080	£ 166,080

Barnardos S31, S33, S34, S39, S42	Staff and running costs to provide an integrated and holistic programme of support to Young People aged 15 –29 and are facing multiple disadvantage/barriers to entering/sustaining/ progressing in employment	£ -	£ 20,982	£ -	£ 57,295	£ -	£ 58,628	£ -	£ 136,905	£ 136,905
Edinburgh College S37, S42, S47,S51	Staff and running costs to deliver Multiply and Green Skills courses based in Midlothian.	£ -	£ 27,749	£ -	£ 97,222	£ -	£ 108,532	£ -	£ 233,503	£ 233,503
Enable S31, S32, S34	Staff and running costs to provide an intervention service that helps those furthest from the labour market for people who have disabilities, autism and long term health conditions	£ -	£ -	£ -	£ 49,719	£ -	£ 49,719	£ -	£ 99,438	£ 99,438
Midlothian Council – Shaping Places for Wellbeing S9, S10, S11	Staff and running costs to deliver on inequalities work in the central Dalkeith and Woodburn areas	£ -	£ 9,862	£ -	£ 61,499	£ -	£ 40,582	£ -	£ 111,943	£ 111,943

Midlothian Council - Participation All Levels Midlothian (PALM Project) S31, S32, S34, S39, S40	Staff and running costs to develop and deliver local networks to support the transition of young adults with ASD (Autistic Spectrum Disorder) into work or further learning and deliver Digital Skills courses	£ -	£ 9,658	£ -	£ 35,195	£ -	£ 35,784	£ -	£ 80,637	£ 80,637
Midlothian Council - Midlothian Numeracy Pathway S42, S47, S51	Staff and running costs to develop numeracy pathway and design, develop and support delivery of new numeracy courses at lower levels (SCQF Levels 2-4) - Multiply	£ 3,600	£ 24,885	£ -	£ 78,525	£ -	£ 81,675	£ 3,600	£ 185,085	£ 188,685
Temple Old Kirk Friends (SCIO) S2, S7, S11	Feasibility study to carry out lime and mortar analysis and costs to implement emergency repairs to fallen stonework	£ 5,634	£ -	£ 4,896	£ -	£ 4,896	£ -	£ 15,426	£ -	£ 15,426
Ladywood Leisure Centre S2	Capital costs for refurbishment of the building	£ 11,148	£ -	£ 16,079	£ -	£ 60,323	£ -	£ 87,550	£ -	£ 87,550

Midlothian Council UK Shared Prosperity Fund
Local Grant Scheme 2022-25
GUIDANCE

Introduction

The UK Shared Prosperity Fund (UKSPF or the Fund) is a central pillar of the UK government's ambitious Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula rather than a competition. It will help places right across the country deliver enhanced outcomes and recognises that even the most affluent parts of the UK contain pockets of deprivation and need support.

The UK Shared Prosperity Fund (UKSPF) is one strand of a suite of funding which succeeded the old EU structural funds. This money will invest in the following priorities set by the UK Government: Communities and Place, Support for Local Businesses and People and Skills. In addition, there is a pot of funding called Multiply which focuses on improving adult numeracy for those aged 19 plus.

Midlothian Council will receive funding through the UKSPF to be distributed locally. We have submitted an Investment Plan to the UK Government outlining how the money will be spent. We anticipate hearing whether they have accepted our Investment Plan by October. No grants will be paid until we have confirmation of this.

An overview of the programme can be viewed here:
[UK Shared Prosperity Fund: overview (1) - GOV.UK (www.gov.uk)]

Through this grant programme, applications are invited under the following streams:

- Communities and Place
- People and Skills
- Multiply

In 2023/24 and 2024/25 40% of the UKSPF will be distributed by the Council in partnership with City Deal. The City Deal allocation is detailed within the financial profile and applications will be considered.

Who can apply?

Applications are welcome from asset locked community groups, charities and social enterprises, and from statutory organisations. Third sector organisations must be constituted and have a bank account. If you are a new group, you will need a statement of purpose and a bank account in the name of the group. Public Sector Body applications must be approved by the relevant Chief Officer.

Applications received after 23:59 on 7 October 2022 will NOT be considered under any circumstances.

What types of projects are eligible?

The programme outputs and outcomes can be viewed here and will continue to be refined and improved as the programme continues:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1068876/UKSPF_Scotland_outputs_and_outcomes.pdf

Successful applicants will have to sign a grant funding agreement and a Service Level Agreement (SLA) with Midlothian Council. Throughout the funding period you will be required to attend regular scrutiny, performance and monitoring meetings with monitoring officers. You will also be required to evaluate your project to determine whether the proposed outcomes have been met.

Interventions

Communities and Place

Under the Communities and Place theme, the following types of project will be eligible:

- **S2:** Support and improvement of community assets and infrastructure projects. This could include support for decarbonisation of facilities, energy efficiency audits, and installation of energy efficiency and renewable measures in community buildings (including capital spend and running costs).
- **S7:** Funding for the development and promotion of wider campaigns which encourage people to visit and explore the local area.
- **S8:** Funding for impactful volunteering and/or social action projects to develop social and human capital in local places.
- **S9:** Investment in capacity building, resilience (including climate change resilience) and infrastructure support for local civil society and community groups.
- **S10:** Community measures to reduce the cost of living, including through measures to improve energy efficiency, and combat fuel poverty and climate change.
- **S11:** Funding to support relevant feasibility studies.
- **S13:** Support for linking communities together and with employment opportunities with a focus on decarbonisation.

People and Skills

Under the People and Skills theme, the following types of projects will be eligible:

- **S31:** Employment support for economically inactive people: Intensive and wrap-around one-to-one support to move people closer towards mainstream provision and employment, supplemented by additional and/or specialist life and basic skills (digital, English, maths* and ESOL) support where there are local provision gaps.

- **S32:** Courses including basic skills (digital, English, maths (via Multiply) and ESOL), and life skills and career skills** provision for people who are not economically inactive and who are unable to access other training or wrap around support detailed above. This could be supplemented by financial support for learners to enrol onto courses and complete qualifications.
- **S33:** Activities such as enrichment and volunteering to improve opportunities and promote wellbeing.
- **S34:** Intervention to increase levels of digital inclusion, with a focus on essential digital skills, communicating the benefits of getting (safely) online, and in-community support to provide users with the confidence and trust to stay online.
- **S37:** Green skills courses to ensure we have the skilled workforce to support the Just Transition to a net zero economy and climate resilience, with a particular focus on vulnerable or low-income groups who will be disproportionately affected by climate change. Retraining support for those in high carbon sectors, providing career guidance and supporting people to seek employment in other sectors.
- **S39:** Support for education and skills targeting vulnerable young people leaving school, aligning with young person's guarantee, modern apprenticeships and related policy.
- **S40:** Support for community learning and development.

Multiply

Under the Multiply theme, the following types of projects will be eligible:

- **S42:** Courses designed to increase confidence with numbers for those needing the first steps towards formal qualifications.
- **S47:** Innovative programmes delivered together with employers – including courses designed to cover specific numeracy skills required in the workplace.
- **S51:** Activities, courses or provision developed in partnership with community organisations and other partners aimed at engaging the hardest to reach learners – for example, those not in the labour market or other groups identified locally as in need.

The following costs should not be included in UKSPF interventions:

- Paid for lobbying, entertaining, petitioning or challenging decisions, which means using the Fund to lobby (via an external firm or in-house staff) in order to undertake activities intended to influence or attempt to influence Parliament, government or political activity including the receipt of UKSPF funding; or attempting to influence legislative or regulatory action
- Payments for activities of a party political or exclusively religious nature
- VAT reclaimable from HMRC
- Gifts, or payments for gifts or donations
- Statutory fines, criminal fines or penalties
- Payments for works or activities which the lead local authority, project deliverer, end beneficiary, or any member of their partnership has a statutory duty to undertake, or that are fully funded by other sources
- Contingencies and contingent liabilities
- Dividends

- Bad debts, costs resulting from the deferral of payments to creditors, or winding up a company
- Expenses in respect of litigation, unfair dismissal or other compensation
- Costs incurred by individuals in setting up and contributing towards private pension schemes

How much money is in the programme?
The total level of funding for each year has been set by the UK Government, and funding should be spent within the financial year it is allocated to – there is no guarantee that any underspend can be carried forward. Applicants should consider how they structure their applications to fit in with the funding breakdown. Please also note that there is a minimum capital spend across the whole programme – this does not mean that every application must have a capital element.

Although these amounts have been submitted as part of the investment plan, there is a percentage of flexibility to redistribute funding between interventions. The funding panel, in conjunction with the Chief Finance Officer, has discretionary powers relating to this. Please note, there is a proposal to transfer the money allocated to City Deal under Intervention S2 from revenue to capital spend but this is not yet confirmed (*).

For the interventions with City Deal (City D) and Management Costs (MGT) the total indicated is not the sum of money that is available to apply for. The management costs will be allocated to the lead partner (Midlothian Council) to ensure the overall programme runs effectively. The City Deal column shows the allocation in years 2 and 3 which we are encouraging applications for although we do not have the final detail of how this will be allocated yet. The Remaining funds column (REMAIN) details the sums which can be applied for under each intervention. This does not include the City Deal allocation which is listed separately.

Communities and Place									
	2022/23 (Nov – Mar)			**2023/24 (Apr – Mar)**			**2024/25 (Apr – Mar)**		
		Capital	**Revenue**		**Capital**	**Revenue**		**Capital**	**Revenue**
S2: Support and improvement of community assets and infrastructure projects	**TOTAL**	**£11,148**	**£11,910**	**TOTAL**	**£33,765**	**£147,622**	**TOTAL**	**£126,679**	**£333,893**
	CITY D	**£0**	**£0**	**CITY D**	**£17,686**	**£123,803***	**CITY D**	**£66,356**	**£304,346***
	MGT	N/A	£11,910	MGT	n/a	£23,820	MGT	N/A	£29,548
	REMAIN	**£11,148**	**£0**	**REMAIN**	**£16,079**	**£0**	**REMAIN**	**£60,323**	**£0**
S7: Funding for the development and promotion of wider campaigns which encourage people to visit and explore the local area.					**£8,715**	**£17,010**		**£27,065**	**£40,335**
S8: Funding for impactful volunteering and/or social action projects to develop			**£19,010**			**£25,637**			**£64,169**

Communities and Place									
social and human capital in local places.									
S9: Investment in capacity building, resilience and infrastructure support for local civil society and community groups.			£19,010			£25,637			£64,169
S10: Community measures to reduce the cost of living			£38,020		£1,608	£62,529		£13,033	£247,587
S11: Funding to support relevant feasibility studies.			£20,000			£22,863			£53,700
S13: Support for linking communities together and with employment opportunities with a focus on decarbonisation.					£3,215	£22,510		£12,064	£55,336

People and Skills									
	2022/23 (Nov – Mar)			2023/24 (Apr – Mar)			2024/25 (Apr – Mar)		
		Capital	Revenue		Capital	Revenue		Capital	Revenue
S31: Employment support for economically inactive people	TOTAL		£26,909	TOTAL		£41,820	TOTAL		£74,558
	MGT		£11,909	MGT		£23,820	MGT		£29,548
	REMAIN		£15,000	REMAIN		£18,000	REMAIN		£45,010
S32: Courses including basic skills for those not economically inactive			£15,000			£18,000			£45,000
S33: Enrichment and volunteering activities			£15,000			£18,000			£45,000
S34: Increase levels of digital inclusion, essential digital skills		£8,000	£12,000		£8,000	£10,000		£20,000	£25,000
S37: Green skills courses	TOTAL		£10,000	TOTAL	£1,608	£31,881	TOTAL	£6,032	£72,668
	CITY D		£0	CITY D	£1,608	£11,259	CITY D	£6,032	£27,668
	REMAIN		£10,000	REMAIN	£0	£20,622	REMAIN	£0	£45,000
S39: Education and skills targeting the vulnerable leaving school			£15,000			£18,000			£45,000
S40: Support for community learning and		£9,148	£8,041		£14,078	£3,922		£60,323	£6,668

People and Skills									
development									

Multiply									
	2022/23 (Nov – Mar)			2023/24 (Apr – Mar)			2024/25 (Apr – Mar)		
		Capital	Revenue		Capital	Revenue		Capital	Revenue
S42: Courses designed to increase confidence with numbers	**TOTAL**		**£74,318**	**TOTAL**		**£85,751**	**TOTAL**		**£78,177**
	MGT		£18,579	MGT		£21,438	MGT		£10,076
	REMAIN		**£55,739**	**REMAIN**		**£64,313**	**REMAIN**		**£68,101**
S47: Innovative Programmes delivered with employers			**£55,738**			**£64,313**			**£68,100**
S51: Provision developed in partnership with community organisations			**£55,738**			**£64,313**			**£68,100**

How much grant can we apply for?
The **minimum** you can apply for across all interventions is £5k per annum. We have not set a maximum grant but we do not anticipate many grants being over £50k. Larger bids are most likely to be considered where there is a substantial amount of funding allocated, for example in Multiply or in S10 Cost of Living Year 3.

Do we need match funding?
UK Government has not made match funding a requirement for this fund but it could strengthen your application if you have additional funding to support your project.

How will grant funding be distributed?
You will be notified of an allocation in principle, this will be confirmed once UK Government approves the Midlothian Investment Plan which is forecast to be approved at the end of October 2022. No funding will be issued until the investment plan has received formal approval.

Grant instalments will be paid in advance in the following ways linked to performance:

- Year 1: one payment
- Year 2: quarterly payments on evidence of meeting targets
- Year 3: 6 monthly payments on evidence of meeting targets

Please note that instalments will only be paid if the Monitoring Officer is satisfied that the project activities are on track and all reporting and monitoring requirements are being submitted in time. Projects may be cancelled and no further payments will be made if these conditions are not being met.

What are the reporting requirements?
If your application is successful you will need to adhere to strict regular monitoring and reporting which will form part of the grant acceptance and SLA.

How will you decide on the successful bids?
We will convene a funding panel.

Successful bids will:
- Strongly meet the themes outlined in the Investment Plan;
- Be deliverable within the timescales;
- Offer good value for money;

We will be seeking a spread of activity to allow us to meet the minimum outputs and outcomes targets per intervention in the Investment Plan.

When will I find out about my application?
You will find out by the end of October 2022 if your application has been successful. Grants cannot be paid out until the Investment Plan has been approved by UK Government.

Further information
UK Shared Prosperity Fund: overview (1)
UK Shared Prosperity Fund: outputs and outcomes definitions (2)
UK Shared Prosperity Fund: reporting and performance management (3)
UK Shared Prosperity Fund: monitoring and evaluation (4)
UK Shared Prosperity Fund: assurance and risk (5)
UK Shared Prosperity Fund: branding and publicity (6)
UK Shared Prosperity Fund: subsidy control (7)
UK Shared Prosperity Fund: procurement (8)
UK Shared Prosperity Fund: equalities (9)

Midlothian Council UK Shared Prosperity Fund
Local Grant Scheme 2022-25
APPLICATION FORM GUIDANCE

Please provide all of the critical details in the bid itself, rather than attaching it in supporting documentation. Do not assume the funding panel has prior knowledge of your organisation or project, even if you have been funded previously.

Subheadings and bullet points are helpful for breaking up long sections of text.

Question 1
Details of your project
Use this section to tell us the name of your project, where the activities will take place (postcode or geographical location), who the target beneficiaries are and when it will start and finish. Please note no projects will start before 1st November 2022 or finish after 31st March 2025. Funding allocated under each year should be spent in the year it is allocated to.

Question 2
What interventions are you applying for and baseline information?
Please ONLY complete the required information for the interventions you are applying for

Numbers should be realistic rather than over-optimistic. For example, if it is a geographically-focused project, please do not simply give us the population figure for your whole town unless you can demonstrate how you will reach them all.

- Only input for the interventions your project will focus on. Leave the others blank.
- If you do not currently deliver your proposed outputs please only complete the **new** outputs box.
- If you already deliver specific outputs please provide your **current** level of activity as a baseline. The new outputs should be completed to indicate the proposed additional activity that requires funding.
- If you require continuation funding for an existing project please provide your current level of activity as a baseline. The new outputs should be completed to indicate the existing activity **AND** any proposed additional activity that requires funding. You should provide further details in Q4.

In the example below, your current baseline is 20 people as you already working with them. In year 1 you propose to work with an additional 30 people, in year two another 20 people and in year three another 10 people which means you will work with a total of 60 additional people over the 3 years of the project.

	22/23		23/24		24/25		TOTAL	
	CURRENT BASELINE	NEW TARGET	CURRENT BASELINE	NEW TARGET	CURRENT BASELINE	NEW TARGET	CURRENT BASELINE	NEW TOTAL TARGET
Number of people reached	20	30	N/A	20	N/A	10	20	60

Question 3
Briefly describe your project and how it fits with your selected interventions (500 words max)

As clearly as possible, tell us here WHAT you want to do with the funding. Please describe the activities or services you will deliver and how you will deliver them: for example: face to face or online, by using new or existing members of staff, volunteers, sessional workers or other. You must provide details here of all the interventions you are applying for.

Question 4
Why is this funding needed? (500 words max)

In this question, we want to know WHY this project is needed. A strong application will provide evidence of need, which may come from direct community engagement or research that you have done or data from existing sources. We would like to know how your project will fill a gap in services and be confident that it will not duplicate work that may already be going on.

Here we also want to know how you believe your project will help meet the outcome of the intervention/s that you have selected. Please demonstrate clearly how your activity will lead to better outcomes for local people with that selected theme.

It would strengthen your bid if you could tell us HOW YOU WILL KNOW this. Please provide a little detail about how you intend to evaluate your project.

Question 5
Tell us about the organisations or projects you are or will be working in partnership with (250 words max)

We like projects to be connected with what is already happening here in Midlothian. Please use this section to tell us WHICH other local organisations or agencies you may be working in partnership with and some details of that partnership. For example, tell us if you are collaborating on delivery, signposting, referring people to them or taking referrals from them. You can also tell us if you are using their premises or drawing upon their expertise in some way.

We want to see that you have already done some of the groundwork in terms of building these relationships, so please give us some detail about how you have established links.

Question 6
Please outline the experience your organisation has to carry out this project including the skills and expertise of staff, management and board members and any resources you have available to deliver the project activities (500 words max).

We want to know about the expertise and skills you have within your organisation and how that makes you best placed to deliver this project. Examples might include:

- Knowledge of and established links with the local community;
- The skills, knowledge and experience of volunteers and/or directors;
- Staff members with expertise;
- Your organisation's track record in delivery;
- Training that your team has undertaken
- Assets and resources you have, including space, buildings, equipment, etc.

Question 7
What practical and pro-active steps will you take to make your project accessible to your intended community? (for example; language, disability requirements, publicity) (200 words max)

It is not enough under this question to say that your organisation supports equal opportunities and is open to everyone in the community. Consider:

- What Policies and Procedures do you have in place that promote accessibility? If you do not have an equal opportunities policy then you may wish to write one. Contact MVA if you need assistance to do so.
- What do you do to make your premises accessible e.g. ramps, opening hours, outreach?
- How do you market your services to make sure that everyone knows about them e.g. marketing to under-represented groups, Plain English, Other languages, Large print?
- How do you support vulnerable service users to participate? Do you give them additional support?
- Do you do any active work with your service users on equalities?
- Do you work in partnership with any specialist organisations?
- Do you provide training on equality and diversity for staff and volunteers?

Question 8
How will you plan for the ending of this grant? (250 words max)

We know this is always a hard question to answer. Please consider:

- If you will want your project to continue once funding runs out. If so, what are you doing to plan for this e.g. timescales for identifying and applying for alternative funding, as well as any potential sources (as far as is possible at this stage);
- Whether it is viable to generate income through social enterprise, and what you will need to do in order for this to happen;
- Whether after three years, the project may need to develop or change and timescales for planning this;
- How you may wrap up the project if alternative funding or income is not available.

Questions 9 and 10
Revenue and Capital Project Costs

Please ensure that project costs are recorded accurately under the separate **Revenue (Q9)** and **Capital (Q10)** tables for each intervention you are applying for. You will need to break down the costs for each intervention you have selected for example:

S40	**Staff costs**	**£10,000**
S40	**Running Costs**	**£2,0000**
S51	**Staff**	**£5,000**

Provide as much detail as you can under each cost heading as this will strengthen your bid. Money must be spent in the year it is allocated.

Question 11
How do you intend to cover any unexpected costs which might arise?
Think about how you have minimised the likelihood of unexpected costs arising, through accurately costing your budget and building in reasonable uplifts for inflation. If unexpected costs arise, consider if you could fund them from tapping into reserves, sourcing additional grant funding, making cuts elsewhere, or accessing loan funding (if appropriate).

Question 12
Other funding from Midlothian Council
If you are in receipt of any funding from Midlothian Council or are awaiting the outcome of an application/bid, please provide details here. You will need to provide information on which Council service is funding the project, what is it funding and how much is allocated for each of the 3 years 22/23; 23/24 and 24/25.

Question 13
Match Funding
Please detail any match funding secured or applied for to deliver your project, including the amount, where the funding is coming from and what year(s) it will cover. UK Government has not made match funding a requirement for this fund but it could strengthen your application if you have additional funding to support your project.

Question 14
What steps will you take to minimise fraud?
Think about what systems you have in place to make sure that fraud cannot occur. These could include things like more than one person being required to authorise bank transactions, only senior staff being able to authorise expenditure, having financial policies and procedures in place, minimising the use of cash transactions, and appropriate oversight of finances by the Board. It also includes the actions you take to keep safe online, such as use of strong passwords, spam filters, training and awareness for staff on 'phishing' emails and other scams.

Question 15
Subsidy Control
Tick box to indicate whether you consider that any of your activities will come under the scope of subsidy control when funded through the UKSPF. You will have to tell us if your application does or does not come under the description of Subsidy Control.
'Subsidy control' is the regime that ensures that public money does not distort the market through large subsidies to organisations. There are four key characteristics of a support measure that are likely to indicate that it would be considered a subsidy, all of which would need to be met:

- the support measure must constitute a financial (or in kind) contribution such as a grant, loan or guarantee and must be provided by a ‘public authority’, including, but not limited to, central, devolved, regional or local government;
- the support measure must confer an economic advantage on one or more economic actors;
- the support measure is specific insofar as it benefits, as a matter of law or fact, certain economic actors over others in relation to the production of certain goods or services; and
- the support measure must have the potential to cause a distortion in or harm to competition, trade, or investment.

The UKSPF guidance notes that ‘Public realm interventions, or activities that benefit individual people, are considered highly unlikely to be subsidy.’ There is more information on this here https://www.gov.uk/guidance/uk-shared-prosperity-fund-subsidy-control-7 and you can discuss the issue further with Midlothian Council or MVA staff.

DECLARATION

Please ensure you tick all the relevant boxes to indicate that you are eligible to apply; that you have read, understood and accept-the conditions of the grant; and that you have included all the relevant supporting documentation. If you are a statutory organisation you must also include the name of the Chief Officer who has approved the bid. Please ensure that the application is signed by the person who is authorised to make the application and witnessed by another person.

Further Support

If you need any additional support or further information, please contact Midlothian Voluntary Action, info@mvacvs.org.uk or grants@midlothian.gov.uk

UKSPF Scoring Criteria 2022/25

Does the project meet the outcomes of the interventions?	Q2	Has to be a yes or application not assessed			
Are the project costs eligible?	Q9 and Q10 Yes/no/partial	These are not eligible: • Paid for lobbying, entertaining, petitioning or challenging decisions, which means using the Fund to lobby (via an external firm or in-house staff) in order to undertake activities intended to influence or attempt to influence Parliament, government or political activity including the receipt of UKSPF funding; or attempting to influence legislative or regulatory action • Payments for activities of a party political or exclusively religious nature • VAT reclaimable from HMRC • Gifts, or payments for gifts or donations • Statutory fines, criminal fines or penalties • Payments for works or activities which the lead local authority, project deliverer, end beneficiary, or any member of their partnership has a statutory duty to undertake, or that are fully funded by other sources • Contingencies and contingent liabilities • Dividends • Bad debts, costs resulting from the deferral of payments to creditors, or winding up a company • Expenses in respect of litigation, unfair dismissal or other compensation • Costs incurred by individuals in setting up and contributing towards private pension schemes			
Are the interventions, baseline information and new targets deemed appropriate and achievable?	Q2				
			EXAMPLE OF A 1	**EXAMPLE OF A 5**	**EXAMPLE OF A 10**
How clearly has the applicant described the activities or services they will deliver, how they will deliver them and does it fit with the selected interventions?	Q3	Out of 10	**A weak application:** Outcomes not linked to outputs. Project does not fit with selected intervention.	**An average application:** Links between interventions and outcomes are made but no clear indication of how activity will make changes or be delivered.	**A strong application:** Clear link between interventions, outcomes and explanation of how the project will be delivered and the changes that will be made as a result of the activity.

How well does the application evidence the unmet need?	Q4	Out of 10	**A weak application will:** Not make reference to research and data sources No direct community engagement Not demonstrate that there is a gap in services Not demonstrate how the activity will lead to better outcomes	**An average application:** Makes reference to data sources but not how it has informed their project	**A strong application:** Provide evidence of need from direct community engagement or research and/or use data from existing sources. Confirm that the project will fill a gap in services and be confident that it will not duplicate work Demonstrate clearly how the activity will lead to better outcomes for local people
How well does the application demonstrate how they intend to evaluate the project?	Q4	Out of 10	**A weak application will:** Make no mention of evaluation	**An average application:** Only makes reference to 1 evaluation method No baseline information	**A strong application:** A clear evaluation method that will show how you will know you have made a difference. A variety of methods A baseline knowledge, i.e. what they know at the START of the project so that they can measure the changes.

How well does the application demonstrate partnership working?	Q5	Out of 10	**A weak application**: Has no established partners.	**An average application:** Makes reference to others working in the area but not to how they are working together.	**A strong application:** Strong partnerships. Contributes to community planning in Midlothian. Examples of collaborating on delivery, signposting, referring people to them or taking referrals from them.
How well does the organisation demonstrate they have the experience/expertise to deliver the project?	Q6	Out of 10	**A weak application:** Makes no reference to established links with the community No track record in delivery Training not up to date	**An average application:** Limited detail on skills, knowledge and experience of volunteers, and/or directors Limited detail on track record of delivery	**A strong application will:** Knowledge of, and established links, with the local community The skills, knowledge and experience of volunteers, and/or directors Staff members with expertise A track record in delivery Team has undertaken current and relevant training Identifies assets and resources available including space, equipment, etc.

How well does the application demonstrate that the project will be accessible and promotes equality?	Q7	Out of 10	**A weak application:** Makes no reference to policies and procedures promoting accessibility. Staff and volunteers not trained on equality and diversity.	**An average application:** Makes satisfactory reference to Policies and Procedures that promote accessibility.	**A strong application will:** Policies and Procedures that promote accessibility. Protected characteristics groups . Accessibility of premises -e.g. ramps, opening hours, outreach. Marketing to under-represented groups, Plain English, Other languages, Large print. Support offered to vulnerable service users to enable them to participate. Active work with your service users on equalities. Partnership with specialist organisations. Training provided to staff and volunteers on equality and diversity.
How well thought through is their exit strategy?	Q8	Out of 5	**A weak application will:** Not consider an exit strategy Not consider alternative funding streams	**An average application:** Acknowledges the need for an exit strategy but not identified alternative funding Acknowledges the potential to have to wrap up the	**A strong application will:** Provide timescales for identifying and applying for alternative funding Identify whether it is viable to generate income through

			Not plan for wrapping up the project if alternative funding or income is not available	project but not the practicalities of this	social enterprise, and what will need to be done in order for this to happen Consider whether after three years, the project may need to develop or change Consider how you may wrap up the project if alternative funding or income is not available.
Do the project costings appear to be realistic, offer value for money and are they appropriate to the outputs of the interventions, outputs and outcomes?	Q9 and Q10	Out of 10	**A weak application:** Unrealistic costings. Numbers rounded up with no detail. Totals do not add up. No cost detail per intervention. Request is more than budget.	**An average application:** Provide overall costings.	**A strong application will:** Provide detailed costings per intervention split capital and revenue where appropriate. Demonstrate value for money Totals add up.
How do you intend to cover any unexpected costs which might arise?	Q11	Out of 5	**A weak application:** No detail or consideration.	**An average application:** Makes reference but no examples.	**A strong application will:** Makes reference to already secured funding. Makes reference to contingency planning. Makes reference to seeking additional funding.
Match Funding	Q13 Yes/No	If Yes is it secured, how much and for how long			

Feedback to unsuccessful applicants

- The application did not give enough detail to the change the project would make
- The application did not sufficiently evidence the unmet need
- The application did not make reference to evaluation methods and their plan to evaluate
- The application does not make reference to local partners
- The application does not identify established links in the community
- The applicant has a limited track record of delivery in Midlothian
- The application makes no reference to policies and procedures promoting accessibility
- The application does not evidence a strong exit strategy
- The application costings are not realistic
- The application makes no reference to staff and volunteers not trained on equality and diversity
- There is not enough detail given to make a sound judgement on the deliverability / feasibility of the project.
- The project outlined does not appear to be deliverable / feasible.
- The application does not identify a clear target group for the project.
- The application did not accurately identify need

Building Maintenance Service - Dampness & Condensation Policy

Report by Kevin Anderson, Executive Director - Place

Report for Decision

1 Recommendation

It is recommended that Council:

i) Notes the Council's approach in responding to tenant enquiries or requests for inspections regarding dampness and condensation;

ii) Notes that the Council implemented Sensor Technology in 2022 to monitor damp and condensation as outlined in section 6

iii) Approves the new Dampness & Condensation Policy

2 Purpose of Report

The purpose of this report is to outline service activities and improvements being implemented; and to seek Council approval for a new policy to tackle dampness and condensation within our domestic properties as part of our ongoing approaches to protect the health and wellbeing of our council tenants.

Date: 8th February 2023
Report Contact: Derek Oliver, Chief Officer - Place
Email: derek.oliver@midlothian.gov.uk

3 Background

3.1 Dampness is the presence of unwanted moisture through the air, condensed on a surface or within the solid substance of a building, typically with detrimental or unpleasant effects. Excess moisture can lead to mould growth on building surfaces.

3.2 There are three types of dampness that can appear in a property:

- Condensation
- Rising dampness
- Penetrating dampness

3.3 It is possible to get more than one type of dampness occurring in a property but, given their cause, each type requires to be treated in a different way. It is therefore important to know what type of dampness is affecting a particular property before undertaking reactive maintenance or property upgrades.

3.4 Where the source of moisture is not related to structural faults, leaks or rising damp, it is usually due to condensation, which is often found to be the main issue when surveys are carried out.

3.5 Condensation occurs when warm moist air comes into contact with a cool surface and water droplets form. It typically appears on cold surfaces particularly on windows, mirrors and outside walls. Areas with poor ventilation are also prone to condensation. This includes surfaces behind furniture such as beds or in or behind wardrobes and cupboards, especially where they are placed against an outside wall. If left unchecked it can lead to dampness and mould growth occurring which is often the first sign of a serious condensation problem.

3.6 Rising dampness is caused by ground water moving up through a wall or floor. Walls or floors will naturally soak up water from the ground, but usually it is stopped from causing damage by a barrier called a damp-proof course or damp-proof membrane. Newer properties will have a damp-proof course or a damp-proof membrane. Older buildings may not or they may be worn or damaged. If this is the case, the walls or floor may suffer from rising damp. Rising damp can also happen when there is a lack of drainage or the level of the ground outside the property is higher than the damp-proof course allowing water to get above it.

3.7 Penetrating dampness is caused by water leaking through walls or roofs. This type of damp may expand across walls, ceilings or work its way down, but will not travel up the walls like rising dampness. Penetrating damp is usually caused by structural problems in a building such as faulty guttering or roofing or cracks in the walls or render which means walls or roofs are regularly soaked with water.

3.8 Officers, and trades from the Council's Building Maintenance Service, respond to tenant enquiries or reports relating to dampness and offer

4.1 In March 2003, the Scottish Government consultation paper "Modernising Scotland's Social Housing", established proposals for a national housing standard based on a minimum set of quality measures for all houses in the social rented sector. The national standard has since been updated and amended to produce the Scottish Housing Quality Standard (SHQS).

4.2 The SHQS is consistent with what constitutes acceptable, modern, good quality, housing. It is however different to the Statutory Tolerable Standard, enforced by Environmental Health in private sector housing, and the Building Standards (which only apply to new buildings).

4.3 The SHQS is based on a number of broad quality criteria. To meet the standard a house must be:

- Compliant with the Tolerable Standard
- Free from serious disrepair
- Energy efficient

advice and/or undertake required actions to remedy the situation.

4 Scottish Housing Quality Standard (SHQS)

- Fitted with modern facilities and services
- Healthy, safe and secure

4.4 The requirements of the SHQS are wide ranging and require assessments of various forms of dampness and ventilation issues, the presence of which would result in a failure of the SHQS.

5 Dampness and Condensation Reports

5.1 The following table illustrates the number of reports received by the Building Maintenance Service from tenants and investigated, with regards to dampness and condensation across recent calendar years:

Year	Number of Reports/Investigated
2018	13
2019	22
2020	26
2021	41
2022	129 sensor technology implemented from July 2022

6 Service Activities

6.1 In addition to dampness inspections and surveys being undertaken, since July 2022, the Building Maintenance Service has been piloting the installation of environmental monitors in properties. This use of sensor technology has been used to inform the nature of the dampness and assist in the correct remedial action to facilitate a "right first time" ethos.

6.2 The sensors measure temperature, humidity and carbon dioxide, providing insights into conditions such as mould risk, draught risk, excess cold, heat loss and indoor air quality.

6.3 The Council remotely accesses this information via a dashboard, which assists with a better understanding of any issues and informs actions from maintenance, to campaigns, staff resource deployment and property investment in a proactive way.

6.4 The Council currently has 90 environmental monitors deployed in 45 houses across Midlothian. The Council holds stock of these monitors to allow rapid deployment when dampness is reported.

6.5 The monitors cost circa £128 (inclusive of data) per unit and are easy to install and manage, together with being discreet. With this data informed assessment, the Council can deliver a more timely, and relevant, response which results in a more efficient use of resource and provides resolution faster for the tenant.

7 Dampness & Condensation Policy

7.1 In order to provide a uniform and consistent approach to reports of condensation and dampness for our tenants, as well as to optimise investment, identify and tackle issues timeously and improve targeted maintenance, a Policy has been devised.

7.2 The Policy illustrates the Council's aims and terms in responding to, and addressing, reports of dampness. It sets out the Council's responsibilities, as well as the responsibilities of the tenant.

8 Report Implications

8.1 Resource

Minor dampness works are generally carried out as responsive repairs. The repairs service is paid for by the Housing Revenue Account (HRA). The HRA is funded from tenants' rents, fees and service charges for services provided to tenants and assets held on the HRA account. There are no direct financial implications arising from the revised process and Policy.

Where more significant work is necessary, capital investment is required. This is programmed and budgeted as part of housing planned works (such as windows, doors, kitchens, bathrooms) or the housing capital investment programme (energy efficiency, etc).

8.2 Digital

Environmental monitors utilise dashboards accessible from current digital assets and software.

8.3 Risk

The risk of not approving the Policy will have a negative impact on our tenants that experience dampness or condensation and likely lead to unnecessary costs through inefficient use of resource and materials.

8.4 Ensuring Equalities

Housing maintenance and use of the HRA are required to comply with the Housing (Scotland) Act 1987 and the Council's Financial Regulations.

9 Additional Report Implications
Appendix A

Dampness & Condensation Policy
Appendix B

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan
The route map outlines the phases of service recovery and transformation which will underpin the Single Midlothian Plan.

A.2 Key Drivers for Change
Key drivers addressed in this report:

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

A.3 Key Delivery Streams
Key delivery streams addressed in this report:

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

A.4 Delivering Best Value
The report aims to deliver best value.

A.5 Involving Communities and Other Stakeholders
A targeted and focused solution to housing issues involves tenant participation and engagement.

A.6 Impact on Performance and Outcomes
The report aims to measure progress through outcomes.

A.7 Adopting a Preventative Approach
The report is based on the creation of a wellbeing economy which prioritises prevention, fairness for people, the economy and the environment.

A.8 Supporting Sustainable Development
The improvement and enhancement of our environment.

Midlothian

Building Maintenance Service

DAMPNESS & CONDENSATION POLICY

1. Aims of the Policy

1.1 The Policy aims to assist in the delivery of a dampness and condensation response service that will:

- Ensure that tenants are treated in a fair and consistent way.
- Focus on working in partnership with tenants ensuring that a safe and healthy internal environment is provided.
- Undertake effective investigations and implement all reasonable remedial repair solutions and improvements to eradicate dampness including managing and controlling condensation.
- Ensure that tenants have access to and/or are provided with comprehensive advice and guidance on managing and controlling dampness and condensation.
- Comply with statutory requirements and good practice.
- Maximise the available budgets and ensure that they are used effectively and efficiently to deal with dampness and condensation problems.
- Ensure that the fabric of our property is protected from deterioration and damage resulting from dampness and condensation.

2. Scope of the Policy

2.1 The scope of this Policy covers how Midlothian Council's Building Maintenance Service and our tenants are able to jointly control, manage and eradicate dampness. This includes:

- All housing properties that are tenanted and communal. It also includes emergency / temporary accommodation.
- Identifying the types of dampness: rising, penetrating and condensation dampness, including internal leaks.
- Identifying the Council's responsibilities for dealing with dampness and condensation.
- Identifying the tenants' responsibilities for dealing with dampness and condensation.
- Offering guidance, advice and assistance throughout the process to tenants.
- Identifying situations where the Council will not be able to undertake works to rectify condensation dampness.

3. Responsibilities

3.1 The Chief Officer - Place has overall responsibility for the Policy, ensuring that it is fully implemented.

3.2 The Building Maintenance Service Manager is responsible for:

- The effective implementation and delivery of the Policy.
- Monitoring the performance and delivery of the Policy.
- Reviewing the Policy.

3.3 The specialist officer is responsible for:

- Developing the processes and procedures that are in line with the Policy.
- Ensure that the Policy aims and terms are adhered to.

4. Types of Dampness

4.1 The types of dampness covered by the policy.

Rising Dampness

The movement of moisture from the ground rising up through the structure of the building through capillary action.

Penetrating Dampness (including internal leaks)

Water penetrating the external structure of the building or internal leaks causing dampness, rot and damage to internal surfaces and structure. The cause can be the result of, for example:

- Water ingress due to defective or poor original design / workmanship of the structure.
- Defective components for example roof coverings, external wall doors and windows.
- Defective or blocked rainwater gutters and pipes.
- Defective or leaking internal waste pipes, hot and cold water and heating systems.
- Flooding due to burst pipes.

Condensation

Condensation occurs when water vapour in warm air comes into contact with a cold surface and then condenses producing water droplets. This can take two main forms:

- Surface condensation arising when the inner surface of the structure is cooler than the room air.
- Condensation inside the structure (interstitial) where vapour pressure forces water vapour through porous materials (eg. walls), which then condenses when it reaches colder conditions within the structure.

The risk of condensation is increased through:

- Inadequate ventilation e.g. natural opening windows and trickle / background vents and mechanical extraction in bathrooms and kitchens.
- Inadequate heating e.g. undersized boilers and radiators.
- Inadequate thermal insulation e.g. missing or defective wall and loft insulation.
- High humidity e.g. presence of rising and penetrating dampness.
- Poor building design and construction – specific cold areas (bridging) which are integral with the building construction.

Conditions that can lead to condensation are:

- Poor ventilation – not opening windows, blocking up vents, not turning on extract fans, not allowing air to circulate around furniture.
- Poor heating – not heating the house.
- Defective insulation –dislodged insulation in lofts.
- High humidity - not covering pans when cooking and drying laundry inside the house can contribute to this.
- Overcrowding.

Mould is a natural organic compound that develops in damp conditions and will only grow on damp surfaces. This is often noticeable and present in situations where condensation dampness is present.

5. Responsibilities of Midlothian Council

5.1 The Council will investigate to determine the cause of dampness and condensation and carry out remedial repairs and actions in accordance with the tenancy agreement.

5.2 The Council will diagnose the cause of dampness correctly and deliver effective solutions based on the ethos of dealing with the cause of the dampness not just the symptom and wherever possible **"right first time".**

5.3 The Council will promote and provide general advice and guidance on how to manage dampness and condensation.

5.4 The Council will ensure that relevant staff have training and understand the delivery of the service that will meet the aims of this Policy.

5.5 The Council will ensure that, if works are not undertaken by Building Maintenance Service tradespersons, only competent contractors are employed to carry out any works and that the tenant's possessions are adequately protected during the works.

5.6 The Council will inform the tenant of the findings of the investigations following a house visit. This will include identifying the possible causes of dampness, recommending effective solutions and all necessary remedial works / actions / enhancements and the estimated timescales to complete the works / measures. This will be communicated to the tenant. The Council will keep the tenant up to date with their enquiry through the process from inception to completion.

5.7 The Council will undertake reasonable improvement works required to assist in the management and control of condensation dampness, for example installation of mechanical extract fans, fresh air vents, repairing existing insulation, etc. The Council will install environmental monitors, where required, to monitor humidity levels within the property. These devices will collect data to assess the issue and inform reactive measures.

5.8 The Council is responsible for insulating the tenant's home in accordance with current SHQS/EESSH Standards to help reduce the likelihood of condensation occurring where practical.

5.9 The Council is responsible for maintaining a tenant's home to avoid penetrating and rising dampness and for carrying out remedial action where these occur.

5.9 Remedial works will only be carried out where it is reasonable and practical to do so. The Council will have regard to the constraints of the existing building design and structure and will take a pragmatic approach in finding appropriate solutions.

5.10 The Council will make good internal surfaces following any remedial work carried out ensuring that surfaces are prepared to a condition ready for the tenant to redecorate.

5.11 Mould wash will only be carried out where this is found to be persistent or extensive and cannot be controlled by the tenant.

5.12 In some cases, remedial work may not be necessary. However, additional support and advice will be given to the tenant on managing and controlling the occurrences of condensation dampness.

5.13 The Council will make reasonable attempts to access the property to inspect and carry out the works.

5.14 The Council will not be able to control condensation dampness where it is unreasonable or impractical to do so or if any remedial action would be ineffective for example:

Poor construction / design (not meeting current construction and living standards):

Cold bridging areas in the fabric of the building that cannot be eliminated.

Non habitable rooms, including but not limited to:

- Out –buildings / sheds that have been converted including linking buildings between the house and out building and other add-on structures.
- Unheated / uninsulated store rooms.
- Unheated enclosed stairs for building access.

5.15 The Council will respond to a report of dampness and condensation and complete any remedial works/measures within 21 days. This will be dependent on the severity and urgency of the problem and on the complexity of the solution of the remedial works/actions required.

5.16 Under certain exceptional circumstances where the tenant is unable to carry out mould washes or redecoration the council will provide support and assistance.

5.17 If the extent or nature of required works makes it unreasonable for the tenant to remain in the property, alternative accommodation arrangements will be made. This may be on a day by day basis or a temporary decant to an alternative property. The tenant will be supported through this process to find suitable accommodation.

6. Responsibilities of the Tenant

6.1 The tenant will regularly check for dampness and immediately report to the Council evidence of rising and penetrating dampness and any faulty equipment that will hamper the management and control of dampness and condensation (e.g. faulty extract fan, unable to open windows, lack of heating etc.), in accordance with the tenancy agreement conditions. This can be reported via the Midlothian Council online system or telephone 0131 663 7211 or the council website.

6.2 The tenant will regularly check for mould and clean signs of mould as soon as they are discovered. They will manage condensation dampness following the Council's guidance. Tenants can also help reduce the conditions that lead to condensation dampness by:

- Keeping the presence of moisture to a minimum e.g. covering pans when cooking, drying laundry outside, keeping the kitchen or bathroom door closed when cooking or bathing.
- Adequately heating rooms – ideally between 18°C and 21°C and maintaining humidity between 40-60%.
- Keeping the house well ventilated e.g. opening windows when cooking / bathing, turning on and ensuring that the extractor fan is working if applicable, keeping trickle vents in windows open, and allowing air to circulate around furniture.

6.3 The tenant will follow all advice and guidance issued by the Council on managing and controlling dampness and condensation. This information will be provided by Building Maintenance Service staff and can be found on Midlothian Council's website.

6.4 If following an inspection by the Council, the outcome shows that all reasonable measures are in place for the tenant to adequately manage the condensation dampness, further advice and support will be given to the tenant. Where the tenant fails to take the advice and reasonable steps to reduce dampness, the tenant may be recharged for any resulting repairs required which are considered to be result of this inaction.

6.5 The tenancy agreement recommends that the tenant arranges adequate household contents insurance. Midlothian Council can offer a low cost insurance.

6.6 Where tenant is considering converting / using non – habitable buildings and spaces/rooms they can seek advice and permission from the Council in accordance with the tenancy agreement conditions. This will not be covered by the dampness and condensation policy as it is not designed for this purpose.

6.7 The tenant will allow access for inspections and for the carrying out of remedial works (in accordance with the tenancy agreement).

7. Monitoring

The Policy will be monitored quarterly to manage performance and its effectiveness in terms of its delivery.

8. Review

The Policy will be reviewed every two years and also in response to:

- Legislative changes;
- Council strategy or Policy changes; or
- Discovery of ineffective Policy terms.