

**Councillor  
Derek Milligan  
Council Leader**

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Midlothian



Derek Mackay MSP  
Cabinet Secretary for Finance, Economy and Fair Work  
Scottish Government  
St Andrew's House  
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30 January 2019

Dear Derek

### **Impact of Population Growth across the South East of Scotland**

I write to you as Leader of the fastest growing Local Authority in Scotland to raise concerns on behalf of our Council and others within the Edinburgh and Lothians area who share our concerns regarding funding pressures exacerbated by rapid growth across the area.

Midlothian is projected to be the fastest growing Local Authority area over the 2016-2026 period, growing by 13.3%. East Lothian will grow by 8.6%, Edinburgh by 7.7% and West Lothian by 6.6%. The average projected growth in Scotland over the same period is 3.2%. This is particularly acute for the 0-15 and over 65 age groups, both of which place significant demands on the public sector.

Continued real terms reduction in budgets over the last few years have been a major issue that all four Councils have had to deal with. This lack of adequate funding is having a devastating effect on our communities and on the Councils' ability to deliver services and infrastructure both in revenue and capital terms.

The four authorities are now in a position where those efficiencies that could be made, whilst avoiding cuts to vital frontline services, have been made. Savings that have less impact on our most vulnerable people have already been found. In essence, the low hanging fruit has been picked. Decisions are now being forced on our Councils which will have a major impact on frontline services and local jobs.

While increased growth results in additional Council Tax income and Scottish Government funding recognises growth to an extent, it is well short of the levels required to fund that growth. This is exacerbated by the delay between Councils being required to fund growth and the increases in grants taking full effect. When growth is as rapid as it is in these areas, it presents huge challenges for our Councils.

We believe that the existing distribution formula and the floor arrangements results in the funding, which is essential to support population growth, not flowing to those Councils who desperately need it, but flowing to Councils with a reducing population and reduced demand pressures.

There is no question that the performance of the Scottish economy is heavily reliant on the Edinburgh and Lothian Council areas, which in turn rely on the supply of housing and the infrastructure and services needed to support population growth. The attractiveness of the city region and the ability to delivery core services is undermined by the limited resource to sustain these core services. The existing funding system simply does not support the level of growth experienced or projected.

In order to begin to address these issues we believe that Scottish Government must consider the following.

1. An urgent independent review into the way that Scottish Government distributes funds to local Authorities.

This needs to be an independent review as it is unrealistic to expect that a fair settlement, which properly reflects the needs of each authority, can be achieved by requiring other authorities to vote to reduce their own funding, particularly at a time where all Councils have financial challenges.

2. Until the above review is concluded that an additional funding mechanism be provided, which recognises and supports the exceptional population growth in the Edinburgh and Lothian areas. Thereby the Scottish Government recognising the unique position across the South East of Scotland, and the criticality of this region to supporting the wider Scottish and UK economy.
3. If Health and Social Care are to be integrated (as the Scottish Government desires), then there needs to be a recognition that the Social Care element is of equal importance in the partnerships, and the commitment from Scottish Government to fully fund increased pressures on the Health budget, should equally apply to Social Care.

I look forward to hearing from you and meeting to explore a way forward.

Yours sincerely



**Councillor Derek Milligan, Leader, Midlothian Council**

**Councillor Willie Innes, Leader, East Lothian Council**  
**Councillor Lawrence Fitzpatrick, Leader, West Lothian Council**  
**Councillor Cammy Day, Depute Leader, City of Edinburgh Council**  
**Councillor Gavin Barrie, Independent Member, City of Edinburgh Council**  
**Robert Aldridge, Liberal Democrat Leader, City of Edinburgh Council**  
**Councillor Peter Smaill, Provost of Midlothian Council**