

UPDATES TO BUDGET PACK

1. EXECUTIVE SUMMARY

- 1.1 This report provides updates to the Council budget pack since it was published on 8 February 2024.
- 1.2 The updates to the pack are summarised as follows:
- Changes to Scottish Government funding, following the publication of the Draft Local Government Finance Order on 8 February, with information not received until 13 February 2024.
 - LEIP.
 - HSCP access to Strathclyde Pension Fund Gain.
 - A new funding request from MacTaggart Leisure Centre.
 - An update to recommendations within the Budget Pack.
- 1.3 Following the publication of the Draft Local Government Finance Order on 8 February, information was provided on 13 February 2024 with detail of the changes to the provisional financial settlement that was published on 21 December 2023. The General Revenue Grant has increased by £3.328m and whilst there are a number of reasons for this increase the bottom line impact on the Council's revenue budget is an overall reduction of £0.065m due to distribution changes.
- 1.4 Other changes to the provisional finance settlement include:
£2.125m of Teacher funding now being distributed via specific grant.
£4.270m provided for Carers Service, Respite Care and Living Wage
£0.030m provided for Scottish Disability Assistance
£0.986m provided for Discretionary Housing Payments
£0.232m provided for Early Learning and Childcare expansion.
- 1.5 The payment to the HSCP will increase from £74.326m (as outlined in the budget pack) to £78.611m after the new monies are passed through to the HSCP as detailed in paragraph 3.1.4.
- 1.6 In order to balance the budget the increase to Council Tax would need to be 6.15% after accounting for the distribution changes.
- 1.7 The change in the potential Scottish Government contribution to LEIP, as outlined in section 3.2 of this report, has significant financial implications for the Council in terms of the financial commitment that would be required for the project to progress. On that basis, further work is required on potential financial models for the project and it is proposed that a further report with more detail regarding the financial aspects of

LEIP be the subject of a Members Seminar and then brought to the Council meeting in April 2024 for Member's consideration.

- 1.8 The recommendation in respect of the HSCP accessing the gain received from the reduction in the Strathclyde Pension Fund Employer's Contribution rate between 17.5% and 6.5% requires to be amended. Following a conversation with the HSCP Chief Financial Officer, the HSCP are looking to access up to £1m of this gain towards balancing their revenue budget in 2024-25 (this is not dissimilar to the Council proposals). As such, the recommendation needs amended as the wording, as it stands, only permits access to the Fund for transformational/spend to save projects.
- 1.9 A further funding request was received from MacTaggart Leisure Centre on 9 February 2024 asking for £30,000.
- 1.10 Updated recommendations:
- a) Approve the revenue estimates for 2024-25 and that consequently the local tax requirement estimated at £63.179m is funded from Council Tax. Approve the following rates and charges for the year, 2024-25:
1. Council Tax to be paid in respect of a chargeable dwelling in Band "D" of £1,570.17 representing a 6.15% increase.
 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.
- c) In respect of the gain received from the reduction in the Strathclyde Pension Employer's Contribution rate between 17.5% and 6.5% over 2024-25 and 2025-26:
1. Note that £2m is proposed to be used towards the Council revenue budget each year over the next 4 years (see management/ operational savings).
 2. Agree that the balance remaining attributable to all Council employees is transferred to the General Fund and set aside for transformational/spend to save projects.
 3. Agree that HSCP projects that fit the above criteria (point 2 above), or if the HSCP need any funds to balance their budget within 2024-25, be eligible for funding up to the value of £6.106m with the release of any funding delegated to the Chief Executive and the Executive Directors of the Council in consultation with the Leader, Depute Leader, Leader of the largest Opposition Group and Policy Lead for Health and Social Care.
 4. Note that reports on the drawdowns from the General Fund balance will be submitted to Policy and Resources Committee as part of the monitoring pack.

- d) Approve a base allocation to the Health and Social Care Partnership of £78.611m for 2024-25. Approve indicative base allocations for 2025-26 of £78.611m and 2026-27 of £81.664m. 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.
- f) Consider the six funding requests received as set out within Appendix 8 of the Revenue Budget Overview Report and within this supplementary report.
- i) Approve the contingency level for the General Fund balance at a level of 2% of net expenditure, equivalent to £6.188m and note the report on reserves and balances.
- k) In respect of LEIP:
 - 1. Note the successful award of a major bid funding bid.
 - 2. Note the funding provided by Scottish Government is not a capital grant for full cost of project – in summary SG will provide up to 50% of eligible costs over a 25 year period following completion. The Council will require to pay the total cost up front.
 - 3. Note due to the 1 year time delay of LEIP announcement the requirement to open the new Campus by December 2027 (which was the original timescale) cannot be met – now forecast for October 2028 at earliest.
 - 4. Note the updated timescale programme forecast as outlined at Appendix A + B.
 - 5. Agree in the light of the update on funding that no decision as to whether or not to proceed be taken at this time and that officers prepare a further report with more detail regarding the financial aspects of LEIP to be the subject of a Members Seminar and then brought to the Council meeting in April 2024 for Member's consideration.

UPDATES TO BUDGET PACK

2. INTRODUCTION

2.1 This report provides updates to the Council budgeting pack since it was published on 8 February 2024.

3. DETAIL**3.1 Updated Funding Information**

3.1.1 Following the publication of the Draft Local Government Finance Order on 8 February, information was provided on 13 February 2024 with detail of the changes to the provisional financial settlement that was published on 21 December 2023.

3.1.2 The General Revenue Grant (GRG) has increased by £3.328m as outlined in the following table:

Category	Funding Increase / (Decrease) £000	Impact on Budget
Teachers	(2,125)	No bottom line impact as GRG funding now moved to Specific Grant (see para 3.1.3 for further info).
Carers Service, Respite Care and Living Wage	4,270	No bottom line impact as this funding has to be passed over to the HSCP (see para 3.1.4)
Scottish Disability Assistance	30	No bottom line impact as 50% of this funding will be passed over to HSCP and 50% spent within Education (see para 3.1.4)
Discretionary Housing Payments	986	No bottom line impact as a corresponding expenditure budget is required.
Early Learning and Childcare Expansion	232	No bottom line impact as a corresponding expenditure budget is required to deliver on this commitment.

Other small changes across various distribution lines	(65)	Reduction will increase budget gap by £65k and per the model in the budget pack Council Tax would have to increase to 6.15% to balance the budget (see para 3.1.5).
Total	3,328	

3.1.3 The Scottish Government have now advised that £145.5m of funding in relation to teacher numbers will be distributed via a Specific Grant and will be conditional on Councils agreeing to maintain teachers numbers. This amounts to £2.125m for Argyll and Bute Council and there is a risk that the Scottish Government withhold some of the funding following the teachers census later in the year.

3.1.4 As a result of the additional funding now distributed in the Draft Finance Order, the payment to HSCP will increase by £4.285m to £78.611m in 2024-25 as noted below:

- £230m of funding for the Carers Service, Respite Care and Living Wage has now been distributed of which our share of £4.270m and this is a straight pass through to the HSCP.
- Scottish Disability funding of £3.449m has also now been distributed of which our share is £0.030m. This is split 50/50 with Education therefore £0.015m should be passed to the HSCP.

	Draft 2024-25 £000	Mid- Range 2025-26 £000	Mid- Range 2026-27 £000	Mid- Range 2027-28 £000	Mid- Range 2028-29 £000
Payment to HSCP as reported in budget pack	74,326	74,326	77,379	77,379	77,379
Carers Service and Respite Care	4,270	4,270	4,270	4,270	4,270
Scottish Disability Funding	15	15	15	15	15
Updated Payment to HSCP	78,611	78,611	81,664	81,664	81,664

3.1.5 The change to the budget gap as a result of the Draft Finance Order is a reduction of £0.065m due to distribution changes. As outlined in paragraph 3.10.2 of the Revenue Budget Overview report in the budget pack, in order to balance the budget Council could consider rejecting the Council Tax Freeze and increasing Council Tax to balance the

budget. The increase to Council Tax would need to be 6.15% after accounting for this distribution change.

- 3.1.6 As a result of the changes in the paragraphs above, Appendix 7 to the Revenue Budget Overview has been updated and is now attached as Appendix 2.

3.2 LEIP

- 3.2.1 Members require to have sufficient information to allow them to take an informed decision in respect of the LEIP project. The position is continually evolving.

- 3.2.2 In the budget pack, it was noted that the funding offered by the Scottish Government is not a grant nor is it for the full cost of the building. It will cover up to 50% of eligible costs and this will be paid over a 25 year period, which means the Council has to fund at least 50% of the project costs. The entire design, land acquisition (if required) and build costs will require to be met up front by the Council and the Council will require to borrow. The Scottish Government do not contribute to the cost of servicing borrowing and as this cost will have to be paid by the Council the Council's overall share of the total cost of the project will be much higher than 50%.

- 3.2.3 The Scottish Futures Trust (SFT) advised in correspondence this week that in some cases from LEIP 1 and 2 the contribution could be as low as 35% and we are now aware of two Councils from the earlier stages of LEIP who received a 37% contribution and a 43% contribution. Multiple factors impact on this including being higher / lower than metrics, uses / function and abnormal costs depending on site. No deals have been struck at LEIP 3 yet so there is no direct comparable evidence on current programme so far, particularly in an island location. SFT have advised for a project on Mull, based the project outline at this stage, a contribution in the range of 40-45% would be a reasonable forecast.

- 3.2.4 This change in circumstances obviously has significant financial implications for the Council in terms of the financial commitment that would be required for the project to progress. On that basis, further work is required on potential financial models for the project and it is proposed that a further report with more detail regarding the financial aspects of LEIP be the subject of a Members Seminar and then brought to the Council meeting in April 2024 for Member's consideration.

3.3 HSCP Access to Strathclyde Pension Fund Gain

- 3.3.1 The recommendation in respect of the HSCP accessing the gain received from the reduction in the Strathclyde Pension Fund Employer's Contribution rate between 17.5% and 6.5% require to be amended. Following a conversation with the HSCP Chief Financial Officer, the HSCP are looking to access up to £1m of this gain towards balancing

their revenue budget in 2024-25 (this is not dissimilar to the Council proposals). As such, the recommendation needs amended as the wording as it stands only permits access to the Fund for transformational/spend to save projects.

3.4 New External Funding Request

MacTaggart Leisure Centre (Islay)

3.4.1 A further funding request was received from MacTaggart Leisure Centre on 9 February 2024. Rising costs with inflation has left the organisation really unsure and concerned as to what lies ahead for the Centre. At the moment the financial situation of the Centre is very worrying with an estimated £50k shortfall this year. This would have been the case last year had they not received the extra support/funding from Argyll and Bute Council. Due to the unprecedented rising costs last year the additional £30k extra over and above our Service Level Agreement, was a saving grace to the financial worries and implications that the Centre were facing. The same issues have arisen this year (actually worse, as costs keeps rising). With the budget meeting ahead, the Centre wanted to make Council aware of the financial crisis they are going through and how this extra funding would help in keeping the Centre open.

3.4.2 The request is for 1 year funding of £30,000. Members are asked to give consideration to this request and how it would be funded.

3.5 Update to Recommendations within Budget Pack

3.5.1 The issues raised above require the recommendations noted within the introductory report on pages 8 to 10 of the budgeting pack to be updated. The recommendations that require update are recommendation (a), recommendation (c), recommendation (d), recommendation (f), recommendation (i) and recommendation (k). A full set of revised recommendations is included in Appendix 1.

Updated recommendations:

a) Approve the revenue estimates for 2024-25 and that consequently the local tax requirement estimated at £63.179m is funded from Council Tax. Approve the following rates and charges for the year, 2024-25:

1. Council Tax to be paid in respect of a chargeable dwelling in Band "D" of £1,570.17 representing a 6.15% increase.
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.

- c) In respect of the gain received from the reduction in the Strathclyde Pension Employer's Contribution rate between 17.5% and 6.5% over 2024-25 and 2025-26:
1. Note that £2m is proposed to be used towards the Council revenue budget each year over the next 4 years (see management/ operational savings).
 2. Agree that the balance remaining attributable to all Council employees is transferred to the General Fund and set aside for transformational/spend to save projects.
 3. Agree that HSCP projects that fit the above criteria (point 2 above), or if the HSCP need any funds to balance their budget within 2024-25, be eligible for funding up to the value of £6.106m with the release of any funding delegated to the Chief Executive and the Executive Directors of the Council in consultation with the Leader, Depute Leader, Leader of the largest Opposition Group and Policy Lead for Health and Social Care.
 4. Note that reports on the drawdowns from the General Fund balance will be submitted to Policy and Resources Committee as part of the monitoring pack.
- d) Approve a base allocation to the Health and Social Care Partnership of £78.611m for 2024-25. Approve indicative base allocations for 2025-26 of £78.611m and 2026-27 of £81.664m. 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.
- f) Consider the six funding requests received as set out within Appendix 8 of the Revenue Budget Overview Report and within this supplementary report.
- i) Approve the contingency level for the General Fund balance at a level of 2% of net expenditure, equivalent to £6.188m and note the report on reserves and balances.
- k) In respect of LEIP:
1. Note the successful award of a major bid funding bid.
 2. Note the funding provided by Scottish Government is not a capital grant for full cost of project – in summary SG will provide up to 50% of eligible costs over a 25 year period following completion. The Council will require to pay the total cost up front.
 3. Note due to the 1 year time delay of LEIP announcement the requirement to open the new Campus by December 2027 (which was the original timescale) cannot be met – now forecast for October 2028 at earliest.
 4. Note the updated timescale programme forecast as outlined at Appendix A + B.
 5. Agree in the light of the update on funding that no decision as to whether or not to proceed be taken at this time and that officers

prepare a further report with more detail regarding the financial aspects of LEIP to be the subject of a Members Seminar and then brought to the Council meeting in April 2024 for Member's consideration.

4. CONCLUSION

4.1 This report provides updates to the Council budgeting pack since it was published on 8 February 2024.

4.2 As a result of the issues raised, there are updates to 6 of the recommendations noted within the introductory report on pages 8 to 10 of the budget pack.

5. IMPLICATIONS

5.1 Policy – None from this report.

5.2 Financial – The report provides an update to the budget pack published on 8 February 2024. The change in funding has resulted in an increase to the budget gap of £0.065m.

5.3 Legal – Any legal implications in respect of LEIP will be considered as part of the report to Council in April 2024, if required.

5.4 HR – None from this report.

5.5 Fairer Scotland Duty – See below

5.5.1 Equalities – Equality and Socio-Economic Impact Assessments in respect of LEIP will be considered as part of the report to Council in April 2024 if required.

5.5.2 Socio Economic Duty – Equality and Socio-Economic Impact Assessments in respect of LEIP will be considered as part of the report to Council in April 2024 if required.

5.5.3 Islands Duty - Equality and Socio-Economic Impact Assessments in respect of LEIP will be considered as part of the report to Council in April 2024 if required.

5.6 Climate Change – The Council is committed to addressing climate change and reviews of how Services are delivered is ongoing within the available budget resources.

5.7 Risk – There is a separate report on risks in the budget pack. There is a risk that the Scottish Government withhold some of the specific grant funding following the teachers census later in the year.

5.8 Customer Service – None from this report.

5.9 The Rights of the Child (UNCRC) – None.

Kirsty Flanagan
Executive Director /Section 95 Officer
16 February 2024

Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney

For further information contact Anne Blue, Head of Financial Services
anne.blue@argyll-bute.gov.uk

Appendix 1 – Full Set of Amended Recommendations.

Appendix 2 – Revised Appendix 7 to Revenue Budget Overview Report

APPENDIX 1 – Full Set of Amended Recommendations

It is recommended that the Council:

- a) Approve the revenue estimates for 2024-25 and that consequently the local tax requirement estimated at £63.179m is funded from Council Tax. Approve the following rates and charges for the year, 2024-25:
 1. Council Tax to be paid in respect of a chargeable dwelling in Band “D” of £1,570.17 representing a 6.15% increase.
 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) Approve the revenue budget for 2024-25 as set out in the revenue budget overview report.
- c) In respect of the gain received from the reduction in the Strathclyde Pension Employer’s Contribution rate between 17.5% and 6.5% over 2024-25 and 2025-26:
 1. Note that £2m is proposed to be used towards the Council revenue budget each year over the next 4 years (see management/ operational savings).
 2. Agree that the balance remaining attributable to all Council employees is transferred to the General Fund and set aside for transformational/spend to save projects.
 3. Agree that HSCP projects that fit the above criteria (point 2 above), or if the HSCP need any funds to balance their budget within 2024-25, be eligible for funding up to the value of £6.106m with the release of any funding delegated to the Chief Executive and the Executive Directors of the Council in consultation with the Leader, Depute Leader, Leader of the largest Opposition Group and Policy Lead for Health and Social Care.
 4. Note that reports on the drawdowns from the General Fund balance will be submitted to Policy and Resources Committee as part of the monitoring pack.
- d) Approve a base allocation to the Health and Social Care Partnership of £78.611m for 2024-25. Approve indicative base allocations for 2025-26 of £78.611m and 2026-27 of £81.664m. 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.
- e) 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.

- f) Consider the six funding requests received as set out within Appendix 8 of the Revenue Budget Overview Report.
- g) Approve the following in relation to fees and charges with effect from 1 April 2024 unless otherwise noted:
1. Approve the proposals for the fees and charges inflationary increase of 6% and approve the charges that are over and above inflation. Note that this would generate additional income of £0.385m in total.
 2. Approve no increase to school meal charges in 2023-24 as detailed in section 3.6.2 of the Fees and Charges report.
 3. Approve the changes proposed to the Social Work fees and charges.
 4. Approve all other charges as noted within the Fees and Charges Schedule.
- h) Note the financial risks analysis.
- i) Approve the contingency level for the General Fund balance at a level of 2% of net expenditure, equivalent to £6.188m and note the report on reserves and balances.
- j) 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 to fund the £29.384m gap.
- k) In respect of LEIP:
1. Note the successful award of a major bid funding bid.
 2. Note the funding provided by Scottish Government is not a capital grant for full cost of project – in summary SG will provide up to 50% of eligible costs over a 25 year period following completion. The Council will require to pay the total cost up front.
 3. Note due to the 1year time delay of LEIP announcement the requirement to open the new Campus by December 2027 (which was the original timescale) cannot be met – now forecast for October 2028 at earliest.
 4. Note the updated timescale programme forecast as outlined at Appendix A + B.
 5. Agree in the light of the update on funding that no decision as to whether or not to proceed be taken at this time and that officers prepare a further report with more detail regarding the financial aspects of LEIP to be the subject of a Members Seminar and then brought to the Council meeting in April 2024 for Member's consideration.
- l) In respect of Rothesay Pavilion note that a further paper will be available for Members at the Special Meeting of the Council prior to the budget meeting

which will provide detailed information on the project and recommendations for consideration.

m) Approve the Corporate Asset Management Strategy and Plan including the Asset Group Summaries.

