

REPORT TO: East Lothian Council

MEETING DATE: 25 February 2020

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Budget Development, Including Setting of Rent Levels
2020-25

1 PURPOSE

- 1.1 Following on directly from my report to Cabinet on 21 January 2020, 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 the Housing Revenue Account.

2 RECOMMENDATIONS

- 2.1 Council is asked to note the unforeseen circumstances surrounding the delayed Draft Local Government Settlement offer of 6 February 2020 as set out within sections 3.1-3.2 of this report.
- 2.2 Council is asked to consider and make recommendations in relation to the respective Housing budget proposals included within today's agenda reflecting formal amendments proposed to the Draft Administration Proposal for Housing approved by Cabinet on 21 January 2020.

3 BACKGROUND

- 3.1 At previous meetings of the Council held on 29 October 2019 and 17 December 2019, information was provided in relation to the future financial prospects for the Council and the 5 year Financial Strategy incorporating the Capital Strategy was formally approved. The framework supporting development of budgets was also approved and in accordance with this approved framework, the Administration duly brought forward draft budget proposals to Cabinet on 21 January 2020. Unusually and unexpectedly, these draft proposals were prepared in advance of the delayed Local Government Finance Settlement.

Local Government Finance Settlement

3.2 Since then, the DRAFT Local Government Finance Settlement was announced by the Minister for Public Finance and Digital Economy on 6 February 2020, but with the formal Parliamentary process not due to complete until week commencing 2 March 2020. The key components of the Finance Settlement and the implications for the Council are set out below:

- The draft Scottish Government Budget and related Local Government Settlement were provided on a one-year basis covering 2020-21 financial year only;
- Councils must continue to deliver a number of specific commitments including:
 - Maximum Council Tax increase to be capped at 4.84% in 2020-21;
 - Maintain the national pupil teacher ratio level, ensuring places are provided for all Probationer Teachers who require one;
 - Social Care budgets made available to Integration Authorities must be greater than 2019-20 budgets by each Local Authorities share of the national sum of £100m made available via the Health Settlement.
- East Lothian Council's core Revenue Support Grant has increased by £0.6 million in cash terms relative to 2019-20 budgets, but this includes:
 - £1.801m of new funding to deliver policy commitments within Social Care (as referenced above);
 - £0.936m of new funding to support the cost increases relating to Teachers Pay and Pensions, the actual cost of which in 2020-21 is significantly in excess of funding awarded;
 - Reduction of core revenue funding of £2.08m (1.2% reduction in cash terms which equates to a real terms reduction of 3%)
- Reflecting all of the above, the Council now has a recurring funding gap on General Services of over £6.2 million and details of this updated position were shared with all Group Leaders on 10 February.

Budget Timeline and Proposals

3.3 Taking into account: the lateness of the Scottish budget announcement, the fact the Budget Bill and related settlement remains in draft form pending completion of the Parliamentary process and the scale of the

funding gap to be closed, the General Services budget proposals (revenue and capital) together with the setting of Council Tax will now be considered at a future Special Council meeting.

- 3.4 However, in order to ensure that the Council meets its statutory obligations relating to setting of Housing Rent levels the HRA budget and associated rent level for 2020-21 must still be considered on 25 February 2020 as planned.
- 3.5 In accordance with the budget framework agreed previously by Council, the HRA budget will be considered by way of formal amendment to the Administration draft budget proposal approved by Cabinet on 21 January 2020. Any budget amendment being proposed must be deemed competent, both in terms of deliverability and compliance with the requirements set out within the Financial Strategy which was approved by Council in December 2019.
- 3.6 Amendments for the HRA Budget have been brought forward by both the Administration and the SNP Group details of which will be set out in accordance with items 5a and 5b of the agenda.

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 17 December 2019.
- 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 2020 and beyond – Report to Council 20 October 2019
- 7.2 Council Financial Strategy 2020-25 – Report to Council 17 December 2019
- 7.3 Public Budget Consultation – Rent and General Services Consultation – Members Library Service
- 7.6 Administration DRAFT budget proposals – Item 5 Cabinet 21 January 2020

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