



**MINUTES OF THE MEETING OF
EAST LOTHIAN COUNCIL**

**TUESDAY 12 FEBRUARY 2019
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 W Innes

Councillor S Kempson

Councillor G Mackett

Councillor K Mackie

Councillor C McGinn

Councillor P McLennan

Councillor K McLeod

Councillor F O'Donnell

Councillor B Small

Councillor T Trotter

Councillor J Williamson

Council Officials Present:

Mrs A Leitch, Chief Executive

Ms A MacDonald, Acting Director of East Lothian Health & Social Care Partnership

Mr A McCrorie, Depute Chief Executive (Resources and People Services)

Ms M Patterson, Depute Chief Executive (Partnerships and Community Services)
and Monitoring Officer

Mr J Lamond, Head of Council Resources

Mr T Reid, Head of Infrastructure

Ms F Robertson, Head of Education

Ms S Saunders, Head of Communities and Partnerships

Ms J Tait, Head of Adult and Children's Services

Ms C Dora, Executive Officer

Ms S Fortune, Service Manager – Business Manager

Ms K MacNeill, Service Manager – People and Governance

Mr P Vestri, Service Manager – Corporate Policy and Improvement

Visitors Present:

Mr M Duff, Audit Scotland

Clerk:

Mrs L Gillingwater

Apologies:

Councillor J Findlay

Councillor B Small

1. SETTING OF BUDGET, COUNCIL TAX AND RENT LEVELS 2019-24

A report was submitted by the Depute Chief Executive (Resources and People Services), providing an update of recent developments in respect of the Local Government Finance Settlement and presenting amended budget proposals for both General Services and the Housing Revenue Account in accordance with the budgetary framework approved previously by the Council.

The Head of Council Resources, Jim Lamond, presented the report, drawing attention to a number of key aspects, including: the establishment of longer-term financial planning, which had been recognised as very important in both Audit Scotland's Local Government Overview and the recent Best Value Assurance Report on the Council; the Council's amended Financial Settlement from the Scottish Government, the net effect of which was an additional £1.719m of grant funding to the Council, together with the ability for the Council to increase Council Tax by up to 4.79%; and that the longer-term view of the Council's financial planning assumed that future grant levels would be maintained at existing levels. Mr Lamond confirmed that amended revenue and capital budget proposals had been submitted by the Administration only, and that both the Administration and SNP Group had submitted amendments to the draft budget housing proposals. He concluded his presentation by pointing out that the Scottish Government budget had not yet been finalised and would go forward to Parliament for approval on 21 February 2019. Should there be any significant changes to that draft budget, then a further report would be brought to Council on 26 February.

As regards the five-year financial and capital strategies, Councillor Goodfellow questioned whether the maximising of capital from current revenue was appropriate in ensuring the longer-term sustainability of the Housing Revenue Account (HRA) programme. Mr Lamond confirmed that this was a viable strategy, provided that the Council was maintaining and working within the debt:income ratio limit.

In response to a number of questions from Councillor Currie in relation to Brexit, and on resources available to the Council, Mr Lamond made reference to a recent briefing to Members on Brexit and advised that officers continued to monitor the situation closely. He acknowledged that there was a great deal of uncertainty, and that there could be an impact on the Council. He noted that the UK and Scottish Governments had earmarked contingency funding, but that the Council has not. He undertook to keep Members updated on the position. On the Council's funding settlement, Mr Lamond pointed out that, although there was more money available to the Council, it carried significant additional obligations.

With reference to the previous question, Councillor Innes asked for confirmation that, taking account of those new and other obligations, the Council's funding had effectively reduced by just under £2.5m. Mr Lamond confirmed this to be the case.

Councillor O'Donnell asked Mr Lamond when he expected to receive news of the funding settlement with respect to free personal care for people under retirement age. Mr Lamond reported that this matter was still to be considered by the Joint Settlement and Distribution Group, before being submitted to the CoSLA Leaders' Group for ratification.

Decision

The Council agreed:

- i. to note the circumstances relating to changes made to the original Local Government Finance Settlement offer of 12 December 2017, as set out within Sections 3.3-3.5 of the report; and

- iii. to consider and make recommendations in relation to the respective budget proposals included within the agenda for the meeting at Items 2 and 3, these items reflecting formal amendments proposed to the Draft Administration Proposal approved by Cabinet on 22 January 2019.

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

Councillor Innes presented the Administration's amendment to the budget proposals. He stated that this was the most difficult budget that the Council had ever faced, and that very difficult decisions would have to be made. He made reference to the Council's financial settlement from the Scottish Government, advising that the Council would have a further shortfall of £300,000, in addition to the existing shortfall of £5m and planned reductions of £5.6m.

Councillor Innes declared that, in its budget proposals, the Administration had made every effort to minimise the impact on frontline services, including Education, Adult Services and Children's Services. In order to do that, it was proposed that Council Tax would increase by the maximum 4.79%, that reserves would be used and that a change in the loan fund for Years 2 and 3 would be utilised. He also noted that funds from the General Services Capital Fund and the Cost Reduction Fund would be used in Year 1, to be replenished over the following three years. Councillor Innes reiterated the significant financial challenges facing the Council, but stated that the Administration would take ownership of their decisions. He concluded his presentation for thanking officers for their assistance in preparing the budget proposals; he also thanked Council staff for their hard work over the past year.

The Administration amendment was seconded by Councillor Forrest.

Councillor McLennan asked for further detail on the Administration's figures as regards staffing performance, transformation, senior management and core service reduction. The Chief Executive advised that the CMT had discussed and agreed these figures with Finance officers and that officers would ensure that they were delivered. Councillor McLennan registered his dissatisfaction with this response, commenting that there was no information on how these savings would be achieved. In response to other queries from Councillor McLennan in relation to the budgets for coastal car parking, health and social care, and economic development, the Chief Executive advised that a report on coastal car parking would be presented to the next PPRC meeting. Councillor McLennan reiterated that further information was required on these items.

The Provost then moved to the debate.

Councillor Henderson opened the debate. She thanked Mr Lamond, Ms Fortune and other officers for their assistance. She highlighted the challenges facing the Council in achieving a balanced budget, and expressed concern that the Council was having to use reserves. However, she noted that the Council was used to adapting and reprioritising, and was confident that that it would be able to work within its budget. She advised of the Conservative Group's reluctance at accepting a 4.79% Council Tax rise, noting that they would not be supportive of 5% rises in the following two years. Councillor Henderson welcomed in particular the increased recurring investment in the road network, and stressed the importance of delivering essential services. She declared that the Conservative Group would be supporting the Administration's draft budget, as amended.

On behalf of the SNP Group, Councillor Currie voiced his concern at the level of the proposed Council Tax increase and at reductions in funding for a number of services,

including Children's Wellbeing, Economic Development and Area Partnerships. He noted that he had offered to engage with the Administration in advance of the budget-setting process, which would include discussing coastal car parking charges and instrumental music tuition, two policies that his Group were opposed to, and which, in his view, had not been successful. However, he claimed that the Council Leader had indicated that he was not prepared to discuss these matters. Councillor Currie was also concerned at the impact of the increase in interest charges for the PPP contract on Council finances. He concluded his presentation by referring to the proposed budget as being 'unamendable, unsupportable and indefensible', and declared that the SNP Group would not support it.

Councillor Hampshire thanked Council staff for continuing to deliver quality services in spite of the challenging financial circumstances. He advised that the Administration had accepted two amendments to the budget put forward by the Conservative Group, noting that the SNP Group had declined to participate in discussions. Despite the reduction in the Council's revenue support grant, Councillor Hampshire believed that the proposed budget would continue to improve the quality of life for people in East Lothian. He made reference to the increasing demands on Council services as a result of the increasing population in East Lothian, rises in school rolls and pressure on adult services. He warned of the impact of the funding reduction from the Scottish Government on community, arts and leisure facilities, but stated that the Administration would do everything in its power to protect services. He also stated the requirement for the Council to identify new income streams.

Councillor Bruce argued that had the Scottish Government not reduced the grant to the Council, the increase in Council Tax would have been lower. He also remarked that the budget amendment put forward by the SNP Group in 2018 had included those items raised as a concern by Councillor McLennan earlier in the meeting.

Councillor McGinn spoke of the Council's collective responsibility in setting the budget and protecting services. He drew attention to the impact of funding reductions on services for young people, and called on the Council to ensure that that communities received the required level of services. He highlighted a number of positive aspects of the budget proposals, including the new community centre in Whitecraig, improvements to Tranent town centre, investment in the Recharge programme and the delivery of a new primary school in Wallyford.

On education, Councillor Akhtar pointed out that £154 million would be spent on building new schools and expanding existing ones, and that school IT systems would undergo an upgrade. She also welcomed an increase in funding for Children's Services. However, she warned of the financial challenges facing the Council.

Councillor Dugdale pointed out that funding to local government had been cut by 7% in recent years, and that this had had a significant impact on East Lothian Council, one of the fastest-growing areas in Scotland. She welcomed the delivery of the new community centre in Whitecraig, commenting on the benefits of that facility to the community, and the improvements to Tranent town centre. She also spoke in support of the continuation of lunch clubs and the new community library at Wallyford Primary School. She called on the Scottish Government to provide fairer funding for local government in order to protect services and invest in the future.

As health and social care spokesperson, Councillor O'Donnell questioned the Council's ability to tackle poverty and inequality in the face of reducing funding from the Scottish Government. She highlighted the need for additional funding to meet the needs of an aging population. As regards charges for social care services, she advised that the Administration would not increase fees for the coming years. Drawing attention to proposed funding for health and social care services, she reminded the Council that it would be for the IJB to

decide how to use this funding. Councillor O'Donnell also paid tribute to volunteers within her ward, as well as those working in the third sector who contributed to service provision.

Councillor McLennan reiterated his concerns as to how some savings would be achieved. He also queried the figures relating to coastal car parking income, as well as the reduction in funding for economic development and tourism projects, especially in light of the UK's imminent departure from the EU.

In response to Councillor McLennan's comments on economic development, Councillor McMillan pointed out that jobs would be created with the development of Blindwells and the former Cockenzie Power Station site, and through the City Region Deal. He also made reference to proposed town centre improvements. He emphasised the Administration's support for local businesses, and noted that Council staff would work with local event organisers to help them operate independently. He remarked on the importance of the Scottish Government working in partnership with local government.

Councillor Mackie welcomed the proposals for the new secondary school in Musselburgh and the progression of plans to improve facilities at the Brunton Hall.

Councillor Goodfellow criticised Councillor Currie for mentioning rent proposals when discussing the general services budget. Councillor Currie raised a point of order, disputing a claim by Councillor Goodfellow that he (Councillor Currie) had suggested that rental income could be used for non-housing purposes. The Provost declared that the point of order was valid, and invited Councillor Goodfellow to continue. Councillor Goodfellow noted that concerns had been raised within his constituency in relation to the draft budget proposals for primary schools. However, he was satisfied that the Administration's amendment would address those concerns, and that most primary schools would be receiving funding similar to that of the current year. He welcomed proposed improvements to schools, which would be partly funded through Section 75 Agreements.

The Provost then invited Councillor Innes to sum up for the Administration. Councillor Innes expressed regret that the SNP Group had not put forward proposals. He confirmed that Councillor Currie had indeed contacted him to discuss proposals, but only on the proviso that the Administration abolished coastal car parking and instrumental tuition charges. Councillor Currie raised a point of order, on the grounds that Councillor Innes had misled the meeting on this last point. In the absence of evidence in this regard, the Provost advised that the point could not be ruled upon and invited Councillor Innes to continue his summing up. Councillor Innes concluded by arguing that local government would bear the brunt of Scottish Government funding cuts, and that this would have a detrimental impact on communities. He called on the Council to protect services and staff, and to support the draft budget, as amended.

The Provost then asked the Council to move to the vote on the amendment to the budget proposals, as submitted by the Administration.

For: 14
Against: 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 4.79% in 2019/20 (Band D level of £1,242.48).

3. RENT PROPOSALS 2019/20–2023/24

(a) Amendment Submitted by the Administration

Councillor Goodfellow presented the Administration's Housing budget to the Council, asserting that the provision of affordable housing was the most significant lever in reducing inequality. He advised that the Administration's proposals would see £171 million being spent on building new homes and modernising existing stock. He pointed out that since 2007 the Council had delivered over 1,500 new affordable homes, and that over the coming years, a further significant number of affordable homes would be built across East Lothian. At the same time, the modernisation programme would continue, with new bathrooms, kitchens and energy efficiency measures being installed in existing stock. He noted that the budget proposals assumed the present level of Scottish Government subsidy, but that it was important for this level of subsidy to increase in order for the Council to deliver housing in accordance with the Local Development Plan. Councillor Goodfellow thanked tenants for their ongoing support, and Council staff for their work in maintaining Council homes.

The Administration amendment was seconded by Councillor Hampshire, who advised that a shortage of good quality affordable housing posed a significant challenge for the Council. He maintained that, even with a 5% rent increase, the Council would still have one of the lowest rents in Scotland. In addition to the construction of new homes and the continuation of the modernisation programme, he noted that £840,000 would be allocated for mortgage-to-rent applications. He called on the Council to support the Administration's amendment.

(b) Amendment Submitted by the SNP Group

Councillor Currie presented the SNP amendment to the Housing budget to the Council. He observed that both budgets were very similar, and that there was general agreement within the Council as to the importance of delivering affordable housing. However, he advised that his Group would be proposing a 3.7% rent rise for 2019/20, representing inflation plus 1%, which he felt was fairer, given the levels of salary increases and other rising living costs. He claimed that, although the Council once had the second lowest rents in Scotland, it was now nearing the national average. He also suggested that tenants should be given more options as part of the consultation process.

The SNP amendment was seconded by Councillor McLeod.

In response to a question from Councillor Bruce as regards the SNP's mortgage-to-rent proposals, Councillor Currie advised that, based on figures from Finance on the previous three years' activity for mortgage to rent, he felt that it was appropriate to retain £840,000 for the current year, but reduce this to £250,000 for future years.

(c) Debate and Decision

Following the presentation, the Provost moved to the debate.

Councillor Henderson highlighted the importance of housing to communities, and considered the Administration's proposals to be consistent, forward-thinking and innovative. Although she felt that the SNP proposals were reasonable, she was minded to support the Administration's HRA budget.

Councillor Innes pointed out that the SNP's proposed rent rise of 3.7% (inflation plus 1%) was only for the current year, and then it would revert to 5% for future years. He was of the view that if the SNP Group were intending on raising rents by inflation plus 1%, then this

would also have to be reflected going forward, which would have an impact on the ability of the Council home building and modernisation programmes.

Summing for the SNP Group, Councillor Currie commented that a number of housing associations had chosen not to increase rents for the coming year. He felt that raising rents by inflation plus 1% was reasonable and proportionate, and would mitigate against tenants getting into arrears.

Summing up for the Administration, Councillor Goodfellow noted that tenants had been consulted on the proposals and that there was overwhelming support for a 5% increase in rents. He made reference to a housing option fund, recognising that the Council would need to be in a position to react should opportunities arise, and noting that £4m would be set aside for that purpose in 2023/4. He questioned the SNP Group's mortgage-to-rent proposals, in that the funding level was too low. He also expressed concern at the SNP proposals regarding managing the capital balances from current revenue. Councillor Currie raised a point of order concerning this statement, arguing that this approach was acceptable as per the Council's Financial Strategy. Mr Lamond confirmed this to be the case, and the Provost moved that the point of order was valid.

The Provost then moved to the vote.

The amendment to the HRA budget proposals submitted by the SNP for 2019/20 to 2023/24 were put to the vote.

For: 6
Against: 14

The amendment to the HRA budget as proposed and seconded by the SNP therefore fell.

The amendment to the HRA budget proposals submitted by the Administration for 2019/20 to 2023/24 were put to the vote.

For: 14
Against: 6

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

Decision

The Council agreed to approve the rent proposals as presented by the Administration and to increase Council house rent levels by 5% in 2019/20.

Signed

Provost John McMillan
Convener of the Council