

**REPORT TO:** East Lothian Council

**MEETING DATE:** 2 March 2021

**BY:** Executive Director for Council Resources

**SUBJECT:** Budget Development 2021-2026 including setting of Council Tax

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## **1 PURPOSE**

- 1.1 Following on directly from my report to Cabinet on 19 January 2021 and Council on 23 February 2021, this report provides a brief update on the budget development process and sets the scene for presenting amended budget proposals for Council Tax setting and General Services budgets.

## **2 RECOMMENDATIONS**

- 2.1 To note the further update on budget development set out within this report.
- 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 Proposal for General Services 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, January Cabinet considered and approved Administration draft budget proposals for General Services (Revenue and Capital) and the Housing Revenue Account, reflecting the most up to date information available at that time.

- 3.3 Since then, Council has received a DRAFT Local Government Finance Settlement for 2021-22, with an update on the key components and implications for East Lothian reported to the most recent Council meeting on 23 February 2021.
- 3.4 The report provides a reminder that the current settlement details remain in draft pending passage of the Scottish Governments own draft budget through the complete Scottish Parliamentary process, with key dates set out below:
- Stage 1 debate - 25 February 2021
  - Stage 2 debate – 8 March 2021
  - Stage 3 debate - 9 March 2021
- 3.5 In addition, and further to the postponement of the full Autumn Budget and supporting Comprehensive Spending Review, the next UK Budget for 2021-22 will take place on 3 March 2021, and it is unknown whether this will change any of the treasury allocations already provided to Scottish Government.
- 3.6 Notwithstanding the many variables which may yet impact upon the final level of resource available to East Lothian Council in 2021-22, at the time of writing this report no further significant developments have been made known and there is now an imperative that the council must set its budget based upon the best and most up to date information available.
- 3.7 A reminder of the most relevant components of the Finance settlement for purposes of Council Tax and General Services budget setting are repeated below:
- The draft Scottish Government Budget and related Local Government Finance Settlement have been provided covering the 2021-22 financial year only;
  - Councils must continue to deliver a number of specific policy 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.
- East Lothian Council's 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.
- 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.
- An increase of £0.08m of capital grant has been received, taking the total capital grant to £7.587m.
- An additional increase in specific capital grant to support Cycling, Walking and Safer Streets, taking the overall total grant to £0.469m in 2021-22.

3.8 As highlighted to Council last week, in addition to the above, the Scottish Government has recently announced an additional £275 million of non-recurring national funding made available to support COVID-19 intervention in 2020-21 but which may be used flexibly into 2021-22. Further funding has also been announced to support the learning needs of children and young people in 2021-22. Both of these funding streams are in addition to the previously announced £259 million COVID-19 funding which will be provided to Scottish Councils in 2021-22. Whilst these elements of funding are welcomed, at the time of writing the report no specific funding allocation to East Lothian has been received. It is also important to note that this funding has been made available late in this current year, and this alongside the 2021-22 funding will be provided on a non-recurring basis. It has been provided to support the on-going financial implications being faced by COVID-19, and not to support the on-going provision of Council services provided to our local communities, and as such has not been reflected in current budget proposals.

3.9 As previously reported, COVID-19 costs facing the Council for this year are projected at around £16 million with many of these costs likely to be recurring in 2021-22 for an as yet unknown period. It remains unlikely that the national funding announced to date will be sufficient to meet these on-going costs in full should they materialise at similar levels in

2021-22, and it is therefore critical to retain flexibility in these funding streams to support future and on-going COVID-19 funding pressures.

- 3.10 The Council continues to monitor the status of the national package of fiscal flexibilities that had been announced in early October to support and mitigate the on-going cost of our COVID-19 response and future recovery activity. These flexibilities cover a range of areas including; the application of capital receipts to finance COVID-19 revenue expenditure; flexibility to review the accounting treatment for debt relating to credit arrangement charges; and a loans fund principal repayment holiday. At the time of writing this report, the exact details of all of these flexibilities are still to be finalised, with continued dialogue between COSLA and Scottish Government. It does seem likely that the loans fund repayment holiday will be permissible, and in line with the previous correspondence from the Cabinet Secretary for Finance, this will be available for the Council to apply should this be necessary in either 2020-21 or 2021-22. All political group amendments have now reflected the full use of this flexibility in 2021-22. These flexibilities whilst welcomed in the current financial operating environment are no substitute to full and proper funding, and will require to be paid back in later years. Should any further General Government Grant be received by Scottish Government, the extent of fiscal flexibility applied should be reconsidered.

### **General Services Budget Proposals**

- 3.11 In accordance with the budget framework previously agreed by Council, the General Services budget will be considered by way of formal amendment to the Administration draft budget proposal approved by Cabinet on 19 January 2021. 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 2020, including the planned utilisation of reserves.
- 3.12 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 all of the amendments being brought forward.
- 3.13 Amended budget proposals for General Services have been brought forward by all three political groups. The General Services Capital Budget includes a number of re-profiled projects from the draft proposal presented to Cabinet in January. The budget amendments are set out in accordance with item 2 of the agenda and these include both a proposed Council Tax level for 2021-22 and indicative Council Tax levels for the subsequent two years.
- 3.14 Without question, the Council continues to operate in an extremely challenging financial environment now compounded by supporting the national management of COVID-19 response and also future recovery. The draft status of the financial settlement made available to the Council in 2021-22, and indeed many of the interventions being proposed to

balance the budget across the 3-year period, remain subject to change and notably are being made available on a non-recurring basis. There are a wide range of risks and variables facing the Council both now and in the future, and it is critical that the Council takes early steps to identify recurring solutions which will ensure future expenditure commitments can be delivered within available resources.

#### **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 – the proposals contained within this report have been prepared within the context of the Council's approved Financial and Capital Strategies. 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 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 Council – 23 February 2021 – Item 2 Budget Development

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<b>DATE</b>	24 February 2021