

Public Document Pack

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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NOTICE OF MEETING

A Special meeting of **ARGYLL AND BUTE COUNCIL** will be held **BY MICROSOFT TEAMS** on **MONDAY, 15 APRIL 2024 at 10:30 AM**, which you are requested to attend.

Douglas Hendry
Executive Director

BUSINESS

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF INTEREST (IF ANY)**
- 3. UPDATE TO COUNCIL FUNDING FOR 2024-25 (Pages 3 - 10)**
Report by Section 95 Officer

Argyll and Bute Council

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ARGYLL AND BUTE COUNCIL**COUNCIL****FINANCIAL SERVICES****15 APRIL 2024**

UPDATE TO COUNCIL FUNDING FOR 2024-25

1. EXECUTIVE SUMMARY

- 1.1 This report provides information of additional funding for financial year 2024-25 provided by the Scottish Government and as a result invites the Council to re-consider the previous decision in relation to Council Tax rates for 2024-25.
- 1.2 The key messages are:
- The Council will get a share of £147m that the Scottish Government has made available equivalent to a 5% net increase in Council Tax nationally (4.8% for Argyll and Bute Council). Our share is £2.860m but is conditional on freezing Council Tax.
 - Confirmation has now been received that following the UK Government announcement on 6 March 2024 the Council will get a share of the £62.7m made available in response to COSLA's lobbying position. Our share is £1.100m but is conditional on freezing Council Tax.
 - Following a meeting that the former Council Leader had with the Deputy First Minister on 23 January 2024, Mairi McAllan, Cabinet Secretary for Wellbeing Economy, Net Zero and Energy wrote to the Leader on 18 March 2024 confirming that Argyll and Bute Council will receive an additional £2.3m of funding for 2024-25 as a contribution towards the additional costs to tackle the impact of the severe weather we faced in October last year.
 - This gives a potential additional income of £6.260m, some of which is conditional on freezing Council Tax.
 - The former Council Leader advised all Members by email on 19 March 2024 that a special Council meeting would be called where he would be recommending freezing Council Tax for 2024-25.
- 1.3 In order that any reversal of the previously agreed Council Tax increase does not affect future years budget gaps, it is recommended that Council agree, in principle, to a Council Tax increase of at least 7% in 2025-26.
- 1.4 The re-running of the Council Tax annual billing is estimated to cost up to £80,000.
- 1.5 Any change to the level of Council Tax, will not alter the previous Council decision made in November 2023 in respect of the double charge on second homes. Officers have already received in excess 700 representations and as such it may be prudent to adjust the anticipated income levels, closely monitor the position and report back to Members later in the financial year.

1.6 It should be noted, that should the Council agree to reverse the Council Tax increase and agree a Council Tax freeze, it will receive a share of the £4m Cost of Living Fund, our share of this funding has not been confirmed yet but is expected to be circa £600k and will be reported via the budget monitoring process once this has been confirmed.

1.7 It is recommended that the Council:

- a) In respect of Council Tax, reverse the previous decision of 22 February 2024, as a result of additional funding being confirmed, and approve the following Council Tax rates and charges for the year, 2024-25:
 1. Council Tax to be paid in respect of a chargeable dwelling in Band "D" of £1,479.20 representing a 0.00% increase on 2023-24 levels.
 2. Council Tax to be paid in respect of a chargeable dwelling in each of the other valuation bands in accordance with Section 74(1) of the Local Government Finance Act 1992 as amended.
 3. Business Rates as determined by Scottish Ministers.
- b) Ask officers to make arrangements to refund the difference on any Council Tax payments made based on the previously agreed 10% Council Tax increase. It is noted that the refund will be credited to each Council Tax account and the remaining payments adjusted.
- c) Approve a budget allocation of up to £80,000 in order to re-run the Council Tax Annual billing.
- d) Note the adjustment to Council Tax on second homes estimates and note that this position will be closely monitored and reported back to Members later in the financial year.
- e) Approve, in principle, a Council Tax increase for 2025-26 of at least 7%.

UPDATE TO COUNCIL FUNDING FOR 2024-25

2. INTRODUCTION

- 2.1 This report provides information of additional funding for financial year 2024-25 provided by the Scottish Government and as a result invites the Council to re-consider the previous decision in relation to Council Tax rates for 2024-25.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Council:

- a) In respect of Council Tax, reverse the previous decision of 22 February 2024, as a result of additional funding being confirmed, and approve the following Council Tax rates and charges for the year, 2024-25:
1. Council Tax to be paid in respect of a chargeable dwelling in Band "D" of £1,479.20 representing a 0.00% increase on 2023-24 levels.
 2. Council Tax to be paid in respect of a chargeable dwelling in each of the other valuation bands in accordance with Section 74(1) of the Local Government Finance Act 1992 as amended.
 3. Business Rates as determined by Scottish Ministers.
- b) Ask officers to make arrangements to refund the difference on any Council Tax payments made based on the previously agreed 10% Council Tax increase. It is noted that the refund will be credited to each Council Tax account and the remaining payments adjusted.
- c) Approve a budget allocation of up to £80,000 in order to re-run the Council Tax Annual billing.
- d) Note the adjustment to Council Tax on second homes estimates and note that this position will be closely monitored and reported back to Members later in the financial year.
- e) Approve, in principle, a Council Tax increase for 2025-26 of at least 7%.

4. DETAIL

Potential Funding with Conditions Attached

- 4.1 The budget pack presented to the Council's budget meeting on 22 February 2024 advised that the Scottish Government draft budget for 2024-25 made available £144m to fund a freeze in Council Tax across each of Scotland's 32 local authorities. The quantum of funding was subsequently updated to £147m and the share for Argyll and Bute Council is £2.860m. The funding is equivalent to a 5% net increase in Council Tax nationally (4.8% for Argyll and Bute Council) and will only be paid to the local authorities who agree to freeze Council Tax.
- 4.2 On the evening of 21 February 2024, the night before our Council budget meeting, I advised all Members that a letter had been received from the Deputy First Minister which made further funding commitments to local authorities reflecting COSLA's position that the General Revenue Grant for 2024-25 was £62.7m lower than last year. The additional funding consisted of a £45m pass through of consequential from the UK Government's recent announcement of additional funding in England, subject to the overall funding position improving following the UK Spring Budget on 6 March and an additional £17.7m from the Scottish Government, which was also subject to the UK Spring Budget on 6 March. At the Council meeting on 22 February, I advised Council that the funding could not be considered as part of any budget proposals as it was dependant on the UK Spring Budget.
- 4.3 Also on 21 February 2024, we were advised of an increase to the Islands Cost of Living Fund of £4m. Again, this was subject to the UK Spring Budget and our share was expected to be in the region of £600k. We were further advised on 23 February 2024 that raising Council Tax would be incompatible with addressing cost of living and therefore this funding would only be paid to the island local authorities who agreed to freeze Council Tax.

Confirmed Additional Funding

- 4.4 Following the UK Spring Budget on 6 March 2024, the Deputy First Minister wrote to Councils on 7 March. She confirmed that the additional £62.7m proposed to support the delivery of the council tax freeze will be provided, and baselined, to local authorities who freeze the Council Tax. Our share of this funding is £1.1m. She also confirmed the £4m Cost of Living Fund to those island local authorities who freeze Council Tax, our share of this funding has not been confirmed yet but is expected to be circa £600k.
- 4.5 The former Council Leader and I met the Deputy First Minister on 23 January 2024 in respect of the extensive storm damage in Argyll and Bute in October 2023 and the significant additional financial pressure that our Council faced as a result of this. At the meeting in January, the Deputy First Minister advised us that she did not intend to revisit eligibility for the Bellwin Scheme but she did acknowledge, and had sympathy for, our situation given the magnitude of the impact and the priority we placed on value for money, particularly with the Kilmelford

Bridge. At this point she agreed to continue the dialogue and to consider if there was any further way that the Scottish Government could help.

- 4.6 The former Council Leader followed up on this meeting and on 18 March 2024, a letter was received from Mairi McAllan MSP, Cabinet Secretary for Net Zero and Just Transition confirming that Argyll and Bute Council will receive an additional £2.3m of funding for 2024-25 as a contribution towards the additional costs to tackle the impact of the severe weather we faced in October last year.
- 4.7 The additional funding for the weather-related costs, together with our share of the £147m and £62.7m as noted above, means there is a potential £6.260m of additional funding should the Council wish to consider reversing the Council Tax increase and agreeing to a Council Tax freeze in 2024-25. The former Council Leader advised all Members by email on 19 March 2024 that a special Council meeting would be called where he would be recommending freezing Council Tax for 2024-25.
- 4.8 In terms of the powers open to the Council to alter Council Tax in year, the Head of Legal and Regulatory Support has provided advice as noted below:
- There are two sets of circumstances in which the level of Council Tax that has been set by a Scottish local authority may be reduced (it may not be increased).
 - The first of these arises where the local authority that has set the level of Council Tax decides to reduce it.
 - The power of Councils to set Council Tax (CT) rates is set out in s70 and s 93 of the Local Government Finance Act 1992 (the "Act"). CT must be fixed before 11th March in the financial year preceding that for which it is set but it is not invalid merely because it is set on or after that date.
 - Where a Council wishes to reduce the level of Council Tax for that agreed, it may do so in terms of the discretionary power that is provided for under section Section 94 (1) of the Act.
 - If it determines to do so, it may not borrow for any shortfall (without the agreement of Scottish Ministers) and it must repay the difference in any overpayment received from any individual. Other than that, the power is not subject to any further restrictions although it must be exercised reasonably.

Other Budget Adjustments

- 4.9 Should the Council, as a result of the additional funding confirmed, agree to reverse the Council Tax increase and freeze Council Tax, this would involve a re-run of the Council Tax annual billing alongside updating the software to recalculate charges, discounts, exemptions and council tax reductions. It has been estimated that this will cost up to £80,000 to process and budget will need to be made available for

this. Refunds of any overpayment will be credited to each Council Tax account and the remaining payments adjusted.

- 4.10 Any change to the level of Council Tax, will not alter the previous Council decision made in November 2023 in respect of the double charge on second homes. When the budget was set on 22 February 2024, there was no financial adjustment made to the budget for the 10% increase in relation to the double charge on second homes, even although the 10% increase would apply, appreciating that this gave an element of contingency as representations were beginning to be made about this double charge. To date, officers have received in excess of 700 representations (there are 3,235 second homes) and where necessary will respond to the representation but it may be prudent to adjust the anticipated income levels to account for any unrecovered debt and closely monitor the position and report back to Council later in the year.

Summary Financial Position

- 4.11 Should the Council agree to reverse the Council tax increase, the impact on the budget is summarised in the table below.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
10% Increase to Council Tax reversed	(5,919)	(6,023)	(6,115)	(6,210)	(6,307)
Share of £147m funding from SG	2,860	2,860	2,860	2,860	2,860
Share of £62.7m funding from SG	1,100	1,100	1,100	1,100	1,100
Additional Funding for weather related costs	2,300	0	0	0	0
Cost to re-run Council Tax billing	(80)	0	0	0	0
Adjustment to Council Tax on Second Homes Estimate	(261)	(261)	(261)	(261)	(261)
Positive / (Negative) position	0	(2,324)	(2,416)	(2,511)	(2,608)

4.12 As can be seen from the table above, should the Council agree to reverse the Council Tax increase and agree a Council Tax freeze, this will impact the future years budget estimates. In order that the overall financial position doesn't worsen from what was previously reported, it is recommended that Council agree, in principle, to a Council Tax increase of at least 7% in 2025-26. To be faced with a budget gap of £7.232m in 2025-26 (after accounting for a 3% Council Tax increase) would be an extremely challenging position and if the Council are minded to progress with the new LEIP school this will increase the budget gap further. To protect some service cuts and be in a position to support new investment it is likely that an increased level of Council Tax will be required. The table below summarises the change to the financial position previously reported when the budget was agreed on 22 February 2024.

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Budget Gap as per Budget Meeting 22 February	0	(4,908)	(10,387)	(16,169)	(19,291)
Positive / (Negative) position from table above	0	(2,324)	(2,416)	(2,511)	(2,608)
Budget Gap assuming 3% CT increase in future years	0	(7,232)	(12,803)	(18,680)	(21,899)
CT Increase of 4% over and above 3% already in budget estimates	0	2,498	2,586	2,676	2,770
Revised Budget Gap	0	(4,734)	(10,217)	(16,004)	(19,129)

4.13 It should be noted that the additional income for weather related costs will be allocated for this purpose and previously agreed budget allocations (e.g use of reserves, borrowing, capital funds) will be managed within the overall quantum to allow the £2.3m that was previously allocated for the weather related costs to be released and therefore considered as part of the Council Tax position.

4.14 Should the Council agree to reverse the Council Tax increase and agree a Council Tax freeze, it will receive a share of the £4m Cost of Living Fund, our share of this funding has not been confirmed yet but is

expected to be circa £600k and will be reported via the budget monitoring process once this has been confirmed. As we understand it, this funding is not recurring.

5. CONCLUSION

- 5.1 This report provides information of additional funding for financial year 2024-25 provided by the Scottish Government. Some of the funding is conditional on a Council Tax freeze.
- 5.2 The additional funding may allow the Council to reconsider its position on the level of Council Tax and the Council is able to reduce the Council Tax rate in-year providing that any overpayments are refunded.
- 5.3 In order that any reversal of the previously agreed Council Tax increase does not affect future years budget gaps, it is recommended that Council agree, in principle, to a Council Tax increase of at least 7% in 2025-26.

6. IMPLICATIONS

- 6.1 Policy – None from this report.
- 6.2 Financial – The report provides an update to funding considered as part of the budget meeting on 22 February 2024.
- 6.3 Legal – None from this report.
- 6.4 HR – None from this report.
- 6.5 Fairer Scotland Duty – See below
 - 6.5.1 Equalities – None from this report.
 - 6.5.2 Socio Economic Duty – None from this report.
 - 6.5.3 Islands Duty – None from this report. If the Council agree to freeze the Council Tax, the Council will get a share of the additional £4m allocated to the Islands Cost of Living Fund.
- 6.6 Climate Change – None from this report.
- 6.7 Risk – None from this report.
- 6.8 Customer Service – None from this report.
- 6.9 The Rights of the Child (UNCRC) – None from this report.

Kirsty Flanagan
Executive Director /Section 95 Officer
8 April 2024

For further information contact Anne Blue, Head of Financial Services
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