



**MINUTES OF THE MEETING OF
EAST LOTHIAN COUNCIL**

**TUESDAY 11 FEBRUARY 2014
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

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

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Ms M Patterson, Depute Chief Executive (Partnerships and Community Services)
and Monitoring Officer
Dr R Jennings, Head of Development
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 Communities and Partnerships
Mr D Christie, Service Manager – Business Finance
Mr K Christie, Service Manager – Revenues
Mr J Cunningham, Service Manager - Benefits
Ms F Currie, Committees Assistant
Ms M Ferguson, Service Manager – Legal Services
Mr A Gillespie, Service Manager – Business Finance

Visitors Present:

None

Clerk:

Mrs L Gillingwater

Apologies:

None

1. COUNCIL FINANCIAL STRATEGY 2014/15 TO 2016/17

A report was submitted by the Depute Chief Executive (Resources and People Services) outlining the Financial Strategy of the Council, which provided the financial context for Councillors in preparing their budgets for the period 2014-17.

The Head of Council Resources, Jim Lamond, presented the report, advising that the Financial Strategy provided financial management guidance and established financial parameters within which the political groups had been asked to prepare their budget proposals.

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; meeting the requirements of the Scottish Housing Quality Standards by March 2015; ensuring rent arrears would be kept to a minimum; 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.

As regards the General Services budget, Mr Lamond pointed out that only one year of detailed figures had been made available by the Scottish Government. He drew attention to a number of key factors, including: the ongoing Council Tax freeze; the lack of provision made for rises in inflation; the pressures resulting from demographic changes; ongoing pressures on staffing costs; meeting the requirements of new legislation; and the need for the Capital Investment Plan to be affordable and sustainable. He made reference to the capital spending limits for the next 5 years, which were consistent with the advice given to Members at previous Council meetings.

Mr Lamond reported that the Voluntary Early Release Scheme (VERS) had resulted in 97 employees leaving the Council, which would realise a reduction of over £3m in staffing costs annually. He added that further staffing reductions would be made through the Efficient Workforce Management Planning (EWMP) programme.

Mr Lamond also noted that an income generation benchmarking exercise was now underway and that a Budget Review Group would be established to provide further scrutiny of spending within the Council.

On the use of reserves, Mr Lamond recommended the retention of already earmarked reserves for the following purposes: balancing current and future budgets; civil emergency; Cost Reduction Fund; Insurance Fund; DSM; and MELDAP/DAAT. He proposed that should any future reserves become available, they should be directed towards the Cost Reduction Fund or a General Services Capital Fund.

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

Mr Lamond confirmed that both budgets presented to the Council had been subjected to four tests, and that both had satisfied these tests.

In response to a question from Councillor Currie as regards the ratio of income to debt charges within the HRA, Mr Lamond indicated that keeping this ratio below 40% would be a challenge and that there were a number of factors to consider, including balancing capital spending, investing in new housing, meeting the Scottish Housing Quality Standard and continuing the modernisation programme.

Councillor Berry asked if the ratio of income to debt charges for new build Council housing had stayed within the 40% limit. Mr Lamond advised that the 40% test was applied to the overall capital programme. He pointed out that within the last 10 years, there had been a time when the debt level was 0% and that a cap had been introduced because the debt levels had been rising, and action could be taken to avoid breaching the 40% level.

Councillor Berry also asked a question in relation to the balance of the Cost Reduction Fund. Mr Lamond confirmed that this fund had been established with a £5m balance, and that authority had been given at the 2013 budget-setting meeting to transfer surplus funds from reserves into that Fund in order to meet the costs of implementing VERS and other committed and anticipated expenditure, including the secondary schools management restructure and EWMP.

Councillor Hampshire welcomed the report, commenting that the Council had to consider ways of reducing costs whilst protecting frontline services.

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:
 - develop a sustainable General Services budget avoiding the use of reserves in 2016/17;
 - 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 at the end of 2013/14 to either a General Services Capital Fund or Cost Reduction Fund, with any balance on the Capital Fund to be used in future years to directly fund capital expenditure, thereby reducing the need for future borrowing;
 - prepare balanced budget proposals for General Services taking into account a freeze in the level of Council Tax and the related estimates 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 2014/15

A report was submitted by the Depute Chief Executive (Resources and People Services) setting the Council Tax charges for the 2014/15 tax year.

Mr Lamond presented the report, informing Members that both political groups had confirmed their intention to accept the conditions of the Scottish Government grant offer and therefore apply a Council Tax freeze. He advised that the Council was required by law to set its Council Tax annually for the year ahead and drew attention to the Council Tax charges for 2014/15. He also highlighted the discounts in relation to early payment of Council Tax and to second homes, and reminded Members of the arrangements and funding now confirmed to support continuation of the Council Tax Reduction Scheme.

Councillor Currie welcomed the report, in particular the agreement of all political groups to continue the Council Tax freeze for 2014/15.

Councillor Innes also welcomed the report, but remarked that he had some concerns about some assumptions contained within the report, which he would raise during his presentation on the Administration's budget proposals.

Councillor Berry spoke in support of the continuation of the advance payment discount and of the additional charges on empty homes.

Decision

The Council agreed:

- i. to approve the Council Tax charges for 2014/15 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%.

3. PROPOSALS TO INCREASE COUNCIL HOUSE RENTS: CONSULTATION EXERCISE

A report was submitted by the Depute Chief Executive (Partnerships and Community Services) outlining the results of the consultation exercise on the proposals to increase Council House rents in 2014/15, and outlining the key aspects of the consultation process.

The Head of Communities and Partnerships, Tom Shearer, presented the report, explaining that the Council had a statutory obligation to consult with all tenants when making proposals to increase rent levels. He drew attention to the work undertaken by the Project Group and to the outcome of the consultation, noting that 1241 responses had been received (3% more than last year). He also made reference to a recent tenant satisfaction survey, and undertook to brief Members on the results of this survey.

Councillor Berry asked if it was possible to provide the responses on a geographic basis or an old build/new build basis. Mr Shearer advised that responses were consistent across East Lothian but that he could not differentiate between responses from old build and new build property residents. He referred Members to the Rent Consultation Register, which was available in the Members' Library.

Councillor Hampshire paid tribute to housing officers. As regards payment breaks, he suggested that these periods could be used to allow tenants in arrears to catch up with their rent payments.

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 2014/15 – 2018/19

(a) Presentation by the Administration

Councillor Hampshire presented the Administration's Housing budget to the Council. He thanked officers and East Lothian Tenants and Residents Panel (ELTRP) representatives for their advice and support in developing the proposals.

Councillor Hampshire advised that housing staff were in the process of developing a programme to ensure that all Council houses would meet the SQHS, and that a stock condition survey would be carried out to inform the development of a comprehensive housing stock modernisation programme. He noted that the current modernisation would continue and that proposals on future investment would be shared with ELTRP and tenants prior to any changes being implemented.

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

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

Councillor Hampshire indicated that the Council would be unable to meet the demand for affordable housing without considering alternative funding options and models for delivering housing, and warned of the challenge facing the Council in delivering the affordable housing identified within the Local Development Plan (LDP).

He called on the Council to support the rent proposals as set out by the Administration.

The Administration proposals were seconded by Councillor Day.

(b) Presentation by the SNP Group

Councillor Currie presented the SNP Group housing budget to the Council. He made reference to the progress made in delivering new Council housing and the modernisation programme between 2007 and 2012 and expressed a view that this progress had not continued under the current Administration. He pointed out that due to policy decisions made by the Administration, the number of kitchen and bathroom completions in Council homes had fallen, and claimed that the number of new house completions had also decreased. Councillor Currie advised that the SNP would invest £10 million per year to modernise kitchens, bathrooms and provide adaptations. He also called on the Council to make a case to the Scottish Government for additional funds to deliver the housing required to meet the demand, and suggested that the adjusting the debt ratio should be considered in order to deliver additional housing.

The SNP Group proposals were seconded by Councillor McLeod.

(c) Debate and Decision

Following the presentations, a full debate took place.

Councillor Berry opened the debate by commenting that 4.3% was a reasonable rent increase, especially considering the quality of the Council's housing stock and the fact that East Lothian still had one of the lowest rent levels in Scotland. Whilst accepting that the Administration's extensions programme was welcomed by some families, he believed that this was not an efficient use of funds. He advised that he would be supporting the SNP's proposals.

Councillor Innes mentioned the difficulties experienced by housing associations in borrowing money to finance housing programmes and suggested that the Scottish Government could do more to assist. He also pointed out that the Council needed to reduce capital expenditure due to the difficult economic climate and the limit on the income to debt ratio.

Councillor McAllister referred to a number of positive reforms introduced by the Scottish Government and also to the problems experienced by tenants with the introduction of the spare room subsidy.

Summing up, Councillor Currie remarked that there was a lot of common ground on housing issues. However, he argued that investment in repairs over a 5-year period would eventually result in a decrease in the cost of repairs. He anticipated that the enactment of the Housing Bill would have potential benefits in future years.

Councillor Hampshire advised that a survey of the Council's housing stock was currently underway which would inform the Council as to the progress made towards meeting the SQHS by 2015. He explained that the investment programme would take account of the modernisation programme and that sites that provided the best value for money would be identified for new housing.

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

The HRA budget proposals of the SNP Group for 2014/15 to 2018/19 were put to the vote.

For:	9
Against:	13
Abstentions:	1

The SNP Group's proposals therefore fell.

The HRA budget proposals of the Administration for 2014/15 to 2018/19 were put to the vote.

For:	13
Against:	8
Abstentions:	2

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 2014/15.

5. COUNCIL TAX PROPOSALS 2014/15 to 2016/17

(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. Members joined Councillor Innes in paying tribute to Anthony Gillespie, who would soon be leaving the Council to take up another post.

Councillor Innes referred to decisions made at the budget-setting meeting in 2013, which had resulted in almost 100 staff leaving the Council through the Voluntary Early Release

Scheme (VERS) and the use of reserves at a level that was lower than planned. He thanked staff for their commitment during these challenging times.

Councillor Innes highlighted a number of serious financial challenges facing the Council, including increased pension costs, pay increases and the zero waste directive, and argued that the Council Tax freeze had not been fully funded, which would result in further financial pressures.

Councillor Innes announced that difficult decisions were necessary to ensure the Council's financial recovery and safeguard jobs and services. He criticised the SNP Group's proposals in relation to a number of services and town centre regeneration and called on the Council to support the Administration's proposals.

The Administration proposals were seconded by Councillor Veitch, who drew particular attention to the following proposals:

- £50,000 investment to support local enterprise and business start-ups
- £300,000 per year to fund parking improvements
- over £21 million of capital expenditure on the roads network between 2013 and 2017
- increased funding for day centres
- £50,000 fund for village halls
- investment of £98,000 in supported bus services
- a financial contribution towards the cost of a railway station at East Linton

Councillor Veitch thanked officers involved in assisting Members during the budget process and thanked Councillor Innes for his role in bringing the Administration's proposals together.

(b) Presentation by the SNP Group

Councillor Currie set out the budget proposals of the SNP Group. He highlighted the importance of sharing services with other councils and effective workforce management in order to protect frontline services, and stated that the SNP would provide a guarantee that there would be no compulsory redundancies. He drew attention to the key proposals of his Group:

- offer the Lothian Racing Syndicate the opportunity to purchase the lease to operate Musselburgh Racecourse, at market value
- invest £4 million in the regeneration of towns, including £1 million to regenerate Musselburgh town centre, and the creation of town centre manager posts
- establish a £1 million fund to buy empty high street shops to rent out to new businesses
- £500,000 investment in Prestongrange Museum
- £1 million to deliver Port Seton Sports Hall
- over £1 million to develop a new community centre in Whitecraig
- the creation of a local nature reserve at Musselburgh Lagoons
- investment of £8.7 million in town and coastal flood prevention measures over the next 7 years
- creation of a third sector hub in Musselburgh
- prioritising services for children, the elderly and the disabled

The SNP Group proposals were seconded by Councillor MacKenzie. Councillor MacKenzie highlighted proposed additional levels of investment in Children's Wellbeing, including the proposed appointment of 2 additional Family Support Worker posts. He expressed his concern at a decision of the Committee on Management Resources in relation to promoted posts in primary schools and announced that the SNP Group would overturn this decision.

He also noted that the results of the DSM review and secondary roll changes would be delayed, and that funding would be provided for free school meals for some children in a number of primary schools.

(c) Debate and Decision

Following the presentations, a full debate took place.

Councillor Akhtar set out the Administration's proposals as regards Education and Children's Wellbeing, highlighting in particular the continuation of funding for Place2Be, Support from the Start, More Choices More Chances, and Parent Councils. In relation to promoted posts within primary schools, Councillor Akhtar informed Members that a consultation was underway and that the Administration would take account of views expressed.

On Adult Wellbeing, Councillor Grant spoke of the demands on and the challenges facing that service, and stated that it would not be possible to invest the amount of money intended for this service. He did, however, advise that investment in the following areas would continue: learning disabilities; older people; support for young people with complex needs entering adulthood; partnership working with Alzheimers Scotland; day centres; mental health services; and telecare equipment. He also pointed out that investment figures for Years 2 and 3 had been omitted from the proposals due to ongoing service transformation work. He noted that the Health and Social Care Partnership legislation would be implemented by 2016/17, which would enable the Partnership to provide services in different ways and provide better outcomes for service users. He remarked that the SNP's proposals for Adult Wellbeing were optimistic in terms of how services would be funded, and expressed concerns at their proposals to outsource domiciliary care services.

As Cabinet Spokesperson for Community Wellbeing, Councillor Day drew attention to the progress made as regards the delivery of 3G sports pitches, the Active Schools agenda and Enjoy Leisure. On Community Learning and Development, he advised that the implementation of cluster management committees would safeguard frontline services. He highlighted a number of successful projects, including diversionary youth work, the Special Needs Playscheme, and the Duke of Edinburgh Award Scheme. He paid tribute to the contribution and commitment of volunteers involved in community work. Councillor Day also made mention of changes within Cultural and Library services.

Councillor Trotter argued that the proposals submitted by the SNP Group would help protect frontline services, as well as tackling a number of important issues, such as town centre regeneration, traffic warden services and flood prevention.

Councillor McLeod welcomed the SNP's proposals in relation to town centre regeneration, the reinstatement of free school meals in a number of areas and the incentive scheme to help the long-term unemployed.

As regards Economic Development and Tourism, Councillor McMillan commented on the commitment of the Council, through East Lothian Works and the Business Gateway, as well as the Sustainable Economy Partnership, to increase economic growth and employment. He also voiced his disappointment at decisions made by the Scottish Government to close Haddington Sheriff Court and not to support upgrading the A1 between East Lothian and the English border.

Responding to comments made by Councillor Currie as regards Musselburgh Racecourse, Councillor Caldwell questioned the valuation of the lease as presented by the SNP Group. He pointed out that there was no guarantee that the Lothian Racing Syndicate would be in a position to buy the lease to operate the Racecourse, in which case it would need to be placed on the open market. Councillor Caldwell reminded Members that the Council had

made significant investment in the Racecourse, which was considered to be one of the best small racecourses in the country, and believed that it was unlikely that a private owner would be prepared to commit to a similar level of investment, which would result in a reduction in prize money and a decrease in the number of owners bringing their horses to Musselburgh.

Councillor Hampshire made reference to the Voluntary Early Release Scheme, which had resulted in a number of long-serving and experienced staff leaving the Council, and praised the efforts of staff in continuing to deliver services whilst the organisation was undergoing major change. He argued that the Administration's budget proposals would protect key services and claimed that the SNP Group's proposals would result in reductions in staffing in areas such as Planning, Transportation, Waste Services and Landscape & Countryside. Councillor Hampshire reported that the Council would be introducing a weekly food waste collection and would be considering changes to the weekly green bin collection. He also mentioned that the Council would implement parking charges at coastal car parks, the income from which would be reinvested in parking and visitor facilities.

Councillor Brown welcomed the SNP Group's proposals to protect Education services, in particular the reintroduction of free school meals for P1-3 pupils in some areas, and the retention of promoted posts in primary schools. He also welcomed the proposed delivery of a new sports facility in Port Seton and the additional funding to improve town centres.

Councillor Berry remarked that the Administration had not set out in enough detail the proposals contained in their budget, and expressed his disappointment at the quality of the debate. He defended the SNP's proposals to appoint town centre managers and their economic development plans. He compared a number of aspects of both budgets, pointing out that the SNP was proposing to spend more on Education, Children's Services and Economic Development in Year 1. Councillor Berry also suggested that the Council could raise income from facilities such as ice-cream kiosks.

Councillor McNeil expressed concern at the SNP's proposed level of staff cost savings. Referring to the SNP proposals to invest in Musselburgh Lagoons, he noted that discussions with Scottish Power were still ongoing. He also criticised the SNP's plans to purchase empty shop units and appoint town centre managers.

Councillor Goodfellow pointed out that the budget proposed by the Administration would result in savings of almost £1 million in debt charges. He also remarked that the SNP's proposals would not provide any investment in sea defences in North Berwick, despite the damage done by storms in recent years. On Area Partnerships, he noted that the SNP proposals concentrated on towns, adding that in North Berwick Coastal Ward, 50% of residents lived outwith the town and that any funding should be spread across the whole partnership area. Councillor Goodfellow also mentioned parking problems across East Lothian's and the need to invest in parking facilities in all areas where these problems existed.

Councillor McAllister claimed that the SNP's budget proposals focused on the right priorities – protecting the vulnerable and infirm, and enhancing the life of East Lothian's citizens. He paid tribute to the work of the Council's staff and those working in the Third Sector. He also expressed concern at the ongoing cost of the Council's PPP contract.

Summing up, Councillor Currie argued that the Labour Group had reneged on their manifesto commitments, particularly in relation to investment in the Education service. He stated that the SNP would protect promoted posts within primary schools. He also expressed concern at the Administration's proposed reduction in funding to Enjoy Leisure, and disagreed with comments made by Administration Members in relation to Economic Development and Musselburgh Racecourse. He concluded his presentation by declaring that the SNP's proposals would protect vulnerable people in East Lothian and would also

create jobs within the local economy. He recommended the SNP Group's budget to the Council.

Councillor Innes criticised proposals by the SNP Group to reduce the Council's staffing budget by £6 million. He reminded Members that the previous Administration had introduced the proposal to remove principal teacher posts in 2012, and that the current Administration was consulting on this issue prior to taking a decision. He called on Councillors to support the Administration's budget.

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: 9
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: 9
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.

Signed

Provost Ludovic Broun-Lindsay
Convener of the Council