

Notice of Meeting and Agenda



Midlothian Council

Venue: Virtual Meeting,

Date: Tuesday, 23 February 2021

Time: 11:00

Executive Director : Place

Contact:

Clerk Name: Verona MacDonald, Democratic Services Team Leader

Clerk Telephone: 0131 271 3161

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

Further Information:

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

Privacy notice: Please note that this meeting may be recorded. The recording may be publicly available following the meeting. If you would like to know how Midlothian Council collects, uses and shares your personal information, please visit our website: www.Midlothian.gov.uk

1 Welcome, Introductions and Apologies

2 Order of Business

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

3 Declaration of Interest

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

4 Deputations

5 Minutes

Minute of Midlothian Council and Minute of Special Meeting of Midlothian Council - both 15 December 2020 and Minute of Special Meeting of Midlothian Council of 19 January 2021 submitted for approval as a correct record and; Minutes of Meetings for approval noting and consideration of any recommendations contained therein (as per Minute Volume)

Minute Volume Index - 23 February 2021

4 - 5

6 Questions to the Council Leader

6.1 Question from Councillor Alexander 6 - 6

6.2 Question from Councillor Alexander (2) 7 - 7

7 Motions

7.1 Motion by Councillor Alexander, seconded by Councillor Wallace_Redacted 8 - 8

7,2 Motion by Councillor Johnstone, seconded by Councillor Alexander_Redacted 9 - 9

8 Public Reports

8.1 Resignation of Councillor Baird - Report by Chief Executive 10 - 13

8.2 Casual Vacancy Ward 5 Midlothian East Arrangements for By-Election - Report by Chief Executive 14 - 18

8.3	Standing Order 19.2 Decisions - Report by Chief Executive	19 - 22
8.4	Proposed Therapeutic Residential Service - Report by Chief Officer Children's Services, Partnerships and Communities	23 - 27
8.5	Rent Setting Strategy 2019-20 to 2021-22 - Report by Executive Director Place	28 - 34
8.6	COVID-19 Financial Update - Report by Chief Officer Corporate Solutions	35 - 54
8.7	Financial Monitoring General Fund Revenue - Report by Chief Officer Corporate Solutions	55 - 72
8.8	Housing Revenue Account Revenue Budget and Capital Plan 2020-21 - Report by Chief Officer Corporate Solutions	73 - 79
8.9	Treasury Management and Investment Strategy 2021-22 (to follow)	
8.10	General Services Capital Plan 2020-21 Quarter 3 Monitoring and 2021-22 to 2024-25 Budgets - Report by Chief Officer Corporate Solutions	80 - 104
8.11	Medium Term Financial Strategy 2021-22 Budget - Report by Chief Officer Corporate Solutions	105 - 126
8.12	Town Centre Capital Fund 2020 2021 Project Allocations - Report by Chief Officer Place	127 - 133

9 Private Reports

None

10 Date of Next Meeting

The next meeting will be held on 23 March 2021

Midlothian Council Minute Volume



**Presented to the Meeting
of Midlothian Council
on Tuesday, 23 February 2021**

1 Minutes of Meetings submitted for Approval

Midlothian Council 15 December 2020	3 - 16
Special Midlothian Council 15 December 2020	17 - 20
Special Midlothian Council 19 January 2021	21 - 24

2 Minutes of Meetings submitted for Consideration

Approved Minutes for Noting, Information and Consideration of any recommendations contained therein

Audit Committee 12 October 2020	25 - 30
Business Transformation Steering Group 26 October 2020	31 - 34
Planning Committee 24 November 2020	35 - 40

3 Minutes of Meetings submitted for Information

Approved Minutes of Outside Organisations to which Council appoints representatives

Midlothian Integration Joint Board 8 October 2020	41 - 52
Midlothian Integration Joint Board 10 December 2020	53 - 62



SNP Group

Question to Leader

I ask the leader of the Council, given he has had no reply from the Ministry of Defence to his letter seeking reassurance sufficient contingency has been put in place to safeguard the people and land of Midlothian from contamination and harm, should there be a collision or other incident involving the transport of weapons of mass destruction, and their waste products through Midlothian; what contingency has the Leader put in place to safeguard the people and land of Midlothian should such an incident occur? Is the Leader sufficiently satisfied with the outcome that if such an incident did occur, Midlothian may be put into lockdown or worse for the foreseeable future?

Saor Alba

Councillor Dianne Alexander

A handwritten signature in grey ink, appearing to be 'D. Alexander'.

25 January 2021



SNP Group

Question to Leader

Will the Council Leader join with the SNP group and congratulate Debora Kayembe on her election as the 54th Lord Rector of Edinburgh University. Debora, a Bonnyrigg resident, is the 3rd Woman and the 1st person of colour to hold the position - will the Council Leader therefore also agree that she is an asset and role model to Midlothian and thank her for her work and commitment to fight racism and stand up for equality

Councillor Dianne Alexander

A handwritten signature in grey ink, appearing to be 'D. Alexander'.

8 February 2021



SNP Group

Notice of Motion

To know and understand the origins of Racism, Sectarianism and other forms of discrimination and its effects on the people of Scotland and beyond.

The Council recognises that there is no place for racism, sectarianism or discrimination of any kind, and that further action must be taken to eliminate racial, and sectarian injustice and discrimination, and we recognise the objectives of the Black Lives Matter movement.

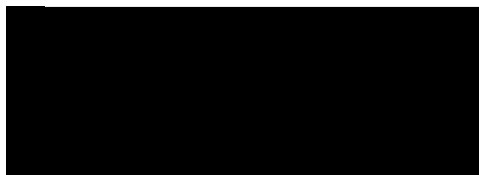
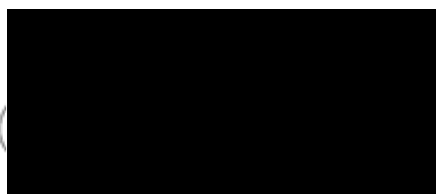
That Council agrees to establish a cross party working group to review all street names, statues, symbols, and buildings in Midlothian to properly recognise their history and context in order to enlighten the people of Midlothian and beyond of their historical origin and the impact those origins are having on today's society.

Examine the curriculum across Midlothian's education establishments to ensure that young people and their families are aware of our local history, and how it has the power, even here and now to divide communities. To ensure that from an early age pupils understand how the British Empire affected the lives of Scots, and those of many other nations in the past: and manifests itself today in the form of racism and sectarianism and other forms of discrimination.

It is our duty to ensure that all residents are able to live their lives free from racism, sectarianism or discrimination of any form, and it is only by education, and society understanding where those divisions came from, and tackling them head on that discrimination can be stamped out.

Proposed By:
Councillor Dianne Alexander

Seconded By:
Councillor Joe Wallace



21 January 2021



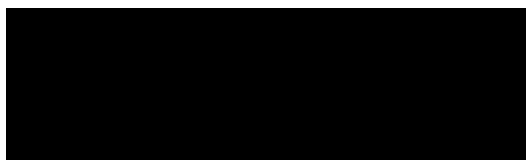
SNP Group

Notice of Motion

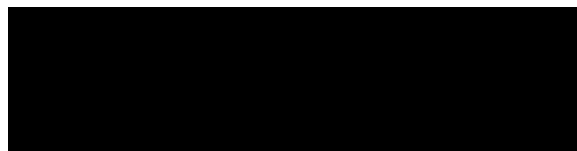
Council recognises that to have local businesses registered with Scotland Excel gives our local businesses the opportunity to provide services and goods not only to Midlothian Council but also to neighbouring Councils and beyond. It would provide the Council with excellent service on our doorstep, reduce our carbon footprint, boost our economy, and provide much needed employment for our communities.

It is therefore proposed that all businesses within Midlothian are made aware of Scotland Excel and where appropriate encouraged to join.

Proposed By:
Councillor Catherine Johnstone



Seconded By:
Councillor Dianne Alexander



05 February 2021

**Resignation of Councillor Baird
Report by Chief Executive****Report for Noting****1 Recommendations**

The Council is asked to note the resignation of Councillor Kenneth Baird from the Council with effect from 7 February 2021.

2 Purpose of Report/Executive Summary

The purpose of this report is to advise the Council of resignation of Councillor Kenneth Baird.

Date: 10 February 2021

Report Contact:

Alan Turpie, Legal Services Manager

alan.turpie@midlothian.gov.uk

0131 271 3667

3 Background

- 3.1** On 15 January 2021, I received a letter of resignation from Councillor Kenneth Baird intimating his intention to stand down as an Elected Member of Midlothian Council with effect from 7 February 2021. I did not receive any further communication and therefore Councillor Baird resigned as a Councillor from that date. Councillor Baird's resignation caused a casual vacancy to arise in Ward 5 - Midlothian East. In terms of section 37 (1) of the Local Government (Scotland) Act 1973, a by-election must be held within 3 months of the vacancy occurring (ie 6 May 2021) and the arrangements for this by-election are subject to a separate report to this meeting.

3.2 In addition to the full council, Planning and General Purposes Committees (on which all Councillors sit), Councillor Baird had been appointed by the Council to the following bodies:

- Local review Body
- Midlothian Licensing Board
- Performance Review and Scrutiny Committee
- Petitions Committee

In addition, Councillor Baird has not been appointed by the Council to any outside body.

3.3 In terms of Standing Order 4.2 above, the following actions should take place at the first meeting of the Council following a by-election:

- (i) The Returning Officer confirms the outcome of the by-election;
- (ii) To confirm or otherwise that the newly elected Councillor(s) has/have Executed the Declaration of Acceptance of Office;
- (iii) If required, appoint newly elected Member(s) in accordance with the Scheme of Administration and confirm any further changes to the membership of these forums;
- (iv) If required, appoint newly elected Member(s) as representatives to Joint Committees, Joint Boards and Outside Bodies and confirm any further changes to the membership of these forums; and
- (v) Appoint newly elected Member(s) to Midlothian Licensing Board.

3.4 None of the bodies referred to in paragraph 3.2 above will become inquorate simply because of Councillor Baird's resignation nor will his resignation cause the Council to be unrepresented on any outside body. Accordingly, I do not intend to seek nominations for the resultant vacancies until the first meeting after the by-election (ie 11 May 2021).

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

There are no Resource implications arising out of this report.

4.2 Digital

There are no Digital Services implications arising out of this report.

4.3 Risk

Councillor Baird's resignation will not leave any Council Committee inquorate, there is therefore no immediate risk of a lack of governance.

There is a statutory requirement to hold a by-election within three months of a casual vacancy which is addressed in a separate report.

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

This report does not recommend any change to policy or practice and therefore does not require an Equalities Impact Assessment. The equalities guidelines as outlined by the Electoral Commission will be observed

4.5 Additional Report Implications

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

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

The report does not directly impact on Delivering Best Value

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

Not applicable

A.8 Supporting Sustainable Development

Not applicable

APPENDIX B

Background Papers/Resource Links (if applicable)

**Casual Vacancy in Midlothian Council Ward Number 5 – Midlothian East
Arrangements for By-Election
Report by Chief Executive**

Report for Decision and Noting

1 Recommendations

The Council is recommended:

- (a) To note, for its interest, the arrangements for the forthcoming Midlothian Council By-Election for the Electoral Ward No 5 - Midlothian East to be held on Thursday, 25 March 2021; and
- (b) To authorise the Chief Executive, as Returning Officer, to make the appropriate financial arrangements and payments for this By-Election.

2 Purpose of Report/Executive Summary

The purpose of this report is to advise the Council of the arrangements I have made, in my capacity as Returning Officer, for the By-Election to fill the casual vacancy which has arisen in Electoral Ward 5 – Midlothian East, following the resignation of Councillor Kenneth Baird and to seek approval of the financial arrangements in this regard.

Date: 9 February 2021

Report Contact:

Alan Turpie, Legal Services Manager

alan.turpie@midlothian.gov.uk

0131 271 3667

3 Background

- 3.1** In terms of section 37 (1) of the Local Government (Scotland) Act 1973, the by-election must be held within 3 months of the vacancy occurring (ie 6 May 2021). There is no power in terms of the Coronavirus (Scotland) Regulations to extend the date of the By-Election beyond this date. As 6 May 2021 is the date of the Scottish Parliament Elections and it is not best practice to hold two elections on the same day, I have brought the date forward to avoid confusion and voter fatigue. In relation to the current Covid-19 restrictions, suitable protections and procedures will be in place to ensure the health and safety of all voters, staff, candidates and agents.

The By-Election will therefore be held on Thursday 25 March 2021 with polling taking place under the single transferable voting system between 7 am and 10 pm. The franchise for local government elections in Scotland extends to 16 and 17 year olds.

- 3.2** The Counting of Votes will be carried out manually and will take place the following day on Friday 26 March 2021 commencing at 10 am. It is anticipated, at this stage, that the Count will be held in Newbattle Community Campus, Newbattle Road, Easthouses, EH22 4SX and this will be confirmed in due course.
- 3.3** The '*Notice of Election*' will be published on **Monday 15 February 2021** and nominations close on **Monday 22 February 2021 at 4 pm**.
- 3.4** Applications to register to vote must reach the Electoral Registration Officer, Lothian Valuation Joint Board, 17A South Gyle Crescent, Edinburgh, EH12 9FL before Midnight on Tuesday 9 March 2021.
- 3.5** Postal voting applications have to be received by the Electoral Registration Officer, Lothian Valuation Joint Board, 17A South Gyle Crescent, Edinburgh, EH12 9FL or the Elections Office, Midlothian House, Buccleuch Street, Dalkeith, EH22 1DN before 5pm on Wednesday 10 March 2021
- 3.6** Applications to vote by proxy must reach the Electoral Registration Officer, Lothian Valuation Joint Board, 17A South Gyle Crescent, Edinburgh, EH12 9FL before 5pm on Wednesday 10 March 2021.
- 3.7** Fuller details of the By-Election arrangements including the '*Election Timetable*', the '*Scheme of Polling Districts and Polling Places*' and the '*Administrative Arrangements for Candidates and their Agents*', can be found in the '*Nomination Pack*' on the Council's website (from Monday 15 February 2021): www.midlothian.gov.uk/by-election
- 3.8** In terms of Section 7(5) of the Local Government (Scotland) Act 1973, the Council is obliged to pay all expenditure properly incurred by the Returning Officer in relation to the holding of an election. This relates mainly to the cost of printing, postages, advertising, transport and fees to the staff employed.

Payments for election duties, which include the polling, postal and count staff, would be at similar levels to that made at the General Election 2019.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

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

4.2 Digital

The Council's Digital Services has allocated appropriate staff and resources to deliver the by-election and in particular the postal vote verification procedure.

4.3 Risk

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

Furthermore, a separate risk assessment has been undertaken to assure adequate PPE is available and suitable procedures will be in place to protect the health and safety of all voters, staff, candidates and agents.

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

This report does not recommend any change to policy or practice and therefore does not require an Equalities Impact Assessment. The equalities guidelines as outlined by the Electoral Commission will be observed

4.5 Additional Report Implications

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

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

The report does not directly impact on Delivering Best Value

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

Not applicable

A.8 Supporting Sustainable Development

Not applicable

APPENDIX B

Background Papers/Resource Links (if applicable)

**Standing Order 19.2 Decisions
Report by Chief Executive**

Report for Noting

1 Recommendations

Council is invited to note the terms of this report.

2 Purpose of Report/Executive Summary

The purpose of this report is to advise the Council of the decision taken at the meeting of the Leaders' Group of 11 January 2021 in terms of Standing Order 19.2.

Date: 1 February 2021

Report Contact:

Alan Turpie, Legal Services Manager

alan.turpie@midlothian.gov.uk

0131 271 3667

3 Background

3.1 Standing Order 19.2 states that:

“The Chief Executive, after discussion with the Leader of the Council, whom failing the Depute Leader of the Council, will have authority to take decisions where urgent or immediate action is required. Where such decision(s) is required, the Chief Executive will provide a report to the next available full Council meeting to inform the Council of such decision(s).”

3.2 At their meeting on 11 January 2021, the 3 Group Leaders agreed to cancel the committee meetings scheduled during January and February. The agreement reached at the meeting was in the following terms:

“Schedule of Meetings January and February – raised by DM. The 3 Group Leaders agreed with the suggestion made by DM to cancel the committee meetings scheduled during January and February. This will allow senior officers to concentrate on dealing with matters arising from the pandemic. It was further agreed that exceptions to this will be the Seminar scheduled for 11 January regarding the Easter Bush, A701 and A702 Project (due to the economic benefit to the district of this proceeding); the Planning Committee on 12 January (the agenda having been issued and sufficient business to transact) and the Council meeting on 23 February. Meetings of BTSG specific to the budget setting process will also proceed although the dates currently fixed may require to be changed due to the expected later announcement from the Scottish Government regarding grant allocation for 2021-22. A review of the position will be carried out mid-February. The CE agreed to use her power in terms of Standing Order 19.2 to action this decision and cancel such meetings where it was not already within the remit of the CE and Executive Director Place to make changes to internal corporate meetings and cancel meetings due to insufficient business. The CE further agreed, in terms of her power under Standing Order 19.2 that any issue too urgent to wait until the Council meeting on 23 February would be referred to the Group Leaders for a decision.”

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

None

4.2 Digital

None

4.3 Risk

Failure to report this decision would lead to a lack of governance.

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

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

4.4 Additional Report Implications

See Appendix A

Appendices

Appendix A – Additional Report Implications

Appendix B – Background information/Links

Redacted note of Meeting of Group Leaders on 11.01.2021

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

The report does not directly impact on Delivering Best Value

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

Not applicable

A.8 Supporting Sustainable Development

Not applicable

APPENDIX B

Background Papers/Resource Links (if applicable)

Redacted note of Meeting of Group Leaders on 11.01.2021

Proposed Therapeutic Residential Service for children aged 5-12
Report by Joan Tranent, Chief Officer, Children's Services, Partnerships
and Communities

Report for Decision

1 Purpose of Report/Executive Summary

- 1.1** This report outlines the proposal for Council to consider the purchase and development of a local, therapeutic residential care home to accommodate our younger distressed and traumatised children aged 5-12.

2 Recommendations

Council is requested to:

1. Consider and agree the rationale for the proposed service.
2. Agree Capital funding required to develop the resource.
3. Agree the development of a project team and plan.

29 January 2021

Report Contact: Joan Tranent

Joan.Tranent@midlothian.gov.uk 0131 271 3721

3 Background

- 3.1** A key driver for the directorate and children's services is the need to maintain children and young people in their families and local communities. The rationale for doing so is underpinned by national research and our local data which evidences that children achieve better outcomes when they remain within their own communities. The recent Independent Care Review (ICR) endorsed this approach as a national recommendation. In particular, the ICR report and its subsequent publication, 'the Promise' highlighted the negative outcomes associated with children being away from their families, siblings, schools, communities and those they had already developed relationships with.
- 3.2** Children's services have been fortunate that Council has invested in its workforce and services to make our aspirations a reality. Over the past 5 years we have seen a marked reduction in children and young people being placed externally. This has been possible with a renewed focus on the local workforce, particularly the residential care homes focusing on relationship based, trauma informed approaches. This has allowed us to support our young people (aged 12 plus) to maintain local links with education, professionals and families.
- 3.3** However our recent data suggests that there is a change in the age and profile of children who have been placed externally. Increasingly, we are seeing younger children who exhibit extreme forms of distressed and traumatised behaviours because of the level of neglect and abuse experienced. Initially, we tried to place these young children with local foster families but these children were so distressed they were unable to cope with the intimacy of family living. In turn, foster carers were unable to maintain the level of safe care required to support these traumatised children to feel safe. In this context, we have seen an increased number of disrupted placements for young children and negative consequences for carers who have found the experience of being unable to meet these children's needs distressing.
- 3.4** *An example of such a child is C aged 6 who has had two periods in foster care and is now accommodated in a residential care home. C has been exposed to verbal, physical, sexual and emotional abuse during her life. C presents with chaotic and disruptive behaviour, she is unable to regulate her emotions or her behaviour. When C was removed from her family she was placed with experienced foster carers. However, after 15 months they were unable to continue to meet C's high level of needs and she has now been placed in a residential care home in another local authority. The distance means C is accessing education and supports out-with her community. The distance impacts on the level of contact with her family and support from professionals known to her.*

4. Current Position

- 4.1** Given the gap in our local services we have had to purchase external placements. We currently have 3 children aged between 5-10 who are accommodated in external residential care services because we do not offer a similar provision in Midlothian. The costs for all three children is £600k per annum, which does not cover travel or back office costs. Given that we purchase this service based on need we have little ability to negotiate fees which fluctuate out with our control.

- 4.2** Furthermore, we know that the need will continue beyond these three children. We currently have another young child R, aged 6, who was accommodated just prior to Christmas and is currently in her third foster placement, which is at risk of disruption. Research highlights that no child should be subjected to more than three family based placements. Mainly, because the child cannot cope with the intimacy of the environment and to introduce family placements at that stage families leads to further distress and trauma.
- 4.3** Given the current demand and changing profile of children who present with distressing and challenging behaviours we believe there is a demand for a local therapeutic care home. Our proposal is that we establish a local 3-bedded residential care home for children aged 5-12. The proposal would include an experienced, multi-disciplinary nurture team who are able to adopt a therapeutic approach in an attempt to address and arrest the impact of the children's earlier relationships and neglectful experiences. The intention would be that the care home is a transitional step for children, so they can be supported, when they are ready, to return to the care of their own family or long term carers. Providing this level of intervention and therapy at an earlier stage means the children will learn to build positive relationships, self-regulate and self-soothe and eventually be ready to participate in some type of family living.

5 Report Implications (Resource, Digital and Risk)

5.1 Resource

To develop this proposal further we would require the following from the Capital budget:

Proposed Budget	
Purchase of Property	450,000
Furniture, fittings and digital equipment	50,000
Care Inspectorate compliance/alterations	75,000
Electric vehicle and charging provision	25,000
TOTAL	600,000

Our rationale for developing the service is not predicated on achieving savings at this stage. However, we are confident that within 2-years the expenditure currently being paid from the Multi-Agency Resource Group (MARG) can be offset against any future costs for external provisions. This would therefore be a spend to save approach.

Based on the current expenditure and the future needs of our service users, the proposal is aimed to reach cost effective service provision that is in line with the ethos of local support driven by national and local policy. We would achieve this by developing this type of provision locally.

5.2 Digital

We will require access to digital equipment and internet access.

5.3 Risk

The risk of not having our own provision means we continue to place young children externally, which contradicts our own policy direction to maintain children locally. We would also be in contradiction of the Scottish Government drivers, namely, 'the Promise' and potentially UNCRC.

Having no local provision means, we will continue to pay for external services of which we have no control. We have evidence that within Midlothian we are able to support our most traumatised children and young people and achieve better outcomes.

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

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

5.5 Additional Report Implications

See Appendix A

Appendices

Appendix A – Additional Report Implications

Appendix B – Background information

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

The purchasing of a house for children aged 5-12 would support the all the priorities within the Single Midlothian Plan, namely:

- Reducing the gap in learning outcomes
- Reducing the gap in health outcomes
- Reducing the gap in economic circumstances
- Reducing carbon emissions in Midlothian to net zero by 2030

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 supports the principle of delivering best value.

A.5 Involving Communities and Other Stakeholders

The report does not directly relate to involving communities at this stage, however we would of course consult with those living in the community where we purchase the house.

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

Having a dedicated team that support children using a therapeutic approach and who are trauma informed could be of benefit to other children within Midlothian who may be at risk of being accommodated.

A.8 Supporting Sustainable Development

Not applicable

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

Report by Kevin Anderson, Executive Director - Place

1. Recommendation

It is recommended that Council considers whether to defer the planned 3% rent increase, which is the final year of the current Rent Setting Strategy 2019/20 – 2021/22, due to be implemented on 1 April 2021, for one year until 1 April 2022.

2. Purpose of the Report

This report considers the affordability of council house rents in the context of the Covid -19 pandemic impact upon households, and will determine the level of investment to the existing stock and new build development in council housing beyond the Council's current programme.

The current Rent Strategy of the 3% rent increase over the period of 2019/20 – 2021/22 has provided investment for a total of 1,000 additional council homes, 30 temporary accommodation units and investment in Environmental and Fire Safety Improvements in the resultant Housing Revenue Account (HRA) Capital Plan for 2018/19 to 2023/24.

Further to this final year's planned rent increase, a Rent Strategy consultation proposal is subsequently due to be reported to Council in March, 2021 to determine the optimum rent increase that will allow us to continue to deliver our objectives and that also allows us to model the affordability impact of different levels of increase.

The rent increase notices scheduled for despatch to tenants on 9 February are now placed on hold following members concerns in reconsidering this matter raised at the BTSG meeting of 8 February, 2021. However, one calendar months' notice is legally required to be given to tenants of any rent change, which requires a decision at this Council meeting for any deferral.

Date: 9 February 2021

Report Contact: Kevin Anderson, Executive Director

Tel No. 0131 271 3102

Email: kevin.anderson@midlothian.gov.uk

3. Background

As at 31 March 2020, the Council owned 6,919 houses and 858 garages. The rental income received through the Council's Housing Revenue Account (HRA) was £28.631m for dwelling rents for the year ended 2019/20. Midlothian Council's Strategic Housing Investment Plan (SHIP) was approved by Midlothian Council in December, 2020. It noted that the Council had surpassed 1,000 new build council homes built since the start of the new social housing programme in 2006 and the Council has continued to invest in building new social housing. Phase 1 of the Council's Housing Programme provided 864 additional houses within Midlothian over a 7 year period, Phase 2 is targeted to provide an additional 412 homes, and a further 789 homes are targeted to be built as part of Phases 3 and 4. There continues to be high demand for the Council's social housing as despite the success achieved at significantly increasing the new supply of affordable housing, it is evident that the level of housing need has increased with 4,088 households currently on the Housing List – including 821 homeless households. In order to address this rapid increase in housing need the supply of new affordable housing across all tenures needs to increase.

In addition to receiving grant funding from the Scottish Government, the Council has, following tenant engagement and consultation, increased rental charges annually in order to support funding for investment and new council housing from modelling of the impact of a range of options regarding rent increases on the ability to deliver the current level of services, the plans for building new properties and carrying out asset management works on existing properties.

4. Midlothian Council Rent Affordability

Due to the continuing Covid19 pandemic, and as we enter a recession, tenants will face further uncertainty and some most likely continue to struggle with financial commitments including payment of rent and there is a risk that continuing to increase rents may lead to applicants and tenants on lower incomes being unable to afford the rent charge. A recent study undertaken by The Joseph Roundtree Foundation found the level of poverty in Scotland is closely related to housing costs.

The annual rent increases are currently applicable on 1 April each year and the principal concern for the HRA is the potential for loss of income from increased rent arrears. There are at present 4159 (60%) council tenants receiving assistance from either Housing Benefit or Universal Credit towards their housing costs and a rent increase is mitigated through benefit entitlement to those households.

Rent arrears have experienced a monetary increase of £0.5 million, which is approximately 31% since the 1 April 2020, with an increase over the same period of 225 or 8% in the number of tenancies in arrears.

Engagement with tenants to help them meet their obligations, access benefit entitlements and support to sustain their tenancies continues together with recovery action short of eviction. Members will be aware that legislation has been extended to ensure no evictions can take place until March 2021 other than for cases where there is anti-social or criminal behaviour.

Taking the current climate into account whilst demonstrating the affordability of rental charges, it is suggested that when housing costs exceed 30%-35% of a household's income, the cost is judged to be unaffordable. The table below shows an average weekly 1,2,3 and 4+ bedroom Midlothian Council house rent and compares this to a gross household income based on a full time employee who receives the minimum wage (£8.72 per hour). It shows in all cases that current rents are below the 30% -35% level of households who receive at least the minimum wage. Even if the current rent increase of 3% was applied for 2021/22 a householder working full time and earning the minimum wage or living wage would still be paying less than 30% of their gross income to pay for housing costs.

Table 1:

Average Weekly Rent by type and size 2020/21	Minimum Wage Income	% of Income Spent on Rent
1 bedroom - £66.34	£314	21.1%
2 bedroom - £74.85	£314	23.8%
3 bedroom - £80.69	£314	25.6%
4 + bedroom - £83.45	£314	26.6%

Table 2 provides a comparison of average rents (all property sizes and types) for 2019/20, which shows rent levels comparing favourably alongside both our peer group and the 3 largest housing associations operating within Midlothian.

Table 2:

Landlord	Average weekly rent 2019/20
Midlothian Council	£74.05
Scottish Housing Regulator (local authorities and housing associations)	£80.76
All local authorities	£76.67
Small local authorities (including Midlothian)	£71.42
Housing Associations	£86.65
Melville Housing Association	£85.32
Castle Rock Housing Association	£92.95
Dundedin Canmore Housing Association	£97.04

Feedback provided via the Association of Local Authority Chief Housing Officers indicates a majority of local authorities proposing below inflation rent increases for 2021/22.

5 Resource

The recent Scottish Government's Budget funding announcement confirmed a budget of £711.6m for the 2021/22 Affordable Housing Supply Programme (AHSP); a reduction from this year, the bulk of which is a reduction in Financial Transactions, which normally supports affordable home ownership and investment in charitable bonds. The capital reduction, which is of primary interest to our Council development programme, is only of 5.6% to £667.6 million in 2021-22 and reflects the levelling of expenditure over the next five years.

The budget allocation across Scotland's local authorities is expected to be confirmed before the end of the financial year, however given that the overall AHSP budget is in line with Scottish Government expectations we do not anticipate this having a significant impact on the assumptions we have used in drafting next year's affordable housing programme.

The current rent strategy for Midlothian's Housing Capital Plan to remain sustainable is 3% in 2021/22 and 0.5% thereafter over the life of the financial model (2022/23 – 2035/36) leaving a projected reserve £1.486 million in 2035/36, the financial model currently provides for the following;

- £164.957 million for completion of Phase 2, 3 & 4 of New Social Housing, including backdated developer contribution adjustment; £128 million for the purchase of 800 new build units from private developers
- £1.631 million for the Refurbishment of Jarnac Court into temporary accommodation units;
- £15.906 million to purchase approximately 104 Buyback properties;
- £32 million for Environmental Improvements including provision for sprinkler systems;
- £1.3 million for Bonnyrigg district heating scheme meter replacement ;
- Investment of £66 million in existing properties to bring them up to Scottish Housing Quality Standard;
- Scottish Government Affordable Housing Subsidy of £38.761 million;
- Reduction in temporary accommodation rent charge to new build rate as well as a reduction in the garage rent charges.

Assuming the Council wishes to continue with the above investment, deferring the 3% increase to 2022/23 will result in the HRA reserve going into deficit of £2.510 million in 2035/36 requiring an rent increase of 0.6% over the remaining life of the model (2022/23-2035/36) for the capital plan to remain sustainable, this would result in the projected reserve remaining at a reasonable level of £1.251 million in 2035/36.

6 Report Implications (Resource, Digital and Risk)

6.1 Resource

There are no additional resource implications arising from this report.

6.2 Digital

None.

6.3 Risk

There is a risk that continuing to increase rents may lead to housing applicants and tenants on lower incomes being unable to afford the rents. However, 60% of council tenants receive housing costs contributions from either Housing Benefit or Universal Credit to mitigate against a rent increase.

If the Council does not support the development of new affordable housing, the level of housing need will increase with negative consequences for Midlothian's communities.

The principal risks relate to balancing the need to invest in additional housing and providing adequate resources to maintain the existing housing stock whilst taking account of the affordability of rental charges and tenant and housing list applicant's views. Regular monitoring is in place to manage the financial and project risks. This ensures that any cost changes are identified and the implications assessed and reported promptly.

6.4 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 draft consultative 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.

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Provision of increased 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

The priority housing projects identified in the approved SHIP will deliver a combination of cost, quality and sustainability to meet future customers' requirements.

A.5 Involving Communities and Other Stakeholders

Due to Covid -1 9 restrictions and the available timescale for this decision of any rent increase deferral there has not been an opportunity to consult on this specific proposal with tenants or stakeholders.

The Rent Setting Strategy 2019/20 – 2021/22 consultation undertaken included a survey, meetings with Midlothian Tenant Panel and other Tenant Groups. In addition, the Rent Setting Strategy was discussed at the December, 2017 Local Housing Strategy and Homelessness Working Group to ensure engagement with key stakeholders such as local RSLs, Shelter and the Scottish Government.

A.6 Impact on Performance and Outcomes

The SHIP supports the outcomes set out in the draft consultative Local Housing Strategy 2021-26. Setting out a programme for development in the SHIP enables the investment of affordable housing to be carried out in a balanced approach in order that any investment takes into account the needs of the community.

A.7 Adopting a Preventative Approach

The strategy for rent setting for a three year period ensured 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 and Energy Efficiency Standard for Social Housing (EESH);
- Meeting EESSH2 and the Scottish Government's carbon reduction targets; and
- New supply.

A.8 Supporting Sustainable Development

Good practice in relation to energy efficiency and sustainability is contained in the SHIP.

Background Papers:

Strategic Housing Investment Plan 2021 – 2026

COVID-19 Financial Update

Report by Gary Fairley, Chief Officer Corporate Solutions Report for Decision

1 Recommendations

- a) Note the update provided in section 4 of funding provided/projected to be provided by the Scottish Government to support local government's response to COVID-19 and the current position in respect of funding and financial flexibilities.
- b) Agree to delegate to the Chief Officer Corporate Solutions, in consultation with the Group Leaders, approval to apply the financial flexibilities as required, based on the actual outturn position at the year end and an assessment of continued Covid financial pressures for 2021/22.
- c) Note the update provided in section 6 of the additional expenditure and loss of income projected to be experienced by the Council as a consequence of the pandemic. The net impact of which is incorporated in the Financial Monitoring update elsewhere on today's agenda.
- d) Note the material assumptions on which the reported position is predicated, including a revised estimate of funding from the income loss scheme, that education recovery costs will be contained within Scottish Government funding and other flexibilities and that Council Tax collection rates are sustained.

2 Purpose of Report/Executive Summary

The report provides an update specifically on the financial and funding aspects arising from the COVID-19 pandemic and complements the Financial Monitoring reports also on today's agenda. Members should note that the financial position remains fluid as the impact and consequences of the pandemic both for Council services and for communities across Midlothian continue to evolve.

The financial and economic consequences of the pandemic are significant with unprecedented financial interventions made by national governments to support the immediate COVID-19 response, the economy and businesses and the recovery phase.

Date: 05 February 2021

Report Contact:

Gary Fairley, Chief Officer Corporate Solutions

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0131 271 3110

3 Background

The Council was last provided with an update on the financial impact of the pandemic on 17 November 2020 since which time the pandemic has continued to impact significantly on the delivery of Council services and that of partners with the continued mobilisation of a significant range of additional support services and financial interventions for communities and businesses across Midlothian.

This report provides a further update of the financial and funding aspects arising from the COVID-19 pandemic. Furthermore the unprecedented negative economic impact across the UK and Scotland arising from the necessary restrictions imposed by the public health measures taken to manage the pandemic will push the medium to longer term outlook for the economy and public finances in both the UK and Scotland once again into a new period of uncharted and unprecedented territory. This coming at a time when the long term influence of the 2008 financial crisis on public finances was reducing in scale and influence.

4 Funding

Firstly in terms of the national position, and to provide context for members, Appendix 1 sets out the latest assessment of the COVID-19 Barnett consequential for Scotland which now stand at £8.600 billion and the related funding to Local Government of £1.078 billion (excluding business grants funding routed through Councils, £500 self-isolation payments and the £100 payment per child entitled to Free School Meals (Dec 2020) and includes resource for IJB delegated services.

As can be seen in the Appendix the majority of the funding for Local Government is for very specific purposes in support of individuals and families and is therefore not money that will alleviate service pressures as a result of responding to the Pandemic. Each pot of funding has also come with its own administrative burden including offer and acceptance of grant and reporting, and has often limited a more flexible, local response. The way in which resource has been allocated to deal with the pandemic has magnified a growing trend of direction and/or ring-fencing and this has been raised by COSLA with Government. Government officials are now looking at routing money through General Revenue Grant, with recent examples including January funding for Free School Meals and £45 million Remote Learning although the latter will still require reporting from Councils.

Appendix 2 provides an updated assessment of the additional revenue funding for 2020/21 provided to the Council which currently is estimated at £11.851 million of which £4.270 million is provided as general support with a further £5.766 million provided to meet specific costs including support to individuals, families and communities and to support Education Recovery etc. with £1.814 million expected in

respect of the Loss of Income Scheme.

Aa additional £110 million in respect of Income Loss support was announced on 28 January 2021 as part of the Scottish Government's budget for the year ahead. It is understood that this relates wholly to income loss experienced by Councils and associated ALEO's for the current financial year. It is anticipated that this will provide further relief to the significant income loss being experienced by the Council. However details of the proposed arrangements to apply this support and distribute funding are awaited before an assessment of funding can be determined.

£0.935 million has been redirected from the Early Years expansion ring fenced grant and Pupil Equity Funding. The former to assist in offsetting the additional costs of providing Early Learning and Childcare for Key Workers and the latter to contribute to the funding of summer 2020 hubs for key workers.

In respect of the Midlothian IJB £223 million of Health & Social Care funding has been passed to Local Government for Local Mobilisation Plans. The Midlothian IJB estimates it will receive £5.118 million of this. It remains the position that it is not anticipated that the Board will require to seek an additional financial contribution from its Partners in 2020/21.

5 Financial Flexibilities

As Council is aware COSLA and Scottish Government reached agreement in principal on three financial flexibilities in respect of Capital Receipts, Service Contracts (PPP/PFI) and a Loans Fund repayment holiday. These flexibilities were designed to allow Councils to utilise existing resources in alternative ways principally by deferring debt repayments chargeable to the revenue account until later years. Importantly they do not result in any additional funding support for local government.

In respect of capital receipts these continue to be required to support the extensive capital commitments approved by Council and so would not be available to support flexibility unless Council made equivalent reductions in capital investment plans.

In respect of the service contract flexibility there is continued uncertainty on what this flexibility entails. In the press release from Cabinet Secretary on 8 October 2020, the quantum of £750m incorporated a significant sum from this flexibility. Shifting the repayment of the capital cost from the length of the contract to the life of the asset was expected to broadly half the in-year charge and bring a prior year adjustment.

However as previously reported guidance from Scottish Government indicates that Councils' revenue accounts should reflect the straight

line depreciation of the assets rather than the principal element of the contract payment. Given in most cases the contract payment is structured and accounted for on an annuity basis the value of the flexibility is all but lost if straight line depreciation is the requirement. Indeed for some contracts applying the “flexibility” would increase revenue charges in the earlier part of the contract.

The CIPFA Directors of Finance section have engaged constructively with Scottish Government officials to see if regulations can be amended to allow the flexibility to accommodate annuity-based contracts. The professional viewpoint of Directors of Finance is that the asset life method using an annuity basis is proper accounting practice and they are keen to secure that this flexibility can be used in this or next financial year to mitigate unprecedented COVID pressures. However, there is a difference in views on accounting treatment, with Scottish Government officials stressing the need to go back to Treasury with a revised “ask” in relation to the annuity method.

Scottish Government officials have expressed more general concerns around the use of annuity in relation to loans and service contracts and if the flexibility was to be granted based on annuity, a condition would be that there is an agreement to reform of the loans fund with payments being equal to the depreciation of any asset. Whilst the Directors of Finance are willing to consider a review the position is that before agreeing to a fundamental change in accounting practice there must be a clear understanding of the impact. The initial assessment is that Scottish Government’s desired change would significantly impact on Council’s ability to invest in assets and support economic recovery.

Accordingly the position is that there needs to be a realistic timescale and scope agreed jointly for any review to understand the full implications and affordability impacts, across key capital programmes including Learning Estate Investment Programme and Green Growth Accelerator (both of which are key priorities for Scottish Government) and for key building projects that are critical for social and economic recovery. However, given the pressure being faced right now by Local Government, the Directors of Finance section view is that the time is not right, nor is imposing this “condition” as part of the flexibility being sought.

On our current understanding of the implementation of the change there is no value to this flexibility for Midlothian. COSLA are now engaging directly with the Cabinet Secretary to seek a way forward which is more in keeping with the original objectives of this flexibility.

Given the continued uncertainty in terms of the flexibilities provided and the impact of the pandemic over the remainder of financial year 2020/21 it is proposed to revisit the utilisation of the financial flexibilities once the actual year end position is known. This will also provide necessary flexibility for 2021/22 to help mitigate the expected, but at present unquantified impact of the pandemic on service budgets, whether continued shortfalls in income, additional

expenditure required to deliver services in a safe manner or other interventions to support the Midlothian Community.

Accordingly it is recommended to delegate to the Chief Officer Corporate Solutions, in consultation with the Group Leaders approval to apply flexibilities as required, based on the outcome of the ongoing discussion with Government on the actual outturn position at the year end and an assessment of continued Covid financial pressures for 2021/22.

6 Additional Expenditure and Loss of Income

As reported to Council on 17 November 2020 the pandemic continues to bring a significant divergence from the budget approved in February 2020 as a result of rapidly introducing new services and support arrangements to communities across Midlothian, as well as from adapting and changing how the Council is required to operate. There was also expected to be longer term additional cost and reductions in income.

There are a range of obligations, some with associated funding and some not, focused on supporting the direct response to the pandemic. Table 1 in appendix 3 provides an updated summary of the cost of these obligations and where appropriate associated funding. The current estimate of the net impact on the Council is £2.567 million. Members should note that this excludes costs linked to Adult Health and Social Care provided via the Midlothian Integration Joint Board which is subject to separate cost tracking and funding discussions with the Scottish Government.

The loss of income across services is significant and continuing and is estimated at £8.861 million although a proportion of this is offset by reduced operating costs. Table 2 in appendix 3 provides an assessment of the loss of income expected together with the reductions in expenditure which partly offset these and which result in a net impact of £5.774 million.

Although the distribution of funding from the loss of income has still to be received, we have been notified that based on our reported losses for the first half of the year we will receive £1.814 million of the £90 million set aside for the scheme. The increase in relative share compared with a GAE distribution reflects that the majority of other Councils have ALEO's providing leisure services and were able to mitigate income loss through the Corona Virus Job Retention Scheme.

As reported on 17 November 2020 actual collection rates for Council Tax have remained relatively buoyant with the 31 January 2021 position indicating a 1.2% year on year reduction in collection levels. The budget is based on a collection rate of 97% with total collection historically exceeded this figure which resulting in a degree of windfall income arising in later years. As such although collection rates have

reduced at this point is likely that future years windfall income will not materialise rather than there be a need to reduce the budget collection rate. We will continue to monitor the position closely over the remainder of the year.

The net financial impact for the year for the above elements is reflected in the tables in the Financial Monitoring report.

7 HRA

The principal concern for the HRA is the potential for loss of income from increase rent arrears. Rent arrears have experienced a monetary increase of £0.5 million, approximately 31% since the 1 April 2020 with an increase over the same period of 225 or 8% in the number of tenancies in arrears.

Engagement with tenants to help them meet their obligations, access benefit entitlements and support to sustain their tenancies continues together with recovery action short of eviction. Members will be aware that legislation has been extended to ensure no evictions can take place until March 2021 other than for cases where there is anti-social or criminal behavior.

The position is predicted to result in an increase in the provision required for non-collection of rents of £0.300 million more than originally budgeted for. The position will be monitored and an assessment made at the year if any further increase in the provision for bad and doubtful debt is required.

8 Report Implications (Resource, Digital and Risk)

8.1 Resource

The report sets out the significance financial interventions by the Council in terms of its response to support individuals, families, businesses and communities deal with the effects of the pandemic. These represent a fundamental challenge to the financial stability and sustainability of the Council in the short to medium term and in recognition of that work continues, coordinated by COSLA, to help Councils maintain financial sustainability at this challenging time.

8.2 Digital

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

8.3 Risk

The report outlines the overall risks to the financial position of the Council and the extent to which these risks require further mitigation. This mitigation includes pursuing those additional funding areas and or financial flexibilities outlined above and dependent on the outcome of these further mitigating action may prove necessary to ensure that

the Council's ability to continue to deliver services in a financial sustainable manner.

There remains a risk that actual costs and income losses may increase as events unfold over the remainder of the year or if local or national restrictions are reintroduced.

8.4 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.

8.5 Additional Report Implications

See Appendix A

Appendices

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

The exiting 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 1-3 Financial Tables

COVID Consequentials for Scotland and Funding for Local Government JANUARY 2021

Barnett Consequentials to Scotland to date

The most up to date Barnett consequentials are set out in **Table 1 (summary) and 1A** (breakdown of total) and if known, the UKG department from which the funding comes has been shown in brackets. The headings in **Table 1A** (marked in yellow) refer to the UK Government schemes from which the Barnett consequentials originate, rather than the *Scottish Government's* use of the Barnetts. Although the SG has tended to allocate Barnetts to the same sort of areas from which they derive, this is not guaranteed to be the case. For recent announcements, there has been little by way of detail.

TABLE 1- total consequentials to Scotland

Totals and breakdowns (£m)	Consequentials for Scotland	Comments
Pre 24th July 2020	4,616	
24 July announcement 2020	1,900	£785m not associated with any specific UKG announcements UKG press release
09 October announcement 2020	684	Uplift announcement alongside Job Support Scheme and Local Restrictions grants for England UKG press release
05 November announcement 2020	1,000	Additional uplift announced alongside UKG extension of Furlough to March and increases self-employed support UKG press release
23 December 2020	400	Additional uplift announced for business and public services. UKG press release
Total COVID-19 Consequentials to date	8,600	

TABLE 1A- breakdown of total

Public services	(£m) 3,267	Comments
Health services (DHSC)	1,174	SG Cab Sec for Health and Sport announced £1.1bn for NHS Boards & HSCPs.
Health– planning for second wave	250	24 July UKG announcement
PPE	865	24 July UKG announcement
Local authorities (MHCLG)	381	Included £21m homelessness (of which £9m is capital; £49m LG announcement (2 nd July)
Railway services (DfT)	448	Pass to Rail Services in Scotland
Schools etc (DfE)	81	DFM announced £100m for schools at end July
Jobs for a new decade (DfE)	21	
Other	47	
Business support	2,415	
Business support grants (total cost)	1,206	
Business rates reliefs (total cost)	1,047	
Charity support	55	
Cultural Recovery Fund	97	FM announced that this will be passed on in full to the sector

Other	10	c£1m for rugby league, c£8m for zoos and c£2m for historic royal palaces
Individuals	49	
LA hardship fund	49	This was passed on to LG early in April (as part of £350m Communities Fund)
Remaining from announcement on 24th July	785	
Estimate for Local Gvt Loss of Income scheme	90	SG estimate of consequential for the Loss of Income scheme
General uplift in guaranteed consequential*	695	No detail on the announcement/s with which these consequential are associated
Announcement on 9 October	684	
General uplift in guaranteed consequential*	684	Uplift announced alongside various business support announcement for England (and included £1b for English councils) No further detail
Announcement on 5 November	1,000	
General uplift in guaranteed consequential*	1,000	Uplift announced alongside furlough and self-employed support (and included £500m for English councils to support the local public health response) No further detail
Announcement on 23 December	400	
General uplift in guaranteed consequential*	400	Uplift announced funding can be spent on priorities such as the NHS and business support.

Note: rounding and slight adjustments/changes over the last few months may affect the exact totals.

*From July onwards, UK Treasury changed their approach to the way in which additional COVID resources were made available to the devolved administrations. Instead of announcement associated directly with departments, a general guarantee was instead given.

Scottish Government funding to Local Government for COVID-19

From the consequential to date, **£1,078m** has been provided for Local Government (either to use to support service delivery or to provide crisis grants, food etc), including resource for IJB delegated services, as shown in **Table 2**. Table 2 also shows funding that was badged "Communities Fund" (announced on 18th March by Cabinet Secretary LG & C and highlighted in green) and a breakdown of this fund is shown at **Table 3**.

In addition to the £1078m, significant resources have, and continue to be, channelled through Local Authorities to support businesses. **Table 4** provides a list of these funds.

TABLE 2 - confirmed funding to Local Government in response to COVID-19

Local Government COVID-19 funding to date	£m
<u>Funding directly to support Local Government (un-ringfenced)</u>	266.4
Hardship Fund LAs	50
UK Consequential relating to Local Government	155
Further UK Consequential relating to Local Government	49
General Administration funding (for business grants)	12
Administration of £100 COVID Hardship payment	0.4

<u>Funding to support individuals/families/communities</u> <i>("Communities Fund" shown in green)</i>	163.61
Food Fund (April)	30
Scottish Welfare Fund – 1 st tranche Top Up	22
Addressing Financial Hardship (<i>was Scottish Welfare Fund, 2nd tranche Top Up</i>)	20
Additional £5 million to deliver Discretionary Housing Payments (DHPs) through Local Authorities in 2020/21	5
Additional £3 million to deliver Discretionary Housing Payments (DHPs) through Councils in 2020/21 (<i>was Scottish Welfare Fund, 2nd tranche Top Up</i>)	3
Free School Meals and Community Food (June)	27.6
Free School Meals for Oct, Christmas and February holidays	6.95
Level 4 Welfare/Social Support	15
Homelessness Funding (additional to RRTP funding for 20/21) – from SG Winter Support Fund	5
Supporting services for vulnerable children and young people – SG Winter Support Fund- from the £23.5m announced, £22m will come to LG	22
Free School Meals for January 2021 (lockdown/closure of schools)- <i>Leaders Jan 2021</i>	7.057
<i>NOT INCLUDED IN TOTAL/SUB-TOTAL):</i> <i>Community Mental Health & Wellbeing Supports and Services - repurposed resource, from £15m already committed to Local Government, but allowed to be used to support CYP during the pandemic, and requires reporting</i>	11.25
<u>Funding for Education Recovery</u>	201.5
Additional Teaching and Support Staff – split over 2 financial years	50
Digital Inclusion (£30m announced but £5m is for FE) - Revenue - Capital (including SG purchase of chrome books)	3.6 21.4
Education Recovery Funding (logistics) - Upfront funding - Ring-fenced for further costs, to be based on actuals (to be allocated)	2 0 30
Additional Teachers (2 nd tranche) – split over 2 financial years	30
School Transport- CAPITAL	1.5
Education Recovery (additional staff, family support, digital) –	45
<u>Funding for Economic Recovery</u>	40
Regeneration Capital Grant Fund additional funding - CAPITAL	1
Town Centres Capital Fund - CAPITAL	2 18
Bus Priority Rapid Development Fund - CAPITAL	10

<u>Test and Protect Funding/Public Health/Supporting People</u>	6.374
Additional Funding for Death Registration Service	0.600
Test and Protect Funding (Support for people)	0.519
Test and Protect Funding (Support for people) – to cover up to 11 th Jan 2021	0.079
Admin for £500 self-isolation grants	0.906
Outbound calling – to cover up to 11 th Jan 2021	2.275
Outbound calling – 12 th Jan 2021 to end of financial year 20/21	1.995
<u>Council Tax Reduction/Social Security</u>	50
Council Tax Reduction	25
Unallocated for either CTR or SS*	25
<u>Health & Social Care funding and passed to LG for Local Mobilisation Plans:</u>	223
First tranche	50
Second tranche	33
Third tranche (29 Sep)	67
Top up for 13 LAs	8
Fourth Tranche (Dec)	65
<u>Other</u>	127.4
Loss of Income Scheme (undistributed but councils informed of indicative allocations)	90
Young Person's Guarantee	30
Environmental Health Officers (20/21 and 21/22)	2.9
Partnership Action for Continuous Employment (PACE)	3.5
Community Justice – funding for COVID CPO backlog	1
TOTAL	1078.29
Total Revenue	1015.39
Total Revenue unallocated (% of total revenue)	145.00 (14%)
Total Capital	62.90

Communities Fund

In March **£350m** was announced as a Communities Fund. Of that, £175m was earmarked for Local Government to support individuals and families, of which £25m* remains unallocated (Council Tax Reduction/Social Security, as shown in Table 2)

£150m was allocated to the third and voluntary sector, and £25m was held in reserve by Scottish Government, as shown in the table below:

TABLE 3- Communities Fund to Third and Voluntary Sector

Fund	Allocation (£m)	Spend to date (£m)
Wellbeing	50	38
Supporting communities	40	19
Third Sector Resilience	20	23
Food Fund	40	47
<i>SG retained reserve</i>	25	<i>TBC</i>
TOTAL	175	127

Most up to date information can be found at <https://community-funding-mapping-1-1-scotgov.hub.arcgis.com/>

Government Funding

Table 1: Confirmed funding sources to support Council Services	Purpose and uses of fund	Scotland-wide funding allocation £m	Midlothian allocation £000	Notes
Funding directly to support Local Government (un-ring-fenced)				
Hardship Fund	Barnett Consequentials of UK announcement to contribute to local authorities' own local resilience support and hardship plans; no associated reporting and to be deployed as councils see fit.	50.000	840	The initial funding source against which the Council's non-Health and Social Care related additional costs and losses of income may be offset.
Local Government Barnett Consequentials	Barnet Consequentials of UK funding to local authorities in England and Wales.	155.000	2,606	Distribution of additional support was confirmed on 26 May 2020.
Further UK Consequentials relating to Local Government		49.000	824	
		254	4,270	
Funding to support individuals/families/communities				
Food Fund	Support to organisations in the public, private and voluntary sectors to address issues of food insecurity, especially for older people, and families who may not be able to rely on free school meals.	30.000	408	Following agreement by COSLA Leaders, allocations of £30m of the fund (£15m for continuity in each of (i) FSM provision and (ii) food for vulnerable groups)
Scottish Welfare Fund (Distributed)	Top-up of existing 2020/21 allocation to allow payment of additional Community Grants and Crisis Grants to those in immediate need, more than doubling the current level of the fund across Scotland; also includes sums to reflect relaxation of existing criteria to support those in "gig economy". 45.000	22.000	326	22m of the Scotland-wide funding has been allocated to date, based on the current SIMD-related methodology; be agreed. This funding is not available to offset council response costs.
Addressing Financial Hardship	Was Scottish Welfare Fund, 2nd tranche Top Up	20.000	298	
Discretionary Housing Payments	Distribution of a further £8 million to deliver Discretionary Housing Payments (DHPs) to Local Authorities in 2020/21.	8.000	94	
Food Fund (phase 2)	This is made up of £12.6 million of ring-fenced funding for the continuation of Free School Meal replacement for eligible children and young people	27.600	298	

	(excluding universal provision for P1-3) until schools return, and £15 million of ring-fenced funding for wider action to provide help with food and other essentials for those at risk due to coronavirus up to the end of September, including those who are isolating under Test and Protect.			
Free School Meals	To cover the cost of FSM, Oct, Christmas (extended) and February holidays	6.950 7.057	109 110	
Level 4 Welfare/Social Support	Available for local authorities to strengthen their local response to people and communities and any emerging needs at protection level 4.	15.000	252	
Homelessness Funding	Additional to RRTP funding for 20/21. From SG Winter Support Fund	5.000	85	
Supporting services for vulnerable children and young people	SG Winter Support Fund - from the £23.5m announced, £22m will come to LG	22.000	333.4	
		163.607	2,313.4	
<u>Funding for Education Recovery</u>				
Education Recovery	£50 million funding over two years made available to Councils for additional teachers £45m and education support staff £5m. 2020/21 £33.333 million	33.333	590	80% distributed based on related teaching indicators, 20% on deprivation.
Digital Inclusion	Revenue element (separate capital element of £21.400)	3.600	64	Estimate, distribution to be confirmed
Education Recovery Fund	On top of £20 million of funding previously committed, a further £30 million will also be available as part of a £50 million Education Recovery fund for local authorities. This will support cleaning, facilities management, school transport and other practical issues that are vital in ensuring a safe return to school.	50.000	850	Estimate - Actual sum received will be dependent on distribution arrangements for the second tranche of funding
Education Recovery - Teacher Recruitment	The return to schools will be supported with an additional £30 million to recruit new teachers. This brings the total additional Scottish Government investment in the teaching profession to £75 million, enough to recruit up to 1,400 new teachers. This funding will help address learning loss and ensure much-needed resilience in our schools as we recover from coronavirus (COVID-19).	20.000	354	80% distributed based on related teaching indicators, 20% on deprivation.
Education Recovery	Additional staff, family support, digital	45.000	796	Estimate, distribution to be confirmed
		151.933	2,654	
<u>Test and Protect Funding/Public Health/Supporting People</u>				

Registration Services	To support additional costs of providing death registration services 7 days a week.	0.600	10	Funding distribution to be on the basis of population – exact amount tbc.
Test and Protect	Test and Protect Funding to cover up to 11 th Jan 2021	0.519 0.079	tbc tbc	To be confirmed and allocated.
Admin for £500 self-isolation grants		0.906	18.7	
Outbound calling	To cover up to 11 th Jan 2021 12 th Jan 2021 to end of financial year 20/21	2.275 1.995	tbc tbc	To be confirmed and allocated.
		6.374	28.7+	
<u>Council Tax Reduction/Social Security</u>				
Increased eligibility for Social Security Benefits and Council Tax Reduction Scheme	Supplementary funding to meet an anticipated increase in applications for the existing Council Tax Reduction Scheme and Scottish Social Security Benefits	50.000	tbc	The element of the Fund provided in respect of CTRS remains to be confirmed and will be based on actual expenditure relative to existing funding provision.
		50.000	tbc	
<u>Other</u>				
Loss of Income Scheme		90.000	1814.0	Undistributed but councils informed of indicative allocations
Young Person's Guarantee		30.000	520.2	
Environmental Health Officers (20/21 and 21/22)	£1.2m in 2020.21 and £1.7 m in 2021/22 (MC £19k and 27k respectively)	1.200	19.0	
Partnership Action for Continuous Employment (PACE)		3.500	84.4	
Community Justice	funding for COVID CPO backlog	1.000	15	
General Administration funding (for business grants)		12.000	145	
Administration of £100 COVID Hardship payment		0.400	6.2	
		138.1	2603.8+	
Overall Total		764.014	11869.9+	

Table 2: Flexibilities applied				
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ELC Expansion Specific Grant			783	To support PPN's and other COVID mitigation measures
ELC Expansion Specific Grant			117	Expenditure on a range of COVID mitigation measures in ELC COVID-19 mitigation measures in LA settings.
PEF			152	Estimate set aside as reported to Council in June 2020
			1,052	

Appendix 3

The pandemic continues to bring a significant divergence from service budgets as a result of rapidly introducing new services and support arrangements to communities across Midlothian, as well as from continuing adaptations and changes to how the Council is required to operate.

The assessment of expenditure, lost income and funding set out below is based a range of assumptions about how services will operate over the remainder of the year and as such there remains a risk that actual costs and income losses may increase as events unfold.

	Estimated Expenditure	Estimated Funding/ Flexibilities	Net Cost	
	£000s	£000s	£000s	Notes
Table 1 – Response costs				
Early Years childcare for key workers	783	783	0	Requirement on Councils to ensure Early Years childcare available for key workers (at no cost to parents and carers). Payments made to Partner Provider Nurseries during lockdown and over school summer holidays to maintain the service with lower numbers of children and no parental income. Cost has been funded by utilising the flexibility granted in respect of Early Learning and Childcare expansion specific grant.
Early Learning and Childcare COVID mitigation measures	117	117	0	Expenditure on a range of COVID mitigation measures in ELC COVID-19 mitigation measures in LA settings. Cost has been funded by utilising the flexibility granted in respect of Early Learning and Childcare expansion specific grant.
Critical Childcare and Vulnerable Children Summer Provision	194	152	42	As reported to Council part funded by utilisation of PEF funding stream for summer provision.
Family Placements	50	0	50	COVID has seen an increase in larger families requiring additional support from the family placement team
PPE, Cleaning and Additional Staffing	1,027	10	1,017	Costs associated with maintaining a safe working environment, purchase of PPE, additional cleaning and additional hours etc.
Business Grant Scheme Administration /Winter Hardship Payments Administration	152	152	0	Including costs recharged from City of Edinburgh Council.
Waste Disposal	362	0	362	Tonnage figures across waste streams are different in 2020/21 from usual patterns reflecting additional waste generated from households during restrictions and workforce availability in delivering critical services as a priority and reduced waste disposal options for glass, garden waste, bulky items and closure of household waste recycling centres.
Supply teacher additional costs	273	0	273	The Scottish National Committee for Teachers (SNCT) representing Councils as employers, Teacher unions and Government implemented a compensation scheme for supply teachers for April, May and June with compensation based on earnings over the earlier part of the year. Traditionally the use of supply teachers is lower in the last term of the academic year than it is in the January to March period. Compensation payments were therefore over and above what would have been expected to be incurred in employing supply staff.

Free school meals cash payments	818	416	402	Payments to Parents and Careers of Secondary and Primary Pupils entitled to free school meals (not universal P1-3 provision) from summer onwards. School holiday periods/extended closure supported by Scottish Government.
Food & other essential provision to vulnerable clients	1,059	1,059	0	Grants to Foodbanks and Community Groups. Food Vouchers and other supports to vulnerable citizens Including food and other provisions for self-isolating, shielding and other vulnerable groups met by Food Fund Allocations, Addressing Financial Hardship scheme and Level 4 support welfare funding .
Homelessness	208	85	123	Impact of increased movement of people and more regular refurbishing of vacant properties to ensure adequate infection control measures are in place.
Young Person's Guarantee	520	520	0	
PACE	84	84	0	
Community Justice	15	15	0	
Supporting services for vulnerable children and young people	333	333	0	
SWF DHP top up	420	420	0	Reflects Scottish Government top up.
Other costs	317	19	298	
Sub-total	6,732	4,165	2,567	

	Estimated Gross Income Lost	Estimated Reduction in costs	Net Loss	Notes
	£000s	£000s	£000s	
Table 2 Lost income				
Sport & Leisure	4,543	1,650	2,893	Lost Income due to closure of Snowsports Centre and Leisure Centres and ongoing restrictions is projected to be £4.543m This is partly offset by reduced running costs of £0.490m and staffing of £1.410m. The Snowsports Centre and Leisure Centres opened for a short time with restricted hours and capacity. However, with the restrictions that were put in place in late December, all centres were required to close. These projections are based on all centres remaining closed for the remainder of the financial year.
Dalkeith Campus Income Sharing Arrangement	182	0	182	The contract for the Dalkeith Campus provides for a share of income to accrue to the Council. The income target will not be achieved and so result in a shortfall against budget.
Catering Services	1,635	1,437	198	Covid has had a negative impact on Catering Service ability to generate income from school meals and cafés. At this stage the projected income loss is £1.635 million. This

				is offset by a reduction in non-staffing costs of £1.308 million giving a net loss of £327k (£343k relating to Cafés, £84k Outside Catering/Offices and the balance the School Meals Service). In addition there are staffing savings of £129k from non-filling of vacancies currently not required as a result of building closures.
Dividends	450	0	450	The Council normally receives an annual dividend of approximately £0.450 million from its shareholding in Lothian Buses. Similarly to the position experienced in 2019/20 it is expected that there will be no dividend 2020/21.
Council Tax Buoyancy	60	0	60	Council Tax income is projected to be lower than budgeted due to new house completions coming to a near standstill in the earlier part of the year. This position has improved from that previously anticipated reflecting the restart of housebuilding.
Parking	84	0	84	Parking charges at Vogrie were suspended temporarily at the start of the pandemic resulting in an income shortfall of £47k. Public car parking charges were also suspended at the start of the pandemic and although now recommenced are expected to continue to be impacted by homeworking etc. resulting in a shortfall of £37k.
Property lets and hire of facilities	550	0	550	Loss of income due to cancellation of school letting hire of facilities.
Community Lifelong Learning contracts and fees from classes and lets	299	0	299	
Waste collection	154	0	154	Bulky Uplifts and Trade Waste.
Planning & Building Control Fee income	535		535	Covid has had a negative impact on planning and building warrant income.
Other Service income losses	369	0	369	Including registration and library income £65k, rental income £42k, cancellation of school music instruction £165k, risk management training income £46k. Pest control £14k, MOT income £12k
TOTAL	8,861	3,087	5,774	
Income Loss Scheme	-	-	(1,814)	
Net Income Loss			3,960	

Financial Monitoring 2020/21 – General Fund Revenue**Report by Gary Fairley, Chief Officer Corporate Solutions****Report for Noting****1 Recommendations**

- a) Note the projected financial position and the work which is in place to secure improvement;
- b) Note that as agreed by Council on 17th November 2020 the review of the deliverability of savings targets for the current year as a consequence of the pandemic has been completed with no net impact on Reserves.
- c) Note that during quarter 4 a review of budgets carried forward from 2019/20 into 2020/21 will take place with a view to releasing some of them; and otherwise;
- d) Note the contents of the report.

2 Purpose of Report / Executive Summary

The purpose of this report is to provide Council with information on the projections of performance against service revenue budgets in 2020/21 and details of material variances against budget.

Council on 17th November, during consideration of paper 8.6 Financial Monitoring 2020/21 General Fund Revenue, agreed that a review of the deliverability of savings targets for the current year as a consequence of the pandemic be progressed and reflected in the next monitoring report. The outcome of this work, which involved both the removal of some savings targets and mitigating underspends, is reflected in the figures shown in this report. The net impact on Reserves is nil.

The projected budget performance figures shown in appendix 1 result in a projected net underspend of £0.584 million for the year which is 0.25% of the revised budget and a £1.069 million improvement on the Q2 position reported to Council in November.

The report also incorporates the financial impact of the Covid- 19 Pandemic as outlined in the Covid-19 Financial Update also on today's agenda and provides a projection of the General Fund Balance at 31st March 2021.

Date: 1 February 2021**Report Contact:**

Gary Fairley, Chief Officer Corporate Solutions

gary.fairley@midlothian.gov.uk

0131 271 3110

3 Background

This report covers all performance against budget with the exception of the additional costs incurred and lost income experienced as a consequence of the Covid-19 pandemic. These are separately reported in the accompanying “Covid-19 Financial Update” report on today’s agenda and the net impact incorporated in the reserves projection.

The main areas of projected variance projected at quarter 3 are outlined below and covered in more detail at appendix 2. As ever, projections part-way through a financial year are difficult in many areas and come with a degree of risk. The exceptional operating environment across all services during this financial year has only added to this.

Projected Overspends

- Costs of £0.439 million associated with family, residential and day placements for children due to both higher client numbers and extended periods of support; and
- Winter maintenance costs of £0.330 million.

These are more than offset by favourable movements against budget:

- Reduced running costs in some service areas of £0.530 million;
- Borrowing costs of £0.462 million;
- Spend in schools of £0.410 million; and
- Residential Respite places for Children of £0.292 million.

As referenced in the Covid-19 Financial Update following relaxations intimated by the Scottish Government resources have been redirected from the Early Years expansion ring fenced grant to assist in offsetting the additional costs of providing Early Learning and Childcare for Key Workers. Members should note that there has been no increase in the specific grant provided to deliver the 1,140 hours provision and accordingly this exacerbates the funding challenge which already existed.

The table below provides a summary of the financial impact of the pandemic and associated funding:-

	Impact	Government Grant	Flexibilities	Net Impact
	£m	£m	£m	£m
Response Costs	6.732	(3.113)	(1.052)	2.567
Education Recovery	2.654	(2.654)	0	0
Net Income Loss	5.774	(1.814)	0	3.960
General Grant Support	0	(4.270)	0	(4.270)
	15.160	(11.851)	(1.052)	2.257

As highlighted above the divergence from budget is projected to be £15.160 million assuming that costs associated with school reopening and the return to virtual learning in January 2021 will be contained within the quantum of the Education Recovery funding. Government funding to mitigate divergence from budget currently stands at £11.851 million with a further £1.052 million of funding redirected from Early Years Expansion and Pupil Equity funding.

4 Delegation of resources to Midlothian Integration Joint Board

The approved budget provided for the allocation of £45.026 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 reduce the allocation to £44.973 million.

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).

Additional costs incurred by the MIJB in response to the Covid-19 pandemic are expected to be funded by government. An overall funding allocation has been received by NHS Lothian and work is underway on the distribution of this funding over the four Lothian Health and Social Care Partnerships. Accordingly, at this time, the expectation is that this, together with action by the MIJB, will ensure that any pressures can be met from the budget allocated from the Council.

The next meeting of the MIJB is on 11th February 2021 where a financial update will be provided. Papers will be available on the Council website.

General Fund Reserve

The projected balance on the General Fund as at 31 March 2021 is as follows:

	£ million	£ million
Reserve as at 1 April 2020		13.428
Less earmarked reserves utilised in 2019/20		(7.838)
General Reserve at 1 April 2020		5.590
<i>Planned movements in reserves</i>		
Council Transformation Programme Costs	(0.326)	
Severance Costs	(0.226)	
Early Delivery of 21/22 MTFS for Early Years	0.500	
Other	(0.068)	
		(0.120)
Underspend per appendix 1		0.584
General Fund Balance at 31 March 2021		6.054
<u>Impact of COVID-19 Response</u>		
Net COVID-19 Response Costs	(2.567)	
Net Loss of Income	(3.960)	
General Government Funding Support	4.270	
		(2.257)
General Fund Balance at 31 March 2021		3.797

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

	£ million
General Fund Balance at 31 March 2021	3.797
<i>Earmarked for specific purposes</i>	
Budgets earmarked for Council Transformation	(0.163)
Enhancement to Reserves earmarked for training	(0.199)
Costs rechargeable to capital in 2021/22	0.068
General Reserve at 31 March 2021	3.503

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 approve the adoption of 2% of net expenditure (excluding resources delegated to the IJB) to be considered a minimum. This equates to £3.3 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 restatement of reserve position.

The projected General Reserve of £3.503 million is marginally 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.

Carry forward budget from 2019/20 to 2020/21 was £7.838 million. A review of this may enable some release into the General Reserve and will take place during quarter 4.

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 minimises the risk of significant variances arising, and where they do arise they help to ensure that they are identified and reported on and that appropriate 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 first quarter of the year. The material variances detailed in appendix 2 highlight that the financial management and budgetary control arrangements require continual review and enhancement if financial risk is to be effectively mitigated during the year.

There remains a risk that actual costs and income losses may increase as events unfold over the remainder of the year or if local or national restrictions are reintroduced.

There are a number of areas where effective forecasting of spend against budget is hindered due to ineffective feeder systems or incomplete service information which in previous years has resulted in previously unreported or significantly adjusted variances at the financial year end. In 2019/20 building repairs and maintenance, roads maintenance, waste disposal and home to school transport all fell into this category and they remain risk areas in the current financial year. Work continues to address the underlying issues and mitigate the risk associated with them.

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. In addition the extent to which the Council will be expected to contribute funding towards the National financial redress scheme is yet to be clarified. Both of these present a risk that would further reduce reserves from those currently projected. Further financial obligations may also arise as the implications associated with the United Nations Convention on the Rights of the Child Bill 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 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 exiting 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 1-2 financial tables

MIDLOTHIAN COUNCIL

Appendix 1

GENERAL FUND 2020/21

Performance against budget (excluding COVID-19 response costs and loss of income)

Function	Approved Budget	Revised Budget Expenditure	Revised Budget Income	Revised Budget Net £	Outturn £	(Underspend) / Overspend £
Management and Members	1,799,964	1,990,595	(19,492)	1,971,103	1,962,103	(9,000)
Place						
Corporate Solutions	20,348,435	45,934,475	(25,042,094)	20,892,382	20,593,382	(299,000)
Place	28,303,169	42,073,397	(11,819,264)	30,254,133	31,043,133	789,000
Central Costs	977,662	1,227,756	0	1,227,756	1,284,756	57,000
People and Partnerships						
Midlothian Integration Joint Board	45,026,459	61,689,564	(16,716,837)	44,972,727	44,972,727	0
Non-Delegated Services - Sport and Leisure, Community Safety and Welfare Rights	2,166,657	7,685,367	(5,344,048)	2,341,319	2,195,319	(146,000)
Childrens Services, Partnerships and Communities	18,993,056	20,185,388	(534,204)	19,651,183	19,527,183	(124,000)
Education	98,416,668	119,739,960	(17,240,537)	102,499,423	102,109,423	(390,000)
Lothian Valuation Joint Board	572,441	572,441	0	572,441	572,441	0
Non Distributable Costs	1,238,436	1,407,720	0	1,407,720	1,407,720	0
GENERAL FUND SERVICES NET EXPENDITURE	217,842,947	302,506,664	(76,716,476)	225,790,187	225,668,187	(122,000)
Loan Charges	5,296,106	5,296,106	0	5,296,106	4,834,106	(462,000)
NDR Discretionary Relief	70,300	70,300	0	70,300	70,300	0
Investment Income	(560,736)	0	(560,736)	(560,736)	(560,736)	0
Allocations to HRA, Capital Account etc.	(5,140,617)	(5,140,617)	0	(5,140,617)	(5,140,617)	0
	217,508,000	302,732,453	(77,277,212)	225,455,241	224,871,241	(584,000)
less Funding:						
Scottish Government Grant	(163,031,000)	0	(163,204,775)	163,204,775	163,204,775	0
Council Tax	(54,477,000)	0	(54,477,000)	54,477,000	54,477,000	0
Utilisation of Reserves	0	302,732,453	(294,958,988)	7,773,466	7,189,466	(584,000)

Financial Monitoring 2020/21 – General Fund Revenue – Material Variances

Management and Members

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Vacancies and performance factor	Projected underspend due to vacancies and cost of Members.	(30)	(27)	(9)	
Net Underspend		(30)	(27)	(9)	

Place Directorate

Corporate Solutions

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Savings Targets / Vacancies	<p>The Corporate Solutions Review has continued to deliver permanent savings during the year to a value of £0.290 million. An element of the review will be made permanent during 2021/22 and this is reflected in the 2020/21 mini budget alongside vacancies that are being held in advance of the formal service review.</p> <p>Vacancies across the service are projected to save £0.401 million.</p>	(142)	(455)	(401)	Delivery plans are in place and will be finalised during 21/22.
Housing Benefits	Overpayment recoveries are lower than budgeted due to changes in DWP rules and the continued impact of Universal Credit.	0	0	129	Legislative changes result in a lower the value of overpayments made and a reduction in the recoverability of those made.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					Latest projections are based on the DWP mid-year estimate returns completed after Q2.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	(7)	(5)	(27)	
Net Underspend		(149)	(460)	(299)	

Place

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Winter Maintenance	Based on current spend and weather conditions there is a projected overspend of £0.330 million.	0	0	330	Further incidents of severe weather between writing of the report and the end of the year could significantly impact on this forecast.
Fleet Services	Cost of vehicle repairs mainly relating to external works. This is partially offset by vacancies within the service.	0	61	118	Engagement with external contractors during Covid restrictions was necessary due to workforce availability and for specialised vehicle work that could not be carried out in-house. Vacancies have now been recruited to for the skills gap and to provide statutory services.
Commercial Properties	Shortfall of rental income partially offset by some cost savings.	83	55	68	Unoccupied premises account for approximately 8% of targeted budget income.
Land & Countryside	Income from Burials.	178	163	168	A review and benchmarking of the service offer found our charges are at a higher level and that more cremations are now taking place. The current level of charges cannot be sustained and will be revised as part of the Medium Term Financial Strategy.
Homelessness	Repurposing council property assets and withdrawal from B&B have been disrupted by Covid construction issues.	63	63	63	Additional project measures requiring Council approval were passed on 25 August. Delivery date: implementation forecast by Q2 2021/22
Traffic Signal Maintenance	Increasing number of signals to be maintained due to growth in their overall number.	35	35	25	Additional service infrastructure and servicing contract costs. Growth pressures will be assessed and included in the Medium Term Financial Strategy.
Street Lighting Electricity	An update to the inventory held by the Council's energy provider which is	0	(41)	131	The Financial Strategy will be updated to incorporate the most up to date inventory.

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
	subsequently used for billing has resulted in both an increased projected cost for the year and backdated charges.				
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the Service.	(6)	1	(38)	
Gross Overspend		353	337	865	
<i>Offset by:</i>					
Housing & Homelessness	<p>Increased provision at Eastfield supported temporary accommodation has resulting in increased service charge income of £0.136m. This is partially offset by increased concierge charges of £0.080m.</p> <p>At Q1 it was projected that the number of Bed and Breakfast places would be lower than budgeted. Latest projections show a small underspend due to rental income for supported homelessness temporary housing services.</p>	<p>(136)</p> <p>(114)</p>	<p>(56)</p> <p>3</p>	<p>(56)</p> <p>(20)</p>	<p>The regulatory target date to reduce the usage of Bed and Breakfast spaces to a maximum of 7 nights stay has been rescheduled to January 2021. Plans to reduce B&B numbers are on track to be fully implement during this year.</p>
Net Overspend		103	284	789	

People and Partnerships Directorate

Health and Social Care - Non-Delegated Services - Sport and Leisure, Community Safety and Welfare Rights

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Other Non-Material Variances	Miscellaneous over and underspends covering the remaining areas of the Service.	5	7	5	
Gross Overspend		5	7	5	
<i>Offset by:</i>					
Leisure Services running costs	<p>Projected underspend in running costs of £0.129m.</p> <p>This underspend reflects the expected service position prior to the pandemic. There is a significant divergence from budget as a result of the closure of facilities and subsequent restricted opening and this is set out in Appendix 3 to the COVID financial update report also on today's agenda</p>	(185)	(131)	(129)	<p>It remains challenging to project the impact of the current situation on this budget.</p> <p>Any changes to opening times or the ability of services to operate could result in a significant impact on this figure.</p>
Community Safety	A projected underspend on staffing within the Resolution and Mediation Team.	(21)	(22)	(22)	
Net Underspend		(201)	(146)	(146)	

Childrens Services, Partnerships and Communities

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Children's Services					
Family Placements	COVID has seen an increase in larger families requiring additional support from the family placement team. The increase in Kinship placements requires additional support from Children's Service staff to ensure the placement is fully supported.	46	126	100	There has been an increase in the number of children accommodated during COVID and whilst the majority have gone into kinship care this continues to require both resources and financial support from the service going forward. Costs relating to adoptions can be difficult to project due to uncertainty of court dates for hearings and granting of adoptions and also the complex nature of the work.
Residential and Day Education Placement	There has been a slight increase in residential placements being required for our younger children (5 -10) years in particular alongside some placements continuing for longer than previously forecast due to COVID restrictions.	89	68	337	This continues to be a high risk and uncertain area. Individual placements can be both uncertain and expensive. As a consequence there is a risk of forecasts changing significantly as the year progresses. COVID has meant that some young people have not been able to move on to college or their own tenancy as quickly as hoped. Work is ongoing to consider alternative approaches for this age group but a key priority is to care for and educate young people within their own community.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the service budget.	4	(4)	(48)	No impact on frontline services
Gross Overspend		139	190	389	
<i>Offset by:</i>					
Non-residential services commissioned and provided for Children with and without disabilities	Taxi costs for children without disabilities.	(35)	(46)	(54)	A review of all taxi spend across Children's Services and Education was underway pre-COVID. However, resources were subsequently realigned to other areas of critical work. Current restrictions have reduced the spend on taxis as children and young people cannot move between schools or placements.
	Commissioned Services.	(174)	(278)	(292)	Additional support packages for children or young people

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
					with a disability are a key part of their care plan and pilots have been taking place to ensure support required is provided within local communities. However, the impact on families when children are unable to have mini breaks or receive additional support from other services remains a concern and the pressure on families is significant.
Vacancies and Performance Factor	Staff turnover during 2020/21.	0	0	(65)	
Net Overspend / (Underspend)		(70)	(134)	(22)	
Partnerships and Communities					
Vacancies and Performance Factor	There is a forecast overspend mainly relating to casual tutor staffing alongside non achievement of the Employee performance factor.	81	(11)	(32)	A review of all casual staff and contracts will be carried out to establish terms and conditions. Work is underway to review all staff who are directly linked with generating income and to map this out for the forthcoming year.
Communities and Lifelong Learning	Income loss offset by reduced running costs.	(26)	(17)	(70)	
Net Overspend / (Underspend)		55	(28)	(102)	
Service Net Underspend		(15)	(162)	(124)	

Education

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Charging for Music Tuition	A projected under recovery on SQA charging to schools for Music tuition. Impact of schools being closed during the emergency response period and inability to deliver service.	175	175	175	A further update will be provided once there is clarification on exam processes. The service is preparing to adapt its delivery model as a result of national advice and digital devices and risk assessments of suitable spaces within school buildings are underway.
Visually Impaired Service	New contract with Royal Blind School lower than last years arrangement but still significantly higher than the budget set based on arrangements prior to 2019/20.	79	79	79	The new contract with the Royal Blind School is providing more effective support to children and young people. It is our statutory duty to provide this service and as such a supplementary estimate should have been sought to increase the funding allocated when the arrangements changed.
Other non-material variances	Miscellaneous over and underspends covering the remaining areas of the service budget.	61	(60)	(34)	This includes contractual change notices relating to PPP schools.
Gross Overspend		315	194	220	
<i>Offset by:</i>					
Schools	Schools are projected to underspend by £0.753 million. In accordance with current DSM rules allowing a carry forward of up to 1% for each school, £0.343 million of this would be available for carry forward to 2021/22 thus leaving an underspend of £0.410 million.	(416)	(127)	(410)	Within the £0.753 million is: 1) A 1% carry forward of £0.343 million; 2) Budget of £0.410 million not currently allocated under the DSM scheme.
Home to School Transport	The projected cost of journeys is lower than budgeted.	0	0	(200)	A detailed analysis of contracts in place and payments made in 20/21 is ongoing. Projections at this stage are liable to change.
Net Overspend / (Underspend)		(101)	67	(390)	

Other

Description of Variance	Reason for Variance	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Additional information / Action taken
Loan Charges	Capital expenditure in 2019/20 was lower than forecast due to rephrasing of a number of projects. This has resulted in a reduction in General Fund principal repayments in 2020/21.	0	(234)	(234)	
	Projected overspend of £0.651 million mainly due to apportionment of Loans Fund Interest costs between General Fund and HRA.	0	651	725	Loans Fund interest costs are split between HRA and General Fund based on Loans Fund Advances in each. Projections for 20/21 indicate that capital expenditure and associated Loans Fund Advances will be lower than budgeted in both funds but considerably so for HRA thus resulting in a relatively higher share in General Fund than budgeted.
	In-year impact of the Loans Fund Review which rephrases debt repayments.	0	(954)	(953)	Forecasts of Capital Expenditure over the remainder of 20/21 are subject to considerable risk, particularly in HRA, and may impact further on this position. Claims are discussed at the Risk and Resilience Group to identify trends and possible mitigating measures. Training on defensibility of claims for services is planned.
Central Costs – Insurance	During Q3 there some higher value new claims against the council.	0	0	57	As insurers and loss adjusters review the detail of each claim it is possible that the provisions made will either reduce or disappear. This may ease pressure.
Net Underspend		0	(537)	(405)	

**Housing Revenue Account
Revenue Budget and Capital Plan 2020/21**

Report by Gary Fairley, Chief Officer Corporate Solutions.

Report for Noting

1 Recommendations

Council is recommend to note the 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 18th December 2020 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2020/21.

The summarised financial performance for 2020/21 is:

- Capital Investment in the year totalling £19.138 million;
- A net underspend of £0.797 million against the revised budget on the Revenue Account;
- An increase in the projected HRA reserve at 31st March 2021 of £2.939 million.

Date 4 February 2021

Report Contact:

Name Lisa Young Tel No 0131-271-3111
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3. Background

3.1 Capital Plan 2020/21

The capital plan provides for significant investment over the remainder of the financial year which will contribute to economic recovery and specifically support both the housing and construction sectors. The expenditure projections, which reflect significant activity over the remainder of the financial year, may be impacted upon by a range of external factors, such as adverse weather.

The Capital Plan Budget has been revised to reflect the current profile of spend as shown in appendix C.

3.2 Revenue Account 2020/21

The underspend reported to Council on 17th November was £0.934 million, this has decreased by £0.137 million to £0.797 million, as shown in appendix D.

The principal concern for the HRA is the potential for loss of income from increase rent arrears. Rent arrears have experienced a monetary increase of £0.5 million, approximately 31% since the 1 April 2020 with an increase over the same period of 225 or 8% in the number of tenancies in arrears.

Engagement with tenants to help them meet their obligations, access benefit entitlements and support to sustain their tenancies continues together with recovery action short of eviction. Members will be aware that legislation has been extended to ensure no evictions can take place until March 2021 other than for cases where there is anti-social or criminal behavior.

The position is predicted to result in an increase in the provision required for non-collection of rents of £0.300 million more than originally budgeted for. The position will be monitored and an assessment made at the year if any further increase in the provision for bad and doubtful debt is required.

The projected increase in provision for non-collection of rents mentioned above is offset by a reduction in debt charges of £0.144 million as a consequence of the revisions to capital expenditure projections for the year in both the General Fund and the HRA.

The HRA reserve balance is projected to increase by £2.939 million during 2020/21 but will contain an earmarked element of £10.300 million as reported to Council 17th November 2020. The longer-term financial projections demonstrate that the majority of the HRA reserve continues to be earmarked to finance existing capital investment commitments

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.

4.4 Ensuring Equalities

There are no equality issues arising directly from this report.

4.5 Additional Resource Implications

See Appendix A.

Appendices

Appendix A – Additional Resource Implications

Appendix B – Background Information

Appendix C - Capital Plan 2020/21

Appendix D – Revenue Account 2020/21

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

The report does not directly impact on Delivering Best Value.

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

HOUSING REVENUE ACCOUNT CAPITAL PLAN 2020/21

	Revised Budget £'000	Actuals to Date £'000	Projected Outturn £'000	Variation (Under)/Over £'000
FUNDING				
Grants				
- Incentivising New Build	2,916	0	2,916	0
- Incentivising New Build - Direct Purchase	0	0	0	0
- Mortgage to Rent	0	0	0	0
- Buy Backs Funding	480	160	480	0
Council Tax on Second Homes	74	0	74	0
Developer Contributions	79	0	79	0
Insurance Receipt McNeill Terrace	95	0	95	0
Utilisation of HRA Reserve	0	0	0	0
Borrowing Requirement	15,494	6,933	15,494	0
TOTAL AVAILABLE FUNDING	15,494	7,093	19,138	0

	£'000	£'000	£'000	£'000
APPROVED EXPENDITURE				
New Build Houses Phase 1	78	0	78	0
New Build Houses Phase 2	6,682	4,420	6,682	0
New Build Houses Phase 3	6,537	1,706	6,537	0
New Build Direct Purchase	0	0	0	0
Buy Backs	2,016	496	2,016	0
Aids & Adaptations	300	120	300	0
Homelessness - Mortgage to Rent	0	0	0	0
Homelessness - Temporary Accommodation Provision	100	20	100	0
McNeill Terrace Roof Replacement	100	0	100	0
Scottish Housing Quality Standard	0			
-Upgrade Central Heating Systems	900	36	900	0
-SHQS Repairs	2,425	295	2,425	0
TOTAL EXPENDITURE	19,138	7,093	19,138	0

MIDLOTHIAN COUNCIL

Appendix D

HOUSING REVENUE ACCOUNT 2020/21

	Revised Budget	Projected Outturn	Variation (Under)/Over
Average No of Houses	7,088	7,060	(28)
	£000's	£000's	£000's
Repairs and Maintenance			
General Repairs	6,401	6,294	(107)
Decant/Compensation	84	50	(34)
Grounds Maintenance	699	738	39
	7,184	7,081	(103)
Administration and Management	5,141	5,150	9
Loan Charges	12,904	11,658	(1,246)
Other Expenses	2,649	3,246	597
TOTAL EXPENDITURE	27,878	27,135	(743)
Rents			
Houses	30,248	30,299	(51)
Garages	608	618	(10)
Others	1,011	1,004	7
TOTAL RENTS	31,867	31,921	(54)
NET EXPENDITURE/(INCOME)	(3,989)	(4,786)	(797)
<u>Movement in HRA Reserve</u>			
Opening HRA Reserve		(44,396)	
Enhancement during 2020/21 as above		(4,786)	
Approved appropriation to General Fund for SHQS		1,847	
Closing HRA Reserve		(47,335)	
Earmarked for House Purchase		10,300	
Reserve Earmarked to fund capital investment plans		(37,035)	

General Services Capital Plan 2020/21 Quarter 3 Monitoring, and 2021/22 to 2024/25 Budgets**Report by Gary Fairley, Chief Officer Corporate Solutions****Report for Decision****1 Recommendations**

It is recommended that Council:-

- a) Approve the addition of the following projects to the General Services Capital Plan as outlined in Section 3.1:-
 - i. Residential House for 5-12 year olds with a provisional capital expenditure budget of £0.700 million in the General Services Capital Plan, subject to (a) a suitable property/site being identified, and (b) a financial appraisal showing a spend to save position, being agreed and approved at a subsequent meeting of Capital Plan & Asset Management Board;
 - ii. Digital Learning Provision with a provisional capital expenditure budget of £10.500 million, subject to approval by Capital Plan and Asset Management Board;
 - iii. Extra Care Facility – hub element: A provisional capital expenditure budget of £2.240 million, subject to approval by Capital Plan and Asset Management Board;
- b) Approve the inclusion of the Millerhill Park project as outlined in Section 3.2 to be added to the General Services Capital Plan;
- c) Approve the revision of the Learning Estate Strategy projects in Section 3.3 to be added to the General Services Capital Plan in principle, with the establishment of an approved design development budget of £0.503 million, each to be subject to a Gateway Review report to be presented to Capital Plan & Asset Management Board in order to receive a recommendation for full approval in the General Services Capital Plan;
- d) Approve the revised expenditure and funding levels in the General Services Capital Plan 2020/21 to 2024/25 (as shown in Appendices 1 and 2).

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 2020/21 (Section 4);
- Forecast expenditure and income for the General Services Capital Plan for 2020/21 through to 2024/25 (Section 5)
- Update on the capital fund (Section 6).

Date 05 February 2021

Report Contact:

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3 Update of General Services Capital Plan

3.1 Projects presented at today's Council meeting for approval

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

Residential House for 5-12 year-olds

The development of a local, therapeutic residential care home to accommodate younger distressed and traumatised children aged 5-12. Indicative capital expenditure of £0.700 million, approved by Capital Plan & Asset Management Board to be a provisional General Services Capital Plan budget subject to a suitable property or site being identified, and a financial appraisal showing a spend to save position, being agreed and approved at a subsequent meeting of Capital Plan & Asset Management Board . Expenditure fully phased in 2021/22 and funded by Prudential Borrowing.

Digital Learning Provision

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

A provisional total capital expenditure budget of £10.500 million is proposed, phased as £2.500 million in 2021/22 and £2.000 million per annum from 2022/23 to 2025/26, and to be funded by Prudential Borrowing.

In recognition of this an uplift has been added to the 2021/22 Revenue Budget and the Medium Term Financial Strategy (both elsewhere on today's agenda) to create a provision for the revenue implementation and support costs during the 2021/22 financial year, along with the loan charges cost of the prudential borrowing outlined in the paragraph above.

Further work is require to finalise the delivery costs, part of which will include an assessment of whether direct capital purchase of devices or a leasing arrangement represents better value. Once this is concluded, a report will be brought to Capital Plan and Asset Management Board for approval and the budgets can be adjusted accordingly.

Extra Care Facility – hub Element

General Fund share of the hub element of the Extra Care Facility proposed to be built on the site of the former St. Mary's Primary School.

Provisional capital expenditure budget of £2.240 million, equating to an upper bound of 20% of the overall development cost of £11.200 million, with the estimated General Fund contribution/share based on similar projects. The remainder of the capital expenditure cost will be reflected in the next update of the HRA Capital Plan.

A detailed costing and apportionment exercise will be carried out to determine the overall cost and split between General Fund and HRA, which will be subject to scrutiny and approval by Capital Plan & Asset Management Board. Phasing of capital expenditure over the period 2021/22 to 2023/24, to be funded by prudential borrowing.

3.2 Projects Presented for Inclusion in the Plan

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

- **Millerhill Park:** Construction of an asphalt circular path and bicycle pump track at Millerhill Park in Shawfair. Capital expenditure budget of £0.089 million approved by Capital Plan & Asset Management Board on 27 January 2021, fully funded by already collected developer contributions of £0.089 million. Expenditure and funding fully phased in 2021/22.

3.3 Learning Estate Strategy

Dalkeith Primary Schools

Officers have been working on a revised strategy for the delivery of the required primary school capacity for the Dalkeith area. This revised strategy is based on:

- extending King's Park to 3-stream, including refurbishment of the existing south building;
- extending Woodburn to 4-stream;
- extending St David's Primary School to 1.5-stream, including refurbishment of the existing building.

Initial cost estimates for this solution have been developed which allow a comparison with the cost estimates of the previous strategy, which allowed for an additional 2-stream primary school to serve Dalkeith. These demonstrate that the revised strategy can be delivered broadly within the same cost & funding envelope.

Table 1: Existing General Services Capital Plan provision

Facility	Nature of Works	Capital Expenditure Budget £000's	Funding £000's	Phasing Of Expenditure
Dalkeith Primaries				
King's Park Primary School	Refurbishment of existing school and extension to 3 stream (22 class) primary school. Incorporation of Early Years – 80 places	9,162	1,713**	2021/22-2023/24
St. David's Primary School	4 classroom extension	1,639	1,153* 389**	2020/21-2023/24
Woodburn Primary	4 class & activity hall extension & Early Years	2,253	45**	2020/21-2023/24
New Primary School serving South-east Dalkeith	New 2 stream (15 class) primary school)	14,756	9,398*	2021/22-2024/25
Dalkeith Primaries Total		27,810	12,698	Net: 15,112

* Developer Contribution Funding; ** Early Years Funding

Table 2: Replacement General Services Capital Plan provision

Facility	Nature of Works	Capital Expenditure Budget £000's	Funding £000's	Phasing Of Expenditure
Dalkeith Primaries				
King's Park Primary School	13 classroom, activity hall and dining/kitchen extension.	13,662	2,888* 1,713**	2021/22 - 2024/25
	Refurbishment of 9-class B listed infant's building.			
	80 place Early Years setting			
St. David's Primary School	6 classroom extension & refurbishment of existing school	5,309	1,153*	2021/22 - 2024/25
Woodburn Primary	9 classroom & activity hall extension & 160 place Early Years setting	11,374	6,743* 3,015**	2021/22 - 2024/25
Woodburn Primary – Relocate Modular Unit	Relocation & fit out of modular unit currently in use at the existing Danderhall Primary School	194	0	2021/22
Dalkeith Primaries Total		30,539	15,512	Net: 15,027

* Developer Contribution Funding; ** Early Years Funding

As outlined in Tables 1 and 2 above, there is an expected reduction of £0.085 million in net borrowing costs. The overall cost has increased by £2.730 million. This is funded by an increase of £0.233 million in Developer Contribution funding available, along with the application of a further £2.581 million of Early Years Capital Grant to fund the larger provision of early years setting space.

It is proposed to include these projects in the Plan, in principle and as provisional budgets, with approval to proceed for each project being subject to a Gateway Review report on each project being presented to the Capital Plan and Asset Management Board (which would also require being subsequently presented to Council for approval).

An allocation of an approved capital expenditure budget of £0.503 million for consultant fees for these projects, contained within the figures above, is proposed so that the necessary design development and site surveys can be progressed. Note that at this stage, the provisional budget estimates do not include any allowance for Passivhaus.

Penicuik ASN

Change of the project heading for “Penicuik ASN” to “ASN Provision – Social Complex Needs”. Existing £0.250 million provisional expenditure budget unchanged, with scope of project now reflecting the move of the existing modular unit from the existing Burnbrae Primary School to the existing Beeslack High School.

Vogrie Early Years Budget

Reinstatement of the Vogrie Early Learning & Childcare setting budget from £0.092 million to £0.200 million, with balance to be funded from ring-fenced and currently unallocated Early Year’s Capital Grant funding. Increase in expenditure as a result of high demand for outdoor leaning facilities due to Covid.

4 2020/21 Projection against budget

4.1 2020/21 Budget

The 2020/21 rephased capital plan budget of £39.199 million, has been rephased to £31.508 million (a decrease of £7.691 million) to account for updated expenditure profiles provided in the period, as shown in the table below:-

Table 2: Rephasing of project expenditure budgets

Project	Description of amendment to budget	Previous 2020/21 Budget £000's	Revised 2020/21 Budget £000's	2020/21 Budget Movement £000's
Shawfair Town Centre Land Purchase	Expenditure & back-to-back funding from Shawfair LLP rephased into 2021/22 pending clarity on overall structure of land acquisition	3,050	0	-3,050
City Deal A701/A702 Relief Road	Revised programme of delivery reflecting SOC	1,000	48	-952
Easthouses Primary School	Review of scope & design requirements to include Passivhaus & subsequent impact on overall programme	1,019	200	-819
Digital Services Asset Management Plan	Rephasing of expenditure for Asset Management Plan due to impact of Covid and reprioritisation of resources	2,325	1,550	-775
Early Years Grant Funded Projects	Rephased to reflect revised project delivery timescales and impact of Covid	1,970	1,555	-415
Town Centre Capital Funding Round 2020/21	Scottish Government grant award in September 2020. Project Team have assessed projects which are now at approval stage (see separate report on today's agenda) with expectation that contracts will be committed by 31 st March 2021 deadline and expenditure incurred between April and September 2021	331	0	-331
Property Upgrades	Unable to progress projects due to impact of Covid	985	656	-328
A701 High School	Site location to be agreed. Tender for design consultants taking place in February 2021 with subsequent rephasing of preparatory works budget. The consultant remit will also consider the design concept, programme and budget for the prospective Shawfair and Gorebridge High Schools alongside the new A701 High School.	427	150	-277
Road Upgrades	Covid delayed progression of projects in the earlier part of the year. It had been anticipated at Q2 that it would be possible to catch up but weather conditions have hampered this.	1,139	918	-221
Highbank Intermediate Care Reprovisioning	Demolition works to Dundas Building & former St. Mary's Primary School now expected to commence in spring 2021 as a result of bat survey requirements.	470	260	-210

Footway & Footpath Upgrades	Covid delayed progression of projects in the earlier part of the year. It had been anticipated at Q2 that it would be possible to catch up but weather conditions have hampered this.	272	170	-102
Others	Minor variances	934	723	-211
Total		13,922	6,230	-7,691

In line with this, the expected level of funding available to finance the plan has also been rephased from £21.454 million to £15.179 million, a decrease of £6.275 million.

This reduces the projected in-year borrowing requirement from £17.745 million to £16.384 million. The projected performance against budget for 2020/21 is shown in table 3 below:-

Table 3: General Services Capital Plan Projected Performance against Budget 2020/21 – as at Quarter 3

Item	2020/21 Budget £000's	2020/21 Rephased Budget £000's	Actual To 08/12/19 £000's	2020/21 Projected Outturn £000's	2020/21 Variance £000's	2020/21 Carry Forward £000's
Expenditure	39,199	31,508	17,450	31,708	+200	-7,691
Funding	21,454	15,179	8,443	15,179	0	-6,275
Borrowing Required	17,745	16,329	9,007	16,529	+200	

4.2 Expenditure

Expenditure to 06 December 2020 is £17.450 million with a projected expenditure outturn of £31.708 million, an overspend of £0.200 million against the revised budget of £31.508 million.

The 2020/21 expenditure to date of £17.450 million is net of the release of contingencies of £0.416 million for the Cuiken Primary School Extension, GoreGlen Primary School and Newbattle High School projects as noted in the General Services Capital Plan Quarter 2 Report to Council on 17 November 2020.

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 for the following:-

- **Digital Services Covid-related Costs:-** Anticipated overspend of £0.200 million.

The expenditure to Period 9 (£17.450 million) equates to 55% of the forecast outturn expenditure (£31.708 million).with 30% 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 2020/21 back to 2021/22.

The actual outturn position will be assessed as part of the General Services Capital Plan – Outturn 2020/21 report to Council in June 2021, with prior reporting, challenge and assessment at Capital Plan & Asset Management Board.

4.3 Funding

The funding available to finance the Capital Plan in 2020/21 is expected to total £15.179 million, in line with the revised budget of £15.179 million. Funding of £8.443 million has been received to 06 December 2020.

4.4 Borrowing

The budgeted level of borrowing for 2020/21 is £16.329 million. Based on the forecast expenditure and funding levels as noted above, the revised estimate of the level of borrowing required for 2020/21 is £0.200 million above budget at £16.529 million. The impact on the Council's borrowing costs is reflected in the Financial Monitoring 2020/21 General Fund Revenue report elsewhere on today's agenda.

5 Capital Plan 2021/22 to 2024/25

5.1 Pipeline Projects

A number of projects are currently in the pipeline of being developed. These include the following:-

1. A701 School Campus (LEIP Phase 1)

The Council's bid for funding from phase one of the Scottish Government's Learning Estate Investment Programme (LEIP) for the A701 School Campus project was successful on the basis of our commitment to meet the agreed LEIP outcomes.

A design brief is being prepared for this project so that a design team can be appointed to develop the design to a detailed level. A multi-disciplinary design team will be appointed via the new Edinburgh framework which will be available from February 2021.

The Scottish Government funding allocated to Midlothian is based on a like-for-like replacement only of the existing capacity of Beeslack High School, including community facilities, and will be provided to the Council as a revenue funding stream over the project life, based on achieving the relevant performance indicators set by Scottish Government.

In light of delays as a result of the pandemic, the delivery timeline for this project has been revised from August 2023 to August 2024. That remains the objective but it will be challenging to achieve.

The estimated cost of the project based on a Q4 2020 BCIS index is £53.088 million, inclusive of ASN provision.

2. Penicuik High School Extension & Refurbishment (LEIP Phase 2)

The Council's bid for funding from phase two of the Scottish Government's Learning Estate Investment Programme (LEIP) for Penicuik High School project has been successful on the basis of our commitment to meet the agreed LEIP outcomes.

The completion of the A701 project provides a unique opportunity to use the vacated Beeslack site to temporarily house Penicuik's pupils so that the works to Penicuik High School can follow on immediately and the project programme can benefit from a cleared site. We expect that this project can be delivered over the period from 2024/25 to 2026/27. The timeline for the delivery of this project is therefore contingent on the timely delivery of the A701 project.

SFT is working to identify early stage projects which may be able to be used as case studies/pathfinders to inform the Net Zero Carbon Public Sector Building Standard, and have identified our Penicuik High School project as a possible case study. The intention is to review projects regardless of what stage they are at and extract lessons which can help inform the standard. This work would be carried out by consultants between now and April '21.

The estimated cost of the project based on a Q4 2020 BCIS index is £38.848 million.

3. Mayfield Campus Replacement (LEIP Phase 2)

The Council's bid for funding from phase two of the Scottish Government's Learning Estate Investment Programme (LEIP) for replacement of the Mayfield School Campus has been successful on the basis of our commitment to meet the agreed LEIP outcomes.

The current proposal is for this project to be delivered by summer 2024. The project timeline will benefit from access to our existing frameworks and delivery model for primary schools.

An initial assessment of the Mayfield School Campus site has been carried out by AHR Architects which has confirmed that the site can accommodate the proposed development, either with both a denominational and a non-denominational primary school or with one larger non-denominational school. Further design work has been deferred to allow time for the conclusion of the review of denominational schools which will provide greater clarity on the preferred approach to this project.

The estimated cost of the project based on a Q4 2020 BCIS index is £27.945 million.

4. Lasswade Primary School Replacement

The Learning Estate Strategy identifies the need to replace the Lasswade Primary School building with a larger, three-stream school building by 2026. The plan is to build the replacement on the existing school site.

The estimated cost of the project based on a Q4 2020 BCIS index is £14.221 million.

5. New Gorebridge High School

The Learning Estate Strategy identifies the need for a new 1,200 place high school to be built in the Gorebridge area by 2025. A site for this school is yet to be agreed.

The estimated cost of the project based on a Q4 2020 BCIS index is £42.473 million.

6. Shawfair

The Learning Estate Strategy identifies the need for a school campus to be provided in Shawfair town centre by 2026. This is planned to encompass:-

- 1,500 High School places;
- 630 Primary School places;
- 144 Early Learning places;
- A Family Learning Centre; and
- ASN provision.

A further 3-stream school with 630 Primary School places and 144 Early Learning places is identified as being required by 2032, for which the location of the site is yet to be finalised.

The estimated cost of the new Shawfair Learning Estate Strategy infrastructure as outlined above, on a Q4 2020 BCIS index, is £86.456 million.

The indicative costings noted above for the LEIP Phase 1 and Phase 2 projects use the new, uplifted SFT metrics to allow for the investment required to meet LEIP energy efficiency targets. The indicative costings noted above for the new Lasswade Primary School, New Gorebridge High School and Shawfair are based on the existing SFT metrics only.

Further work is required to update the cost and re-profile the timing of the capital expenditure required to implement all of the above projects, and the sources of funding such as developer contributions which will complement the Scottish Government funding, where available.

It is proposed that following completion of this work, that officers bring forward detailed expenditure and funding budgets to allow full inclusion within the General Services Capital Plan.

This will be done at the earliest opportunity to allow these projects to be advanced and to ensure acceleration of the overall capital plan. As noted above, consultants will shortly be appointed via the Edinburgh Consultancy Framework which will facilitate a streamlined delivery of designs and options for these projects. In addition, recent appointments to two Head of Development posts will ensure that the overall capital strategy and property asset management can be progressed.

The extent of the pipeline projects, together with other LES projects detailed in the General Services Capital Plan, provides an opportunity to progress these as a programme of work rather than the design, procurement and construction of a series of individual projects. The extent of these investment plans put the Council in a unique position to take this approach, and officers will work with SFT and others to take forward the programme and secure benefits from it.

5.2 Rephasing of Project Expenditure & Funding

In addition to the rephasing of project expenditure and funding from 2020/21 to/from 2021/22 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. The impact of Covid-19 government restrictions for construction, in place in early 2020/21, had a material impact on capital expenditure with an impact on construction programmes due to subsequent additional control and social distancing measures, which are likely to continue for some time after the industry restart. Only existing contracts currently in place will be subject to the current extension of time and related loss & expense in order to accelerate or deliver on time.

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.

To address this, any new project that is proposed to be included in the General Services Capital Plan that is over £1 million in expenditure must first complete a Gateway Review report to the Capital Plan & Asset Management Board (see Appendix 4 for Gateway Review requirements). The Gateway Review process allows the Capital Plan & Asset Management Board to scrutinise both the project budget and programme from the very outset of each project’s life, to help mitigate against the rephasing seen across the General Services Capital Plan in previous years. In addition to an initial Gateway Review report, Project Managers are required to carry out a Gateway Review at each of the key milestones in their project’s life, to ensure that the project scope, budget and programme forecasts remain accurate.

While this process is becoming fully embedded in the General Services Capital Plan budget setting, high level planning assumptions have been included for all projects where total expenditure for that project exceeds £1 million. This has considered, for each project in turn, the current

progress of the project, the current in-house and external capacity to deliver projects, expected delays, and estimates of other delays that may occur such as those that arise during the consultation process. These assumptions are reflected in the expected profile of expenditure for each project as outlined in Appendix 3.

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 £5.399 million, based on a total of £215.960 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. As noted in Section 4.2, in 2020/21 to date, £0.416 million of project contingencies have been returned against the 2020/21 provision of £0.828 million.

5.3 Scottish Government General Capital Grant Funding

The planning assumption for the level of General Capital Grant funding from the Scottish Government over the period 2021/22 to 2024/25 is that the annual capital grant will be cash flat at 2020/21 levels, equating to £7.144 million per annum.

This reflects the "Investing for Jobs: Capital Spending Review 2021-22 to 2025-26" published by the Scottish Government on 4 February 2021 and 'bakes in' the General Capital Grant level over this period at its 2020-21 level.

5.4 Borrowing

As a result of these revised expenditure and funding forecasts, the forecast level of borrowing over the period 2020/21 to 2024/25 is £107.262 million.

Table 4: General Services Capital Plan 2020/21 to 2024/25

Item	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget
	£000's	£000's	£000's	£000's	£000's	£000's
Expenditure	31,708	36,346	54,661	60,132	41,773	224,621
Funding	15,179	22,068	27,136	31,290	21,686	117,360
Borrowing Required	16,529	14,278	27,526	28,842	20,087	107,262

6 Capital Fund

The Capital Fund at the start of the 2020/21 financial year was £25.364 million. £7.694 million of this is earmarked to fund the City Deal project, with a further £7.000 million earmarked to support capital investment across the period 2021/22 to 2024/25.

£3.055 million of receipts from sales are expected to be transferred into the capital fund across the period 2020/21 to 2024/25.

Based on the above, the forecast capital fund balance at 31 March 2025 is £13.725 million.

In addition to the use of the remainder of the Capital Fund balance to support investment identified in the Capital Plan, consideration will also be given to the Statutory Guidance on the use of Capital Receipts Flexibility Scheme to finance Covid expenditure (revenue).

7 Report Implications

7.1 Resource

The borrowing required to finance the planned investment in 2020/21 to 2024/25 is currently £107.262 million and is reflected in the Medium Term Financial Strategy.

7.2 Digital

There are no Digital Services implications arising from this report.

7.3 Risk

The impact of Covid-19 and the restriction measures introduced by government to date have been reflected in the rephasing assumptions in the plan as noted in this report. Any further restrictions introduced by the Scottish and UK Governments are highly likely to have an additional effect on the delivery programme for all projects within the plan.

The impact of the UK leaving the European Union is, currently at this early stage, difficult to quantify and may impact on both the budget and programme of projects, particularly where material supplies are imported.

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

An additional risk is the timing of capital expenditure being delayed and the failure to deliver new assets and infrastructure on time. In addition, overly aggressive projections of expenditure being incurred may lead to borrowing being taken in advance of need. The impact of Covid 19 to date, further restriction measures that may be brought in, and the post Brexit economic climate, further exacerbates this. The rephasing assumptions outlined in Section 5.1 have been included in the plan to reflect a more realistic assessment of the timing of capital expenditure, based on historic evidence and the overlay and impact of Covid, and

therefore mitigate the potential for borrowing to be taken in advance of need.

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 alternative funding mechanisms. In addition it will be challenging to progress potential additional projects such as Dalkeith town centre redevelopment and master planning proposals for Newtongrange and Mayfield unless these are on a spend to save basis.

The Capital Plan includes a provision for the return of contingencies of £5.399 million over the period 2020/21 to 2024/25, 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 £5.399 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

The report does not directly impact on Delivering 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

There are no issues arising directly from this report.

A.7 Adopting a Preventative Approach

Not applicable.

A.8 Supporting Sustainable Development

Not applicable.

Background Papers:

Appendix 1 – Summary General Services Capital Plan 2020/21 to 2024/25

Appendix 2 – Detailed General Services Capital Plan Monitoring 2020/21 Quarter 3

Appendix 3 – Detailed General Services Capital Plan Expenditure 2020/21 to 2024/25

Appendix 4 – Gateway Review Requirements for all capital projects over £1 million

Appendix 1: Summary General Services Capital Plan 2020/21 to 2024/25

GENERAL SERVICES CAPITAL PLAN	2020/21	2021/22	2022/23	2023/24	2024/25	Total
2020/21 to 2024/25	Budget	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE						
Place	17,303	22,174	18,498	15,266	12,189	85,430
People & Partnerships	15,149	14,199	36,205	38,685	18,332	122,571
Council Transformation	83	766	867	7,548	12,755	22,019
Provision for return of contingencies	-828	-793	-909	-1,367	-1,503	-5,399
Total Approved Expenditure	31,708	36,346	54,661	60,132	41,773	224,621
FUNDING						
Government Grants - General Capital Grant	7,546	7,549	7,549	7,549	7,549	37,742
Government Grants - Early Years	2,863	5,547	4,205	2,695	70	15,382
Government Grants - Others	953	356	0	0	0	1,309
Schools for the Future Funding Rounds	0	0	0	0	0	0
City Deal Funding (Scottish Government)	0	385	627	7,548	2,340	10,900
City Deal Funding (Capital Fund)	0	0	0	0	7,694	7,694
Receipts from Sales	1,805	1,250	0	0	0	3,055
Receipts from Sales transferred to Capital Fund	-1,805	-1,250	0	0	0	-3,055
Transfer from Capital Fund to Capital Plan	0	2,000	3,000	2,000	0	7,000
Land Transfers from HRA Applied to Capital Plan	0	1,020	0	0	0	1,020
Developer Contributions - GSCP Committed	2,496	713	3,798	4,233	1,567	12,807
Developer Contributions - LES New	452	1,056	5,842	7,265	1,323	15,938
Developer Contributions - A701/702	48	381	0	0	1,143	1,572
Developer Contributions - Other Projects	782	0	0	0	0	782
Other Contributions	38	3,061	2,115	0	0	5,214
Total Available Funding	15,179	22,068	27,136	31,290	21,686	117,360
Approved Borrowing Required	16,529	14,278	27,526	28,842	20,087	107,262

Appendix 2

Detailed General Services Capital Plan Monitoring 2020/21 Quarter 3

	Rephased 2020/21	Rephased 2020/21	2020/21	2020/21	2020/21	2020/21
GENERAL SERVICES CAPITAL PLAN	Budget	Budget	Actual	Forecast	Variance	Carry
2020/21 - Q3 MONITORING	Q2	Q3	to P9	Outturn Q3	Q3	Forward Q3
	£000's	£000's	£000's	£000's	£000's	£000's
PLACE DIRECTORATE						
Corporate Solutions						
Newbattle Centre of Excellence	461	461	139	461	-	-
Business Applications	82	82	17	82	-	-
DS Corporate Solutions	335	335	-	335	-	-
Front Office - Hardware, Software & Services	315	210	12	210	-	105
Back Office - Hardware, Software & Services	641	427	8	427	-	214
Network, Software & Services	430	287	43	287	-	143
Schools - Hardware, Software & Services	940	627	174	627	-	313
DS Covid-Costs	600	600	627	800	200	-
Civica Automation	47	47	-	47	-	-
Place						
Street Lighting Upgrades	788	788	517	788	-	-
Footway & Footpath Network Upgrades	272	170	24	170	-	102
Road Upgrades	1,139	918	263	918	-	221
Roads Asset Management Plan - Temple Ground Stabilisation	-	-	-	-	-	-
B6372 Arniston Embankment Stabilisation	-	-	-	-	-	-
Zero Waste Capital Contribution	7,380	7,380	7,380	7,380	-	-
Cycling, Walking & Safer Streets Projects	402	402	58	402	-	-
Ironmills Park Steps	7	7	-	7	-	-
New recycling facility - Penicuik	-	-	2	-	-	-
Vehicle & Plant Replacement Programme	1,866	1,866	938	1,866	-	-
LEZ Electric Vehicles & Charging Points	222	222	(94)	222	-	-
Outdoor Play Equipment - Rosewell	-	-	-	-	-	-
Outdoor Play Equipment - Gorebridge	58	58	-	58	-	-
Roslin Wheeled Sports Facility	-	-	-	-	-	-
Mauricewood Road Bus Shelter	4	4	-	4	-	-
Millerhill Park Circular Path & Bicycle Pump Track	-	-	-	-	-	-
Birkenside Grass Pitch Drainage	12	12	-	12	-	-
Open Spaces - Midlothian Wide Play Areas	-	-	-	-	-	-
Fala Park Outdoor Play Equipment	13	13	-	13	-	-
School Transport Retrofit Fund	22	22	-	22	-	-
Stobhill Depot Upgrade	0	0	-	0	-	-
Property Upgrades	985	656	324	656	-	328
Midlothian & Fairfield House Shower Upgrades	25	25	-	25	-	-
Shawfair Town Centre Land Purchase	3,050	-	-	-	-	3,050
Hillend Preparatory Works	-	-	10	-	-	-
Destination Hillend	194	194	113	194	-	-
32-38 Buccleuch Street Ground Floor Redevelopment	13	13	14	13	-	-
Cashless Catering	29	29	12	29	-	-
Non-Domestic Energy Efficiency Projects	222	222	5	222	-	-
Contaminated Land	47	47	31	47	-	-
Public Sector Housing Grants	165	165	102	165	-	-
Borders Rail - Economic Development Projects	-	-	-	-	-	-
Gorebridge Connected	-	-	-	-	-	-
Penicuik THI	106	106	-	106	-	-
Mayfield Town Centre Regeneration	35	35	-	35	-	-
Town Centre Regeneration Fund 2019/20	699	674	18	674	-	25
Town Centre Regeneration Fund 2020/21	331	-	-	-	-	331
TOTAL PLACE	21,936	17,103	10,751	17,303	200	4,832

PEOPLE AND PARTNERSHIPS DIRECTORATE	2020/21 Budget Q2 £000's	2020/21 Budget Q3 £000's	2020/21 Actual to P9 £000's	2020/21 Forecast Outturn Q3 £000's	2020/21 Variance Q3 £000's	2020/21 Carry Forward Q3 £000's
Education - Early Years						
Mount Esk Nursery School Replacement	245	50		50	-	195
King's Park Primary School	4	4	1	4	-	0
Rosewell Primary School New Build	-	-		-	-	-
Roslin Primary School	99	99	29	99	-	-
Capital grants to partner providers	750	750	668	750	-	-
Gorebridge Primary School	104	25		25	-	79
Catering kitchens	50	50		50	-	-
Hawthorn Centre	50	50	0	50	-	-
Mauricewood Primary School	150	150	22	150	-	-
Vogrie Outdoor Early Learning Centre	92	46	10	46	-	46
Penicuik Outdoor Early Learning Centre	-	-		-	-	-
Other Outdoor Spaces	80	80		80	-	-
Settings' kitchens	40	40		40	-	-
Scots Corner	75	75		75	-	-
Newtongrange Primary School	50	-		-	-	50
Lasswade Primary School	45	45	1	45	-	-
Woodburn Primary School	45	45		45	-	-
Rosewell Primary School Alteration	-	-	8	-	-	-
Mount Esk Nursery School	20	20		20	-	-
Tynewater Primary School	20	-		-	-	20
Bilston Primary School	20	20		20	-	-
Moorfoot Primary School	20	-		-	-	20
Loanhead Primary School	5	-		-	-	5
Cuiken Primary School	3	3		3	-	-
St Andrew's Primary School	4	4		4	-	-
Remaining Balance	-	-		-	-	-
Education - Primary						
GoreGlen Primary School	-	-	7	-	-	-
Paradykes Primary Replacement	218	218	18	218	-	-
New Hopefield Primary School	1,189	1,189	694	1,189	-	-
New Danderhall Primary hub	8,454	8,454	4,284	8,454	-	-
Cuiken Primary School Extension	171	171	74	171	-	-
Sacred Heart Primary School Extension	1,668	1,668	604	1,668	-	-
Lawfield Primary Extension	185	185	112	185	-	-
Easthouses Primary School	1,019	200	150	200	-	819
Tynewater Primary School	10	10		10	-	-
Burnbrae Primary School GP Space	50	50		50	-	-
Burnbrae Primary School External Works	103	103		103	-	-
Woodburn Primary extension (1 class plus)	-	-		-	-	-
Woodburn Primary 3 class & activity hall extension	33	33	24	33	-	-
Woodburn - Modular Unit Relocation	-	-	-	-	-	-
Education - Secondary						
Lasswade High - Toilets & Changing to 1,600 pupil capacity	-	-		-	-	-
Newbattle High School	1	1	-	1	-	-
A701 High School	427	150	73	150	-	277
Education - Learning Estate Strategy						
Area 23 Primary School (Dalkeith/Easthouses)	-	-		-	-	-
Kings Park PS upgrade to existing building	29	29		29	-	-
St Davids Primary - 4 class & EY extension	33	33		33	-	-
Hopefield Farm Primary 2 (HS12)	-	-		-	-	-
Mauricewood Refurbishment	-	-		-	-	-
Rosewell Primary School - extend to 2 stream	-	-		-	-	-
Newtongrange refurb & expansion to 2 stream	-	-		-	-	-
Lasswade High - ASU	-	-		-	-	-
ASN Provision - Social Complex Needs	25	25		25	-	-
Strathesk Primary one class extension	-	-		-	-	-
Education - General						
Saltersgate Alterations Phase III - Playground Improvements	-	-		-	-	-
Saltersgate Phase IV - Internal Alterations	44	44	5	44	-	-
Modular Units - Session 2017/18	182	182	41	182	-	-
St David's EY, Burnbrae Extension, Mayfield Campus Alterations	-	-	31	-	-	-
New Learning Estate Furniture & IT Equipment	-	-		-	-	-
Children's Services						
Residential House for 5-12 year olds						
Communities & Partnerships						
Members Environmental Improvements	50	50	-	50	-	-
Participatory Budgets	180	50	-	50	-	130
Gorebridge Community Cares	50	50	-	50	-	-
Adult Social Care						
Assistive Technology	100	100	49	100	-	-
Homecare	55	-	-	-	-	55
Recovery Hub	13	13	(15)	13	-	-
Highbank Intermediate Care Reprovisioning	470	260	171	260	-	210
Sport & Leisure						
Property - Poltonhall Astro & Training Area Resurfacing	-	-	-	-	-	-
Property - Penicuik Astro Resurfacing	309	309	-	309	-	-
Property - King's Park Tennis Courts Resurfacing	-	-	-	-	-	-
Property - Penicuik Centre Flooring, Cardio & Equipment	-	-	-	-	-	-
Property - Lasswade Centre Flooring	-	-	-	-	-	-
Property - Gorebridge Leisure Centre	-	-	-	-	-	-
Property - Loanhead Centre	-	-	-	-	-	-
Property - Shawfair Leisure/Library Provision	-	-	-	-	-	-
Leisure Management System (Legend)	16	16	1	16	-	-
TOTAL PEOPLE AND PARTNERSHIPS	17,056	15,149	7,061	15,149	-	1,907

	2020/21 Budget Q2 £000's	2020/21 Budget Q3 £000's	2020/21 Actual to P9 £000's	2020/21 Forecast Outturn Q3 £000's	2020/21 Variance Q3 £000's	2020/21 Carry Forward Q3 £000's
COUNCIL TRANSFORMATION						
Purchase to Pay	2	2	-	2	-	-
EWiM - Buccleuch House Ground Floor	33	33	-	33	-	-
City Deal	1,000	48	35	48	-	952
TOTAL COUNCIL TRANSFORMATION	1,035	83	35	83	-	952
GENERAL SERVICES CAPITAL PLAN TOTAL	40,027	32,336	17,847	32,536	200	7,691
COST OF SALES						
Newbattle High School	-	-	19	-	-	-
Hillend Land Sale Cost of Sales	-	-	0	-	-	-
TOTAL COST OF SALES	-	-	19	-	-	-
GENERAL SERVICES CAPITAL PLAN TOTAL	40,027	32,336	17,866	32,536	200	7,691
Provision for Return of Contingencies	(828)	(828)	(416)	(828)	-	-
GENERAL SERVICES CAPITAL PLAN TOTAL	39,199	31,508	17,450	31,708	200	7,691

Appendix 3

Detailed General Services Capital Plan Expenditure 2020/21 to 2024/25

GENERAL SERVICES CAPITAL PLAN 2020/21 to 2024/25	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	Later Years Budget	Total Spend
	£'000	£'000	£'000	£'000	£000's	£'000	£'000
PLACE DIRECTORATE							
Corporate Solutions							
Newbattle Centre of Excellence	461	-	-	-	-	-	461
Business Applications	82	39	8	333	333	-	795
DS Corporate Solutions	335	321	254	333	333	-	1,577
Front Office - Hardware, Software & Services	210	486	155	333	333	-	1,518
Back Office - Hardware, Software & Services	427	762	840	333	333	-	2,697
Network, Software & Services	287	592	238	333	333	-	1,783
Schools - Hardware, Software & Services	627	1,190	1,008	333	333	-	3,491
Digital Learning Provision	-	2,500	2,000	2,000	2,000	2,000	10,500
DS Covid-Costs	800	-	-	-	-	-	800
Civica Automation	47	-	-	-	-	-	47
Place							
Street Lighting Upgrades	788	1,000	-	-	-	-	1,788
Street Lighting and Traffic Signal Upgrades - New	-	-	1,186	1,000	1,000	-	3,186
Footway & Footpath Network Upgrades	170	602	-	-	-	-	772
Footway & Footpath Asset Management Plan - New	-	-	913	500	500	-	1,913
Road Upgrades	918	1,721	-	-	-	-	2,639
Roads Asset Management Plan - New	-	-	2,443	1,500	1,500	-	5,443
Roads Asset Management Plan - Temple Ground Stabilisation	-	309	-	-	-	-	309
B6372 Arncliffe Embankment Stabilisation	-	-	593	-	-	-	593
Zero Waste Capital Contribution	7,380	-	-	-	-	-	7,380
Cycling, Walking & Safer Streets Projects	402	405	405	405	405	-	2,022
Ironmills Park Steps	7	-	-	-	-	-	7
New recycling facility - Penicuik	-	-	-	-	-	243	243
Vehicle & Plant Replacement Programme	1,866	1,876	1,639	1,414	1,300	4,438	12,532
LEZ Electric Vehicles & Charging Points	222	-	-	-	-	-	222
Outdoor Play Equipment - Rosewell	-	46	-	-	-	-	46
Outdoor Play Equipment - Gorebridge	58	-	-	-	-	-	58
Roslin Wheeled Sports Facility	-	60	-	-	-	-	60
Mauricewood Road Bus Shelter	4	-	-	-	-	-	4
Millerhill Park Circular Path & Bicycle Pump Track	-	89	-	-	-	-	89
Birkenside Grass Pitch Drainage	12	18	-	-	-	-	30
Open Spaces - Midlothian Wide Play Areas	-	-	338	-	-	-	338
Fala Park Outdoor Play Equipment	13	-	-	-	-	-	13
School Transport Retrofit Fund	22	-	-	-	-	-	22
Stobhill Depot Upgrade	0	568	-	-	-	-	568
Property Upgrades	656	1,182	1,368	1,182	1,182	506	6,077
Midlothian & Fairfield House Shower Upgrades	25	-	-	-	-	-	25
Shawfair Town Centre Land Purchase	-	5,165	-	-	-	-	5,165
Hillend Preparatory Works	-	-	-	-	-	-	-
Destination Hillend	194	1,660	4,706	4,881	1,918	134	13,493
32-38 Buccleuch Street Ground Floor Redevelopment	13	311	19	-	-	-	343
Cashless Catering	29	-	-	-	-	-	29
Non-Domestic Energy Efficiency Projects	222	-	-	-	-	-	222
Contaminated Land	47	186	186	186	186	186	977
Public Sector Housing Grants	165	198	198	198	198	198	1,155
Borders Rail - Economic Development Projects	-	125	-	-	-	-	125
Gorebridge Connected	-	-	-	-	-	663	663
Penicuik THI	106	106	-	-	-	-	211
Mayfield Town Centre Regeneration	35	-	-	-	-	-	35
Town Centre Regeneration Fund 2019/20	674	25	-	-	-	-	699
Town Centre Regeneration Fund 2020/21	-	331	-	-	-	-	331
TOTAL PLACE	17,303	21,874	18,498	15,266	12,189	8,368	93,497

	2020/21	2021/22	2022/23	2023/24	2024/25	Later Years	Total
PEOPLE AND PARTNERSHIPS DIRECTORATE	Budget	Budget	Budget	Budget	Budget	Budget	Spend
	£'000	£'000	£'000	£'000	£000's	£'000	£'000
Education - Early Years							
Mount Esk Nursery School Replacement	50	1,000	910	-	-	-	1,960
King's Park Primary School	4	59	502	539	539	70	1,713
Rosewell Primary School New Build	-	-	377	1,131	-	-	1,508
Roslin Primary School	99	326	326	-	-	-	751
Capital grants to partner providers	750	750	-	-	-	-	1,500
Gorebridge Primary School	25	779	-	-	-	-	804
Catering kitchens	50	750	-	-	-	-	800
Hawthorn Centre	50	350	350	-	-	-	750
Mauricewood Primary School	150	300	-	-	-	-	450
Vogrie Outdoor Early Learning Centre	46	146	-	-	-	-	192
Penicuik Outdoor Early Learning Centre	-	200	-	-	-	-	200
Other Outdoor Spaces	80	80	-	-	-	-	160
Settings' kitchens	40	91	-	-	-	-	131
Scots Corner	75	-	-	-	-	-	75
Newtongrange Primary School	-	50	-	-	-	-	50
Lasswade Primary School	45	-	-	-	-	-	45
Woodburn Primary School	45	-	-	-	-	-	45
Rosewell Primary School Alteration	-	-	-	-	-	-	-
Mount Esk Nursery School	20	-	-	-	-	-	20
Tynewater Primary School	-	20	-	-	-	-	20
Bilston Primary School	20	-	-	-	-	-	20
Moorfoot Primary School	-	20	-	-	-	-	20
Loanhead Primary School	-	5	-	-	-	-	5
Cuiken Primary School	3	-	-	-	-	-	3
St Andrew's Primary School	4	-	-	-	-	-	4
Remaining Balance	-	343	343	343	-	-	1,029
Education - Primary							
GoreGlen Primary School	-	-	-	-	-	-	-
Paradykes Primary Replacement	218	-	-	-	-	-	218
New Hopefield Primary School	1,189	173	-	-	-	-	1,362
New Danderhall Primary hub	8,454	837	100	-	-	-	9,391
Cuiken Primary School Extension	171	27	-	-	-	-	198
Sacred Heart Primary School Extension	1,668	101	-	-	-	-	1,769
Lawfield Primary Extension	185	-	-	-	-	-	185
Easthouses Primary School	200	919	7,843	3,863	178	-	13,004
Tynewater Primary School	10	-	-	-	-	-	10
Burnbrae Primary School GP Space	50	17	-	-	-	-	67
Burnbrae Primary School External Works	103	-	-	-	-	-	103
Woodburn Primary extension (1 class plus)	-	-	-	-	-	-	-
Woodburn Primary 3 class & activity hall extension	33	529	3,500	4,500	2,000	774	11,336
Woodburn - Modular Unit Relocation	-	194	-	-	-	-	194
Education - Secondary							
Lasswade High - Toilets & Changing to 1,600 pupil capacity	-	530	50	-	-	-	580
Newbattle High School	1	-	-	-	-	-	1
A701 High School	150	277	-	-	-	-	427
Education - Learning Estate Strategy							
Area 23 Primary School (Dalkeith/Easthouses)	-	-	-	-	-	-	-
Kings Park PS upgrade to existing building	29	408	3,498	3,761	3,761	492	11,949
St Davids Primary - 4 class & EY extension	33	117	500	4,000	559	100	5,309
Hopefield Farm Primary 2 (HS12)	-	-	1,347	4,041	6,735	1,347	13,469
Mauricewood Refurbishment	-	875	2,070	4,831	2,012	135	9,923
Rosewell Primary School - extend to 2 stream	-	-	1,912	3,823	1,912	-	7,647
Newtongrange refurb & expansion to 2 stream	-	100	545	1,807	129	-	2,581
Lasswade High - ASU	-	-	1,333	-	-	-	1,333
ASN Provision - Social Complex Needs	25	225	-	-	-	-	250
Strathesk Primary one class extension	-	-	214	92	-	-	305
Education - General							
Saltergate Alterations Phase III - Playground Improvements	-	252	-	-	-	-	252
Saltergate Phase IV - Internal Alterations	44	-	-	-	-	-	44
Modular Units - Session 2017/18	182	-	-	-	-	-	182
St David's EY, Burnbrae Extension, Mayfield Campus Alterations	-	-	-	-	-	-	-
New Learning Estate Furniture & IT Equipment	-	17	17	17	17	17	83
Children's Services							
Residential House for 5-12 year olds	-	700	-	-	-	-	700
Communities & Partnerships							
Members Environmental Improvements	50	50	50	-	-	143	293
Participatory Budgets	50	310	180	180	180	540	1,440
Gorebridge Community Cares	50	-	-	-	-	-	50
Adult Social Care							
Assistive Technology	100	150	150	150	150	497	1,197
Homecare	-	55	-	-	-	-	55
Recovery Hub	13	-	-	-	-	-	13
Highbank Intermediate Care Reprovisioning	260	1,077	6,126	2,312	131	-	9,906
General Fund share of Extra Care Housing	-	250	1,423	537	30	-	2,240
Sport & Leisure							
Property - Poltonhall Astro & Training Area Resurfacing	-	464	-	-	-	-	464
Property - Penicuik Astro Resurfacing	309	-	-	-	-	-	309
Property - King's Park Tennis Courts Resurfacing	-	82	-	-	-	-	82
Property - Penicuik Centre Flooring, Cardio & Equipment	-	155	23	23	-	-	200
Property - Lasswade Centre Flooring	-	33	64	115	-	-	212
Property - Gorebridge Leisure Centre	-	7	41	67	-	-	115
Property - Loanhead Centre	-	-	2	144	-	-	145
Property - Shawfair Leisure/Library Provision	-	-	2,411	2,411	-	-	4,822
Leisure Management System (Legend)	16	-	-	-	-	-	16
TOTAL PEOPLE AND PARTNERSHIPS	15,149	14,199	36,205	38,685	18,332	4,115	126,686

	2020/21	2021/22	2022/23	2023/24	2024/25	Later	Total
	Budget	Budget	Budget	Budget	Budget	Years	Spend
	£'000	£'000	£'000	£'000	£000's	£'000	£'000
COUNCIL TRANSFORMATION							
Purchase to Pay	2	-	-	-	-	-	2
EWIM - Buccleuch House Ground Floor	33	-	-	-	-	-	33
City Deal	48	766	627	7,548	12,755	-	21,744
City Deal	-	-	240	-	-	-	240
TOTAL COUNCIL TRANSFORMATION	83	766	867	7,548	12,755	-	22,019
GENERAL SERVICES CAPITAL PLAN TOTAL	32,536	36,839	55,570	61,499	43,276	12,482	242,203
COST OF SALES							
Newbattle High School	-	-	-	-	-	-	-
Hillend Land Sale Cost of Sales	-	-	-	-	-	-	-
TOTAL COST OF SALES	-	-	-	-	-	-	-
GENERAL SERVICES CAPITAL PLAN TOTAL	32,536	37,139	55,570	61,499	43,276	12,482	242,503
Provision for Return of Contingencies	(828)	(793)	(909)	(1,367)	(1,503)	-	(5,399)
GENERAL SERVICES CAPITAL PLAN TOTAL	31,708	36,346	54,661	60,132	41,773	12,482	237,104

Appendix 4: Gateway Review Requirements for all Capital Projects over £1 million

- **Detailed programme/timeline to be provided:-**
 - Listing key milestones (design/consultation/planning (all stages)/tender/construction);
 - Include lead-in times;
 - Include contingencies/delays/time-led optimism bias where appropriate;
 - All interdependencies to be listed (*use Highbank & link to St. Mary's / Hopefield as example*);
 - Vacant site planning – engagement with Elected Members.
- **Detailed cost plan to be provided:-**
 - Confirmation that scope of project has been signed off by client;
 - Detailed information regarding the proposed GIFA/area of new facility (benchmarked?) and rate/m2 (benchmarked?);
 - Elemental breakdown of capital expenditure based on standard RICS cost plan – to RIBA Stage 3/4;
 - Confirmation of approach to contingency/risk and optimism bias where applicable;
 - Inflation assumptions used/applied;
 - List of any exclusions and reasons for exclusions;
 - Link across to other Council services – Digital etc.
- **Options Appraisal:-**
 - If applicable, to Treasury Green Book standard;
 - Sensitivity analysis undertaken.
- **Procurement Route:-**
 - Detail of proposed approach to procurement route and confirmation of rationale for choosing preferred procurement route.
- **Budget Implications:-**
 - Capital expenditure budget requirements;
 - Realistic phasing of capital expenditure on a monthly basis based on programme;
 - Capital receipt forecasts & proposed approach to marketing/masterplanning site (where applicable) – linked to programme/timeline;
 - Annual revenue expenditure budget requirements including loan charges;
 - Any start up / one-off revenue resource requirements;
 - Confirmation of changes to staffing
 - Annual revenue income forecasts – benchmarked, and market testing information provided;
- **Risk:-**
 - Identify risks related to delivery of project;
- **Equality Assessment:-**
 - Required at early stage to ensure all issues flagged early in process

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

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

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

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

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

2 Purpose of Report/Executive Summary

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

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

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

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

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

Date: 12 February 2021

Report Contact:

Gary Fairley, Chief Officer Corporate Solutions

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3 Background

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 Scottish Government Grant Settlement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 Projected Net Cost of Services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Members should also continue to note that in terms of Section 112 of the Local Government Finance Act 1992 (as amended) it is an offence for members to participate in any vote in respect of setting Council Tax where the member has unpaid Council Tax. Accordingly at today's Council meeting members would be required to disclose the fact if this section of the act applies to them and subsequently not vote on any question with respect to the matter.

8.1 Midlothian Integration Joint Board

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

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

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

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

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

9 Governance and Timetable

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

10 Report Implications (Resource, Digital and Risk)

10.1 Resource

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

10.2 Digital

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

10.3 Risk

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

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

- The continued uncertainties arising from the COVID Pandemic;
- Uncertainty over the ongoing impact on the Council's financial position, especially in respect of service income, and the uncertainty over future additional grant support to help mitigate such impacts;
- The economic outlook and decision by Scottish Government on future years grant settlements and grant distribution;
- The delivery of budget reductions. To mitigate this risk a review of existing savings has been completed as part of the strategy to de-risk as far as possible the delivery of the 2021/22 and 2022/23 budgets;
- The risk to service provision and service users associated with a continued decline in available resources to fund services;
- Outstanding pay award settlements and the implications of the National Living Wage for external service providers;
- Actual school rolls exceeding those provided for in the budget;
- Learning Estate Strategy for schools being underfunded to meet statutory functions;
- The funding position for Early Years expansion, which means that whilst delivering 1,140 hours the range of options open to parents and carers is less than was anticipated;
- The impact of the wider economic climate on range of factors including: inflation, interest rates, employment, tax and income levels and service demands;
- Cost pressures, particularly demographic demand, exceeding budget estimates;
- Pressures for uplifts in the National Care Home Contract that exceeds budget provisions;
- The impact of Universal Credit, and potential pension changes;
- The costs of implementation of national policies varying from the resources provided by Government;
- Potential liabilities arising from historic child abuse;
- Unplanned capital investment requirements and the associated cost; and
- Ability to continue to meet the expectations of our communities within a period of fiscal constraint.

The Medium Term Financial Strategy aims to mitigate a number of these risks by setting out the key assumptions on which forward plans are based, and through the adoption of the corporate solution for 2021/22 and 2022/23 secure a means to achieve financial balance without further service reductions.

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

10.4 Ensuring Equalities

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

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

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

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

10.5 Additional Report Implications

See Appendix A

Appendices

APPENDIX A – Report Implications

APPENDIX B – Service Budgets 2021/22

APPENDIX C – Council Tax

APPENDIX D – Cabinet Secretary's letter

APPENDIX E – Key Assumptions,

APPENDIX F – Analysis of Change

Appendix A

A.1 Key Priorities within the Single Midlothian Plan

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

A.2 Key Drivers for Change

Key drivers addressed in this report:

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

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

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

A.4 Delivering Best Value

The report does not directly impact on delivering Best Value.

A.5 Involving Communities and Other Stakeholders

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

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

A.6 Impact on Performance and Outcomes

The Financial Strategy facilitates decision on how Council allocates and uses its available resources and as such has fundamental implications for service performance and outcomes. The financial consequences of the pandemic have impacted on the availability and allocation of resources in pursuit of key outcomes as set out in the Single Midlothian Plan for both the immediate and longer term and

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

A.7 Adopting a Preventative Approach

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

A.8 Supporting Sustainable Development

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

Appendix B

MIDLOTHIAN COUNCIL**REVENUE BUDGET 2021/22
SUMMARY**

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

Appendix C

MIDLOTHIAN COUNCIL

Council Tax for Financial Year 2021/22

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

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

Appendix D

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



Scottish Government
Riaghaltas na h-Alba
gov.scot

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

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

Copy to: The Leaders of all Scottish local authorities

28 January 2021

Dear Alison,

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

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

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

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

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



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

The Capital settlement has been set at £617 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



KATE FORBES

Appendix E

Key assumptions

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

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

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

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

Town Centre Capital Fund 2020 – 2021: Project Allocations**Report by Derek Oliver, Chief Officer – Place****Report for Decision****1 Recommendations**

It is recommended that Council:

- i. Agrees the recommended projects for the Town Centre Capital funding approval; and
- ii. Agrees the suggested process for project governance and reporting.

2 Purpose of Report

- 2.1 The purpose of this report is to provide detail on, and seek approval for, the recommended internal projects that Midlothian Council will fund from the £331,000 allocation from the second funding round of the Scottish Government's Town Centre Capital Fund. The report further seeks approval for project governance and reporting.

Date: 9 February 2021

Report Contact: Annie Watt, Acting Economic Development Manager

Email: annie.watt@midlothian.gov.uk

3 Background

- 3.1 This report follows the Town Centre Fund - Capital Grant 2020 - 2021 report approved by Council on 15th December 2020, which set out the background to the £331,000 allocation to Midlothian from the Scottish Government's Town Centre Capital Fund. Governance and process arrangements in regards to the Fund allocation was also approved, as detailed in Appendix B.
- 3.2 Due to the time sensitive and challenging deadline set by the Scottish Government, projects are required to have commenced or contracts committed by 31st March 2021.
- 3.3 Council approved that suitable, eligible internal projects should be considered first, with previously unsuccessful applications from the initial round considered second. If necessary, further projects could then have been canvassed externally.
- 3.4 All recommend applications in this report are internal, Council managed projects.
- 3.5 The Council report of 15th December 2020 approved that a project group was formed to assess the submitted projects and provide a list of recommendations. The project group has included a reserve list should any approved project fail to proceed due to unforeseen circumstances.
- 3.6 Members of the project group comprised the Elected Member spokesperson for Economic Development; Chief Officer - Place; Economic Development; Finance; Communities and Lifelong Learning services.
- 3.7 A total of seven projects were considered by the project group and scored independently. The full list of projects is detailed in Appendix C, with a summary of the Project and Project Value detailed in the table below.

Project	Project Value (£)
Ironmills Lighting – Dalkeith	£6,000
Penicuik Town Hall – Public Realm & Insulation	£175,000
Jarnac Court Regeneration – Dalkeith	£160,000
Welfare Park - Newtongrange	£130,000
Litter & Salt Bins – Pan Midlothian	£34,687.36
Community Re-use Cabin – Newtongrange	£10,000
Multi-Tech Bus – Pan Midlothian	£160,000

- 3.8 The fund guidelines state that decision making on how to spend the funding resides with the local authority. There is no requirement for bids or submission of proposals to be approved by Scottish Government.
- 3.9 Local authority investment decisions should align with the 'Town Centre First Principle' and the 'Place Principle'. As such, it is expected that investment decisions are based on approaches which are collaborative and place based with a shared purpose. Also, the focus of this phase of the Town Centre Capital Fund was to support the construction industry and to support jobs.
- 3.10 Based on this scoring exercise, the project group recommend the following highest scoring projects for funding approval.

3.11 Recommended Projects for Approval

Recommended Projects	Project Value (£)
Jarnac Court Regeneration – Dalkeith	£160,000
Litter & Salt Bins – Pan Midlothian	£34,687.36
Welfare Park - Newtongrange	£130,000
Ironmills Lighting – Dalkeith	£6,000
Total Project Value	£330,687.36
Underspend	£312.64
Reserve Projects	
Multi-Tech Bus – Pan Midlothian	£160,000
Penicuik Town Hall – Public Realm & Insulation	£175,000
Community Re-use Cabin – Newtongrange	£10,000
Total Reserve Project Value	£345,000

Underspend of £312.64 allocated as a contingency at this stage, to be drawn down by any of the successful projects that may require additional, minimal spend.

4 Reporting

- 4.1 All grant expenditure must be concluded by 31st March 2021. Expenditure is defined as “It is expected that work will be completed; or, at least work or contracts signed or commenced within 2020/21”.
- 4.2 The Scottish Government requires an end of year report in April 2021 which details financial expenditure; shows how this was additional to existing spend; profiles delivery; and, outlines anticipated impact and outcomes and how these will be measured. There will be an evaluation in Autumn 2021 capturing project completions.
- 4.3 The Scottish Government will issue templates for all of these returns. Midlothian Council is expected to notify the Scottish Ministers as soon as possible of any anticipated under-spend.
- 4.4 It is recommended that, should any projects underspend against the approved amount, the project group will have the governance to redistribute funds within the existing approved projects in order to add value.
- 4.5 Representatives from the project group and other Council Officers will monitor and support the projects to ensure that they remain on track.
- 4.6 Further information on the terms and conditions is available in the Scottish Government’s grant offer letter and conditions in Appendix D.
- 4.7 Reporting and audit requirements will align with the Council’s existing Large Grant Scheme, which has been subject to review from the Council’s Internal Audit Team.

Report Implications (Resource, Digital, Risk and Equalities)

5. Resource & Governance

- 5.1 The management and reporting of this fund will continue to be led by Midlothian Council's Economic Development Service, in close liaison with Council colleagues through the project group. The group of officers involved in putting forward the applications will continue to meet throughout the duration of project activity to ensure projects remain supported and reduce any risk of underspend. A representative from the Council's Finance team will ensure robust financial monitoring.

6 Digital

- 6.1 No implications.

7. Risk

- 7.1 The fund is time limited with spend committed within the financial year to 31st March 2021 and all works should be completed prior to the project evaluation in the Autumn of 2021. Any unspent funds will be reclaimed by Scottish Government after this time.
- 7.2 Deliverability has been a key consideration by the project group during the scoring process. Each project has provided timescales in the application. The project group will continue to meet regularly to ensure potential risks are identified at an early stage, allowing for remedial actions to be undertaken as required.
- 7.3 Should any projects not proceed, any resultant unallocated grant would be reallocated to reserve projects as outlined in 3.11.
- 7.4 To ensure robust financial monitoring and governance, the existing reporting and audit requirements in place for the Council's Large Grant Scheme will be mirrored throughout this project.

8. Ensuring Equalities

- 8.1 An IIA has been completed and is available for this proposal.

Background Papers

Appendix A – Additional Report Implications

Appendix B – Midlothian Council Report Approved 15th December 2020

Appendix C – Summary of Recommended Projects

Appendix D – Scottish Government Grant Offer Letter

APPENDIX A – Additional Report Implications

A.1 Key Priorities within the Single Midlothian Plan

- The funding is directly aimed at supporting the regeneration of Town Centres which is a key priority under the Sustainable Growth theme of the Single Midlothian Plan.
- The monies will directly fund projects which support place based economic investments which encourage town centres to diversify and flourish.
- Projects have the potential to improve opportunities for the people of Midlothian.

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

A.4 Delivering Best Value

All projects submitted will be evaluated as part of the scoring process to ensure that the Council's best value duties have been applied.

A.5 Involving Communities and Other Stakeholders

The recommendation from Council report of 15th December 2020 to prioritise internal projects was successful therefore it has not been necessary to externally consult. The restrictive timeframe, combined with the operational impact of the Coronavirus Pandemic would not have enabled this consultation or engagement activity.

A.6 Impact on Performance and Outcomes

The recommended projects meet the aspiration outlined in the December report, as below.

- Consider projects with the potential to have significant impact on a range of economic outcomes.
- Consider projects that have the potential to increase the attractiveness of Midlothian's town centres as a place to work, live or invest in.
- Consider projects that offer the opportunity to support the national inclusive growth agenda through: helping to support, attract or secure employment opportunities and/or public services, and encourage business start-ups and growth.

A.7 Adopting a Preventative Approach

Successful town centres are a key component of a thriving local economy and part of the Scottish Government's Inclusive Growth agenda. Having a vibrant and successful local town centre can help deliver key services, provide employment opportunities, attract tourism and encourage investment, all of which has a positive impact on the local economy and its people.

A.8 Supporting Sustainable Development

The nature of this fund is to support sustainable development and investment in Midlothian's town centres. This was key criteria when considering proposals to ensure long term viability.

Appendix B

Midlothian Council Report Approved 15th December 2020

Appendix C

Summary of Projects



Project
Summaries.pdf

Appendix D

Scottish Government Grant Offer Letter



General Capital Grant
2020-21 - Offer Letter