

**MINUTES OF THE MEETING OF
THE CABINET**

**TUESDAY 14 NOVEMBER 2023
VIA A DIGITAL MEETING FACILITY**

1

Cabinet Members Present:

Councillor S Akhtar
Councillor A Forrest
Councillor C McGinn

Councillor F Dugdale
Councillor N Hampshire (Convener)
Councillor J McMillan

Other Councillors Present:

Councillor J Findlay
Councillor G McGuire

Councillor C McFarlane

Council Officials Present:

Mrs M Patterson, Chief Executive
Ms L Brown, Executive Director for Education and Children's Services
Ms S Fortune, Executive Director for Council Resources
Ms E Dunnet, Head of Finance
Ms M Ferguson, Head of Corporate Support
Mr T Reid, Head of Infrastructure
M S Saunders, Head of Communities
Mr S Cooper, Service Manager - Communications
Ms M Coyle, Service Manager for Procurement, Transformation & Digital Portfolio
Mr C Grilli, Service Manager – Governance
Ms C Rodgers, Service Manager – Customer Services
Mr E John, Service Manager – Sport, Countryside & Leisure

Clerk:

Ms F Currie

Apologies:

None

Declarations of Interest:

None

1. MINUTES FOR APPROVAL: CABINET, 12 SEPTEMBER 2023

The minutes of the meeting of the Cabinet on 12th September 2023 were approved.

2. ALIGNMENT OF ELC PROCUREMENT STRATEGY 2023-2028 WITH THE NEW PROCUREMENT STRATEGY FOR SCOTLAND 2023-2028

A report was submitted by the Executive Director for Council Resources to inform and seek approval from Cabinet for an update to the East Lothian Council Procurement Strategy 2023-2028, to align with the new Procurement Strategy for Scotland.

The Service Manager for Procurement, Transformation & Digital Portfolio, Michelle Coyle, presented the report. She outlined the background to the current Strategy and the proposed update to align with the new Procurement Strategy for Scotland. The changes related to the sections on strategic objectives, on monitoring, reviewing, transparency and reporting, and on supporting suppliers and third sector. There was also a simplified action plan in appendix 1 to the Strategy. The first annual report will be brought forward to a future Cabinet meeting in autumn 2024 and performance against the action plan would be regularly monitored and updates provided to the Council Management Team.

Ms Coyle responded to questions from Councillor Akhtar and Councillor McGinn. She advised that there was no additional support available from Scottish Government to support the implementation of these additional elements to the Strategy. However, the Council would be able to benchmark itself against peers by participating in a self-assessment exercise which would be running until the end of March 2024.

She explained the revised community benefits process which would allow communities to propose projects they would like to see supported. If these projects met the criteria, when a contract was let by the Council, the supplier could choose which project it wanted to support or make a more general contribution to support other projects, such as the foodbank.

Ms Coyle replied to a question from the Convener regarding the impact of procurement on climate targets. She advised that, as part of the tendering process, the Council asked suppliers for their carbon reduction plans and these were monitored as part of the wider contract management. In addition, there were some actions within Strategy relating to the climate crisis and the environment and these would be monitored during the reporting period and included as part of the annual report.

Councillor McMillan welcomed and congratulated officers on the report. He welcomed the inclusion of statements on global reach and sustainability and the emphasis on supporting local businesses and encouraging suppliers to use them. He referred to a business conference held in October as an example of this work. He commended the continuing development of opportunities to maximise value for money and to promote community wealth building, and how this related to the Council's work through East Lothian Investments Ltd and East Lothian Land Ltd.

Councillor Akhtar said that procurement was a huge enabler for the Council with around £140M per year being spent on goods, services and works. She too emphasised the importance of support for local businesses to help them compete with larger firms in bidding for contracts, and in making the most of community benefits. She welcomed the process whereby local communities were asked about projects that would make the biggest difference to their areas.

The Convener concurred with his colleagues' remarks. He said that as the Council continued to face significant financial challenges, it was more important than ever to ensure that every

contract represented the maximum benefit for the Council and for local communities. He added that with this new Strategy would help to deliver the best possible procurement processes, and he looked forward to the annual report in 2024.

Decision

The Cabinet agreed, by roll call vote, to approve the updated East Lothian Council Procurement Strategy 2023-2028.

3. CUSTOMER STRATEGY 2023-2028

A report was submitted by the Executive Director for Place presenting the Customer Strategy 2023 – 2028 for approval.

The Service Manager – Customer Services, Caroline Rodgers, presented the report. She outlined the background to the development of the Strategy which had been based on the results of a customer survey in March 2023, and public consultation on a draft Strategy in September and October 2023. She advised that feedback on the draft had been positive and had indicated a desire for it to be implemented with clear measures and timescales, a range of ways to contact the Council, and being mindful of digital exclusion. The Strategy had been revised accordingly, while also reflecting the Council's own commitments and the very challenging financial situation. The language within the Strategy reflected a trauma-informed approach: the term 'customers' had been expanded at times to include 'people we work with' recognising that not all people the Council work with choose to do so, and therefore did not consider themselves customers in the traditional sense. She drew attention to the action plan to support delivery of the Strategy and confirmed that progress would be monitored and reported annually to the Council Management Team.

Ms Rodgers responded to questions from Councillor Dugdale and Councillor Akhtar. She confirmed that many of the principles within the Strategy applied to children and young people. During the consultation representations were received from the Education service who were part of the working group, and helpful feedback was received on the draft Strategy from primary and secondary pupils in Tranent.

She advised that the main principle of the Strategy was to make it as easy as possible for those who could get online to do so, and to use online services. This would then free up staff time and capacity to support those for whom digital contact was not the right option, either in area offices, libraries, and other community spaces, or through the Contact Centre.

Councillor Forrest commended staff for their efforts to work with individuals who contacted the Council to help resolve their issues. He referred to frontline staff in the Brunton Hall and in the Contact Centre, adding that he was very impressed with the work being done.

Councillor McGinn said the report highlighted the Council's interactions with people across the county and he was delighted to see a trauma-informed approach highlighted within the Strategy. He thanked staff who, he said, worked diligently to make sure those who contacted the Council always got a response. He noted that the number of contacts would be likely to increase in future years and that the Council's digital strategy would help staff to become even more effective in managing higher volumes of enquiries.

Councillor Akhtar echoed her colleagues' remarks. She stated that public services provided vital social infrastructure and local councils were often the first point of contact for individuals seeking help. She referenced statistics relating to the number of contacts, care home hours and community alarms calls, acknowledging the efforts of staff within a very challenging

environment. She added that when talking about the principles of dignity, respect, and inclusion, these should apply equally to people using services, and to Council staff.

Councillor Dugdale said that trauma-informed practice could be seen in action in this Strategy, and she also welcomed the inclusion of children and young people in the consultation process. She said it was important not to underestimate the pressure on staff when responding to people in distress, and she commended staff for how well they managed these situations.

Councillor McMillan welcomed the Strategy which, he said, reflected the Council's values of enabling, leading and caring. He said the staff across the county were welcoming and knowledgeable and were able to help people connect with other services to resolve their issues. He emphasised the importance of being customer focussed and he welcomed the One Council approach within the Strategy and the commitment to continuous improvement.

The Convener said that this was an excellent report which gave a snapshot of the breadth of enquiries the Council had to deal with across a range of services. He noted that the population of the county was now above 112,000 and that this continuing growth was putting huge pressure on all services. He said that the Council must continue to deliver services as effectively as possible and digital technology would be a key aspect of this, along with frontline staff continuing to support departments to provide the best possible services.

Decision

The Cabinet agreed, by roll call vote, to approve the Customer Strategy 2023 – 2028 noting that this was a live document which would be monitored by the Service Manager – Customer Services and would be reported annually to the Council Management Team.

4. NORTH BERWICK HARBOUR – BUDGET TRANSFER OF COSTS FOR NORTH BERWICK HARBOUR MASTER TO NORTH BERWICK HARBOUR TRUST ASSOCIATION LTD

A report was submitted by the Executive Director for Place to advise Cabinet on partnership work between ELC and North Berwick Harbour Trust Association Ltd (NBHTA); and to seek approval for the transfer of Harbour Master costs to NBHTA on an annual basis through the form of grant payment.

The Service Manager – Sport, Countryside & Leisure, Eamon John, presented the report which advised Members on the ongoing partnership work with NBHTA and proposed taking the opportunity presented by the current vacancy for Harbour Master to transfer responsibility for employment of this role to NBHTA. He drew Members' attention to the background and specifics of the new arrangements set out in the report, including the annual grant payment to support NBHTA in this process. He also confirmed that the proposals aligned with the Council's policy intentions around growing communities, growing capacity, and growing the economy.

At the request of the Convener, the Head of Infrastructure, Tom Reid, provided an update on the recent storm damage to North Berwick harbour. He explained that the serious structural damage to the sea wall had resulted from the combination of the significant tidal surge and wave action. The Council's structural engineer had been deployed to work with NBHTA to assess the damage, ensure safety could be maintained and determine whether the harbour could continue to function meantime. He had also appointed contractors through the Council's procurement processes who would be on site later this week to work with Council and NBHTA staff. They would consider the scope of assessment and options appraisal to determine the best option to repair the damage and reinforce sea wall to make it stronger in future. The costs would be assessed, along with the permissions required and arrangements for supervision of

works on site. This work would continue to involve a multi-agency approach, including the Scottish Government, Marine Scotland and Historic Environment Scotland, along with NBHTA and North Berwick Trust. He advised that some grant funding may be available from Marine Scotland, and North Berwick Trust had provided some funding to NBHTA for this work.

Mr Reid also informed Members that there had been significant damage elsewhere along the coast, including to roads, sea walls, coastal paths and access points. Grant funding would be available from the Scottish Government in April 2024 to support a risk-based approach to assessing the coastal infrastructure most at risk of future damage, and how best to mitigate this. This work was likely to be multi-generational and would involve prioritising works over a number of years. In the meantime, Mr Reid confirmed that he would attend a public meeting in North Berwick that evening to discuss the recent damage to the harbour and the options for repair work.

The Convener thanked Mr Reid for his update.

Mr John responded to questions from Councillor Findlay. He advised that any savings made from unfilled staff posts would usually be returned to a central budget, but he was willing to discuss whether it might be possible for any savings to be returned to the NBHTA. He said that while the intention was to continue with annual grant funding, at present figures had only been provided up to 2027, and with the future move to a Harbour Empowerment Order it may be appropriate to review this arrangement. He also advised that the 2% annual uplift was a figure provided by colleagues in the Finance Team.

The Executive Director for Council Resources, Sarah Fortune, explained that the 2% uplift was aligned to the local government pay award. She said that the 2023/24 national pay award had only recently been agreed and she didn't yet have clarification on the amount of future pay awards, as a result, the 2% figure remained indicative at present. She reminded Members that the Council received the majority of its funding from the Scottish Government, and approximately one quarter from council tax. While the Council tried to provide some degree of forward planning to give partners some level of certainty, the grant from Scottish Government was provided on an annual basis and any variance in this amount would result in the Council having to review its initial figures.

Mr John replied to a question from Councillor Akhtar confirming that the Council had had a long-standing relationship with NBHTA, going back to its inception in 2007. The transformation of the harbour during this period through investment, and enhancement and improvement works, had come about from partnership working with a range of organisations, including NBHTA, and he hoped that this relationship would continue in future years.

The Convener referred to the work of the Dunbar Harbour Trust and said that this demonstrated that local communities were best placed to decide how to develop and improve their harbours. The discussions currently taking place on how best to repair the damage to the sea wall in North Berwick harbour also showed the strength of organisations working in partnership to resolve issues. Moving the role of Harbour Master to the NBHTA would result in a better working relationship, and better outcomes for the local community, and he fully supported the recommendations in the report.

Councillor McMillan echoed these remarks.

Decision

The Cabinet agreed, by roll call vote, to:

- i. Note the partnership working that had taken place in the running of North Berwick Harbour;

- ii. Approve the transfer of Harbour Master costs to NBHTA on an annual basis through the form of grant payment; and
- iii. Note the key achievements and improvements that NBHTA had undertaken over the years for the benefit of commercial and pleasure boat users and to locals and tourists alike; and the contribution that the harbour had to the local economy as a tourist destination.

Signed

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Councillor Norman Hampshire
Council Leader and Convener of Cabinet

DRAFT

REPORT TO: Cabinet

MEETING DATE: 30 January 2024

BY: Executive Director for Council Resources

SUBJECT: Budget Development 2024-25 Onwards

2

1 PURPOSE

- 1.1 To provide an update on progress with developing the budget for 2024-25 onwards, including an overview of the provisional local government finance settlement and the implications of this for East Lothian Council.

2 RECOMMENDATIONS

- 2.1 Cabinet is recommended to:
- Note the update on the provisional local government finance settlement and the implications of this for East Lothian Council.
 - Note the updated budget model summary and funding gap set out at paragraphs 3.14 to 3.18.
 - Note the key next steps towards setting the budget, council tax and rent levels at the Council meeting on 20 February 2024.

3 BACKGROUND

- 3.1 Scottish Government's budget for the 2024-25 financial year was announced on 19 December 2023, with the provisional funding settlement for Scottish local authorities following on 21 December.
- 3.2 This report provides an overview of the provisional financial settlement for local government for 2024-25, and sets out the anticipated impact of this on development of the Council's budget for the next financial year and beyond. The report also sets out the recommended next steps working towards setting of the budget, council tax and rent levels by Council on 20 February 2024 in light of the updated budget gap.

3.3 Previous reports to Council and Cabinet over the last 12 months have set out the unprecedented challenges which the Council is facing in relation to financial sustainability, and this remains the greatest risk currently facing the Council.

Draft Local Government Finance Order – National Position

3.4 The Draft Local Government Finance Order sets out the following:

- Revenue funding of £13,245m (excluding council tax freeze funding)
- Capital funding of £638m

3.5 Initial analysis undertaken by CoSLA indicates that overall this represents:

- An overall cash cut to revenue funding of £62.7m
- An overall cash cut to capital funding £54.9m

3.6 Within the overall funding announced, the following amounts were linked to new policy commitments:

- £144m council tax freeze grant (not yet distributed)
- £4.5m free school meals expansion to P6 & 7
- £6.8m Discretionary Housing Payments (not yet distributed)
- £11.5m Free Personal & Nursing Care (passported to IJBs)
- £230m to support £12per hour for Adult Social Care (passported to IJBs and not yet distributed)

3.7 The provisional settlement also reflects previously announced recurring funding totalling £460m linked to the 2023-24 pay award for local government and teaching staff.

3.8 Significantly, the funding announced does not reflect the following:

- Additional core funding to offset inflationary pressures
- Funding to support the 2024-25 pay awards for local government and teaching staff
- New funding, or a commitment to support the increase in employer contribution rates for teachers pensions (it is hoped that this will materialise following the UKG Spring Budget announcement in March).
- Specific additional funding to support a growing population and economy.

3.9 The following changes which impact on distribution are reflected through the draft circular:

- Indices have been updated to reflect 2022 census data (previously distribution was based on mid-year population estimates);
- The floor has been provisionally set at -0.5% as the maximum level of funding reduction that individual councils will see through this year's settlement (previously this was set within national parameters of 0.25% - 0.75%). The negative value reflects the overall reduction in the settlement.

3.10 The capital funding announced incorporates:

- Additional funding of £40m to support Free School Meals expansion;
- A reduction of £16.7m (27%) in the Regional Capital Grant Fund; and
- A reduction of £157m (22%) in Affordable Housing Supply funding

Draft Local Government Finance Order – East Lothian Council Position

3.11 Analysis of the draft settlement and circular suggests that East Lothian Council's financial gap will remain at £17.7 for 2024-25. While this represents some reduction compared with previous projections, a funding gap of this level remain extremely challenging. These estimates reflect an estimated funding uplift of £19.529m in 2024/25, of which:

- £16.546m is funding for existing policy commitments, namely the baselining of funding to support the 2023-24 pay award and 1140 hours which was previously provided as a ringfenced grant;
- £0.641m is funding for new policy commitments including Free School Meals expansion and funding to be passported to the IJB; and
- £2.710m is additional funding.

3.12 The funding position remains provisional and subject to change given that the settlement information is in draft, and the above figures reflect estimates of funding which has not yet been distributed, but do not include the estimated share of the £144m council tax freeze grant.

3.13 The net increase in funding can be linked to the updating of population indices and changes to the floor.

3.14 Factoring in the estimated local implications arising from the draft settlement announcement, the impact on the 5 year funding gap for the general services revenue account is as follows:

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Planning estimates (Feb 2023)	27,124	12,046	8,749	11,808	11,134	70,861
Updated estimates (Dec 2023)	20,001	16,260	6,927	8,596	6,860	58,644
Revised estimates (Jan 2024)	17,708	16,939	7,577	9,264	7,542	59,030

Table 1: Updated 5 year budget gap 2024-25 to 2028-29

- 3.15 While this represents some improvement in the projected funding shortfall previously shared with Council, the scale of the 5 year budget gap remains hugely significant, particularly when considered in the context in proportion to the Council's overall annual expenditure budget. Financial sustainability continues to be the most significant risk currently facing the Council and this presents an ongoing threat to our capacity to sustain delivery of core services.
- 3.16 The scale of this challenge will require a fundamental review of key priorities in order to ensure that the Council's limited resources are directed to meet the most pressing needs of East Lothian residents and the Council's statutory responsibilities. Inevitably, this will mean that the Council will be unable to continue delivering the level and range of services that it currently offers. Balancing the 2024-25 budget will therefore require difficult decisions to be made in order to deliver the expenditure reductions, or revenue growth required to offset the funding gap.
- 3.17 A significant number of updates have been made to the 5 year budget estimates in order to reflect up to date information regarding inflation and demand pressures. The key reasons for the movement in the estimated funding gap are as follows:
- Reduction in the employer pension contributions for local government staff following the triennial valuation;
 - Incorporation of assumption that the increase in employer pension contributions for teachers will be funded;
 - Updates to debt charges to reflect the revised capital expenditure profile and changes to interest rates, and changes to planned use of post completion section 75 contributions;
 - Updates to contract price increases to reflect inflation;
 - Updating provision for the 2024-25 pay award from 2% to 3%.
 - Uplift in Scottish Government funding as outlined within this report. A summary of the current 5 year budget model is set out below:

2024/25	2025/26	2026/27	2027/28	2028/29	Total
£'000	£'000	£'000	£'000	£'000	£'000

Growth						
Pay	4,608	4,066	4,149	4,869	6,374	24,066
Growth & service pressures	4,502	4,763	3,347	3,040	-986	14,666
Inflation / Indexation	4,140	1,572	1,726	1,609	1,607	10,654
Debt Charges	4,899	7,548	0	-254	547	12,740
TOTAL	18,149	17,949	9,222	9,264	7,542	62,126

Funding / Income Changes

Changes in RSG	-7,893	0	-1,800	0	0	-9,693
Teachers pensions increase (assumed)	-1,589	0	0	0	0	-1,589
SFT & Other	-645	-1,010	155	0	0	-1,500
GF Balance	9,686	0	0	0	0	9,686
TOTAL	-441	-1,010	-1,645	0	0	-3,096

FUNDING GAP	17,708	16,939	7,577	9,264	7,542	59,030
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APPROVED REDUCTIONS	-3,691	-2,081	-2,094	-1,785	0	-9,651
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DELIVERY RISK	1,500			-500	-1,000	0
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CAPITAL FUND	-1,899	-7,548	5,676	3,771	0	0
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COUNCIL TAX	-4,608	-4,561	-4,697	-4,794	-5,001	-23,661
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REMAINING GAP	9,010	2,749	6,462	5,956	1,541	25,718
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Table 2: Draft budget summary movements as at 9 January 2024

3.18 The above projections do not reflect the budget gap within the IJB, which is estimated to be in excess of £3m for 2024/25. The projections assume that this gap will be managed through the IJB budget setting process. However it is anticipated that this will require some challenging decisions and there remains a risk that if the IJB is unable to contain spending within the agreed budget envelope then any overspends may fall upon partners to meet.

Council Tax

3.19 The draft settlement announcement sets out Scottish Government's plans to distribute £144m funding to support a council tax freeze in 2024/25, indicating that this level of funding is equivalent to a 5% council tax increase across Scotland. The above budget gap reflects initial indications that East Lothian's share of this funding will be £3.404m, which represents an estimated shortfall of approximately £0.07m. There is a risk that the distribution of funding may mean that not all local authorities receive a

share which is exactly equivalent to a 5% increase, along with a risk of income loss in future years if the grant is not uplifted in line with housing growth.

- 3.20 The Deputy First Minister has indicated that councils who choose to apply an increase to council tax charges in 2024-25 will not receive a share of the £144m grant. It should be noted that an increase of circa £1.2m in council tax income is anticipated to arise as a consequence of housing growth.

Savings

- 3.21 As part of the current 5 year budget Council has committed to the delivery of savings totalling £9.651m. Officers continue to work towards the delivery of these savings, however, a review of the amounts planned for delivery within 2024/25 has identified a number of areas in which there is a risk to delivery in the next financial year. The budget model has therefore been updated to reflect this risk, and the possibility that delivery of these savings will be delayed. The purpose of this adjustment is to ensure that budget plans for the next year are realistic and viable.

Capital Fund

- 3.22 The budget projections set out within appendix 2 incorporate a change to the current application of section 75 contributions which are received subsequent to obligations aligned to these contributions having been met.
- 3.23 As it currently stands, these contributions are used to fund capital investment and reduce the net borrowing requirement. However, it has been identified through discussion with the Council's treasury management advisors that these funds could be taken to a reserve which is then used to smooth fluctuations in the debt charges to the revenue account. The drawback of this treatment is that it will result in an increase to the Council's borrowing requirement, and it will not be possible to adopt this approach on a long-term basis due to the one-off nature of reserves.
- 3.24 In recognition of the significant budget gap facing the Council over the medium term, the above estimates reflect use of the capital fund to hold debt charges at £16m for financial years 2024-25, 2025-26 and 2026-27 which will help to offset some of the pressure within the revenue account in these years. In 2027-28 current forecasts indicate that debt charges will increase to £19.5m. This approach will remain under regular review.

Conclusion & Next Steps

- 3.25 The financial outlook facing the Council remains extremely challenging, and despite the small increase in the level of funding which has been provided through the draft settlement the Council continues to face a significant funding gap which will require difficult decisions to close.
- 3.26 Furthermore, Scottish Government's medium term financial plans do not indicate that additional funding to close the budget gap will be made available over the coming years. It is therefore crucial that decisions taken

through the budget setting process are focussed on supporting financial sustainability over the medium term.

3.27 Councillors have a statutory responsibility to set a balanced budget before the start of each financial year, and sustainable financial planning is key to this. The financial strategy and budget development principles adopted by Council include a commitment to minimising the use of one-off resources to balance the budget, ensuring that use of reserves is limited to investment that will deliver ongoing cost reductions, and working towards increasing the minimum unallocated balance on general reserves over the medium term. This is supported through commentary made by our external auditors which highlights the low level of reserves which the Council holds when considered as a proportion of its revenue budget.

3.28 In light of the current financial gap and future financial forecasts it remains critical that sustainable financial plans are developed to support our communities. The Council has delivered significant efficiencies for a number of years, but the reality of the current financial challenge which we are operating now taking alongside future financial planning assumptions means that it is now a critical necessity to review what the Council is able to deliver by using our limited resources to support key priorities. Inevitably this will require some significant changes and challenging decisions, however financial resilience of the organisation now remains critical. There remains a need for immediate and urgent focus to prioritise the decisions and discussions to support developing sustainable financial plans and financial resilience. This message has remained consistent with financial updates provided to Council, and remains a key priority supported by the Chief Executive, Chief Financial Officer, Head of Finance and senior leadership team.

3.29 The parliamentary timetable remains in draft we anticipate the budget stages to be as follows:

- **Stage 1** - 8 February 2024
- **Stage 2** – 20 February 2024
- **Stage 3** – 27 February 2024
- **Local Government Finance Order** – 28 February 2024

3.30 Working towards setting the Council's budget for 2024-25 onwards, along with the council tax and rent levels for the next financial year, the following provisional timetable has been agreed by Council. Administration budget finalised and circulated to all political groups;

- **5pm Wednesday 7 February 2024;**
- Any final budget amendments to be submitted to the Head of Finance;
 - **5pm Monday 12 February 2024;**
- Council papers and amendments published;
 - **Thursday 15 February 2024;**

- Council budget meeting;
 - **Tuesday 20 February 2024**

- 3.31 This means that Council will meet to consider the budget prior to the Local Government Finance Order being finalised. Due to the billing timetable for rent and council tax collection, no changes are proposed to the timetable agreed by Council, however any impact through the final stages of the settlement will be reported as an update to the budget to a subsequent Council meeting.

- 3.32 With this in mind, the key next steps over the coming weeks are set out below:
 - Discussions through the cross-party budget working group will continue in line with the budget development framework agreed by Council;
 - Consider the range of budget reduction options which have been put forward by officers in order to close the remaining budget gap for 2024-25 and the following years;
 - Review the implications of either accepting the council tax freeze grant or applying an increase to the council tax charge;
 - Have regard for the budget consultation results (available in the Members Library) in considering options to close the budget gap;
 - Considering the updated general services capital programme;
 - Considering the appropriate level of rent increase for 2024-25, having regard for the consultation results, key financial tests and implications for the HRA capital programme in light of the reduction to the subsidy for new affordable housing.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report, although it should be noted that in order to set a balanced budget it may be necessary for decisions which could impact on the delivery of policy to be taken.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment. However, impact assessments will be undertaken as appropriate for any changes to service delivery or charges which are agreed through the development of the budget in order to ensure that decisions taken are informed by this.

6 RESOURCE IMPLICATIONS

6.1 Financial – as described above.

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Sarah Fortune Ellie Dunnet
DESIGNATION	Executive Director for Council Resources (Chief Financial Officer) Head of Finance
CONTACT INFO	edunnet@eastlothian.gov.uk
DATE	8 January 2024

REPORT TO: Cabinet

MEETING DATE: 30 January 2024

BY: Executive Director for Council Resources

SUBJECT: Changes to Business Rates Empty Property Relief Policy

3

1. PURPOSE

- 1.1. To seek Cabinet's agreement to change the Council's Business Rates Empty Property Relief Policy.

2. RECOMMENDATIONS

- 2.1. Cabinet is recommended to approve the Business Rates Empty Property Relief Policy changes outlined in paragraphs 3.4 to 3.11. The revised policy will be effective from 1st April 2024.

3. BACKGROUND

- 3.1. From 1st April 2023, Scottish Councils were able to introduce their own Empty Property Relief policy by using Section 3A of the Local Government (Financial Provisions etc.) (Scotland) Act, as amended by Section 140 of the Community Empowerment (Scotland) Act 2015. Empty properties are defined as rateable entries which are not currently occupied.
- 3.2. An East Lothian Business Rates Empty Property Relief Policy was implemented from 1st April 2023. The Policy agreed by Council at this time mirrored the Scottish Government's previous empty property legislation and definitions, and Council noted the intention to review this policy during the 2023/24 financial year.
- 3.3. The Council's Empty Property Relief Policy was reviewed during 2023/24 as part of our wider budget strategy. As part of this review, views were sought from Revenues, Finance and Economic Development colleagues and information was gathered from other Scottish Councils in relation to their planned policy updates.

POLICY CHANGES

- 3.4. The policy changes recommended aim to; treat empty properties consistently, encourage long-term empty properties back into use and reduce the costs to the Council of delivering this policy.
- 3.5. Apart from the categories listed in section 5, the Council's Business Rates Empty Property Relief Policy will be revised to treat every empty property in the same way; all empty properties will receive 50% rates relief for the first three months from the last occupation date and 10% relief thereafter. A summary of policy changes, and the number of properties at 1st November 2023 that would be affected by this policy change, is contained in Appendix 1.
- 3.6. Industrial Properties (with the same definition contained previously in the Local Government (Scotland) Act 1966) will no longer receive 100% relief for six months from the last date of occupation and 10% relief thereafter. Newly unoccupied Industrial Properties will receive 50% relief for the first three months from the last occupation date and 10% relief thereafter. On 1st April 2024, any ongoing period of six-month Industrial 100% relief will change to 50% relief for the remainder of any three-month period, followed by 10% relief thereafter.
- 3.7. Listed Buildings or properties subject to preservation order will no longer receive 100% relief. Newly unoccupied Listed Buildings or properties subject to preservation order will receive 50% rates relief for the first three months from the last occupation date and 10% relief thereafter.
- 3.8. Lands and heritages that do not comprise of any building or part-building. will no longer receive 100% relief. Newly unoccupied lands and heritages that do not comprise of any building or part-building will receive 50% rates relief for the first three months from the last occupation date and 10% relief thereafter.
- 3.9. Properties with a rateable value of less than £1700 will no longer receive 100% relief. Newly unoccupied properties with a rateable value of less than £1700 will receive 50% rates relief for the first three months from the last occupation date and 10% relief thereafter.
- 3.10. Empty properties where the related 100% relief policy is changing, that have been unoccupied for more than three months, will move to 10% relief from 1st April 2024. Empty properties where the related 100% relief policy is changing, that have been unoccupied for less than three months, will receive the remainder of any three-month period as 50% relief from 1st April 2024, followed by 10% relief thereafter.
- 3.11. In advance of issuing 2024/25 annual bills, all ratepayers affected by the changes to Empty Property Relief will be contacted. Ratepayers will be signposted to contact our Business Rates Team if they have any questions.

NO CHANGE TO POLICY

- 3.12. Empty properties where the rateable occupier is a trustee for sequestration, liquidation, or an executor of the estate of a deceased person will continue to receive 100% relief.
- 3.13. Empty properties where the rateable occupier is a company that has been wound up under the Insolvency Act will continue to receive 100% relief. The person entitled to possession of the lands and heritages is so entitled in his capacity as liquidator by virtue of an order made under Section 112 or Section 145 of the Insolvency Act 1986 (d), or the owner of the lands and heritages is a company which is subject to a winding-up order made under the Insolvency Act 1986, or which is being wound up voluntarily under that Act.
- 3.14. Empty properties where occupation is prohibited by law will continue to receive 100% relief. The owner of the lands and heritages are prohibited by law from occupying them or allowing them to be occupied.
- 3.15. Empty properties which are subject to a compulsory purchase order will continue to receive 100% relief. The lands and heritages are kept vacant by reason of action taken by or on behalf of the Crown or any local or public authority with a view to prohibiting the occupation of the lands and heritages or to acquiring them.
- 3.16. All other non-industrial properties will continue to receive 50% rates relief for the first three months from the last occupation date and 10% relief thereafter.
- 3.17. Short periods of occupation of three months or less will continue to be ignored when assessing last occupation date.

4. FINANCIAL IMPLICATIONS

- 4.1. As the number of empty properties at any given time is variable, and subject to regular movement, it is not possible to provide an exact value of the additional income expected. Based on a 1st November 2023 analysis of 208 empty properties, additional income gained from the policy changes described below could be up to £480k.
- 4.2. East Lothian Council is currently liable for 40 empty properties affected by these changes. East Lothian Council's Business Rates' charges will also increase. The additional cost to the Council is estimated to be in the region of £165k.

5. INTEGRATED IMPACT ASSESSMENT

- 5.1. The report is not applicable to the wellbeing of equalities groups and an Impact Assessment is not required.

6. RESOURCE IMPLICATIONS

- 6.1. No additional resource implications.
- 6.2. Personnel – none. Other – none.

7. BACKGROUND PAPERS

- 7.1. Additional East Lothian Business Rates information can be found here www.eastlothian.gov.uk/business-rates

Appendix 1 – Summary of Proposed Empty Property Policy Changes

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APPENDIX 1

SUMMARY OF PROPOSED EMPTY PROPERTY POLICY CHANGES

Existing empty property reliefs will transfer over to the revised policy on 1st April 2024. A summary of empty property categories, and the policy for newly unoccupied properties before and after 1st April 2024, is shown in the table below.

Empty Relief Category	2023/24 Policy	Policy from 1st April 2024	Number of properties at 1st November 2023 that would be affected by 1st April 2024 policy change
Industrial properties	Six months 100% relief, then 10% relief	Three months 50% relief, then 10% relief	5
Listed buildings	100% relief	Three months 50% relief, then 10% relief	43
Land with no buildings	100% relief	Three months 50% relief, then 10% relief	9
Under £1700 rateable value	100% relief	Three months 50% relief, then 10% relief	84
Trustee for liquidation, sequestration, or executor of a deceased estate	100% relief	100% relief	0
Insolvent rateable occupier	100% relief	100% relief	0
Prohibited from occupation	100% relief	100% relief	0
Subject to compulsory purchase order	100% relief	100% relief	0
All other empty properties	Three months 50% relief, then 10% relief	Three months 50% relief, then 10% relief	0

REPORT TO: Cabinet

MEETING DATE: 30 January 2024

BY: Executive Director for Place

SUBJECT: Proposed East Lothian Local Housing Strategy 2024-29

4

1 PURPOSE

- 1.1 The purpose of this report is to outline the key changes made to the strategy as a result of the consultation and to seek approval for the proposed LHS 2024-2029 which will be implemented from April 2024.

2 RECOMMENDATIONS

- 2.1 Cabinet is recommended to approve the Proposed Local Housing Strategy 2024-29, to agree the priority outcomes identified and to support the actions towards achieving these outcomes.
- 2.2 It is recommended that the Proposed Strategy is updated annually during the period 2024-29, as is required by LHS Guidance, with any updates and changes reported through the Member's Library Service.

3 BACKGROUND

Legislative context

- 3.1 The Housing (Scotland) Act 2001 requires local authorities to prepare a Local Housing Strategy (LHS) for their area. The Act also states that the LHS must be supported by an assessment of need and demand, of housing provision and related services. The LHS must be submitted to Scottish Ministers and local authorities are required to keep their LHS under continual review.
- 3.2 The LHS sets out the strategy, priorities and plans for the delivery of housing and related services across East Lothian for the period 2024 – 2029 and within the context of the current financial challenges.
- 3.3 The LHS is the sole strategic document for housing, bringing together a wide range of housing related priorities into one place and enabling a co-ordinated response in terms of action. It plays a number of important roles, including:

- Setting out the strategic direction of the Council and its partners to delivering high quality housing and related services, to meet identified need across the county.
 - Outlining the Council's approach to meeting its statutory housing responsibilities, particularly in relation to homelessness, house condition and fuel poverty.
 - Summarising the response to national housing priorities, i.e. the Scottish Housing Quality Standard; town centre living; reduction in carbon emissions and supporting the development of sustainable communities, while also reflecting the needs and priorities of the local area.
 - Demonstrating how housing can contribute to improvements in health and wellbeing, the reduction of poverty and influence the effective integration of health and social care.
- 3.4 The consultative draft LHS has been developed in line with 2019 [Scottish Government Guidance](#), taking into account any recent relevant legislation such as the National Planning Framework 4.

Engagement

- 3.5 The Housing (Scotland) Act 2001 requires local authorities to consult on their proposed LHS. To inform preparation of this Consultative Draft LHS, a process of engagement commenced in February 2022 and ended in January 2023. Over 1,000 people participated in this process which included a range of online surveys, in person focus groups and workshops.
- 3.6 Following the approval of the Consultative Draft LHS in September 2023 a series of consultation activities were carried out over a period of 9 weeks, including:
- Six drop-in event for members of the public were held across area partnerships in East Lothian to gather views on the Strategy.
 - One drop-in event for members of staff, H&SCP and elected members.
 - A multi-agency health and housing workshop facilitated between Housing and NHS Lothian's Partnership & Place Team.
 - One online survey found via the Council's Consultation Hub.
- 3.7 In total there were 114 responses to the Draft Local Housing Strategy Consultation with an additional five formal responses from the following stakeholders:
- Homes for Scotland
 - NHS Lothian – East Lothian Partnership & Place Team
 - Sustaining North Berwick

- MND Scotland
 - East Lothian's Tenant and Residents Panel
- 3.8 In total, over 1,300 individuals' views were collected throughout the engagement and consultation period, with 75% of respondents agreeing with the Strategic Vision.
- 3.9 All responses were considered and where appropriate, changes were made to the Proposed LHS. Actions were also added as a result of the consultation, including: exploring the effects of the cost-of-living focusing on multigenerational households; using the 2022 Census results to better understand how race and ethnicity impact housing and health inequalities; and defining 'key workers' within the East Lothian context.
- 3.10 A full summary of the engagement consultation and changes made following engagement can be found in [Supporting Paper 2](#).
- 3.11 In parallel with the consultation, a formal peer review process was undertaken by Scottish Government Policy Teams as well as another Local Authority. The peer review highlighted specific strengths of the draft Strategy:
- Wide engagement with communities.
 - Good awareness of the Private Rented Sector and challenges in rural areas.
 - In depth information on Specialist Housing Provision.
- 3.12 The peer review also made suggestions for areas of development. These areas were considered and amended accordingly. Key areas included:
- Review of the Housing Supply Target, including both an affordable and market HST.
 - Providing more information on how the LHS aligns with the Rapid Rehousing Transition Plan.
 - Provision of more information around the good partnership working with Health and Social Care.
- 3.13 A full summary of strengths and suggested areas of development highlighted in the peer review is available in [Supporting Paper 6](#).

Proposed LHS

- 3.14 The LHS has been undertaken under the backdrop of the UK's withdrawal from the EU, the Covid-19 Pandemic, the War in Ukraine and most recently, the Cost of Living Crisis. Underpinning all of the challenges in the LHS is the increasing financial uncertainty and funding gap faced by East Lothian Council.

- 3.15 Taking account of the key housing issues identified; the changing strategic planning framework; local context and engagement from local communities, the proposed strategic vision for East Lothian is that by 2029

People in East Lothian have access to warm, high quality, affordable homes which meet their needs and enables them to live in communities with the support and services they require.

- 3.16 To underpin this vision, five priority outcomes have been identified:
- Communities are supported to flourish, be distinctive and well connected.
 - Housing supply accessible, affordable and provides a range of choices to meet the needs of households across East Lothian.
 - Homelessness is prevented as far as possible, where unavoidable, a rapid response with the appropriate support is provided.
 - Housing and support services are effective, accessible to, and will meet the needs of those most vulnerable in the community.
 - All homes in East Lothian are maintained to a high standard, are energy efficient and contribute to meeting climate change targets.
- 3.17 A five-year action plan underpins and supports these priorities, which will direct and target resources and activity over the period of the LHS. The proposed actions are set out from page 122 of the LHS.
- 3.18 Following approval, the intention is that the LHS will go live with an implementation date of April 2024 and updated annually with a report submitted to the Members Library Service every April.

4 POLICY IMPLICATIONS

- 4.1 Actions set out in the Action Plan of the LHS are likely to have policy implications. Any significant change or policy implication arising due to implementation of actions will be presented to Cabinet for approval.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 An integrated impact assessment (IIA) was carried out on the Consultative Draft LHS. This forms [Supporting Paper 1](#) of the LHS. Three areas were picked up during the IIA process:
- The need to ensure that the LHS is updated to utilise the Census Data when it is published. This recognises that the existing Census is now over 10 years out of date, and is normally a key resource for reporting on equalities data.
 - The need to continue to make efforts to reach out to groups which haven't been as well represented within engagement sessions. This includes LGBT+ and ethnic minorities. Housing will work

alongside ELH&SCP and ELC’s respective Equalities Officers and VCEL who have also identified similar gaps.

- To ensure that the Consultative LHS is fully accessible and includes Alternative Text (Alt Text) where there are tables or graphics. This has now been completed.

5.2 Due to the significant positive contribution Housing can make to the lives of children and young people, and in recognition of the UNCRC, a Children’s Rights and Wellbeing Impact Screening and a Full Assessment (CRWIA) was carried out. This is the first time a CRWIA has been carried out for an LHS. Both documents can be found in [Supporting Paper 3](#) of the LHS.

6 RESOURCE IMPLICATIONS

6.1 Financial – There are no direct financial implications associated with approval of this Proposed Strategy although achievement of the actions and priority outcomes will impact on the financial planning arrangements of services over the Strategy term, both in relation to required interventions and anticipated realisation of future financial efficiencies for the Council.

It may also be possible that the financial situation of the Council may impact on the ability to complete or fully achieve the actions set out within the LHS. This will be monitored annually.

6.2 Personnel - Significant staff time will be required to complete, monitor and oversee the development of the LHS.

7 BACKGROUND PAPERS

7.1 [Proposed Local Housing Strategy 2024-29](#)

[Supporting Paper 1: Integrated Impact Assessment](#)

[Supporting Paper 2: Engagement and Consultation Plan & Report](#)

[Supporting Paper 3: Children’s Rights and Wellbeing Impact Assessment](#)

[Supporting Paper 4: Housing Supply Target Methodology](#)

[Supporting Paper 5: Research into the Private Rented Sector in East Lothian](#)

[Supporting Paper 6: Scottish Government Peer Review](#)

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