

**REPORT TO:** East Lothian Council

**MEETING DATE:** 12 February 2019

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Setting of Budget, Council Tax and Rent Levels  
2019-24

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**1 PURPOSE**

- 1.1 Following on directly from my report to Cabinet on 22 January 2019, this report provides both an update of recent developments in respect of the Local Government Finance Settlement as well as presenting amended budget proposals for both General Services and the Housing Revenue Account in accordance with the budgetary framework approved previously by Council.

**2 RECOMMENDATIONS**

- 2.1 Council is asked to note the circumstances relating to changes made to the original Local Government Settlement offer of 12 December 2018 as set out within sections 3.3-3.5 of my report.
- 2.2 Council is asked to consider and make recommendations in relation to the respective budget proposals included within today's agenda at items 2 and 3, these items reflecting formal amendments proposed to the Draft Administration Proposal approved by Cabinet on 22 January 2019.

**3 BACKGROUND**

- 3.1 At meetings of the Council held on 30 October and 11 December 2018, information was provided in relation to likely forward financial prospects and 5-year Financial and Capital Strategies were formally approved. The framework governing development of budgets was also approved and the Administration duly brought forward to Cabinet on 22 January a draft budget proposal reflecting the initial Local Government Finance Settlement offer made by the Cabinet Secretary for Finance on 16 December 2018.

- 3.2 The Budget Development report considered by Cabinet on 22 January outlined the key aspects of the Local Government settlement and since consideration of those proposals, there have been significant changes made to the Local Government Finance Settlement resulting in a substantial variation to the Scottish Government grant funding made available to East Lothian Council.
- 3.3 On 31 January, following an amendment made by the Cabinet Secretary for Finance within the parliamentary debate on the Scottish Government's draft budget, the Council received notification via COSLA that further funding would be made available to Scottish Local Government and more specifically that East Lothian Council would receive further grant support of £1.719m, taking the expected revenue support grant to be received in 2019-20 to £169.087m. This equates to a reduction to core Revenue Support Grant of £0.198m, which when adjusted to reflect funding for new obligations of £2.3m as set out in the previous Cabinet report, equates to an effective reduction in core revenue funding of just under £2.5m (1.5%). The Council was also advised of other flexibilities and commitments as set out below:
- Flexibility to offset their Adult Social Care allocations to Integration Authorities in 2019-20 by 2.2% compared to 2018-19;
  - An adjustment to the previously advised Council Tax cap with flexibility to now increase Council Tax by up to 4.79% in 2019-20;
  - A commitment to bring forward a 3-year funding settlement for Local Government from 2020-21 budget onwards.
- 3.4 The Cabinet Secretary also confirmed his commitment to fund a share of the cost of the Teachers Pay deal, subject to the outcome of successful negotiations. It was already anticipated that employer's Teachers Pensions contribution rates will increase from 17.2% to 22.4% from April 2019 as a result of changes made by the UK Government. In his letter, the Cabinet Secretary advised that he would continue to press the UK Government to meet the full cost of these changes to avoid damaging impacts on the delivery of public services in Scotland. Although we cannot be sure this will cover the full costs, the Scottish Government has indicated that it will commit to fully pass onto Local Government any consequential that it receives from the UK Treasury.
- 3.5 Furthermore, the Cabinet Secretary for Finance also formally declared his intention to bring forward in the new financial year, legislative changes affecting Local Authorities management of Loans Funds. I would anticipate that when these regulations are brought into effect, a report will be brought before Council to explain both their purpose and any related consequences. In anticipation of potential change, preliminary downward adjustments have been built into Loans Charges estimates within years 2 and 3 of the budget proposals.

## **Amended Budget Proposals**

- 3.6 In accordance with the procedures agreed previously by Council, an amendment must be presented to Council in the form of an alternative budget proposal. The amendment must be deemed competent, both in its ability to be delivered as well as ensuring that it can still deliver a balanced budget.
- 3.7 Working in conjunction with all Group Leaders, revised grant levels, together with any revised settlement obligations, have been built into all amendments being brought forward.
- 3.8 Amended revenue and capital budget proposals for General Services have been prepared by the Administration. The General Services Capital budget includes a number of re-profiled projects from the draft proposal presented to Cabinet in January. The budget amendments are set out within Item 2 for General Services' budgets and includes a proposed Council Tax level for 2019/20 and indicative Council Tax levels for the subsequent two financial years.
- 3.9 In addition, further amendments have been brought forward by both the Administration and the SNP Group on the HRA budget. Details of these proposals are set out in Items 3a and 3b.

## **4 POLICY IMPLICATIONS**

- 4.1 The amended budget proposals have been prepared in accordance with the new Financial and Capital Strategies approved by Council on 11 December 2018.
- 4.2 There are a number of policy implications associated with the approval of any of the amended budget proposals.

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 Equalities – the budget proposals will have a significant impact on the future delivery of services by East Lothian Council and therefore a potential impact on the wellbeing of equality groups. All political groups have been provided with general information on the potential impact of all budget saving proposals.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – the proposals contained within this report have been prepared within the context of the Council's approved Financial and Capital Strategies. Accordingly, many of the proposals will have significant financial implications.
- 6.2 Personnel - none at this stage

6.3 Other – none at this stage

## 7 BACKGROUND PAPERS

7.1 Financial Prospects 2019/20 and beyond – Report to Council 30 October 2018

7.2 Council Financial/Capital Strategy 2019-24 – Report to Council 11 December 2018

7.3 Public Budget Consultation – General Services – Members Library Service

7.4 Public Budget Consultation – Rent Consultation – Members Library Service

7.5 SPICE Briefing on Local Government Finance, Draft Budget 2019-20 and provisional allocations to local authorities can be found per the attached link.

<https://sp-bpr-en-prod-cdnep.azureedge.net/published/2018/12/19/Local-Government-Finance--Budget-2019-20-and-provisional-allocations-to-local-authorities/SB%2018-90.pdf>

7.6 Administration DRAFT budget proposals – Item 6 Cabinet 22 January 2019

7.7 Letter from the Cabinet Secretary for Finance 16 December 2018

7.8 Letter from COSLA/Cabinet Secretary 31 January 2019

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