



**MINUTES OF THE SPECIAL MEETING OF
EAST LoTHIAN COUNCIL**

**TUESDAY 12 FEBRUARY 2013
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

Councillor S Akhtar	Councillor N Hampshire
Councillor D Berry	Councillor W Innes
Councillor L Broun-Lindsay (Convener)	Councillor M Libberton
Councillor S Brown	Councillor P MacKenzie
Councillor J Caldwell	Councillor F McAllister
Councillor S Currie	Councillor P McLennan
Councillor T Day	Councillor K McLeod
Councillor A Forrest	Councillor J McMillan
Councillor J Gillies	Councillor J McNeil
Councillor J Goodfellow	Councillor M Veitch
Councillor D Grant	Councillor J Williamson

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr D Ledingham, Executive Director (Services for People)
Mr A McCrorie, Executive Director (Support Services)
Ms M Patterson, Executive Director (Services for Communities) and Monitoring Officer
Dr R Jennings, Head of Housing and Environment
Mr J Lamond, Head of Council Resources
Mr M Leys, Head of Adult Wellbeing
Mr R Montgomery, Head of Infrastructure
Ms S Saunders, Head of Children's Wellbeing
Mr T Shearer, Head of Policy and Partnerships
Ms P Bristow, Communications Officer
Mr K Christie, Council Tax Manager
Ms S Cormack, HR Manager (Operational Services)
Ms F Currie, Committees Assistant
Ms M Ferguson, Corporate Legal Adviser
Mr A Gillespie, Finance Manager (Business Advice)
Ms J Mackay, Media Manager
Mrs K MacNeill, Corporate Legal Adviser
Ms K Maguire, Corporate Finance Manager
Mr H Mark, Corporate Debt Team Leader
Mr D Russell, Communications Manager

Visitors Present:

None

Clerk:

Mrs L Gillingwater

Apologies:

Councillor T Trotter

1. COUNCIL FINANCIAL STRATEGY 2013/14 TO 2015/16

A report was submitted by the Executive Director (Support Services) outlining the Financial Strategy of the Council, which provided the financial context for Councillors in preparing their budgets for the period 2013-16.

The Head of Council Resources, Jim Lamond, presented the report, advising that the Financial Strategy would guide the financial management of the Council over the next three years and beyond. He highlighted the key aspects of the Strategy in relation to the Housing Revenue Account (HRA): ensuring the capital programme would be sustainable and affordable through the proposed rent and revenue spending limits; staying within the recommended upper limit for the ratio of debt to overall income of 40%; and maintaining a minimum reserve/balance on the account of £1 million.

Mr Lamond outlined the challenges facing the Council in relation to the General Services budget, with government grant funding decreasing by £4.3 million (2.2%) over the three year period, and the suggestion that councils should plan for even further reductions. He drew attention to a number of key factors, including: the ongoing Council Tax freeze; the lack of provision made for rises in inflation; demographic changes; and the need for the Capital Investment Plan to be affordable and sustainable. He drew attention to the capital spending limits for the next 5 years, which were consistent with the advice given in the mid-year report to Council in October 2012.

Mr Lamond announced that both budget proposals being considered at this meeting would include the application of a Voluntary Early Release Scheme (VERS), which would present the Council with additional challenges as regards service delivery, but would make a significant contribution to reducing expenditure. He also pointed out that a team would be established to support the Council Management Team in delivering a challenging change programme.

As regards reserves, Mr Lamond proposed that should any future reserves become available they should be directed towards the Cost Reduction Fund, and that £2.284 million should remain available to support the 2013-16 budgets.

Concluding his presentation, Mr Lamond noted that regular financial reports would be presented to Council and Cabinet. He stated that he was confident that the Council could achieve its priority outcomes within a sustainable and balanced budget, provided that the required change programme was delivered.

In response to questions from Councillor Berry, Mr Lamond confirmed that a number of the proposed changes would impact on the Cost Reduction Fund. He indicated that the control measures approved by the Council in 2012 should start to make an impact and it was possible that a lower than anticipated level of reserves would require to be drawn down in 2012/13.

Expressing concern that the required savings may not be achieved, Councillor McLennan asked how the budget would be monitored. The Chief Executive pointed out that there were already a number of measures in place in this regard, including highlight reports to the

Council Management Team where Heads of Service were required to report any variances in the budget and then courses of action agreed, including reporting to Cabinet if necessary.

Councillor McLennan asked for confirmation that both budgets being presented to the meeting were balanced, deliverable and sustainable. Mr Lamond declared that budget proposals had been subjected to robust tests and that both budgets had satisfied these tests.

Councillor McMillan requested details of risk assessment and analysis process. Mr Lamond explained that as an integral part of the budget development process, the Finance officers had identified ten key risks and had taken action to mitigate these risks by means of a number of control measures. He added that external factors had also been taken into account when identifying these risks.

Decision

The Council agreed:

- i. to approve the Financial Strategy, attached as Appendix 1 to the report; and
- ii. that, as part of presenting their budget proposals, each Group of Councillors had been recommended to:
 - use no more than £2.284 million of General Services reserves within the budgets for 2013/14 or 2014/15;
 - develop a sustainable General Services budget avoiding the use of reserves in 2015/16;
 - develop General Services Capital Plans which, when adjusted, were within the maximum Capital Expenditure Limits outlined at Section 3.6 of the report;
 - adopt the recommended levels for reserves, as detailed in the Financial Strategy;
 - transfer any unexpected reserves and the balance on the Property Renewals Reserve at the end of 2012/13 to the Cost Reduction Fund;
 - prepare balanced budget proposals for General Services taking into account a freeze in the level of Council Tax and the related levels of government grant;
 - retain within the Housing Revenue Account (HRA) at least £1.0 million of reserves as protection against unexpected costs of loss of income;
 - keep the ratio of income to debt charges within the HRA to below 40%;
 - propose an appropriate rent increase to support the HRA budget proposals.

2. COUNCIL TAX 2013/14

A report was submitted by the Executive Director (Support Services) setting the Council Tax charges for the 2013/14 tax year.

Mr Lamond presented the report, informing Members that the Council was required by law to set its Council Tax annually for the year ahead. He confirmed that for 2013/14 both political groups had chosen to accept the favourable grant funding from the Scottish Government and freeze Council Tax. He drew attention to the Council Tax charges for 2013/14 and to the early payment discount of 2%. He pointed out that new provisions had been made that would give councils additional powers in relation to Council Tax rates for empty dwellings and second homes, but that the guidance on these powers had not yet been received. He therefore proposed that the Council's current practice of awarding a 10% discount for empty dwellings and second homes be continued for 2013/14 and that this arrangement be

reconsidered in future years. Mr Lamond also made reference to the new Council Tax Reduction Scheme and the risks associated with that Scheme.

Councillor Berry called on the Council to lobby the Government through CoSLA on the Council Tax band levels. He welcomed the new powers in respect of empty dwellings and second homes, and suggested that the Council should consider charging more than 100% on such properties. Mr Lamond indicated that this matter should be considered in detail once the guidance has been made available to councils and that a report would be presented to Council on this issue in due course.

Councillor Veitch welcomed the Council Tax freeze, particularly in view of the challenging economic climate.

Decision

The Council agreed:

- i. to approve the Council Tax charges for 2013/14, as listed at Section 3.8 of the report;
- ii. to approve the continued operation of the Council Tax advance payment discount at 2%;
- iii. that the Council Tax second home and long-term empty property discount should remain at 10% for 2013/14; and
- iv. to note the changes made to the 2013/14 budgets in relation to the cessation of the national Council Tax Benefit scheme and the new financial risks which the Council now faced.

3. PROPOSALS TO INCREASE COUNCIL HOUSE RENTS: CONSULTATION EXERCISE

A report was submitted by the Executive Director (Services for Communities) outlining the results of the consultation exercise on the proposals to increase Council House rents in 2013/14, and outlining the key aspects of the consultation process.

The Head of Housing and Environment, Richard Jennings, presented the report, explaining that the Council had a statutory obligation to consult with all tenants when making proposals to increase rent levels. He noted that 973 completed questionnaires had been returned, together with four telephone calls and one written response, representing a return rate of 11.5% of all letters issued. He provided Members with a summary of the responses and advised that the Rent Increase Consultation Register had been lodged in the Members' Library.

Referring to the differential in the rent levels between older Council homes and new build Council homes, Councillor Berry asked if there had been any comments received about this during the consultation. Dr Jennings advised that the consultation data had not been analysed in this way, but offered to look into this for Councillor Berry.

Councillor Currie thanked the staff involved in carrying out the consultation and also those who had submitted responses.

Decision

The Council agreed:

- i. to note the results of the consultation exercise; and
- ii. to note the consultation process, which would be further improved and consolidated on in future years.

4. RENT PROPOSALS 2013/14 – 2017/18

(a) Presentation by the Administration

Councillor Hampshire presented the Administration's Housing budget to the Council. He thanked officers in Council Resources and Services for Communities for their advice and support.

Councillor Hampshire advised that the Administration had worked with officers to bring the HRA budget back to an affordable level, arguing that the previous Administration's budget approved in 2012 would have resulted in unacceptable rent increases for Council tenants.

He declared that the proposed rent increase would allow the Council to:

- continue to invest in new affordable housing;
- increase investment in the modernisation and extensions programme; and
- increase the revenue available to carry out repairs to Council houses.

Councillor Hampshire commented that the budget proposed by the SNP Group would not increase the revenue available for repairs and that there would be a reduction in the budget to modernise homes. He stated that the Administration would work to achieve best value for tenants whilst minimising rent increases and called on the Council to support the rent proposals as set out by the Administration.

The Administration proposals were seconded by Councillor Caldwell.

Councillor McLennan questioned a claim made by Councillor Hampshire in relation to increases in rent levels between 2007 and 2012. It was agreed this matter would be taken off line with relevant officers.

(b) Presentation by the SNP Group

Councillor Currie presented the SNP Group housing budget to the Council. He highlighted the progress made in delivering new Council housing between 2007 and 2012 and the ongoing modernisation programme, which had put the Council on track to meet the Scottish Housing Quality Standard in 2015. He drew attention to the key aspects of the SNP Group's housing proposals:

- investment of £60 million in new Council houses over 5 years
- £60 million pounds of investment over 5 years to deliver new kitchens, bathrooms and adaptations
- an additional £75,000 to employ apprentices

Councillor Currie suggested that the Administration should invest more in the modernisation programme, rather than providing extensions to existing Council properties. He also criticised the decision of the Administration to abandon a planned housing project in Dunbar.

In recommending the SNP HRA budget, Councillor Currie called on Members of all political groups to work together to resolve the challenges facing the Council.

The SNP Group proposals were seconded by Councillor McLeod.

(c) Debate and Decision

Following the presentations, a full debate took place.

Councillor Hampshire opened the debate by commenting that if the SNP Group had carried on with their planned housing investment, rent increases would have been at a higher level and the Council would have accrued more debt. Councillor Berry responded by remarking that the Administration's budget proposals carried a higher level of debt charges than the SNP proposals and asked why the Administration would not therefore support the SNP budget.

Councillor Innes claimed that the SNP had disregarded the views of tenants by cutting £2 million from the modernisation programme and nearly £700,000 from the repairs programme. He argued that this was not a good deal for tenants. He also criticised the SNP proposal to fund apprenticeships from the HRA budget, arguing that it should not just be Council tenants who fund these posts.

Councillor Akhtar commented that tenants would be disappointed to see a reduction of £700,000 in the repairs budget, and that they would rather pay an additional 15p per week to have this budget maintained.

Councillor McLennan drew attention to the levels of investment in Council housing over the past five years compared to the preceding years.

Referring to the rent consultation, Councillor Goodfellow pointed out that 85% of respondents had indicated that 4.3% was a fair rent increase.

Councillor Currie summed up by expressing concern that the Administration's proposals for Council house extensions would have a detrimental impact on the modernisation programme. He also put forward the view that through continued investment in new kitchens and bathrooms, the cost of repairs would inevitably come down. He called on Members to support the SNP budget in order to minimise the rent increase to tenants.

Summing up for the Administration, Councillor Hampshire maintained that the level of borrowing in their budget was affordable and that the proposed rent increase of 4.3% would allow the Council to deliver the services that tenants wanted. He remarked that some of the previous Administration's proposed housing developments did not give value for money and that the new Administration would ensure that all contracts would deliver best value for rent payers.

Councillor Berry registered his dismay that questions he had asked during the course of the debate had not been answered to his satisfaction.

The Provost then asked the Council to move to the vote.

The HRA budget proposals of the SNP Group for 2013/14 to 2017/18 were put to the vote.

For:	8
Against:	13
Abstentions:	1

The SNP Group's proposals therefore fell.

The HRA budget proposals of the Administration for 2013/14 to 2017/18 were put to the vote.

For: 13
Against: 8
Abstentions: 1

The HRA budget as proposed and seconded by the Administration was therefore carried.

Decision

The Council agreed to approve the rent proposals as presented by the Administration and increase Council house rent levels by 4.3% in 2013/14.

5. COUNCIL TAX PROPOSALS 2013/14 to 2015/16

(a) Presentation by the Administration

Councillor Innes presented the Administration's budget proposals, thanking the Chief Executive, the Council Management Team and Finance officers for their assistance during the process.

Councillor Innes drew attention to the serious financial challenges facing the Council over the coming years which he believed would be made more difficult by the continuing freeze on Council Tax. He highlighted the Council's high level of debt and actions already taken by the new Administration to reduce this.

Councillor Innes expressed concern at falling attainment levels in a number of East Lothian's secondary schools and at levels of support for vulnerable children. He also criticised decisions made by the previous Administration as regards capital investment.

He highlighted a number of the key proposals in the Administration's budget, including:

- action to be taken in relation to reducing the numbers of children accommodated in residential units outwith East Lothian
- increased funding to support the local economy, businesses and tourism
- protection of front line services
- a voluntary Early Release Scheme for Council employees

The Administration proposals were seconded by Councillor Veitch, who welcomed the proposed efficiencies, which he felt were challenging but necessary. He was confident that the priorities contained with the proposals reflected those of the Council Plan. In particular he welcomed:

- an additional £100,000 to support and develop new businesses and social enterprise
- an increase of £350,000 to make improvements to car parking facilities
- the protection of rural schools
- £120,000 to support local festivals
- £900,000 for coastal and flood protection schemes

Councillor McLennan asked if the £800,000 committed to community intervention would include the purchase of Ormiston Bowling Club. Councillor Innes explained that having funds earmarked for community intervention would give the Council some flexibility to assist communities where necessary without having to wait until the following budget-setting process.

Councillor McMillan added that the Council needed the flexibility to respond to events affecting communities and to mitigate risk.

(b) Presentation by the SNP Group

Councillor McLennan set out the budget proposals of the SNP Group, reminding Members that funding to the Scottish Government from the UK Government had been cut by £3 billion for 2013/14. He advised that the SNP Group's goal would be to protect the most vulnerable people in East Lothian. He claimed that the Administration would be spending less on education, children's wellbeing and adult care services, and outlined the key aspects of the SNP proposals, which included:

- increased funding of almost £2 million for schools and services for the elderly
- investment of £1.5 million in Haddington Day Centre and the Abbey Care Home
- protection of funding for children's voluntary groups
- the establishment of a welfare fund to assist residents, with funding of almost £500,000

Councillor McLennan declared that the manifesto commitments of the SNP Group would be met through their budget proposals, and criticised the priorities proposed in the Administration's budget.

The SNP Group proposals were seconded by Councillor McLeod.

Councillor Goodfellow questioned claims made by Councillor McLennan in relation to the Edington Hospital and Abbey Care Home in North Berwick. Councillor McLennan argued that the proposals outlined by the Administration would jeopardise the future of the Abbey Care Home and asked why funding to that facility had been cut.

Councillor Hampshire queried the proposals by the SNP Group to safeguard free school meals for children in some areas but not others. Councillor McLennan responded, explaining that this policy had been introduced in areas of multiple deprivation and that it remained an important aspect of the SNP budget, especially in view of the welfare reforms.

In response to a question from Councillor Innes, Councillor McLennan accepted that not all children in those areas were deprived, but indicated that it would cost more to means test the policy than it was to provide all P1-3 children with free school meals.

(c) Debate and Decision

Following the presentations, a full debate took place.

As Cabinet spokesperson for Education & Children's Services, Councillor Akhtar highlighted the overspend in Children's Services inherited by the new Administration and pointed out that in 2013/14 this budget would be fully funded. She spoke of the important role of foster and kinship carers and of the Administration's £150,000 investment to support them. She also commended the current Place2Be project, noting that the budget for therapeutic counselling services had been protected and an additional £50,000 was planned to allow such a service to reach more young people. On free school meals, Councillor Akhtar emphasised that every child entitled to them would continue to receive them. She also confirmed that there would be no rural school closures and that it would be a priority of the Administration to work with schools to build a positive and constructive relationship on finances.

Speaking in defence of the SNP Group's policy on free school meals, Councillor MacKenzie claimed that there were many families living on the threshold of poverty that would have difficulty in meeting the costs of school meals. He criticised the Administration for removing free school meals for such families during the current economic climate. Councillor MacKenzie drew attention to the previous Administration's record in education, commenting on improvements in attainment, school estate and parental satisfaction ratings. He voiced his concerns about the budget proposals of the Administration in relation to the Devolved School Management (DSM) budget, support for voluntary organisations and the Wraparound Care scheme.

Councillor Day, the Cabinet Spokesperson for Community Wellbeing, highlighted the Administration's budget proposals for community services, including:

- a new community facility for Whitecraig
- £800,000 for a new community intervention fund
- the delivery of 3G sports pitches in Dunbar, North Berwick and Prestonpans
- £800,000 of capital investment in East Lothian's sports centres
- the continuation of free music tuition in schools

He stated that the Administration's budget provided a balance between protecting services, whilst ensuring that the Council's finances were affordable and sustainable.

Councillor Currie condemned the coastal car parking charges being introduced by the Administration, believing that this would adversely affect tourism and jobs in East Lothian. He also questioned the Administration's proposal to reduce the funding to The Brunton, and he proposed that local groups and charities should not be charged to use that facility. He voiced concern that the Administration's budget for sports centres would affect opening hours, services and the cafes. He also condemned delays to a number of capital projects as set out in the Administration's budget.

Councillor Williamson observed that the Administration's budget did not contain specific information on the regeneration of Musselburgh Town Centre. He remarked that this would meet with great disappointment from local groups who had worked over the past two years to regenerate the town centre. He asked if such projects could be funded from the Administration's new community intervention fund.

Prior to highlighting the Administration's proposals regarding adult wellbeing, Councillor Grant commented that the free school meals policy of the previous Administration had been well-intentioned but had become unsustainable. He reiterated the point that any child entitled to free school meals would continue to receive them. On adult wellbeing, he highlighted the challenges facing this service, particularly in view of an increasing elderly population and the forthcoming integration of health and social care. He summarised the key aspects of the proposals for this service:

- ongoing investment of £581,000 in Year 1 and £826,000 in Year 2
- the creation of a new Welfare Rights/Benefits Officer post, jointly funded by MacMillan Cancer Trust and the Fairer East Lothian Fund
- an increase in funding of £50,000 to the Day Centre Association
- greater use to be made of sheltered housing
- a redesign of services for older people
- a review of care home resources to coincide with the opening of the new care home in Tranent in 2014.

Councillor Berry concurred with comments made by Councillor Grant in relation to the provision of transport services and the potential to make savings in this area. As Convener of the Policy & Performance Review Committee, he undertook to look at this in advance of the 2014 budget process. He did, however, have concerns about a number of aspects of the Administration's budget, in particular the proposals regarding the reintroduction of free special waste uplifts and the Buy Smart initiative. He expressed concern that the Abbey Care Home could close without investment to bring it up to standard and that such a closure would impact on the Edington Hospital. Councillor Berry remarked that the Administration's budget contained "optimistic" figures and that they had sacrificed financial viability for short-term gain. He also pointed out that the debt charges set out in the SNP budget were lower than those of the Administration.

Councillor Brown accepted that the budget process had been a challenging one, and that many difficult decisions had to be made. However, he held the view that the SNP budget protected the most vulnerable in society, and criticised the Administration for cutting funds to voluntary groups. He voiced his disappointment as regards the Administration's proposals in relation to the planned sports centre in Port Seton and Prestongrange Museum.

As Cabinet Spokesperson for Economic Development, Councillor McMillan set out the Administration's proposals for partnership working with current and potential employers in East Lothian. He drew attention to the investment in Town Centre Vision initiatives in Haddington and Musselburgh, and to investment of £800,000 over three years in improvements to broadband and mobile connectivity. Councillor McMillan also highlighted the success of the Business Gateway and the membership of the China-British Business Bureau, which he hoped would attract investors and trade delegations from China. He spoke of the importance of creating jobs and building skills locally. Reference was made to opportunities arising from the Open Championship which would be held at Muirfield in 2013, and to the many successful festivals now taking place annually in East Lothian, all of which attracted many visitors and boosted community spirit.

Councillor Hampshire argued that the difficult decisions being taken by the Administration had come as a result of the previous Administration's failure to reduce expenditure. He highlighted the salient aspects of the Administration's proposals for environmental services:

- the removal of charges for special waste uplifts
- investment in coastal areas and flood prevention
- improvements to coastal car parks resulting from parking charges
- investment in cemetery extensions

Councillor McAllister expressed his dismay that the Administration would not be proceeding with the Musselburgh town centre regeneration as previously planned, especially in view of the commitment of community groups to this project. He warned that economic growth would not happen in Musselburgh without this investment, and called on the Administration to reconsider this matter. He also claimed that the impact of UK Government policies on public finance and welfare would have the greatest effect on the most vulnerable in society.

Councillor Caldwell stated that he had supported initiatives to regenerate Musselburgh town centre over the past 10 years. However, he claimed that he had not been fully advised of the proposals put forward two years ago when £1 million of funding was earmarked for town centre improvements. He suggested that Council support was required for existing and prospective businesses and that parking issues needed to be addressed in order to encourage people to shop in the town centre.

Councillor Goodfellow remarked that 40% of Council Tax income was being used to service the Council's debt, and that this was not a sustainable position. On coastal car parking, he believed that the facilities were not currently fit for purpose and that investment was needed

to upgrade these facilities to attract tourists. He also referred to the Administration's proposals on flood prevention measures and village hall investment. He expressed his disappointment in relation to inaccurate reports in the media and on social networking sites which had caused some concern within a number of communities.

Summing up for the SNP, Councillor McLennan stated that his Group's budget was both sustainable and deliverable and would protect services for vulnerable people. He criticised the Administration's proposals, particularly regarding education and adult social care, and argued that greater investment in these areas was required due to demographic challenges.

Summing up for the Administration, Councillor Innes drew attention to a number of areas within the SNP budget where cuts were being proposed, such as mobile library services and domiciliary care services, and he also questioned proposed income of £1.5 million from the sale of non-core business.

The Provost then asked the Council to move to the vote.

The budget proposals of the SNP Group were then put to the vote.

For:	8
Against:	13
Abstention:	1

The SNP Group's proposals therefore fell.

The budget proposals of the Administration were then put to the vote.

For:	13
Against:	8
Abstention:	1

The budget as proposed and seconded by the Administration was therefore carried.

Decision

The Council agreed to approve the budget proposals as presented by the Administration and to retain Council Tax levels at their current rates for 2013/14.

Signed

Provost Ludovic Broun-Lindsay
Convener of the Council