

**REPORT TO:** East Lothian Council

**MEETING DATE:** 1 March 2022

**BY:** Executive Director for Council Resources

**SUBJECT:** Budget Development including setting of Council Tax and Council Housing Rent for 2022-23

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## **1 PURPOSE**

- 1.1 To provide an update on developments affecting the national Local Government Finance settlement and funding received from Scottish Government.

## **2 RECOMMENDATIONS**

- 2.1 To note the further update on budget development as set out within this report, and the implications for East Lothian Council.
- 2.2 Council is asked to consider and make recommendations in relation to the budget proposals included within today's agenda reflecting formal amendments proposed to the Draft Administration Budget Proposals for General Services and Housing Revenue Account (revenue and capital plans) approved by Cabinet on 26 January 2022.
- 2.3 Specifically Council is asked to agree Council Tax and Rent Levels for 2022-23 as set out in paragraph 3.13.

## **3 BACKGROUND**

- 3.1 At meetings of the Council held on 16 November 2021 and 14 December 2021, 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 The framework governing development of budgets was also approved that would require the Administration to bring forward to Cabinet a balanced draft budget

reflecting the most up to date information available, and subsequent amendments to the draft budget proposals to be considered in setting the formal budget.

### Local Government Settlement

3.3 Details setting out the implications from the draft Local Government settlement for 2022-23 were set out in the report to Cabinet on 26 January 2022, and as such details set out in this report should be considered alongside the Cabinet report which sets out additional information in more detail. The previous report set out a reminder that the reported settlement conditions remained in draft pending completion of the Scottish Government Parliamentary process, which was due to complete its passage by end of February 2022. Since then, additional funding has been confirmed to Local Authorities with the final settlement details to be published within the Local Government Finance Order due to be laid in Parliament on 23 February 2022 and finalised on 24 February 2022.

3.4 The main changes confirmed during this period and implications for the Council are set out below:

- A further increase of £3.210 million in Revenue Support Grant funding has been made available in 2022-23, taking the total cash increase made available to the Council of £10.096 million. Details setting out the main changes are set out below:

- Non-recurring funding (national £120m) £2.296 million

- A number of previously 'undistributed' national funding commitments have now been confirmed and these are set out below. These are used to support the delivery of specific policy commitments:

- Education:

- Instrumental Music Tuition charging £0.283 million

- Core Curriculum Charging £0.156 million

- Easter Study Support (non-recurring) £0.051 million

- TOTAL £0.490 million

- In addition, further funding has been announced to support Social Work capacity in Adults. This funding has been provided on a recurring basis and will be transferred to the Integration Joint Board in full.

- Additional funding - Social Work in Adults £0.424 million

TOTAL ADDITIONAL FUNDING £3.210 million

- From the above, the 'core' Revenue Support Grant (GRG + NDR) which is used to support the remainder of Council service obligations has increased in total by £1.562 million for 2022-23. £2.296 million has been provided on a non-recurring basis, meaning the 'core uplift' made available to the Council in 2022-23 has been reduced by £0.734 million.

3.5 In addition to the above, there has been further national announcements to support policy commitments which are set out below:

- Additional funding to support a Cost of Living payment of £150. Detailed guidance has only just been received from Scottish Government and officers are currently considering how this will be applied to the groups set out below. Members should be aware that funding has still to be confirmed to support the delivery of this policy commitment, and more details will be provided as soon as it becomes available:
  - Those living in Council House in Band A to D
  - Those qualifying for Council tax reduction support
  - Those exempt from Council Tax
  
- An additional £80 million of national non-recurring funding to support COVID Economic Recovery has been announced in recent days and will be made available in 2021-22, with the expectation that this will be used in full by the end of 2022-23. High level principles setting out the intention of this fund have only just been received, with the expectation that this funding should be used to support business recovery as well as low income households. Whilst the specific details of funding is still to be confirmed, it is expected that East Lothian will receive circa £1.5 million, and as such this anticipated income alongside intended commitments has been reflected in the proposed amendment. Further details to confirm both the allocation and proposals aligned to intended commitments will be provided to Council in due course.

3.6 A reminder of the most relevant components of the national Finance settlement for purposes of Council Tax and General Services budget setting are repeated below, and these are reflected alongside the additional commitments referenced within paragraphs 3.4 and 3.5 above:

- The draft Scottish Government Budget and related Local Government Finance Settlement have been provided covering the 2022-23 financial year only;
  
- Additional revenue funding to support new national policy commitments has been provided within the settlement details of which are set out below:
  - £3.706 million additional funding to support Education priorities including; additional teachers and support staff including the requirement to maintain the national pupil teacher ratio, ensure places are provided for all Probationer Teachers who require one, removal of Core Curriculum charges and Instrumental Music Tuition charging, and provision of Easter study support (non-recurring);
  
  - £4.788 million of funding to support a wide range of interventions within adult social care including; support to adult social care pay; carers, uplift to Free Personal and Nursing care rates; investment in care at home; support for increasing social work capacity in adult services, and additional interim non-recurring funding. These funds collectively are to be passed to the Integrated Joint Board in line with national policy guidance.

- Additional funding to be passed on to valuation assessors to support Barclay implementation costs;
- The national settlement letter also sets out the following additional elements:
  - Removal of Council Tax cap with Councils expected to take full account of local needs and impacts on household budgets of the decisions they make;
  - Encouragement to consider General Reserve balances and ensure that they are making an efficient use of public funds;
  - Commitment to review 'Ring-fenced funding streams' as part of forthcoming Spending Review;
  - Extension to apply national fiscal flexibilities on the application of capital receipts for a further year to 2022-23.
- A reduction of £1.2m specific grant funding to support the continued delivery of the expansion of early learning and childcare.
- Increase in General Capital Grant of £0.135 million to receive a General Capital Grant funding of £8.139 million (currently under 9% of total annual capital budget of circa £90 million per annum);
- Specific grant funding of £0.472 million to support Cycling, Walking and Safer Streets.

3.7 Members will be aware from previous financial update reports that there remains on-going discussions aligned to previous agreed national fiscal flexibilities, and this has been extended to include a review of Capital Accounting, and it now seems unlikely these elements will be resolved before 2022-23. Members will be kept updated on the progress of these national discussions, and any implications for East Lothian Council.

### **National Lobbying**

3.8 COSLA has during the budget discussions continued to support a strong lobbying campaign to support / protect national local services. This position was supported unanimously by COSLA Leaders, with a letter of representation written from all 32 Council Leaders to the First Minister and Cabinet Secretary for Finance and Economy reiterating their deep concern about the level of resources allocated to Local Government, the scale of the financial challenge, and specifically reiterating that the settlement needed to include the following:

- Additional funding to support the increased burden on National Insurance contributions (estimated at around £70 million recurring nationally);
- Funding for additional cost of the Council Tax Reduction programme (estimated at around £20 million nationally);

- Full funding for the expansion of Early Learning and Childcare policy (which has been reduced by £15 million nationally).

3.9 As indicated in paragraphs 3.3 to 3.5 above, whilst some progress has been made to secure additional funding for Local Government, this funding has been provided on a non-recurring basis, with many of the wider cost and demand pressures being faced by the Council likely to have a recurring impact in the years ahead. The implications on the level of national funding being made available to support the delivery of local services remains a key area of discussion nationally through COSLA to support future Spending Review discussions, with the expectation that the Scottish Government will set out multi-year resource spending plans in May 2022. This in turn may result in a change, and provide further risks to the anticipated national funding being made available to the Council in 2023-24 and beyond and will be a key area of focus in the months ahead.

### **Budget Proposals**

- 3.10 In accordance with the budget framework previously agreed by Council, budget proposals must be considered by way of formal amendment to the Administration draft budget proposal approved by Cabinet on 26 January 2022. 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 2021, including the planned utilisation of reserves.
- 3.11 Working in conjunction with all Group Leaders, revised Scottish Government grant levels and other settlement obligations reflected within the draft Scottish Government budget have been built into the amendments being brought forward. As previously highlighted some of these funding commitments are still to be definitively confirmed and therefore remain subject to change.
- 3.12 Amended budget proposals for General Services Revenue and Capital and Housing Revenue Account have been brought forward by the Administration group. The General Services Revenue and Capital Budgets include a number of officer amendments from the draft proposal presented to Cabinet in January, which largely reflect changes in funding confirmed through the national settlement, alongside some re-profiled expenditure on specific capital projects. As set out in previous Council reports, all political groups previously confirmed that a statutory rent consultation would not be undertaken and as such rent levels for 2022-23 will be maintained at current levels.
- 3.13 As such, the budget amendments are set out in accordance with item 2 and 3 of the agenda and these include:
- A proposed Council Tax level for 2022-23 equivalent to a 3% increase and £1,341.69 Band D charge, alongside indicative Council Tax levels for the subsequent two years.
  - A freeze to Council House Rents for 2022-23 and indicative Rent Levels for subsequent four years.

- 3.14 Without question the Council continues to operate in an extremely challenging and complex financial environment, which continues to be compounded by increasing demand and rising cost pressures as well as support future recovery from COVID. Many of the assumptions being proposed within the budget remain subject to change, and exposes the council to further risk and uncertainties, including the risk that the level of national funding being made available in the years ahead will change. Some of the interventions used to balance the budget across the 3 years are non-recurring, and this compounded with the complexity of the financial landscape, a significant range of uncertainties from increasing inflationary and cost pressures, alongside increasing demand and requirements to support new policy commitments, means that the scale of future challenges facing the Council in the years ahead cannot be underestimated. The draft budget proposals estimate that a further £13.4 million of core service reductions may be required to be delivered in the next 3 years, and taken alongside the wide range of risks and demands means that it remains inevitable that the Council will need to make some difficult choices in the years ahead to balance expenditure obligations within the resources being made available. It remains critical that the Council takes immediate steps to consider and identify recurring solutions, and critical to supporting this will be the outcome of the review of the budget development framework which is expected to report to new Council by June 2022. This will allow for early consideration to the budget framework will be essential to support the development of future budget proposals and associated budget governance.

#### **4 POLICY IMPLICATIONS**

- 4.1 The Draft proposals have been prepared in accordance with the new Financial Strategy approved by Council on 14 December 2021.
- 4.1 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. 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 Strategy. 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 Update – Item 3 - Report to Council 16 November 2021
- 7.2 Council Financial Strategy 2022-27 – Report to Council 14 December 2021
- 7.3 Budget Development – Administration DRAFT Budget Proposals – Report to Cabinet 26 January 2022

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