



MINUTES OF THE MEETING OF EAST LOTHIAN COUNCIL

**TUESDAY 9 FEBRUARY 2016
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

Provost L Broun-Lindsay (Convener)	Councillor N Hampshire
Councillor S Akhtar	Councillor W Innes
Councillor D Berry	Councillor M Libberton
Councillor S Brown	Councillor P MacKenzie
Councillor J Caldwell	Councillor McAllister
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

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
Mr J Lamond, Head of Council Resources
Mr D Proudfoot, Acting Head of Development
Mr M Murphy, Senior Operational Manager (Adult Wellbeing)
Ms S Saunders, Head of Children's Wellbeing
Mr T Shearer, Head of Communities and Partnerships
Mr K Christie, Service Manager – Revenues
Mr J Cunningham, Service Manager – Benefits
Ms S Fortune, Service Manager – Business Manager
Ms M Ferguson, Service Manager – Legal and Procurement
Ms J Mackay, Media Manager
Mr J Nisbet, UNISON Branch Officer
Ms E Shaw, Corporate Finance Manager
Mr P Vestri, Service Manager – Corporate Policy and Improvement

Visitors Present:

None

Clerk:

Mrs L Gillingwater

Apologies:

None

1. COUNCIL FINANCIAL STRATEGY 2016/17 TO 2018/19

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 2016–19.

The Head of Council Resources, Jim Lamond, presented the report, advising that the Strategy provided financial management guidance for both the Housing Revenue and General Services Accounts and established various parameters within which political groups had been asked to prepare their budget proposals.

As regards the General Services budget, Mr Lamond advised that East Lothian's share of the Revenue Support Grant (RSG) had been reduced by £4.4 million (2.6%), and that this was conditional on the Council accepting the delivery of a package of Scottish Government policy objectives, failure of which would result in a further reduction in funding of £7.8 million. He reported that a programme of transformational change was required to be undertaken in order to balance future budgets. He also set out the position as regards reserves, setting out his recommendations for earmarked reserves and noting that any further available reserves should be transferred to the Cost Reduction Fund or to the Capital Fund.

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 levels; continuing to meet the requirements of the Scottish Housing Quality Standards; responding to the challenges arising from the recent and proposed UK Benefit reforms; 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 HRA of £1 million.

In response to a question from Councillor Currie as regards the Scottish Government grant, Mr Lamond advised that the amount of funding awarded to the Council for its share of the integration of health and social care was similar to the amount of grant funding lost; however, there were conditions as to how this money could be used, and it could not be diverted to fund other services. Mr Lamond also noted that some assurances had been given within the terms of the settlement that funding of the Integration Fund would be recurrent.

Councillor Berry raised a number of questions, in relation to efficiency savings and reducing spending commitments. Mr Lamond explained that the vast majority of staff savings would be based on the base budget, through posts which were deleted or which had not been filled. He added it was highly likely that there would be a reduction in local authority funding in real terms over the coming years. He also noted that political uncertainty posed a risk. On the question of ring-fenced funding, Mr Lamond advised that there was no longer any formal ring-fencing, although the Council did have a number of statutory obligations to meet.

Councillor McLeod asked how the Council had performed in relation to its debt-to-income ratio limits. Mr Lamond reported that the figure was currently just below 30%; however, he anticipated it would be close to 40% by the end of the planning period.

Responding to a question from Councillor Hampshire in relation to achieving further efficiencies, Mr Lamond confirmed that both the Administration and SNP Group had produced balanced budget proposals. He indicated that should the Council's financial situation get worse, the Council may need to consider adopting measures which were not included in the proposals.

Councillor Goodfellow asked if increases to pay and pension contributions had been included in the Scottish Government settlement. Mr Lamond informed Members that there

had been no direct funding for these increases and that the Council would have to accommodate them. Councillor Goodfellow also asked about the level at which teacher numbers would be calculated. Mr Lamond advised that he could not answer the question as further information was required, but noted that if the overall ratio was not satisfied at the national level, teacher numbers within individual local authorities would be looked at, and those who did not satisfy the ratio would be penalised.

On the management of staff vacancies, raised by Councillor MacKenzie, Mr Lamond stated that managers had been applying spending constraints, but that there would be increasing pressures on sustaining this position in the medium/long term, as many staff were now working at full or beyond capacity. He did point out, however, that the Council's obligations were still being met.

Councillor McMillan drew attention to the views of the Council's external auditors, who had commended the Council's performance as regards governance, leadership, decision-making, providing value for money and using resources effectively, among others. He commended the proposed strategy.

Councillor Akhtar expressed concern at the challenges facing local authorities in terms of capital and revenue grant funding and highlighted the investment needed in East Lothian's schools as a result of the increasing population in the county.

Councillor Currie indicated that the cuts in funding had come from the UK Government, making it difficult for the Scottish Government to balance its budget, and he criticised the Administration for failing to take account of this. His comments were supported by Councillor McAllister, who added that the Scottish Government was continuing to provide free personal care, free university tuition fees and had mitigated the effect of the spare room subsidy. He remarked that a one-year Scottish Government settlement had been made on the basis of forthcoming changes to the Council Tax system.

Councillor Berry commented that it was important for councils to change how they worked in order to meet future challenges. He stated that the financial situation would not improve and that the Council needed to look at 'the bigger picture'. He agreed with previous comments that the Scottish Government did not treat local government as a partner, and that local government needed more control in order to develop solutions to the problems.

Decision

The Council agreed:

- i. to approve the Financial Strategy, attached as Appendix 1 to the report;
- 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 Year 3 (2018/19);
 - Develop General Services Capital Plans, which sought to minimise net borrowing requirements and were considered affordable both in terms of prudential limits and within the three-year revenue budget;
 - Adopt the recommended levels for earmarked reserves, as detailed in the Financial Strategy Statement;
 - Transfer any further additional reserves at the end of 2015/16 to either the General Services Capital Fund or the Cost Reduction Fund, with any balance on the Capital Fund to be used in future years to directly fund capital expenditure or defray capital charges;

- Prepare balanced budget proposals for General Services taking into account a freeze in the level of Council Tax for Year 1 and the related estimates of Scottish Government Grant and other funding;
- Retain within the HRA, at least £1.0 million of reserves as protection against unexpected costs or loss of income;
- Maintain the ratio of debt charges to income within the HRA to below 40%; and
- Propose an appropriate rent increase to support the HRA revenue and capital budget proposals.

2. COUNCIL TAX 2016/17

A report was submitted by the Depute Chief Executive (Resources and People Services) setting the Council Tax charges for the 2016/17 tax year.

The Head of Council Resources, Jim Lamond, spoke to the report, advising that the settlement package from the Scottish Government had not been announced until 26 January; that the Council's share of the Revenue Support Grant had been reduced by £4.4m, or 2.6%; and that the full funding package was conditional on the Council delivering a Council Tax freeze for 2016/17, protection of teacher numbers, and the establishment of an Integration Fund. He advised that councils had been given a deadline of 9 February to confirm acceptance of the package, reiterating that if the Council did not accept it, it would stand to lose a further £7.8m (the equivalent of a Council Tax increase of 17%). He announced that both the Administration and SNP Groups had indicated their intention to accept the conditional settlement package, thereby applying a freeze on Council Tax for 2016/17. Mr Lamond also proposed that the early payment discount scheme should cease and that a 10% discount should continue to be applied in respect of second homes. He drew attention to the framework in place as regards long-term empty dwellings. It was noted that the Council Leader would be required to respond to the Depute First Minister by the close of business on 9 February confirming acceptance of the grant settlement.

Councillor Berry asked why the 10% discount for second homes should continue to be applied. Mr Lamond advised that the 10% discount was the minimum discount that could be applied; he undertook to advise Members as to the value of that discount in East Lothian.

Councillor Berry remarked that the framework for empty properties was confusing and should be simplified, and he suggested that the Council should be able to levy a Council Tax surcharge on second homes.

As regards the Council Tax freeze, Councillor Currie reminded Members that this was a policy that all councillors had supported.

Councillor Veitch welcomed the Council Tax freeze, but noted that the local government framework required reform in order that councils could have more autonomy and control over the services they provide.

Councillor Innes remarked that there was a difference between 'supporting' the freeze and 'accepting' it. Referring to the requirement for him to write to the Depute First Minister accepting the settlement, he proposed that the letter should also set out the Council's reservations in relation to accepting the conditions on the Council Tax freeze, teacher numbers, the Integration Fund, existing pressures and capital funds. He asked the Council to accept the inclusion of these concerns in the letter.

Opposition Members expressed concern about this proposed amendment, on the basis that there was insufficient time for Members to consider the wording. Councillor Currie also

believed that the inclusion of these reservations was not constructive, and that the letter should focus on whether or not the Council was accepting the settlement.

The Chief Executive pointed out that it was for the Council Leader to respond on behalf of the Council, having taken account of the views of Members at this meeting. Councillor Currie indicated that the SNP Group would approve the acceptance of the settlement but not the inclusion of the reservations.

Councillor Berry agreed with a proposal put forward by the Provost as regards sending a separate letter to the Depute First Minister outlining the Council's concerns.

Councillor Innes maintained that alerting the Depute First Minister to the Council's reservations in the letter was a legitimate position to take, and moved that the letter should outline the reservations, as set out above. His proposed amendment was seconded by Councillor Hampshire. Councillor Berry registered his dissent as regards this proposal.

The Provost moved to the vote on the amendment, as proposed by Councillor Innes and seconded by Councillor Hampshire, to outline in the letter to the Depute First Minister accepting the settlement, reservations in relation to the Council Tax freeze, protection of teacher numbers, the Integration Fund, existing pressures and capital funds.

For: 13
Against: 1
Abstentions: 8

The amendment was therefore carried.

Decision

The Council agreed:

- i. to approve the Council Tax charges for 2016/17 as listed at Section 3.5 of the report;
- ii. that the Council Tax second home and long-term empty property discount should remain at 10%; and
- iii. that the letter from the Council Leader to the Depute First Minister accepting the settlement offered by the Scottish Government should also highlight the Council's reservations in respect of the Council Tax freeze, protection of teacher numbers, the Integration Fund, existing pressures and capital funds.

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 2016/17, 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, advising that 1192 responses had been received, representing a return rate of 14% of all letters issued, a 5% increase on the previous year.

In response to a question by Councillor Currie as regards the inclusion of a question on the transfer of funds from the Housing Revenue Account to the General Services budget, Mr Shearer advised that this had not been considered. He added that the content of the questions had been agreed with tenant representatives prior to the consultation being issued.

As regards the consultation on age categories, Mr Shearer noted that this question was a representation of the age range of respondents, not of occupants.

Councillor Currie thanked tenants for their consultation responses and paid tribute to the work done by ELTRP. His comments were echoed by Councillor Hampshire, who highlighted the positive relationship between the Council and tenants. He also advised of efforts to engage with younger tenants.

Councillor Berry also shared the views expressed but warned that the Council did not have enough homes, which was a concern for young people.

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 2016/17 – 2020/21

(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. He spoke of the progress made by the Council's Housing and Property Maintenance Teams towards achieving the Scottish Quality Housing Standard and also the new system in place to complete a stock modernisation programme. He also noted that the Administration was proposing to invest £60.5 million in the modernisation and extensions programme over the next five years, which would see the completion of 440 new kitchens and 475 new bathrooms. He stated that the Administration would continue to invest in new affordable housing across East Lothian, as well as working with other providers to deliver a range of options for affordable housing.

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. Criticising the Administration for failing to build a sufficient number of houses, he announced that the SNP was proposing investment of £48 million in new houses and £60 million to modernise existing stock. He proposed that the Council should be permitted to exceed the 40% debt-to-income ratio in order to address the housing crisis. He also noted that, under the SNP proposals, 2016/17 would be the final year of the transfer of funds from the HRA to General Services; this would allow for housing inspectors to be appointed from 2017.

The SNP Group proposals were seconded by Councillor McLeod.

(c) Debate and Decision

Following the presentations, the Provost opened the matter for debate.

Councillor Goodfellow observed that the SNP proposals included the removal of the policy of funding house extensions. He spoke in favour of this policy on the basis that there was a shortage of four-bedroom properties in East Lothian, and extending the homes of families experiencing overcrowding would allow them to remain within their communities. He remarked that the budgets were identical as regards the delivery of new affordable housing, but pointed out that without considering different methods of delivery, e.g. working with housing associations, it would not be possible to achieve the delivery of these homes within the approved debt-to-income ratio of 40%.

Councillor Berry commented that building extensions did not provide value for money, nor were they always feasible. He spoke in favour of the SNP budget, arguing that by transferring less from the HRA to General Services the debt charges would be lower and therefore there would be more money available.

Councillor Innes retorted that the high number of extensions carried out in the private sector reflected their value and popularity. He also reminded Members that the previous SNP/Liberal Democrat Administration had campaigned for the transfer of funds from the HRA to the General Services budget, and that the current Administration was now proposing to end this transfer.

Summing up, Councillor Currie highlighted the current under-spend in the house extension fund. He stated that the choice of the SNP Group was to build more houses, and called for a discussion of the debt-to-income ratio to allow the Council to achieve this. He referred to the transfer of funds from the HRA to the General Services budget in previous years, noting that the Administration had had the opportunity to remove this transfer but had not done so. He called on Members to support the SNP rent proposals.

Councillor Hampshire summed up for the Administration, claiming that the previous Administration had inherited the approved housing plans of the pre-2007 Labour Administration, and that no additional houses had been added to that plan. He declared that the Administration would deliver additional homes.

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

The HRA budget proposals of the SNP Group for 2016/17 to 2020/21 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 2016/17 to 2020/21 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 5% in 2016/17.

5. COUNCIL TAX PROPOSALS 2016/17 to 2018/19

(a) Presentation by the Administration

Councillor Innes presented the Administration's budget proposals, thanking Mr Lamond and his Finance staff for their assistance during the process. He expressed concern that the Council would be receiving less funding from the Scottish Government for 2015/16 than it had done for the current year, and that pay and pension increases would not be funded by the Scottish Government. Councillor Innes advised that the Administration was proposing a modest increase in the use of reserves, with a 3% Council Tax increase in Years 2 and 3. He also reiterated that the practice of transferring funds from the HRA to General Services would cease. He noted that £100,000 would be devolved to each Area Partnership to develop, in conjunction with schools, initiatives to benefit pupils, and that jobs and services would be protected. He criticised the SNP Group's budget proposals, which, he argued, could not be delivered without the loss of many Council jobs.

The Administration proposals were seconded by Councillor Veitch, who echoed Councillor Innes' concerns as regards the financial settlement. As Transport Spokesperson, he paid tribute to the work of the Roads and Transportation teams, and went on to draw attention to the following proposals:

- £1.5 million investment in town centre regeneration and economic development
- £10 million investment in Dunbar Grammar School
- an allocation of £600,000 to improve car parking
- £16 million over three years to improve the road network
- ongoing investment in the Council's supported bus services
- £1 million allocated to the proposed rail halt at East Linton

(b) Presentation by the SNP Group

After thanking Finance and support staff for their assistance during the process, Councillor Currie set out the budget proposals of the SNP Group, as follows:

- a Council Tax freeze for 2016/17, and 3% increases in 2017/18 and 2018/19
- the use of reserves to support the budget in Years 1 and 2
- partnership working with other councils and public services
- a 9% increase in funding to primary schools over three years (£3 million)
- a 6% increase in funding to secondary schools over three years (£2.2 million)
- £100,000 per year for each of the school clusters
- protection of pre-school education, childcare and additional support for learning
- additional investment in social care services: £2.5 million extra for the elderly and disabled in 2016, and £585,000 extra over three years for children's services
- introduction of the living wage for social care workers from April 2016
- additional investment of 9% over three years in economic development, including high street rent incentives for young people and funding for town centre regeneration

- £1 million investment in partnership funding and an increase of funding to town community councils
- protection of community development, arts, museums and music services, and library services
- support of £50,000 per year for the East Lothian Foodbank
- capital investment in care homes, museums, sports halls and community centres
- removal of coastal car parking charges and an expansion of community warden services to enforce traffic regulation.

In moving his budget, Councillor Currie stated that the SNP Group would support vulnerable people in the community alongside investing in services.

The SNP Group proposals were seconded by Councillor MacKenzie, who focused on the proposed investment in education and children's services, including funding for an additional psychologist, an extra £40,000 for Support from the Start and investment in positive destinations for school leavers. He also highlighted proposed funding for day centre committees. He voiced concern that the Administration was proposing to reduce funding for local policing.

(c) Debate and Decision

Following the presentations, a full debate took place.

Councillor Day, Spokesperson for Community Wellbeing, drew attention to recent improvements in sports facilities, including the upgrading of pitches, investment in tennis courts and development of local sports clubs, noting that 40% of school pupils were now participating in the Active Schools programme. As regards the library service, Councillor Day pointed out that with the integration of customer services into libraries, community hubs had been created, and announced a proposal to share mobile library services with neighbouring authorities. Members were advised of the success of the arts and museums service and the range of projects and courses on offer within the community learning and development service. On the funding of local policing, Councillor Day referred to the increase in funding to Police Scotland and suggested that, in light of this, it was reasonable for the Council to re-prioritise its funding of these services. He assured Members that the strong working relationship between the Council and the Police would continue.

On adult social care services, Councillor Grant noted that this component of the budget would transfer to the Integration Joint Board in April 2016. He announced that £3.8 million would be invested to support social care, direct payments and new legislative commitments. He also noted the increased investment in day centres. Councillor Grant advised that in order to achieve the required level of savings, services would be redesigned and commissioned services would be retendered. He stated that the Administration's proposals were realistic and achievable, and expressed his disappointment at the way the Scottish Government had handled the local government financial settlement.

Councillor Akhtar expressed concern at the reduction in funding to local government, and criticised the SNP Group's proposals to reduce Council staff numbers, noting that this proposal would have an adverse effect on frontline services. She highlighted a number of proposed investments by the Administration, including £600,000 in Area Partnerships, continued investment of £150,000 for school-based counselling services, £100,000 funding for the Construction Academy, and capital investment in schools of £36 million. She paid tribute to the work of Council staff.

Councillor McMillan focused on the Administration's record on and proposals for economic development and tourism. He drew particular attention to the work being developed by Area

Managers, proposals for the expansion of rural broadband and the core path network, the establishment of the Construction Academy and the creation of business premises in Haddington and Prestonpans, as well as the Council's involvement in the Edinburgh City Region Deal, Innovation Park and Queen Margaret University.

Drawing comparisons between the budgets presented, Councillor Berry declared that he would not be supporting either budget on the basis that they were flawed. He suggested that the Council was not looking at how it conducted its business, noting that there were omissions as regards shared services and income generation, and remarked that a number of the proposals were unrealistic.

Councillor Hampshire reported that due to sound financial decisions made over the past four years, the Council now had usable reserves. He drew attention to pressures on Council services, particularly as regards the planning service, which had experienced a significant increase in its workload as a result of the Local Development Plan process, and the waste management service, noting that the Council was now recycling around 57% of its waste. He argued that the SNP Group's budget could not be delivered without cuts to services, and called on Members to support the Administration's budget.

Councillor Brown pointed out that that between 2010 and 2020, the Scottish Government would experience a 12.5% reduction in funding. He claimed that the SNP Group's budget would protect the most vulnerable people in society, and welcomed the proposal to introduce the living wage to workers in the social care sector. He voiced concern at the Administration's proposal to reduce funding to Police services.

Councillor McAllister promoted the SNP Group's proposals as regards library services and a new care home in Musselburgh, as well as the need to complete the regeneration of Musselburgh town centre. He commented that the SNP budget would nurture a fairer, more benevolent society.

Councillor Goodfellow remarked that as a result of the previous Administration's decisions, the Council was having to use reserves to protect frontline services. He expressed concern at SNP proposals to reduce staff numbers, and also at their proposals to direct resources at towns, given that 50% of the county's residents lived outwith the towns. His comments on staffing were echoed by Councillor McNeil, who spoke of the value of the Council's employees.

Summing up for the SNP Group, Councillor Currie condemned the Labour Group for criticising the Scottish Government but not the UK Government as regards the cuts to local government funding. He raised concerns about the Administration's proposed reductions in adult social care funding, remarking that the savings would need to be met through a reduction in frontline staff. On coastal car parking charges, Councillor Currie pointed out that the Council was losing money, and declared that a future SNP administration would reverse this policy. On savings through staff reductions proposed in his budget, he stated that there would be a reduction of approximately 120 posts over three years. He called on the Council to support the SNP Group budget.

Councillor Innes summed up for the Administration, claiming that the SNP Group had not listened to the advice and views of the Head of Council Resources. He accepted that the Administration was having to take difficult decisions, but that £15 million of efficiency savings had been realised. He noted that customer satisfaction of Council services remained high in spite of the challenges, and that in a number of areas the Council was leading the way for Scottish local authorities. He criticised the spending record of the previous Administration, noting that the current Administration was making responsible decisions in order to protect frontline services. He urged Members 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: 7
Against: 13
Abstention: 2

The SNP Group's proposals therefore fell.

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

For: 13
Against: 7
Abstention: 2

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