



SUPPLEMENTARY PACK 3
BUDGETING PACK 2021/22

I enclose herewith supplementary reports containing updates to the Budgeting Pack 2021/22.

Douglas Hendry
Executive Director

SUPPLEMENTARY REPORTS

4. UPDATES TO BUDGETING PACK 2021/22

(a) Supplementary Report by Section 95 Officer (Pages 3 - 14)

E1 (b) Update to Appendix 9 of item 2(d) Revenue Budget Overview (Pages 15 - 16)

The Council/Committee will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for Appendix 9 to the report 2(d), marked with "E1" on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraphs are:-

E1 Paragraph 6 Information relating to the financial or business affairs of any particular person (other than the authority).

This page is intentionally left blank

ARGYLL AND BUTE COUNCIL
COUNCIL**FINANCIAL SERVICES****25 FEBRUARY 2021**

UPDATES TO BUDGETING PACK

1. EXECUTIVE SUMMARY

- 1.1 This report provides Council with three budget related issues that have arisen since the budgeting pack was published. The three issues are:
- Additional funding announcement by the Finance Secretary Kate Forbes on 16 February 2021
 - Funding request received from CHARTS organisation.
 - Notification of Private Landlord Registration Fee increases from 1 April 2021.
- 1.2 Finance Secretary Kate Forbes updated the Scottish Parliament on developments with the Scottish Budget 2021-22 on Tuesday 16 February 2021. There were a number of new funding announcements for 2020-21 and 2021-22, with those for 2021-22 being subject to parliamentary approval.
- 1.3 Whilst there are a number of funding announcements, at this stage the additional £275m support for COVID costs is the only one that provides the Council with freedom and flexibility as to how it is deployed and could be factored into the budget for 2021-22. Although the funding is due to be paid within 2020-21, it can be carried forward into future years and based on our current year estimates it is not required within 2020-21.
- 1.4 The following table is an update to the table on page 141 at paragraph 3.14.11 of the budget pack that updates to reflect the additional £275m funding announcement and increases the provisions for COVID pressures and renewal and recovery.

	£,000	£,000
2021-22 Revenue Cost Pressure	(5,101)	
2021-22 Capital Cost Pressure	(2,000)	
Provision for COVID Cost Pressures Beyond 2021-22	(2,500)	
Provision for Capital contract increases as a result of COVID	(2,500)	
Recovery and Renewal Fund	(2,831)	
Total COVID Cost Pressure		(14,932)
Estimated Council Share of £259m Non-Recurring COVID Funding announced on 25 January to be paid in 2021-22.	4,609	

Estimated Council Share of £275m Non-Recurring COVID Funding announced on 16 February to be paid in 2020-21.	4,923	
Loans Fund Principal Repayment Holiday	5,400	
Available COVID Funding		14,932
Net Position		0

- 1.5 CHARTS have contacted the Council to request £66,700 in funding to continue in operation for one year to deliver support services to the culture, heritage and arts sector across the whole of Argyll and Bute. This funding request is a matter for Council decide and could be funded from either the Unallocated General Fund balance, the revenue surplus or from the COVID funding.
- 1.6 Scottish Government have now advised the Council of the private landlord registration fees that will take effect from 1 April 2021. The increases in fees are small and as such don't adjust the budget estimates.
- 1.7 Council should note the update to three of the recommendations noted within the introductory report on pages 10 to 12 of the budgeting pack in additional to a new recommendation (w). All are noted below.

Updated Recommendations:

- m) Note that the Council expect to receive £4.609m from the £259m non-recurring funding set aside by Scottish Government for COVID related expenditure. Note that the Council also expect to receive £4.923m from the £275m non-recurring funding announced on 16 February and to be paid in 2020-21 and approve that this funding is earmarked at the end of 2020-21 to be fully used as part of the 2021-22 budget decisions. Further note that the distribution on both funding streams has still to be confirmed.
- n) Approve expenditure in relation to COVID as follows:
- a. Estimated revenue cost pressures amounting to £5.101m as outlined in Appendix 8 to the revenue budget overview report
 - b. Capital contract cost pressures amounting to £2.0m as outlined in the capital plan summary report.
 - c. Provision for COVID cost pressures beyond 2021-22 amounting to £2.5m.
 - d. Provision of £2.5m for capital contract increases as a result of COVID.
 - e. Creation of a Recovery and Renewal Fund of £2.831m with officers to bring forward proposals to Council.
- o) Approve the following in relation to fees and charges with effect from 1 April 2021 unless otherwise noted:

- a. Approve the proposals for the fees and charges inflationary increase of 3% and approve the charges that are over and above inflation. Note that this would generate additional income of £0.334m in total.
- b. Approve the changes proposed to the Social Work fees and charges.
- c. Approve all other charges as noted within the Fees and Charges Schedule and the revised private landlord registration fees as noted within the supplementary pack.

New Recommendation:

- w) Give consideration to the funding request from CHARTS and, if approved, how it would be funded.

ARGYLL AND BUTE COUNCIL
COUNCIL**FINANCIAL SERVICES****25 FEBRUARY 2021**

UPDATES TO BUDGETING PACK

2. INTRODUCTION

- 2.1 This report provides Council with three budget related issues that have arisen since the budgeting pack was published. The three issues are:
- Additional funding announcement by the Finance Secretary Kate Forbes on 16 February 2021
 - Funding request received from CHARTS organisation.
 - Notification of Private Landlord Registration Fee increases from 1 April 2021.

3. DETAIL**3.1 Updated Funding Information**

- 3.1.1 Finance Secretary Kate Forbes updated the Scottish Parliament on developments with the Scottish Budget 2021-22 on Tuesday 16 February 2021. Members should be aware of the announcements as part of the Council's budget setting process for 2021-22.
- 3.1.2 The Finance Secretary has also confirmed further 2020-21 non-recurring COVID support and those relevant to Local Government are noted in the table below, alongside a note of how this may impact the Council's financial position.

Announcement	Impact for Council
£275m to support COVID cost pressures including lost income in Local Government.	Council share is estimated to be £4.923m and the Council will have the freedom and flexibility to decide how it is deployed.
£40m for Local Government to support ongoing deployment of safety mitigations within our schools.	The additional funding comes with additional commitments and at this stage it is not expected that there will be surplus that can be utilised for other purposes.
£25m to tackle poverty and inequality: <ul style="list-style-type: none"> • A further £100 COVID Hardship Payment for children and young people receiving free school meals on the basis of low income. • Support to be extended to children who receive free 	The additional funding comes with additional commitments and at this stage it is not expected that there will be surplus that can be utilised for other purposes.

lunches within early learning and childcare settings. £20m increase to Councils to tackle financial insecurity in their local areas.	
---	--

3.1.3

The Finance Secretary confirmed that there are a number of further non-recurring funding proposals for 2021-22 that are subject to parliamentary approval. Those relevant to Local Government are noted in the table below, alongside a note of how this may impact the Council's financial position.

Announcement	Impact for Council
100% non-domestic rates relief for properties in the retail, hospitality, leisure and aviation sectors for all of 2021-22.	Council will be responsible for administering the rates relief.
£60m to support a longer-term programme to enable children to catch-up on missed education.	It is anticipated that this funding will have conditions attached and there may be an expectation that this is used for additional staffing.
£100m to help low income households.	More details of this investment will be announced in due course when it has been fully discussed with COSLA – will need to wait on further information.
£120m for a Mental Health Recovery and Renewal Fund. It includes: <ul style="list-style-type: none"> • Focus to improve specialist CAMHS services, to address long waits, and to clear waiting list. • Allocation (nearly £10m) to speed up treatment in psychological therapies waiting lists for adults. • Enhanced community support. • Mental Health in primary care settings. 	Unclear how much of this will come to Local Government but it is anticipated that it will come with additional commitments and at this stage is not expected that there will be surplus that can be utilised for other purposes.
£100m grant and £20m Financial Transactions for affordable housing in 2021-22.	Expected to be a bid fund.
£45m to heat decarbonisation, energy efficiency and fuel poverty in 2021-22.	Expected to be a bid fund.

£50m for town centres and 20 minute neighbourhoods for 2021-22.	Expected to be distributed to Councils, will need to wait on further information and confirmation of funding prior to allocating.
£10m for tourism infrastructure for rural communities for 2021-22.	Expected to be a bid fund.
£32m for local bridges maintenance.	Require further detail, there may be opportunity to bid for funding.

- 3.1.4 Whilst there are a number of funding announcements, at this stage the additional £275m support for COVID costs is the only one that provides the Council with freedom and flexibility as to how it is deployed and could be factored into the budget for 2021-22. Although the funding is due to be paid within 2020-21, it can be carried forward into future years and based on our current year estimates it is not required within 2020-21.
- 3.1.5 It is recommended that Council agree to carry forward this full amount into 2021-22 and consider as part of the COVID position that was outlined in the budgeting pack on pages 139 to 141 in paragraphs 3.14.1 to 3.14.12.
- 3.1.6 It is considered prudent to increase the provision for COVID cost pressures beyond 2021-22 and also create a new provision for capital contract increases that are emerging as a result of COVID. Further, it is recommended that the balance of the funding is placed in a Recovery and Renewal Fund with officers to bring forward proposals to Council for its use. Following distribution of the funding announcements, if it is different to what has been estimated, then the value of the Recovery and Renewal Fund can be adjusted accordingly.
- 3.1.7 The following table is an update to the table on page 141 at paragraph 3.14.11 of the budget pack:

	£,000	£,000
2021-22 Revenue Cost Pressure	(5,101)	
2021-22 Capital Cost Pressure	(2,000)	
Provision for COVID Cost Pressures Beyond 2021-22	(2,500)	
Provision for capital contract increases as a result of COVID	(2,500)	
Recovery and Renewal Fund	(2,831)	
Total COVID Cost Pressure		(14,932)
Estimated Council Share of £259m Non-Recurring COVID Funding announced on 25 January to be paid in 2021-22.	4,609	

Estimated Council Share of £275m Non-Recurring COVID Funding announced on 16 February to be paid in 2020-21.	4,923	
Loans Fund Principal Repayment Holiday	5,400	
Available COVID Funding		14,932
Net Position		0

3.1.8 You will see from the table above that it is recommended that the Council still exercise the loans fund principal repayment holiday flexibility in order to protect against future COVID pressures not already identified and to enable the Council to invest in recovery and renewal post COVID. It is also still recommended that should the credit arrangements financial flexibility on an annuity basis be agreed by Scottish Government, that the loans fund principal repayment holiday is replaced with the credit arrangements flexibility.

3.2 Funding Request from CHARTS

3.2.1 CHARTS was established as a Scottish Charitable Incorporated Organisation on 8 March 2019 as a result of many years of development based on an identified need for such an organisation to support the sustainability of the culture, heritage and arts sector and contribute to economic growth through cultural tourism.

3.2.2 Investment to date in both the development of the sector and operation of CHARTS has amounted to circa £0.430m with the bulk of funding coming from Creative Scotland and the Argyll and the Isles LEADER Programme.

3.2.3 CHARTS have contacted the Council to request £66,700 in funding to continue in operation for one year to deliver support services to the culture, heritage and arts sector across the whole of Argyll and Bute.

3.2.4 CHARTS have advised that as a sector they have been particularly hard hit by the current crisis and they are a key economic driver of the area through providing jobs, attracting visitors to the area and fostering civic pride. They have further advised that if not successful in this funding they will cease operation on 31 March 2021.

3.2.5 This funding request is a matter for Council to decide and could be funded from either the Unallocated General Fund balance, the revenue surplus or from the COVID funding.

3.3 Update to Private Landlord Registration Fees

3.3.1 Scottish Government have now advised the Council of the private landlord registration fees that will take effect from 1 April 2021. The increases in fees are small and as such don't adjust the budget estimates.

3.3.2 The private landlord registration fees are noted on page 191 of the budgeting pack and are amended as follows:

Fee	2020-21	2021-22
Private Landlord Registration – principal fee	£66	£67
Private Landlord Registration – property fee	£15	£15
Private Landlord Registration – late application fee	£132	£133

3.4 Updated Recommendations

3.4.1 The issues raised above require the recommendations noted within the introductory report on pages 10 to 12 of the budgeting pack to be updated. The recommendations that require update are recommendation (m), recommendation (n) and recommendation (o). There is a new recommendation (w) in relation to the CHARTS funding request. The updated/new recommendations are noted below.

Updated Recommendations:

- m) Note that the Council expect to receive £4.609m from the £259m non-recurring funding set aside by Scottish Government for COVID related expenditure. Note that the Council also expect to receive £4.923m from the £275m non-recurring funding announced on 16 February and to be paid in 2020-21 and approve that this funding is earmarked at the end of 2020-21 to be fully used as part of the 2021-22 budget decisions. Further note that the distribution on both funding streams has still to be confirmed.
- n) Approve expenditure in relation to COVID as follows:
 - a. Estimated revenue cost pressures amounting to £5.101m as outlined in Appendix 8 to the revenue budget overview report
 - b. Capital contract cost pressures amounting to £2.0m as outlined in the capital plan summary report.
 - c. Provision for COVID cost pressures beyond 2021-22 amounting to £2.5m.
 - d. Provision of £2.5m for capital contract increases as a result of COVID.
 - e. Creation of a Recovery and Renewal Fund of £2.831m with officers to bring forward proposals to Council.
- o) Approve the following in relation to fees and charges with effect from 1 April 2021 unless otherwise noted:
 - a. Approve the proposals for the fees and charges inflationary increase of 3% and approve the charges that are over and above inflation. Note that this would generate additional income of £0.334m in total.

- b. Approve the changes proposed to the Social Work fees and charges.
- c. Approve all other charges as noted within the Fees and Charges Schedule and the revised private landlord registration fees as noted within the supplementary pack.

New Recommendation:

- w) Give consideration to the funding request from CHARTS and, if approved, how it would be funded.

A full set of the updated recommendations is attached as appendix 1.

4. CONCLUSION

- 4.1 This report provides Council with three budget related issues that have arisen since the budgeting pack was published.
- 4.2 As a result of the issues raised, there are updates to three of the recommendations noted within the introductory report on pages 10 to 12 of the budgeting pack in addition to a new recommendation (w).

5. IMPLICATIONS

- 5.1 Policy – Confirms the updated private landlord registration fees as advised by Scottish Government.
- 5.2 Financial – This report advises of additional funding announced for COVID and recommends how this should be used.
- 5.3 Legal – None.
- 5.4 HR – None.
- 5.5 Fairer Scotland Duty:
 - 5.5.1 Equalities – None from this report.
 - 5.5.2 Socio Economic Duty – None from this report.
 - 5.5.3 Islands Duty – None
- 5.6 Risk – None from this report.
- 5.7 Customer Service – None from this report.

Kirsty Flanagan
S95 Officer
19 February 2021

Policy Lead for Financial Services and Major Projects: Councillor Gary Mulvaney

Appendix 1 – Full set of updated recommendations.

APPENDIX 1 – Full Set of Amended Recommendations

It is recommended that the Council:

- a) Note and give consideration to the findings from the Council's budget planning consultation.
- b) Approve all service plans, subject to updating the budget figures in line with the budget agreed for 2021-22.
- c) Note that through the EQSEIA process, we have paid due regard to our duties under the Equality Act 2010, our associated Fairer Scotland Duty and the Islands Act. Note that some of the savings proposals have an impact in some of areas, but this has been given due regard. There are no impacts identified through the EQSEIA process that show actual or potential unlawful discrimination.
- d) Approve the revenue estimates for 2021-22 and that consequently the local tax requirement estimated at £52.859m is funded from Council Tax. Approve the following rates and charges for the year, 2021-22:
 - a. Council Tax to be paid in respect of a chargeable dwelling in Band "D" of £1,367.73 representing a 0.00% increase.
 - b. 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.
 - c. Business Rates as determined by Scottish Ministers.
- e) Approve the revenue budget for 2021-22 as set out in the revenue budget overview report.
- f) Approve a base allocation to the Health and Social Care Partnership of £62.211m for 2021-22. Approve indicative allocations base for 2022-23 and 2023-24 to be £62.211m. The level of future years funding is subject to the level of Scottish Government funding and the Council's overall financial position in future years.
- g) Within reference to the HSCP request for a deferral of £1m of the £1.2m that is due to be paid in 2021-22, agree this in principle, subject to the proviso that the amount to be deferred be reduced by the amount of any HSCP underspend in 2020-21.
- h) Approve the 10% reduction to the Live Argyll Management Fee, resulting in a management fee in 2021-22 of £3.418m.
- i) Approve funding of £0.030m per annum for AITC for a three year period (2021-22 to 2023-24) to support core costs.
- j) Endorse the new management/operational savings as outlined in Appendix 5 of the revenue budget overview report and approve the policy savings options as outlined in Appendix 6 of the revenue budget overview report.

- k) Approve that the surplus on the revenue budget is used to contribute towards the funding gap identified within the current capital plan.
- l) Approve that the Council exercises the principal repayment holiday flexibility to make £5.4m available to be directed towards COVID revenue and capital costs but that the use of this flexibility be replaced by the credit arrangements financial flexibility if the Scottish Government give permission for the repayment arrangements to be made on an annuity basis. If this is the case a report will be brought back to the next available Council meeting.
- m) Note that the Council expect to receive £4.609m from the £259m non-recurring funding set aside by Scottish Government for COVID related expenditure. Note that the Council also expect to receive £4.923m from the £275m non-recurring funding announced on 16 February and to be paid in 2020-21 and approve that this funding is earmarked at the end of 2020-21 to be fully used as part of the 2021-22 budget decisions. Further note that the distribution on both funding streams has still to be confirmed.
- n) Approve expenditure in relation to COVID as follows:
 - a. Estimated revenue cost pressures amounting to £5.101m as outlined in Appendix 8 to the revenue budget overview report
 - b. Capital contract cost pressures amounting to £2.0m as outlined in the capital plan summary report.
 - c. Provision for COVID cost pressures beyond 2021-22 amounting to £2.5m.
 - d. Provision of £2.5m for capital contract increases as a result of COVID.
 - e. Creation of a Recovery and Renewal Fund of £2.831m with officers to bring forward proposals to Council.
- o) Approve the following in relation to fees and charges with effect from 1 April 2021 unless otherwise noted:
 - a. Approve the proposals for the fees and charges inflationary increase of 3% and approve the charges that are over and above inflation. Note that this would generate additional income of £0.334m in total.
 - b. Approve the changes proposed to the Social Work fees and charges. Approve all other charges as noted within the Fees and Charges Schedule and the revised private landlord registration fees as noted within the supplementary pack.
- p) Agree to the recommendations set out within paragraph 2.2 of appendix 9 to the revenue budget overview report.
- q) Note the financial risks analysis.
- r) Approve the contingency level for the General Fund balance at a level of 2% of net expenditure, equivalent to £5.030m and note the report on reserves and balances.
- s) Approve the capital plan as set out in Appendix 3 of the capital plan summary report, noting that consideration needs to be given as to how fund the

£0.259m gap. If borrowing was taken out to fund the gap within the capital programme it would create a revenue cost pressure of £0.017m per annum from 2022-23.

- t) Agree to the recommendations set out within paragraphs 2.1 to 2.2 including sub-paragraphs of appendix 4 to the capital plan summary report.
- u) Approve the Corporate Asset Management Strategy.
- v) Note the Corporate Asset Management Plan and the Asset Group Summaries.
- w) Give consideration to the funding request from CHARTS and, if approved, how it would be funded.

NOT FOR PUBLICATION by virtue of paragraph(s) 6
of Schedule 7A of the Local Government(Scotland) Act 1973

Document is Restricted

This page is intentionally left blank