

REPORT TO: East Lothian Council

MEETING DATE: 23 February 2021

BY: Executive Director for Council Resources

SUBJECT: Budget Development including Setting of Rent Levels
2021-2026

1 PURPOSE

- 1.1 Following on directly from my report to Cabinet on 19 January 2021, 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 implications for East Lothian Council arising from the Scottish Government Draft Budget announced on 28 January 2021.
- 2.2 Council is asked to consider and make recommendations in relation to the respective Housing budget proposal included within today's agenda reflecting an updated amendment to the Draft Administration Proposal for Housing approved by Cabinet on 19 January 2021.

3 BACKGROUND

- 3.1 At meetings of the Council held on 27 October 2020 and 15 December 2020, 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.
- 3.2 In line with the approved budget development framework, in January Cabinet considered and approved Administration draft budget proposals for General Services (Revenue and Capital) and Housing Revenue Account, reflecting the most up-to-date information available at that time.

3.3 Since then, we now have a published DRAFT Local Government Finance Settlement for 2021-22, announced as part of the Scottish Budget on 28 January 2021, and formal local authority allocations were received on 1 February 2021. Given current Scottish Government grant funding levels make up almost two-thirds of the Council's overall funding, any further variation in grant funding levels both for 2021-22 and beyond could have a significant impact on the level of resource available to the Council for delivery of essential local services.

3.4 Key components of the Finance Settlement and implications for the Council are set out below:

National Position

- The draft Scottish Government Budget and related Local Government Finance Settlement have been provided covering 2021-22 financial year only;
- Councils must continue to deliver a number of specific commitments including:
 - 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 (IJBs) must be greater than 2020-21 budgets by each Local Authorities share of the national sum of £72.6m made available via the Health Settlement. This new funding has been provided to support the continued delivery of real Living Wage, uprating of Free Personal and Nursing Care Payments and continued implementation of the Carers Act;
 - An additional £90m national funding has been reflected within the settlement dependent upon delivery of a Council Tax freeze for 2021-22;
 - Additional ring-fenced funding has been confirmed in the settlement in line with previously announced funding in 2018 to support the expansion of Early Learning and Childcare entitlement.
- In addition to the above, the Scottish Government also set out their public sector pay policy that requires as a minimum that a pay award equivalent to 3% for employees earning up to £25k and 1% to those earning up to £80k, and a limit of £800 for those earning over £80k. Whilst any agreed pay increases to the local government workforce is subject to separate and formal pay negotiations, this does set the contextual framework for any negotiations.

East Lothian Position

General Service Revenue

- Core Revenue Support Grant has increased by £1.230 million in cash terms relative to 2020-21 budgets (0.7% increase).
- An additional £1.948m is included in the settlement to support a Council Tax freeze, which is equivalent to just less than 3% in terms of council tax yield.
- An additional £1.398m of new funding has been provided to support specific policy commitments within Social Care (as referenced above) and must be passed on in full to the Integration Joint Board.

General Services Capital

- An increase of £0.08m of capital grant, taking the total capital grant to £7.587m.
- An additional increase in specific capital grant to support Cycling, Walking and Safer Streets.

3.5 Reflecting all of the above within the Administration draft budget proposals approved by Cabinet in January, this now leaves the Council with an adjusted General Services Revenue budget gap in 2021-22 of just under £4.2 million rising to just under £4.5 million by the end of 2023-24. To help inform development of budget amendments, details setting out this updated position have already been shared with all Group Leaders.

3.6 The current settlement details remain in draft pending their passage through the Scottish Parliamentary process. Key dates for debate have now been confirmed and are set out below:

- Stage 1 debate – 25 February 2021
- Stage 2 debate – 8 March 2021
- Stage 3 debate – 9 March 2021

3.7 The next UK Budget for 2021-22 will be announced on 3 March 2021, and it is unclear whether this will change any treasury allocations already provided to Scottish Government. Given this, there are many variables which may change the level of resources available to East Lothian Council in 2021-22. A further update report will be provided to the Special Council meeting on 2 March and should anything change significantly before then an update will be provided to all Group Leaders.

Next Steps

3.8 As previously reported, given the unique circumstances surrounding the UK, Scottish and Local Government budgets, the Council budget timetable has been amended to reflect the changing circumstances, with

Housing Revenue Account Budget proposals being considered formally at this meeting, and the General Services budget and Council Tax setting expected to be considered on 2 March 2021. As previously reported, formal General Services budget amendments should be submitted to Finance by 19 February 2021.

Housing Revenue Account (HRA)

- 3.9 The formal HRA statutory tenant consultation on rent levels has now closed with a summary of the findings of the consultation set out in **Appendix 1**, and more details lodged in Members' Library (Ref: 20/21, February 2021 Bulletin).
- 3.10 In accordance with the Council's approved budget development framework, an amendment must be deemed competent, both in terms of deliverability and also in compliance with the requirements set out within the Financial Strategy, approved by Council in December 2020.
- 3.11 A single HRA budget amendment has been brought forward by the Administration for Council consideration, as set out at Item 3 on 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 15 December 2020.
- 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 – as described above and in the supporting appendices
- 6.2 Personnel - none
- 6.3 Other – none

7 BACKGROUND PAPERS

- 7.1 Council – 15 December 2020 – Item 4 Finance and Capital Strategy 2021-26
- 7.2 Cabinet – 19 January 2021 – Item 7 – Budget Development – Administration DRAFT Budget proposals
- 7.3 Members' Library Report – February 2021 (Ref: 20/21) – Proposal to Increase Council House Rents – Consultation Exercise

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| DATE | 12 February 2021 |

Appendix 1 – Summary of HRA Rent Budget Consultation

1 Background

1.1 The Council has a statutory obligation under the Housing (Scotland) Act 2001 to consult with all tenants when making any proposals to increase rents. In doing so the Council must:

- Consult all tenants and registered tenant organisations affected by the proposal, and
- Have regard to the views expressed during the consultation exercise.

Consultation Approach

1.2 With the continued aim of improving on the approach to consulting on rent proposals adopted in previous years, the Council undertook to continue to work with and agree a robust approach in conjunction with East Lothian Tenants & Residents Panel (ELTRP).

1.3 The long-standing Project Group comprising of Council staff from Community Housing, Revenues and Finance, the Cabinet Spokesperson for Housing, as well as members of ELTRP, has developed the consultation on the 2020/21 proposed increase.

1.4 The Project Group:

- designed, agreed and implemented the consultation approach for the rent proposals, which gave tenants the opportunity to complete a consultation questionnaire to give their views on the rent consultation and proposed rent increase. It was agreed that tenants would also have the opportunity to complete their questionnaire online. They could comment in other ways too, i.e. via free phone, email or by writing in.
- designed a customer-friendly consultation letter, which included key information to tenants on what their rent pays for and also on a proposal to consider a potential rent increase of 2%, reduced from 5% to take account of the impact of COVID-19, and:
- agreed the timeline for the consultation.

1.5 All of the above measures continue to build upon similar successful exercises over the last few years.

Consultation Outcome

1.6 Feedback was received through the questionnaire and online.

1.7 A total of 1,560 completed questionnaires (including five responses from local Tenants and Residents Associations) were received. This represents

a return rate of 17.94% (compared to 10.5% last year), which is a comparatively high return rate for this type of consultation.

1.8 The results of all the feedback received from tenants who completed the consultation questionnaire are shown below.

- 89% of those who responded were happy with the level of consultation and information they get about the annual rent increase (91% in previous year)
- 81% said that they think the rent they pay is good value for money (88% in previous year)
- 65% said they think the Council are proposing a fair increase of 2% (78% in previous year)
- 87% agree with the Council's commitment to build new houses and to modernise existing housing stock (92% in previous year agreed with the commitment to build new houses, and 97% in previous year agreed that the Council should continue to modernise its existing stock)
- 47% said that their financial situation had been made worse by COVID-19.

1.9 ELTRP held an online rent consultation event in January 2021 to gather the views of their members. At that event, members were provided with information on the rent increase proposals and were invited to take part in an online poll. The general feedback from the event was as follows:

- 69% felt that a 2% rent increase was fair
- 81% felt that the rent is good value for money
- 94% agreed with the Council's commitment to modernisation and new build programmes
- 25% felt that their financial situation had been made worse by COVID-19

1.10 A full report of all the responses received from tenants who completed the questionnaire has been lodged in Members' Library for Members to access (Members' Library Ref: 20/21, February 2021 Bulletin).

Douglas Proudfoot - Head of Development

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