



MINUTES OF THE MEETING OF EAST LoTHIAN COUNCIL

TUESDAY 3 MARCH 2020
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

Committee Members Present:

Provost J McMillan (Convener)
Councillor S Akhtar
Councillor L Bruce
Councillor S Currie
Councillor F Dugdale
Councillor J Findlay
Councillor A Forrest
Councillor N Gilbert
Councillor J Goodfellow
Councillor N Hampshire
Councillor J Henderson

Councillor C Hoy
Councillor W Innes
Councillor S Kempson
Councillor K Mackie
Councillor C McGinn
Councillor P McLennan
Councillor K McLeod
Councillor F O'Donnell
Councillor T Trotter
Councillor J Williamson

Council Officials Present:

Ms M Patterson, Chief Executive
Ms A MacDonald, Director of East Lothian Health & Social Care Partnership
Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Mr J Lamond, Head of Council Resources
Mr D Proudfoot, Head of Development
Mr T Reid, Head of Infrastructure
Ms S Saunders, Head of Communities and Partnerships
Ms L Brown, Chief Operating Officer – Education
Mr S Cooper, Team Manager – Communications
Mr K Christie, Service Manager – Revenues and Welfare
Mr J Cunningham, Service Manager – Benefits
Ms S Fortune, Chief Operating Officer – Finance
Ms C Gallagher, Finance Officer – Health and Social Care
Mr C Grilli, Service Manager – Legal and Procurement
Mr D Henderson, Principal Accountant
Ms K MacNeill, Service Manager – People and Governance
Ms J Tait, Chief Operating Officer – Children's Services
Ms K MacNeill, Service Manager – People and Governance
Mr P Vestri, Service Manager – Corporate Policy and Improvement

Visitors Present:

Ms E Scoburgh, Audit Scotland

Clerk:

Mrs L Gillingwater

Apologies:

Councillor G Mackett

1. BUDGET DEVELOPMENT 2020-23, INCLUDING SETTING OF COUNCIL TAX

A report was submitted by the Depute Chief Executive (Resources and People Services), providing Members with an update on the budget development process and setting the scene for presenting amended budget proposals for Council Tax-setting and General Services budgets.

The Head of Council Resources, Jim Lamond, presented the report, updating Members on developments relating to the Council's funding settlement from the Scottish Government, namely that the Council would receive additional revenue support grant of £1.83 million, as well as additional capital funding of £300,000 for Cycling, Walking and Safer Streets and an unspecified amount to support a new energy efficiency scheme. He confirmed that the Administration's amendment to their budget proposals took account of the revised settlement figures, but did not cover the additional funding for Cycling, Walking and Safer Streets and the energy efficiency scheme – these would be reflected within the quarterly finance reviews to Council.

Mr Lamond also informed Members that he had received notification from the Scottish Government on 28 February that a variation had been made to a condition relating to funding support for Integration Joint Boards (IJBs), which would provide the Council with flexibility to offset adult social care budgets by up to 2%. He stressed that this information had not been available at the time when the Administration's amendment was being finalised on 27 February.

Mr Lamond pointed out that the revised settlement provided the Council with a £2.5 million increase in cash terms. However, this still equated to a real-terms reduction in core revenue funding of 2%. He noted that the settlement offer was still classified as draft, with the completion of the Scottish Government's budget not due to conclude until 5 March, and the UK Government's budget not taking place until 11 March.

Referring to the Administration's amendment to the draft budget proposals, Mr Lamond confirmed that it was competent and in compliance with the Council's approved Financial Strategy. He sought approval of the report recommendations, which had been updated to reflect the revised financial settlement offer, adding that any decisions taken on the Administration's amendment would be considered as conditional on the terms of the revised settlement offer remaining in place and that should this position change, it would be necessary to bring forward an emergency report to Council.

In response to questions from Members on the amended funding settlement from the Scottish Government, Mr Lamond confirmed that this would not fully fund the teachers' pay and pension settlement, and that he was not able to provide details on the reasons behind changes to the funding of IJBs. Claire Flanagan, Chief Finance Officer for the IJB, anticipated that the increased funding would not fully cover cost increases associated with health and social care services.

Decision

The Council agreed:

- i. to note the position regarding the delayed Draft Local Government Settlement offer of 6 February, as further updated, as set out within Sections 3.2-3.3 of the report; and

- ii. to consider and make recommendations in relation to the respective General Services budget proposals included within the agenda, reflecting formal amendments proposed to the Draft Administration Proposal for General Services approved by Cabinet on 21 January 2020.

2. BUDGET PROPOSALS ON GENERAL SERVICES – AMENDMENT SUBMITTED BY THE ADMINISTRATION

Councillor Hampshire presented the Administration's amendment to the budget proposals. He thanked Councillor Innes for his input into the process, and officers for their support and advice. Councillor Hampshire advised that the budget process had been very challenging, and highlighted the pressures of a growing population on a number of areas, including schools, care services, waste services and transport services. He proposed an increase in Council Tax by the maximum of 4.84%, thereby reducing the budget deficit from £12 million to £8 million. He paid tribute to the Finance Team for their work on the loans fund review, which had resulted in a reduction in repayments by £4.556 million. On the use of reserves, Councillor Hampshire advised of the proposal to use £1.466 million of available reserves, anticipating that by Year 3, the Council could deliver a budget without the use of reserves. He also announced that there would be a review of staffing, estimating that this would generate efficiencies in the region of £2 million. He advised that a further £3 million of savings would be required, and that, with regret, the £600,000 educational attainment funding previously allocated to the Area Partnerships would be discontinued. He also pointed out that the teachers' pay and pension increases had not been fully funded by the Scottish Government. He highlighted the school expansion programme, which would result in increased operating costs (of £687,000 in the primary sector, and £929,000 in the secondary sector). As regards waste services, Councillor Hampshire warned that without further investment of £473,000, the Council would not be able to provide the same level of service as at present. He concluded by stating that the Administration had had to take difficult decisions, and he called on Members to support the Administration's amendment to provide certainty on jobs and services.

The Administration amendment was seconded by Councillor Dugdale, who echoed Councillor Hampshire's comments on the financial challenges facing the Council. She pointed out that funding from the Scottish Government to local authorities had reduced by 7.6% since 2013, a significantly larger reduction than other government departments had experienced. She highlighted the impact of this reduction, combined with the introduction of Universal Credit, on tackling poverty, and on people's health and wellbeing. Councillor Dugdale spoke of the Administration's commitment to protecting services and to providing innovative new ways to deliver services. She also drew attention to a number of successful facilities delivered in the past year – the community hub at Whitecraig and the award-winning Wallyford Primary School.

Councillor McLennan welcomed the opportunity to raise a question in relation to the budget proposals. On the management of staff budgets and the reduction in core service provision, he asked how these figures had been calculated, whether trades unions had been consulted, and how these measures would be monitored. Jim Lamond, Head of Council Resources, responded, advising that the figures had been produced in discussion with the Administration in relation to what could be achieved through management of staff turnover (which would realise approximately 50% of the proposed savings), a staff performance factor equivalent to 1%, and targeted intervention to review and delete vacant posts which had not been filled during the last financial year. He added that service review work would continue and that there would also be a review of terms and conditions. He confirmed that there had been no direct formal engagement with the trades unions at this stage. As regards service provision, he advised that work would continue in relation to reducing costs and increasing income. He indicated that savings would be monitored through service budgets and through

the quarterly finance reviews, and that Members would be provided with information on planned efficiencies and progress towards delivering these.

Councillor Gilbert asked how the additional Scottish Government grant funding of £1.83 million would be used. Mr Lamond advised that less would be drawn from reserves than intended, and that an element of efficiency savings included in the draft proposals approved by Cabinet in January had been removed.

The Provost then moved to the debate.

Councillor Henderson opened the debate. She recognised the need for the Council to set a budget and Council Tax, and that there was very little time in which to do so. She was critical of the Scottish Government's approach to local government funding, which she believed was placing core services at risk. She re-stated her Group's position that they would not support a Council Tax increase of more than 3%, arguing that the Administration had not taken account of Conservative proposals to modernise the Council and run it more efficiently. She declared that the Conservative Group would not be supporting the Administration's amendment.

Councillor Currie argued that the Administration was responsible for the Council's current financial position, claiming that projected income from coastal car parking and instrumental music tuition had not been realised, and that proposals to work more efficiently or generate additional income had failed. He expressed concern at proposed reductions in funding to education attainment initiatives, advice services and supported bus services. He stated that the SNP Group would not support the proposed Council Tax increase, especially as Council rents would be increasing by 5%.

Councillor Bruce also spoke against the proposed Council Tax increase, believing that this would put additional strain on families. He questioned whether residents were getting the support they were entitled to in relation to Council Tax reduction and sought the support of other political groups to look into this matter. Councillor Bruce welcomed the proposals to review staff terms and conditions and to the changes in relation to the staffing budget. He suggested that the Council's assets could be managed and utilised more effectively, and welcomed the proposal to review and rationalise assets.

As Cabinet spokesperson for Health and Social Care, Councillor O'Donnell announced that the Administration would protect services in this area, as well as continuing to fund lunch clubs and increase funding for Children's Services. She made reference to progress made by the Integration Joint Board (IJB), notably that East Lothian was the best performing area in Scotland as regards delayed discharge. She was concerned that raising Council Tax by only 3% would result in an additional £1.2 million of efficiencies to be identified. She stated that the Administration's proposals would protect communities from the effects of austerity, and urged the Council to support them.

Councillor Akhtar expressed concern at the level of funding for East Lothian, which was one of the fastest growing areas in the UK, and was also experiencing significant growth in the numbers of school-age children. She referred to pressures within the Education and Children's Service, including the increase in revenue costs associated with the school estate and the increase in referrals to Children's Services. She argued that it was difficult to tackle child poverty and raise educational attainment when the Council's obligations were not fully funded, remarking that an additional £1 billion was required for local authorities to fulfil their commitments. She highlighted increases within the Administration's proposals for funding of children's wellbeing services, additional support for learning, and school estate improvements.

Councillor McLennan claimed that Councillor Hampshire had not engaged with the SNP Group during the budget development process. He urged all groups to work together, to consult with the trades unions, and to work collaboratively with others.

Councillor McGinn spoke of the impact on communities of decreasing budget settlements, noting that the effects would be long-lasting. He referred to increasing levels of poverty in Scotland and argued that education and mental health services were under-funded. He called on Members to support the proposals, which he believed supported young people and communities.

Councillor Forrest praised staff for continuing to deliver services in spite of the financial challenges, highlighting in particular work done by the Landscape and Countryside Service, work on flood prevention and the establishment of the new community hub in Whitecraig.

On instrumental tuition, Councillor Goodfellow suggested that this service should be funded by the Scottish Government. He pointed out that the charges for this service provided income for the Council, which was then reinvested into that service. He also noted that if coastal car parking charges were abolished, then the Council would need to make further efficiency savings. With reference to the capital programme, he advised that the Administration was proposing a 20% increase in infrastructure funding, an additional £152 million to be invested in schools, and £80 million of investment in other Council property. He also highlighted increases in funding for sport and recreation. He noted that the level of investment was in line with the Treasury Management Strategy and borrowing limits.

The Provost made reference to investment in major projects, such as Blindwells, Cockenzie and the City Region Deal, as well as the Council's continued support for small businesses. He spoke of the importance of working within budget, achieving value for money, and accountability.

The Provost then invited Councillor Hampshire to sum up for the Administration. Councillor Hampshire pointed out that the additional £1.83 million funding from the Scottish Government was still less than what was required. On staffing, he advised that over the past ten years, approximately 150 posts had been lost across the Council. He noted that he had sought to engage with both the Conservative and SNP Groups on the budget proposals, but that the SNP Group had subsequently withdrawn from the negotiations. Responding to comments made by Members, Councillor Hampshire stated that the Council received £200,000 of income from coastal car parking charges, and he argued that there had been some improvements to supported bus services. He emphasised the need for the Council to set a budget in order to give communities and staff certainty, and urged Members to support the proposals.

Councillor Currie asked if, in the event that the budget was not approved, alternative proposals could be brought back at a later date. Mr Lamond confirmed that the latest date to set a budget was 10 March.

The Provost then asked the Council to move to the vote on the amendment to the budget proposals, as submitted by the Administration. The vote was taken by roll call, as requested by Councillor Currie.

For: Councillors Akhtar, Dugdale, Forrest, Goodfellow, Innes, Hampshire, McGinn, McMillan, O'Donnell (9)
Against: Councillors Currie, Gilbert, McLennan, McLeod, Trotter, Williamson (6)
Abstentions: Councillors Bruce, Findlay, Henderson, Hoy, Kempson, Mackie (6)

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

Decision

The Council agreed to approve the amendment to the budget proposals as presented by the Administration and to increase Council Tax levels by 4.84% in 2020/21 (Band D level of £1,302.62).

3. TREASURY MANAGEMENT STRATEGY 2020/21 – 2024/25

A report was submitted by the Depute Chief Executive (Resources and People Services) seeking approval of the Treasury Management and Investment Strategies for 2020/21 to 2024/25.

The Chief Operating Officer – Finance, Sarah Fortune, presented the report. She explained that the treasury management function ensured that the Council had sufficient funds to operate services, and that it was a requirement of CIPFA that the Council should approve a Treasury Management Strategy in advance of each financial year. She drew attention to the key aspects of the report, including the positions with the General Services and Housing Revenue Account, borrowing requirements/limits, operational boundaries and the Council's Investment Strategy.

Referring to Table 7 in the report, Councillor Goodfellow welcomed the significant increase in Council housing.

Decision

The Council agreed:

- i. to approve the Treasury Management Strategy, referenced within Sections 3.5 to 3.18 of the report;
- ii. to approve the Investment Strategy, referenced within Sections 3.19 to 3.21 of the report;
- iii. to approve the repayment of loans fund advances using the methodology detailed in Section 3.6 of the report;
- iv. to approve the operational boundaries for external debt, as detailed in Section 3.14 of the report;
- v. to approve the authorised limits for external debt, as detailed in Section 3.15 of the report;
- vi. to approve the delegation of authority to the Head of Council Resources to effect movement between external borrowing and other long-term liabilities, as detailed in Section 3.18 of the report;
- vii. to note the detailed Treasury Management Strategy Statement, available in the Members' Library (Ref: 25/20, February 2020 Bulletin).

Signed

Provost John McMillan
Convener of the Council