

Thursday, 23rd February, 2023 - 10.00 a.m.

AGENDAPage Nos.**1. APOLOGIES FOR ABSENCE****2. DECLARATIONS OF INTEREST**

In terms of Section 5 of the Code of Conduct, members are asked to declare any interest in particular items on the agenda and the nature of the interest(s) at this stage.

**3. SERVICE CONCESSIONS** – Report by the Executive Director, Finance & Corporate Services. 5 - 11**4. GENERAL FUND REVENUE BUDGET 2023 - 2026** – Report by the Executive, Director Finance & Corporate Services,

(a) Council Tax Setting: Provisions Relating to Voting by Elected Members - Report by the Executive Director, Finance and Corporate Services; 12 – 13

(b) Local Government Settlement 2023/2024 - Local Government Finance Circular No. 11/2022. 14 – 31

(c) Report by the Executive Director, Finance and Corporate Services; and 32 – 54

(d) Administration's Motion and Revenue Budget Proposals 2023 - 2026. 55 – 63

(e) SNP's Motion and Revenue Budget Proposals 2023 – 2026, 64 - 68

**5. HOUSING REVENUE ACCOUNT (HRA) BUDGET 2023 - 2024 (INCLUDING OPTIONS FOR THE HRA & GENERAL FUND HOUSING ACCOUNT (GFHA) RENTS AND CHARGES)**

(a) Joint report by the Head of Housing Services and Head of Finance in relation to the Housing Revenue Account Budget 2023 - 2024; and 69 – 84

(b) Administration's Motion on the Housing Revenue Account Budget 2023 - 2024. 85 – 86

(c) SNP's Motion on the Housing Revenue Account Budget 2023 – 2024. 87

Note: Any members requiring further information or clarification on the HRA budget proposals are requested to contact John Mills, Head of Housing Services, in the first instance.

**6. BUSINESS BROUGHT FORWARD BY THE PROVOST AS A MATTER OF URGENCY**

**Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.**

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16th February, 2023

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## **BLENDED MEETING NOTICE**

This is a formal meeting of the Committee and the required standards of behaviour and discussion are the same as in a face to face meeting. Unless otherwise agreed, Standing Orders will apply to the proceedings and the terms of the Councillors' Code of Conduct will apply in the normal way

For those members who have joined the meeting remotely, if they need to leave the meeting for any reason, they should use the Meeting Chat to advise of this. If a member loses their connection during the meeting, they should make every effort to rejoin the meeting but, if this is not possible, the Committee Officer will note their absence for the remainder of the meeting. If a member must leave the meeting due to a declaration of interest, they should remain out of the meeting until invited back in by the Committee Officer.

If a member wishes to ask a question, speak on any item or move a motion or amendment, they should indicate this by raising their hand at the appropriate time and will then be invited to speak. Those joining remotely should use the "Raise hand" function in Teams.

All decisions taken during this meeting, will be done so by means of a Roll Call vote.

Where items are for noting or where there has been no dissent or contrary view expressed during any debate, either verbally or by the member indicating they wish to speak, the Convener will assume the matter has been agreed.

There will be a short break in proceedings after approximately 90 minutes.

Members joining remotely are reminded to mute microphones and switch cameras off when not speaking. This includes during any scheduled breaks or adjournments.



23rd February, 2023

Agenda Item No. 3

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## Service Concessions

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**Report by:** Eileen Rowand, Executive Director of Finance and Corporate Services

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**Wards Affected:** ALL

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### Purpose

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The purpose of this report is to detail changes to statutory guidance for accounting for the repayment of debt on “Service Concessions”, or Public Private Partnerships (PPP) and Non-Profit Distribution (NPD) Contracts. Use of the new statutory guidance requires approval by Fife Council.

### Recommendation(s)

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It is recommended that the Council:-

- (1) consider this report and the implications of adopting the revised accounting arrangements for Service Concessions;
- (2) agree the proposed use of the benefits generated from adopting the revised arrangements; and
- (3) approve the use of Service Concessions arrangements as outlined in this report based on the Section 95 Officers view that to do so is prudent, affordable and sustainable.

### Resource Implications

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The application of the revised guidance will generate a retrospective benefit of £39.788m and average annual benefits of £4m per annum in the near term. Both the retrospective benefit and annual benefit will be used to support expenditure plans. Extending the term of repayment results in additional costs to the General Fund from years 15 to 40. It is anticipated these will be funded from existing budgets.

### Legal & Risk Implications

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The application of the guidance complies with legislation.

### Impact Assessment

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An EqIA checklist is not required because the report does not propose a change or revision to existing policies and practices

### Consultation

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The report is based on consultation with and advice from the Council’s Treasury Advisers, Link Group.

## 1.0 Background

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- 1.1 Public Private Partnerships (PPP) and Non-Profit Distribution (NPD) contracts are agreements to receive services where responsibility for making assets available to provide the services is delivered by the PPP/NPD operator. As the Council is deemed to control the services provided and as ownership of the assets passes to the Council at the end of the contract periods for no additional charge, assets are on the Council Balance Sheet.
- 1.2 Fife Council has 3 such arrangements in place:-
- **PPP1 (A New Way Forward)** – a replacement of 2 secondary schools, a new primary school, sports hall and all-weather pitch (total construction cost £42.812m). These were fully operational from August 2003, under contract operator Pinnacle Schools Fife Ltd.
  - **PPP2 (Expanding Horizons)** – construction of 3 new primary schools and a community facility, replacement of 3 primary schools and a new combined campus to replace 2 further primary schools (total capital construction costs £63.460m). These were fully operational in June 2007 under contract operator Emblem Consortium.
  - **NPD (Levenmouth Academy)** – construction of a new school which was operational in August 2016 under contract operator HUB East Central Scotland Ltd. Unlike PPP, the funding of the NPD project is entirely from borrowing, there is no equity element and therefore no distribution of surpluses at the end of the contract to investors. Any surpluses are passed to a designated charity.
- 1.3 The contracts allow the Council to use the facilities for Education and Community use and give the right for the Council to vary the contracts in terms of changes to facilities, services to be provided and hours of use. The contract operators are obliged to maintain the assets to a high standard.
- 1.4 For all 3 contracts, annual unitary charges are payable to the contract operator over the contract period, for 2021-22 this amounted to £20.756m.
- 1.5 For accounting purposes the unitary charge is split into 3 elements: Service Costs, Capital Repayment and Finance Costs. The Capital Repayment reduces the long-term debt liability on the Balance Sheet each year with the end of the contract period the notional debt outstanding reduced to nil and the assets transferred to Council ownership.
- 1.6 At 31 March 2022, the long term liability (notional debt) outstanding across all three contracts was £226.762m.
- 1.7 The Local Government Finance circular 10/2022 sets out the accounting requirements and options for recognising the capital repayment of principal element of these arrangements. The aforementioned guidance sets out 3 options in relation to the recognition of the capital repayments component including, Option 1 applying the Accounting Code with reversal of statutory adjustments and Option 2 which is continuing to adopt the existing guidance as originally set out. Option 3 permits Scottish Councils to apply flexibility to the accounting treatment for Service Concession Arrangements (SCAs) in place before 1st April 2022. The new statutory guidance applies for the financial year 2022 to 2023 and permits retrospective application as an option. Therefore, the Council is required to adopt one of these options when accounting for Service Concession arrangements. Section 2 of this report outlines that the Council will adopt Option 3 as this consistent with our current treatment of repayments of loans fund advances over the asset life.

- 1.8 The updated guidance relates to the treatment of the Capital Repayment element of the unitary charge, affording flexibility to spread this cost over the life of the asset as opposed to the contract period.
- 1.9 Application of this guidance requires approval by Fife Council; therefore this report sets out the implications.

## **2.0 Service Concessions Statutory Guidance**

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- 2.1 This report considers the impact for the Council of changing the statutory accounting for SCAs as set out in the Local Government Finance Circular 10/2022, principally section 2.2 which states:  
  
*SCAs only – this section permits an additional flexibility for SCAs recognised within an authority’s Annual Accounts prior to April 2022.*
- 2.2 Option 3 of the new guidance permits the Council to account for the capital repayment element over the expected useful life of the asset as opposed to the current duration which is aligned to the contract period. Effectively, the revised Service Concession arrangements better match the debt costs of the PPP/NPD assets with the expected asset lives, therefore charging the cost of the debt over a longer period.
- 2.3 In practice, this means extending the current repayment term from 25 years to 40 years. The total cost remains the same but is spread over a greater number of years, therefore reducing the annual cost, and generating a retrospective benefit or refund of charges already made. At present the intention is to use the retrospective benefit as a funding source to address the current pressure on the Capital Investment Plan.
- 2.4 The cash payment to the contractor for the unitary charge will remain the same – the Council will continue to pay contractors over the 25-year period. The changes are to the accounting arrangements within the Council’s General Fund and Balance sheet.
- 2.5 The Council is also permitted to apply this guidance and changes to accounting treatment retrospectively. This means the accounting for the asset over the asset life can be applied to the previous years. This effectively creates an overpayment in the accounts as the charge to the revenue account has been higher than it would have been had we originally accounted for the payments over the 40-year asset lives rather than the 25-year contract period.
- 2.6 Changing the Council’s accounting treatment in line with the new flexibility does not release a cash benefit as the contractor is not providing a refund but realises an accounting benefit because the accounting adjustments will result in an increase to General Fund balances.
- 2.7 Applying the useful life of the asset as the capital repayment period is consistent with the Council’s Loans Fund Policy, whereby loans fund principal repayments are spread over the useful life of the assets. This is permissible per Local Authority (Capital Finance and Accounting) (Scotland) Regulations introduced in 2016. The Council updated its Loans Fund policy in 2019 and as such reprofiled the principal repayments over a longer period of time.

## **3.0 Financial Implications**

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- 3.1 The Council’s Treasury advisers, LINK Group have undertaken work on behalf of Fife Council which indicates that applying the revised accounting treatment and rescheduling of the current payment structure over the asset life will provide benefits both as a

retrospective catch-up benefit and ongoing reduced charges to General Fund in the near to medium term.

- 3.2 Using a 40-year asset life the Council will produce a benefit by increasing General Fund balances, referred to as the catch-up benefit of £39.7m, with annual savings that vary between £1.8m and £5m for ten years, and a cost from year 2032/33 to 2056/57.

The following table demonstrated the current repayments charged to revenue account, the total cost being £135,136m over 25 years (column 1). The revised repayment demonstrates that the total cost remains at £135,136m but as this is now spread over a longer period time (the asset life) the annual cost is reduced in years 1 to 10 which results in a cost reduction (column 3).

Over the full life of service concession arrangements, the total repayment remains the same, however when a Net Present Value (NPV) is applied the reprofiled charges would result in an overall reduction in NPV terms of £34.069m recognising the time value of money.

A more detailed calculation is provided as Appendix 1.

| PPP principal repayments | Total of PPP schemes   |  |                        |                 |
|--------------------------|------------------------|--|------------------------|-----------------|
|                          | Current position       | Principal repayments based on simple 40 year annuity |                        |                 |
|                          | Current repayment £000 | Revised repayment £000                               | (Reduction) /cost £000 | NPV 3.5% £000   |
| pre 2022/23              | 53,275                 | 13,487   | (39,788)               | (39,788)        |
| 2022/23                  | 5,631                  | 1,842  | (3,789)                | (3,661)         |
| Yrs 2 to 5               | 29,264                 | 8,809  | (20,455)               | (18,136)        |
| Yrs 6 to 10              | 28,110                 | 15,286   | (12,825)               | (9,914)         |
| Yrs 11 to 25             | 18,856                 | 79,411   | 60,556                 | 31,749          |
| Yrs 26 to 40             |                        | 16,301   | 16,301                 | 5,680           |
| <b>Total</b>             | <b>135,136</b>         | <b>135,136</b>                                       |                        | <b>(34,069)</b> |

- 3.3 It should also be noted that the costs will be spread over 40 years which will create a charge to the revenue account from year 15 onwards that would not otherwise have been the case.
- 3.4 However, at the end of the contract period, the unitary charge will no longer be paid to the contractor. Whilst there will be ongoing revenue costs to run the building which will require funding there will also be capacity within the unitary charge budget to cover the period of lengthening ongoing costs of borrowing (25 to 40 years).
- 3.5 As noted in paragraph 2.6 this is not a cash benefit, but an accounting benefit. The use of the benefits to support any subsequent decisions related to the revenue budget and to fund capital expenditure will require to be managed through the Council's Treasury Management approach and the existing cash flow management arrangements.
- 3.6 This may result in increased borrowing costs as interest will be incurred, however, there are many other factors which influence treasury management activities and cash flow such as levels of slippage, grant profiles and expenditure patterns. Therefore, this requirement to borrow will be managed in totality and the working assumption is that any additional costs can be met from existing the Loan Charges budget.

- 3.7 The biennial Capital Plan Review is currently being advanced and given the likely pattern of expenditure, there may be a slight underspend on Loan Charges in the early years of the plan. This will provide a positive contribution to General Fund balances and can be committed to cover future costs of the Service Concession arrangements and demonstrates a prudent approach.

## **4.0 Revenue Budget Strategy**

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- 4.1 The use of the annual cost benefits generated has been recognised as part of the Council's Revenue Budget Strategy and the retrospective element is being considered as part of the overall funding strategy for the biennial Capital Plan Review currently being advanced.
- 4.2 In determining whether to apply the flexibility to the accounting policy for SCAs, the Council needs to ensure it maintains a prudent approach and that any changes are sustainable in terms of the Council's revenue budget.
- 4.3 When determining a prudent approach for SCAs consideration should be given to the financial implications in the context of the financial planning for the Council's Long/Medium Term financial plans, considering the funding needs of the Council now and in the future.
- 4.4 It is proposed that the annual benefit or recurring element is applied to the revenue budget gap in the immediate term to reduce the need to identify further service savings. The annual benefits will come to an end by 2032/33.
- 4.5 Prudence is being demonstrated by spreading the capital repayment costs across the life of the assets, meaning the costs are now commensurate with the benefits of using the assets. Further, there will not be a financial burden on the Council as its anticipated there will be sufficient budget from the unitary charge to cover the costs of lengthening the repayment period. This is further enhanced by ensuring that additional borrowing costs are not incurred, and this will be managed through the Treasury Management Strategy.
- 4.6 Application of the guidance, extending the repayment term to be the same as the asset life and releasing catch-up benefits and reducing in-year is considered to be prudent, affordable and sustainable by the Section 95 Officer.

## **5.0 Conclusions**

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- 5.1 Revised Scottish Government guidance permits a change to the accounting for Service Concession arrangements i.e., the capital repayment elements and how these are reflected in the accounts. This is one of the options that can be considered, and these are outlined in this report.
- 5.2 Fife has 3 arrangements whereby these changes can be applied. Doing so would generate accounting benefits both retrospectively and in the near to medium term.
- 5.3 This will result in an increase in General Fund Balances and an annual benefit. It is intended at this stage to apply the annual benefit to the revenue budget and the planning assumption is to use the retrospective benefit to support the Capital Plan.

## List of Appendices

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1. Repayment Profile for Service Concessions

### Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:-

Bulleted list

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|  |              |                |                |              | Appendix 1 |
|--|--------------|----------------|----------------|--------------|------------|
| Repayment Profiles for Service Concessions |              |                |                |              |            |
|  |              | Repayment £000 |                | Benefit £000 |            |
| Year                                       | Year         | Current        | Revised        | Annual       | Cumulative |
| 0  | pre 2022/23  | 53,274         | 13,487         | (39,787)     | (39,787)   |
| 1  | 2022/23      | 5,631          | 1,842          | (3,789)      | (43,576)   |
| 2  | 2023/24      | 6,937          | 1,974          | (4,963)      | (48,539)   |
| 3  | 2024/25      | 7,136          | 2,118          | (5,018)      | (53,557)   |
| 4  | 2025/26      | 7,619          | 2,274          | (5,345)      | (58,902)   |
| 5  | 2026/27      | 7,572          | 2,442          | (5,130)      | (64,032)   |
| 6  | 2027/28      | 7,882          | 2,625          | (5,257)      | (69,289)   |
| 7  | 2028/29      | 4,717          | 2,824          | (1,893)      | (71,182)   |
| 8  | 2029/30      | 4,649          | 3,039          | (1,610)      | (72,792)   |
| 9  | 2030/31      | 5,110          | 3,272          | (1,838)      | (74,630)   |
| 10   | 2031/32      | 5,752          | 3,526          | (2,226)      | (76,856)   |
| 11   | 2032/33      | 3,093          | 3,802          | 709          | (76,147)   |
| 12   | 2033/34      | 1,593          | 4,101          | 2,508        | (73,639)   |
| 13   | 2034/35      | 1,726          | 4,426          | 2,700        | (70,939)   |
| 14   | 2035/36      | 1,833          | 4,780          | 2,947        | (67,992)   |
| 15   | 2036/37      | 1,858          | 5,164          | 3,306        | (64,686)   |
| 16   | 2037/38      | 1,786          | 5,584          | 3,798        | (60,888)   |
| 17   | 2038/39      | 1,732          | 6,040          | 4,308        | (56,580)   |
| 18   | 2039/40      | 2,384          | 6,537          | 4,153        | (52,427)   |
| 19   | 2040/41      | 2,851          | 7,078          | 4,227        | (48,200)   |
| 20   | 2041/42      | 0              | 7,668          | 7,668        | (40,532)   |
| 21   | 2042/43      | 0              | 8,312          | 8,312        | (32,220)   |
| 22   | 2043/44      | 0              | 4,552          | 4,552        | (27,668)   |
| 23   | 2044/45      | 0              | 4,852          | 4,852        | (22,816)   |
| 24   | 2045/46      | 0              | 5,176          | 5,176        | (17,640)   |
| 25   | 2046/47      | 0              | 1,340          | 1,340        | (16,300)   |
| 26   | 2047/48      | 0              | 1,388          | 1,388        | (14,912)   |
| 27   | 2048/49      | 0              | 1,437          | 1,437        | (13,475)   |
| 28   | 2049/50      | 0              | 1,487          | 1,487        | (11,988)   |
| 29   | 2050/51      | 0              | 1,540          | 1,540        | (10,448)   |
| 30   | 2051/52      | 0              | 1,594          | 1,594        | (8,854)    |
| 31   | 2052/53      | 0              | 1,650          | 1,650        | (7,204)    |
| 32   | 2053/54      | 0              | 1,709          | 1,709        | (5,495)    |
| 33   | 2054/55      | 0              | 1,769          | 1,769        | (3,726)    |
| 34   | 2055/56      | 0              | 1,831          | 1,831        | (1,895)    |
| 35   | 2056/57      | 0              | 1,896          | 1,896        | 1          |
| 36   | 2057/58      | 0              | 0              | 0            | 1          |
| 37   | 2058/59      | 0              | 0              | 0            | 1          |
| 38   | 2059/60      | 0              | 0              | 0            | 1          |
| 39   | 2060/61      | 0              | 0              | 0            | 1          |
| 40   | 2061/62      | 0              | 0              | 0            | 1          |
|  | <b>Total</b> | <b>135,135</b> | <b>135,136</b> | <b>1</b>     | <b>1</b>   |

23<sup>rd</sup> February, 2023

Agenda Item No. 4(a)

## **COUNCIL TAX SETTING: PROVISIONS RELATING TO VOTING BY ELECTED MEMBERS**

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Report by: Eileen Rowand, Executive Director (Finance & Corporate Services)

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Wards Affected: All

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### **Purpose**

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To remind members of:

- the provisions restricting voting rights of elected members in relation to arrears of Council Tax and Community Charge; and
- the provisions in the Councillors' Code of Conduct relating to the setting of the Council Tax.

### **Recommendation(s)**

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Members are asked to note the report and to take action as required. If the terms of Section 112 of the Local Government Finance Act 1992 apply to a member, the member must, at the meeting of full Council at which the Council Tax rate will be set and as soon as practicable after its commencement, disclose the fact that the section applies, and then that member must not vote on any question in relation to the setting of the Council Tax.

### **Resource Implications**

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None

### **Legal & Risk Implications**

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If a member fails to comply with the provisions of Section 112 of the 1992 Act outlined in this report, he or she will be guilty of a criminal offence.

### **Impact Assessment**

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An impact assessment is not required.

### **Consultation**

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None

# 1.0 Background

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## Local Government Finance Act 1992

- 1.1 The Local Government Finance Act 1992, which introduced the council tax, also introduced other provisions restricting voting rights of elected members.
- 1.2 In terms of Section 112 of the 1992 Act if, at any time:-
- (a) a sum relating to council tax has become payable by an elected member and has remained unpaid for at least two months; or
  - (b) a sum relating to community charge has become payable by an elected member and has remained unpaid for at least three months;

then, in a number of specific instances – including the matter of the setting of the council tax – the member must, at any meeting considering the matter as soon as practicable after its commencement, disclose the fact that Section 112 applies to him or her. Section 112 also provides that the member must not vote on any question with respect to the matter.

## Councillors' Code of Conduct

- 1.3 Members should also note that paragraph 5.4 of the revised Councillors' Code of Conduct (2021) provides that a member does not have a connection that has to be considered in term of –
- (a) being a Council Tax or rate payer ... including [for] the setting of budgets...;

The result of which is that no interest needs to be declared.

- 1.4 The revised Code also provides, at paragraph 3.29, that members will not participate in certain decisions concerning Council Tax if they are in arrears of two months or more in respect of the payment of Council Tax.

# 2.0 Conclusions

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- 2.1 If a member fails to comply, he or she will be guilty of an offence and will, for each offence, be liable on summary conviction to a fine not exceeding level 3 on the standard scale (unless the member proves that he or she did not know (a) that Section 112 applied to him or her at the time of the meeting, or (b) that the matter in question was the subject of consideration at the meeting). In addition, members may also be referred to the Ethical Standards Commissioner for investigation in terms of the provisions in the Code of Conduct. Members should also note that the Council has received requests under the freedom of information regime for information about Councillor arrears.

## **Report Contact**

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## Local Government Finance Circular No. 11/2022

Chief Executives and Directors of Finance of  
Scottish Local Authorities

Chief Executive, Convention of Scottish Local  
Authorities (COSLA)

Our ref: A42066772  
20 December 2022

Dear Chief Executive/Director of Finance

### **1. LOCAL GOVERNMENT FINANCE SETTLEMENT 2023-24** **2. NON-DOMESTIC RATES**

1. This Local Government Finance Circular provides details of the provisional total revenue and capital funding allocations for 2023-24, as well as the latest information on current known redeterminations for 2022-23. This Circular also provides details on a range of Non-Domestic Rates measures, including the proposed 2023-24 poundage and changes to certain reliefs.
2. The provisional total funding allocations form the basis for the annual consultation between the Scottish Government and COSLA ahead of the Local Government Finance (Scotland) Order 2023 being presented to the Scottish Parliament. This is currently scheduled for February 2023.
3. We expect local authorities to inform COSLA, and for COSLA in turn to inform the Scottish Government by no later than 27 January 2023, if they think there are any discrepancies or changes required to these provisional allocations. Redistribution(s) to address any agreed discrepancies or changes will be undertaken within the total settlement allocations set out in this Circular and not through the provision of any additional resources by the Scottish Government. The allocations are therefore provisional only at this stage, with the final allocations not being confirmed until after the end of the consultation period and the publication of the Local Government Finance Circular which will follow the approval of the Local Government Finance (Scotland) Order 2023.
4. The Deputy First Minister wrote to the COSLA President, copied to all Council Leaders on 15 December 2022, confirming the package of measures that make up the settlement to be provided to local government. This Circular should be read in conjunction with that letter. The terms of this settlement have been discussed with COSLA on behalf of all 32 of its member councils.
5. The Scottish Government will work in partnership with local government to implement the budget and the joint priorities in return for the full funding package worth over £13.2 billion and includes:

- £260 million to support the local government pay deal and also delivers additional funding to ensure that payment of SSSC fees for the Local Government workforce which will continue to be made on a recurring basis;
  - £72.5 million increase to the General Revenue Grant;
  - £105 million to give effect to the devolution of Non-Domestic Rates Empty Property Relief;
  - Maintained key in-year transfers worth over £1 billion and added a further net £102 million of resource to protect key shared priorities particularly around education and social care;
  - £50 million capital to help with the expansion of the Free School Meals policy;
  - Additional funding of £100 million to deliver a £10.90 minimum pay settlement for adult social care workers in commissioned services; and
  - Consolidation of £30.5 million for the homelessness prevention fund.
6. In addition to the funding set out in this Circular it should be noted that there are a number of further revenue and capital funding streams outwith the local government finance settlement for particular policy initiatives which deliver on shared priorities and benefit local government services. Table 5.17 in the Scottish Government’s “Budget Document: 2023-24”, which was published on 15 December 2022, provides provisional details of these funding streams.
7. The allocations have been arrived at using the standard agreed needs-based distribution methodology and updated indicators. Any undistributed sums will be allocated in the standard way following consideration by the Settlement and Distribution Group. We have shared a separate note with COSLA providing a full reconciliation of the changes between the 2022-23 and 2023-24 Budgets and between the 2023-24 Budget and the figures in this Circular. We have also provided full details of all the revenue and capital allocations.
8. The various parts and annexes to this Circular, listed below, provide more of the detail behind the calculations.

- Part A: Local Government Finance Settlement – Revenue: 2023-24 and changes in 2022-23;  
 Part B: Local Government Finance Settlement – Capital: 2022-24;  
 Part C: Non-Domestic Rates for 2023-24.

The various Annexes included in this Circular are as follows:

- Annex A: All Scotland Aggregated Funding Totals 2022-24;  
 Annex B: Individual Revenue Allocations for 2023-24;  
 Annex C: Revised Individual Revenue Allocations for 2022-23;  
 Annex D: Explanatory Notes on the Revenue Distribution;  
 Annex E: Estimates of Ring-Fenced Grant Revenue Funding for 2023-24;  
 Annex F: Floor calculation for 2023-24;  
 Annex G: Redeterminations of Individual Revenue funding for 2022-23;  
 Annex H: 2008-24 Changes Column;  
 Annex I: General Capital Grant and Specific Capital Grants 2023-24;  
 Annex J: General Capital Grant – Flood Allocations Per Local Authority 2023-24;  
 Annex K: Updated General Capital Grant 2022-23; and  
 Annex L: Total Local Government Funding Settlement 2023-24

**Part A: Local Government Finance Settlement - Revenue: 2023-24 and changes in 2022-23**

9. This Finance Circular sets out the provisional distribution of revenue funding allocations for 2023-24. **Annex A** of this Circular sets out the all-Scotland aggregate totals for 2022-24.
10. **Annexes B and C** set out the distribution of the total revenue funding allocation between councils and the allocation of the different elements (General Revenue Grant Funding, Non-Domestic Rate Income and Ring-Fenced Revenue Grants) for each council for 2023-24 and 2022-23. The basis behind the grant distribution methodology is as recommended in the report

from the Settlement and Distribution Group (SDG). The explanatory notes contained in **Annex D** explain the basis behind the calculation of the individual council grant allocations.

11. **Annex E** gives a breakdown of the provisional individual council shares of all the ring-fenced revenue grant allocations for 2023-24.
12. The calculation and effects of the main floor adjustment for 2023-24, which provided councils with a minimum increase in the funding used in the calculation of the main floor of 1.95%, is set out in **Annex F** of this Circular. The setting of the floor is in line with the revised arrangements agreed following the SDG review of the floor methodology during 2018.
13. This Circular confirms the continuation of the **85% funding floor** for 2023-24. The methodology compares total revenue funding plus local authorities' assumed council tax income and any council whose total support under this method falls below 85% will be topped up to ensure that all councils receive 85% of the Scottish average total revenue support per head. As all 32 local authorities now exceed 85% of the Scottish average, no additional funding has been provided.
14. This Local Government Finance Circular provides details of current known 2022-23 redeterminations at **Annex G** for the General Revenue Grant.
15. **Annex H** summarises the column within the settlement titled 2008-24 Changes Column.

#### **Part B: Local Government Finance Settlement – Capital Grants 2022-24**

16. In 2023-24 the Local Government Settlement provides capital grants totalling £826.6 million. This is made up of General Capital Grant totalling £687.5 million and Specific Capital Grants totalling £139.1 million.
17. **Annex I** sets out the provisional distribution of the Settlement for capital per local authority for 2023-24. The methodologies used to calculate these provisional allocations have been agreed with COSLA. Capital grants which remain undistributed are identified as such.
18. The provisional distribution for the General Capital Grant includes allocations for flood schemes. The allocations for these schemes is set out in **Annex J**. Where schemes have slipped and the grant paid in a prior year exceeds the grant due the scheme will show a negative value which will reduce the total General Capital Grant payable to that Council.
19. **Annex K** provides a breakdown of the updated 2022-23 General Capital Grant allocations by local authority.
20. **Annex L** summarises the Local Government Finance Settlement for 2023-24

## Part C: Non-Domestic Rates for 2023-24

21. The Distributable Amount of Non-Domestic Rates Income for 2023-24 has been provisionally set at £3,047 million. This figure uses the latest forecast of net income from non-domestic rates in 2023-24 and also draws on council estimates of the amounts they will contribute to the Non-Domestic Rating Account (the 'Pool') in 2022-23. The figure incorporates the Scottish Fiscal Commission's estimate of the contributable amount and includes a calculation of gross income; expected losses from appeals; estimated expenditure on mandatory and other reliefs; write-offs and provision of bad debt together; and estimated changes due to prior year adjustments. The distribution of Non-Domestic Rates Income for 2023-24 has been based on the amount each Council estimates that it will collect (based on the 2022-23 mid-year estimates provided by councils). General Revenue Grant provides the guaranteed balance of funding. This method of allocation provides a clear presentation of the Non-Domestic Rates Income per council and transparency in the make-up of council funding.

22. The 2023-24 Non-Domestic Basic Property Rate ('poundage') is provisionally set at 49.8 pence, the same rate as last year. Two additional rates are levied on properties with a rateable value over £51,000 (51.1 pence – the Intermediate Property Rate) and £100,000 (52.4 pence – the Higher Property rate), up from £95,000 in 2022-23.

23. The Scottish Budget 2023-24 announced the following changes to existing reliefs:

- The Small Business Bonus Scheme will be reformed: 100% relief will be available for properties with a rateable value of up to £12,000 and the upper rateable value for individual properties to qualify for SBBS relief will be extended from £18,000 to £20,000. To improve the design of the scheme, we are tapering SBBS relief for properties with a rateable value between £12,001 and £20,000: relief will taper from 100% to 25% for properties with rateable values between £12,001 to £15,000; and from 25% to 0% for properties with rateable values between £15,001 to £20,000. The cumulative rateable value threshold will remain at £35,000. Car parks, car spaces, advertisements and betting shops will be excluded from eligibility for SBBS from 1 April 2023.
- Business Growth Accelerator relief: properties receiving improvements relief for 2022-23 can continue to receive the same percentage of relief for the duration of the award in 2023-24.
- Eligibility for Fresh Start relief will be expanded by raising the rateable value threshold to which properties qualify from £95,000 to £100,000. In addition, properties receiving Fresh Start relief for 2022-23 can continue to receive it for the duration of the award in 2023-24, irrespective of their rateable value.
- Enterprise Areas relief will be extended for one year to 31 March 2024.

24. The Scottish Budget 2023-24 also introduces the following transitional reliefs for the 2023 revaluation:

- A Revaluation Transitional Relief to protect those most affected by revaluation with bills capped as per the table below.

### Year-on-year Scottish Transitional Relief caps (%)

| Rateable Value               | 2023-24 | 2024-25 | 2025-26 |
|------------------------------|---------|---------|---------|
| Small (up to £20,000)        | 12.5    | 25      | 37.5    |
| Medium (£20,001 to £100,000) | 25      | 50      | 75      |
| Large (Over £100,000)        | 37.5    | 75      | 112.5   |

- A Small Business Transitional Relief: those losing or seeing a reduction in these reliefs (including due to the eligibility changes introduced for Small Business Bonus Scheme relief) on 1 April 2023 the maximum increase in the rates liability relative to 31 March

2023 will be capped at £600 in 2023-24, rising to £1,200 in 2024-25 and £1,800 in 2025-26.

25. The following reliefs will be maintained: charitable rates relief, day nursery relief (no longer time-limited), disabled rates relief, district heating relief, hardship relief, hydro relief, mobile masts relief, new fibre relief, renewable energy relief, renewable heat networks relief, reverse vending machine relief, rural relief, sports club relief and stud farms relief.
26. Empty Property Relief will be devolved to local authorities on 1 April 2023 covering all relief and rates exemptions for fully unoccupied properties including listed buildings, properties where the owner is in administration, etc. Partly unoccupied properties that the council requests be apportioned by the assessor will be liable for rates on the occupied portion only. Councils may offer their own local reliefs under the Community Empowerment (Scotland) Act 2015 including to empty properties.
27. NDR reliefs, like other subsidy or support measures, may be subject to the Subsidy Control Act 2022.
28. We will also lay legislation to help local authorities better tackle known avoidance tactics.
29. In addition, a non-domestic rating exemption will be introduced for prescribed plant and machinery used in onsite renewable energy generation and storage from 1 April 2023 until 31 March 2035.
30. Information on the Business Rates Incentivisation Scheme (BRIS) will be set out later.

### **Enquiries relating to this Circular**

31. It should be noted that figures in this Circular may be marginally different from final allocations due to roundings. Local authorities should note that if they have any substantive specific enquiries relating to this Circular these should, in the first instance, be addressed through COSLA. We have given an undertaking to respond to these queries as quickly as possible. Contact details for COSLA are:

Sarah Watters [Sarah@cosla.gov.uk](mailto:Sarah@cosla.gov.uk)

Any other queries should be addressed to the following:

Local Government Revenue Settlement and BRIS. Bill Stitt [Bill.Stitt@gov.scot](mailto:Bill.Stitt@gov.scot)

Local Government Finance Settlement. (Capital) Craig Inglis [Craig.Inglis@gov.scot](mailto:Craig.Inglis@gov.scot)

Non-Domestic Rates. Anouk Berthier [Anouk.Berthier@gov.scot](mailto:Anouk.Berthier@gov.scot)

32. This Circular, along with the supporting tables will be made available through the Local Government section of the Scottish Government website at:  
<https://www.gov.scot/publications/local-government-finance-circulars-index/>

Yours faithfully

*Wm Stitt*

**Bill Stitt**

Team Leader, Local Government & Analytical Services Division

|  | <b>2022-23</b><br><b>£ million</b> | <b>2023-24</b><br><b>£ million</b> |
|--|------------------------------------|------------------------------------|
| <b>Revenue Funding</b>                       |                                    |                                    |
| General Resource Grant                       | 8696.139                           | 8579.458                           |
| Non Domestic Rate Income                     | 2766.000                           | 3047.000                           |
| Specific Revenue Grants                      | 784.983                            | 776.059                            |
| <b>Total Revenue</b>                         | <b>12,247.122</b>                  | <b>12,402.517</b>                  |
| <i>less</i> Redress Top-Slice                | 5.000                              | 6.000                              |
| <b>Net Total Revenue</b>                     | <b>12,242.122</b>                  | <b>12,396.517</b>                  |
| <i>less</i> Teachers' Induction Scheme       | 0.000                              | 37.600                             |
| <i>less</i> Discretionary Housing Payments   | 13.620                             | 85.900                             |
| <i>less</i> Gaelic                           | 0.103                              | 0.103                              |
| <i>less</i> Pupil Equity Fund                | 10.000                             | 0.000                              |
| <i>less</i> Support for Ferries              | 1.000                              | 0.000                              |
| <i>less</i> Customer First Top-up            | 0.010                              | 1.410                              |
| <i>less</i> Removal of Curriculum Charges    | 0.679                              | 0.000                              |
| <i>less</i> Removal of Music Tuition Charges | 2.091                              | 0.000                              |
| <i>less</i> Educational Psychology Trainees  | 0.000                              | 0.450                              |
| <i>less</i> HMRC Hidden Economy              | 0.173                              | 0.000                              |
| <i>less</i> Real Living Wage                 | 0.000                              | 100.000                            |
| <i>Total Undistributed Revenue Funding</i>   | <i>27.676</i>                      | <i>225.463</i>                     |
| <b>Distributable Revenue Funding</b>         | <b>12,214.446</b>                  | <b>12,171.054</b>                  |
| <b>Capital Funding</b>                       |                                    |                                    |
| General Capital Grant                        | 672.239                            | 687.537                            |
| Specific Capital Grants                      | 123.777                            | 123.777                            |
| Distributed to SPT                           | 15.327                             | 15.327                             |
| <b>Total Capital</b>                         | <b>811.343</b>                     | <b>826.641</b>                     |
| <b>Total Funding</b>                         | <b>13,058.465</b>                  | <b>13,229.158</b>                  |

**2022-23 RECONCILIATION FROM FINANCE CIRCULAR 1/2022**

|   |                   |
|---|-------------------|
| <b>General Resource Grant Circular 1/2022</b> | <b>8,449.650</b>  |
| In Year Additions - Annex G                   | 307.723           |
| <i>less</i> Teachers' Induction Scheme        | 37.600            |
| <i>less</i> Discretionary Housing Payments    | 13.620            |
| <i>less</i> Customer First Top-up             | 1.410             |
| <i>less</i> SCP Bridging Payments             | 21.957            |
| <i>less</i> Educational Psychology Trainees   | 0.450             |
| <i>less</i> Removal of Curriculum Charges     | 0.679             |
| <i>less</i> Removal of Music Tuition Charges  | 2.091             |
| <i>less</i> Redress Top-Slice                 | 5.000             |
| <b>Revised General Resource Grant</b>         | <b>8,674.566</b>  |
| <b>Total Distributable Revenue</b>            | <b>12,214.446</b> |

|  |                |
|--|----------------|
| <b>General Capital Grant Circular 1/2022</b> | <b>545.537</b> |
| Nature Restoration Fund                      | 5.000          |
| Additional Nature Restoration Bid Fund       | 1.103          |
| Local Government Pay Deal                    | 120.600        |
| <b>Revised General Capital Grant</b>         | <b>672.240</b> |

INDIVIDUAL REVENUE ALLOCATIONS 2023-24

ANNEX B

|                     | Expenditure               |                 |                         |              | Funding                     |                                  |                          |                    |                         |                   |              |                   |
|---------------------|---------------------------|-----------------|-------------------------|--------------|-----------------------------|----------------------------------|--------------------------|--------------------|-------------------------|-------------------|--------------|-------------------|
|                     | 1                         | 2               | 3                       | 4            | 5                           | 6                                | 7                        | 8                  | 9                       | 10                | 11           | 13                |
|                     | Updated Service Provision | 2008-24 Changes | Loan Charges/ PPP/ LPFS | Main Floor   | Total Estimated Expenditure | Assumed Council Tax contribution | Total Ring-fenced Grants | Non Domestic Rates | General Revenue Funding | Total             | 85% floor    | Revised Total     |
| £million            | £m                        | £m              | £m                      | £m           | £m                          | £m                               | £m                       | £m                 | £m                      | £m                | £m           | £m                |
| Aberdeen City       | 484.016                   | 33.019          | 17.159                  | -6.736       | 527.458                     | 95.314                           | 27.246                   | 257.797            | 147.101                 | 432.144           | 0.000        | 432.144           |
| Aberdeenshire       | 597.536                   | 41.835          | 18.202                  | -8.701       | 648.871                     | 114.087                          | 33.017                   | 134.839            | 366.928                 | 534.784           | 0.000        | 534.784           |
| Angus               | 271.331                   | 19.011          | 10.974                  | -3.612       | 297.704                     | 44.703                           | 14.463                   | 27.934             | 210.605                 | 253.001           | 0.000        | 253.001           |
| Argyll & Bute       | 229.951                   | 16.127          | 8.761                   | 16.240       | 271.079                     | 40.185                           | 11.619                   | 37.645             | 181.629                 | 230.894           | 0.000        | 230.894           |
| Clackmannanshire    | 125.904                   | 8.813           | 4.442                   | -1.836       | 137.323                     | 19.629                           | 7.928                    | 17.764             | 92.002                  | 117.694           | 0.000        | 117.694           |
| Dumfries & Galloway | 370.907                   | 25.995          | 14.599                  | -0.149       | 411.351                     | 59.890                           | 19.186                   | 60.313             | 271.962                 | 351.461           | 0.000        | 351.461           |
| Dundee City         | 369.653                   | 25.998          | 5.558                   | 4.068        | 405.277                     | 48.212                           | 22.991                   | 73.704             | 260.370                 | 357.065           | 0.000        | 357.065           |
| East Ayrshire       | 306.160                   | 21.459          | 8.566                   | -4.575       | 331.609                     | 43.225                           | 20.020                   | 30.467             | 237.897                 | 288.384           | 0.000        | 288.384           |
| East Dunbartonshire | 263.354                   | 18.540          | 3.821                   | -3.750       | 281.966                     | 51.245                           | 12.240                   | 24.099             | 194.382                 | 230.721           | 0.000        | 230.721           |
| East Lothian        | 249.973                   | 17.534          | 3.556                   | -3.522       | 267.540                     | 48.507                           | 13.793                   | 58.108             | 147.132                 | 219.033           | 0.000        | 219.033           |
| East Renfrewshire   | 242.622                   | 17.070          | 8.876                   | -3.595       | 264.972                     | 44.416                           | 10.565                   | 15.695             | 194.296                 | 220.556           | 0.000        | 220.556           |
| Edinburgh, City of  | 1,057.001                 | 73.306          | 22.576                  | 15.119       | 1,168.002                   | 227.839                          | 56.559                   | 377.317            | 506.286                 | 940.163           | 0.000        | 940.163           |
| Eilean Siar         | 86.216                    | 6.044           | 6.577                   | 19.099       | 117.936                     | 9.666                            | 4.169                    | 9.106              | 94.995                  | 108.270           | 0.000        | 108.270           |
| Falkirk             | 370.221                   | 25.906          | 18.096                  | -5.426       | 408.797                     | 59.793                           | 22.327                   | 75.322             | 251.354                 | 349.004           | 0.000        | 349.004           |
| Fife                | 877.144                   | 61.357          | 29.302                  | -12.577      | 955.226                     | 141.862                          | 52.828                   | 172.108            | 588.428                 | 813.364           | 0.000        | 813.364           |
| Glasgow City        | 1,562.296                 | 107.928         | 35.496                  | 31.368       | 1,737.087                   | 218.382                          | 100.560                  | 358.472            | 1,059.673               | 1,518.705         | 0.000        | 1,518.705         |
| Highland            | 585.954                   | 41.067          | 29.155                  | -1.273       | 654.903                     | 99.495                           | 32.431                   | 156.979            | 365.998                 | 555.408           | 0.000        | 555.408           |
| Inverclyde          | 201.569                   | 14.135          | 9.627                   | 1.633        | 226.965                     | 27.800                           | 11.221                   | 21.333             | 166.610                 | 199.165           | 0.000        | 199.165           |
| Midlothian          | 223.071                   | 15.651          | 6.224                   | -3.136       | 241.810                     | 38.646                           | 15.249                   | 35.215             | 152.700                 | 203.164           | 0.000        | 203.164           |
| Moray               | 218.054                   | 15.299          | 7.904                   | -3.302       | 237.955                     | 35.071                           | 11.943                   | 55.314             | 135.627                 | 202.884           | 0.000        | 202.884           |
| North Ayrshire      | 347.498                   | 24.253          | 5.529                   | 8.119        | 385.399                     | 50.363                           | 19.495                   | 43.955             | 271.586                 | 335.036           | 0.000        | 335.036           |
| North Lanarkshire   | 831.255                   | 58.234          | 9.510                   | -12.164      | 886.835                     | 118.152                          | 50.598                   | 121.640            | 596.445                 | 768.683           | 0.000        | 768.683           |
| Orkney Islands      | 87.144                    | 6.120           | 5.387                   | -1.313       | 97.338                      | 8.272                            | 16.114                   | 11.473             | 61.479                  | 89.066            | 0.000        | 89.066            |
| Perth & Kinross     | 353.459                   | 24.805          | 11.459                  | -5.091       | 384.631                     | 67.366                           | 17.725                   | 60.754             | 238.787                 | 317.265           | 0.000        | 317.265           |
| Renfrewshire        | 430.897                   | 30.125          | 7.430                   | -6.156       | 462.296                     | 72.532                           | 25.693                   | 131.323            | 232.748                 | 389.764           | 0.000        | 389.764           |
| Scottish Borders    | 277.284                   | 19.415          | 11.915                  | -2.159       | 306.454                     | 48.689                           | 14.106                   | 37.818             | 205.841                 | 257.765           | 0.000        | 257.765           |
| Shetland Islands    | 94.848                    | 6.656           | 5.666                   | 3.920        | 111.090                     | 8.333                            | 20.633                   | 24.302             | 57.822                  | 102.757           | 0.000        | 102.757           |
| South Ayrshire      | 277.864                   | 19.442          | 8.610                   | -4.086       | 301.830                     | 48.347                           | 14.263                   | 47.708             | 191.512                 | 253.483           | 0.000        | 253.483           |
| South Lanarkshire   | 765.815                   | 53.769          | 9.593                   | -4.046       | 825.131                     | 128.345                          | 45.087                   | 341.536            | 310.163                 | 696.786           | 0.000        | 696.786           |
| Stirling            | 224.405                   | 15.672          | 10.478                  | -2.601       | 247.954                     | 39.797                           | 11.784                   | 45.636             | 150.737                 | 208.157           | 0.000        | 208.157           |
| West Dunbartonshire | 234.152                   | 16.418          | 3.459                   | 6.662        | 260.692                     | 33.680                           | 14.353                   | 93.396             | 119.262                 | 227.012           | 0.000        | 227.012           |
| West Lothian        | 431.147                   | 30.065          | 11.914                  | -6.420       | 466.706                     | 67.290                           | 25.749                   | 87.928             | 285.739                 | 399.416           | 0.000        | 399.416           |
| <b>Scotland</b>     | <b>13,048.700</b>         | <b>911.066</b>  | <b>370.421</b>          | <b>0.000</b> | <b>14,330.187</b>           | <b>2,159.133</b>                 | <b>775.956</b>           | <b>3,047.000</b>   | <b>8,348.099</b>        | <b>12,171.054</b> | <b>0.000</b> | <b>12,171.054</b> |

REVISED INDIVIDUAL REVENUE ALLOCATIONS 2022-23

ANNEX C

|                     | Funding                   |                 |                         |              |                             |                                  |                          |                    |                         |                   |               |                   | £150 Cost of Living Support | 10% £150 Cost of Living Award |
|---------------------|---------------------------|-----------------|-------------------------|--------------|-----------------------------|----------------------------------|--------------------------|--------------------|-------------------------|-------------------|---------------|-------------------|-----------------------------|-------------------------------|
|                     | Expenditure               |                 |                         |              |                             |                                  |                          |                    |                         |                   |               |                   |                             |                               |
|                     | 1                         | 2               | 3                       | 4            | 5                           | 6                                | 7                        | 8                  | 9                       | 10                | 11            | 13                |                             |                               |
|                     | Updated Service Provision | 2008-23 Changes | Loan Charges/ PPP/ LPFS | Main Floor   | Total Estimated Expenditure | Assumed Council Tax contribution | Total Ring-fenced Grants | Non Domestic Rates | General Revenue Funding | Total             | 85% floor     | Revised Total     | £m                          | £m                            |
|                     | £m                        | £m              | £m                      | £m           | £m                          | £m                               | £m                       | £m                 | £m                      | £m                | £m            | £m                | £m                          | £m                            |
| Aberdeen City       | 483.895                   | 18.816          | 17.891                  | -6.589       | 514.014                     | 93.626                           | 28.831                   | 268.557            | 122.999                 | 420.388           | 0.000         | 420.388           | 10.396                      | 0.974                         |
| Aberdeenshire       | 612.395                   | 23.971          | 18.838                  | -8.607       | 646.598                     | 113.278                          | 33.562                   | 138.786            | 360.972                 | 533.320           | 0.000         | 533.320           | 8.902                       | 1.126                         |
| Angus               | 280.129                   | 10.891          | 11.249                  | -3.376       | 298.893                     | 44.383                           | 15.010                   | 26.160             | 213.341                 | 254.510           | 0.000         | 254.510           | 5.678                       | 0.692                         |
| Argyll & Bute       | 238.109                   | 9.332           | 9.037                   | 15.850       | 272.328                     | 39.931                           | 12.186                   | 33.179             | 187.032                 | 232.397           | 0.000         | 232.397           | 4.016                       | 0.386                         |
| Clackmannanshire    | 130.649                   | 5.053           | 4.595                   | -1.828       | 138.468                     | 19.572                           | 8.045                    | 18.065             | 92.786                  | 118.896           | 0.000         | 118.896           | 2.455                       | 0.308                         |
| Dumfries & Galloway | 385.686                   | 14.950          | 15.126                  | -3.287       | 412.475                     | 59.603                           | 18.545                   | 51.388             | 282.939                 | 352.872           | 0.000         | 352.872           | 7.293                       | 0.796                         |
| Dundee City         | 387.506                   | 14.994          | 5.762                   | 3.124        | 411.386                     | 47.795                           | 23.184                   | 35.496             | 304.911                 | 363.591           | 0.000         | 363.591           | 7.831                       | 0.962                         |
| East Ayrshire       | 315.048                   | 12.192          | 9.710                   | -4.582       | 332.368                     | 42.949                           | 18.810                   | 23.226             | 247.383                 | 289.419           | 0.000         | 289.419           | 6.300                       | 0.752                         |
| East Dunbartonshire | 274.246                   | 10.674          | 3.961                   | -3.700       | 285.181                     | 51.034                           | 12.364                   | 17.675             | 204.108                 | 234.147           | 0.000         | 234.147           | 3.036                       | 0.365                         |
| East Lothian        | 257.166                   | 9.982           | 3.684                   | -3.451       | 267.381                     | 47.700                           | 13.605                   | 28.686             | 177.390                 | 219.681           | 0.000         | 219.681           | 4.339                       | 0.497                         |
| East Renfrewshire   | 250.614                   | 9.681           | 9.020                   | -3.271       | 266.044                     | 43.756                           | 9.951                    | 9.574              | 202.763                 | 222.288           | 0.000         | 222.288           | 2.452                       | 0.273                         |
| Edinburgh, City of  | 1,075.582                 | 41.960          | 23.165                  | 9.231        | 1,149.938                   | 224.483                          | 56.739                   | 249.861            | 618.855                 | 925.455           | 10.116        | 935.571           | 20.294                      | 2.085                         |
| Eilean Siar         | 92.088                    | 3.520           | 6.824                   | 17.984       | 120.415                     | 9.602                            | 4.346                    | 8.149              | 98.319                  | 110.813           | 0.000         | 110.813           | 1.551                       | 0.168                         |
| Falkirk             | 384.769                   | 14.853          | 19.163                  | -5.415       | 413.370                     | 59.717                           | 23.131                   | 80.433             | 250.089                 | 353.653           | 0.000         | 353.653           | 7.667                       | 0.934                         |
| Fife                | 908.691                   | 35.166          | 30.245                  | -13.035      | 961.067                     | 141.061                          | 52.847                   | 179.675            | 587.484                 | 820.006           | 0.000         | 820.006           | 17.390                      | 2.218                         |
| Glasgow City        | 1,593.483                 | 61.583          | 36.258                  | 42.849       | 1,734.172                   | 217.525                          | 100.324                  | 296.203            | 1,120.120               | 1,516.647         | 0.000         | 1,516.647         | 32.958                      | 3.813                         |
| Highland            | 605.068                   | 23.612          | 30.254                  | -2.212       | 656.722                     | 98.460                           | 32.673                   | 141.565            | 384.023                 | 558.262           | 0.000         | 558.262           | 11.075                      | 1.167                         |
| Inverclyde          | 208.787                   | 8.076           | 9.993                   | 2.258        | 229.114                     | 27.699                           | 11.315                   | 15.906             | 174.194                 | 201.415           | 0.000         | 201.415           | 4.126                       | 0.452                         |
| Midlothian          | 229.776                   | 8.948           | 6.337                   | -3.088       | 241.973                     | 37.780                           | 14.835                   | 24.895             | 164.463                 | 204.193           | 0.000         | 204.193           | 4.073                       | 0.493                         |
| Moray               | 224.632                   | 8.683           | 8.194                   | -3.253       | 238.256                     | 34.745                           | 12.020                   | 54.575             | 136.916                 | 203.511           | 0.000         | 203.511           | 4.490                       | 0.560                         |
| North Ayrshire      | 360.750                   | 13.950          | 5.730                   | 8.084        | 388.514                     | 50.154                           | 20.057                   | 37.745             | 280.558                 | 338.360           | 0.000         | 338.360           | 7.019                       | 0.910                         |
| North Lanarkshire   | 862.493                   | 33.418          | 9.853                   | -12.171      | 893.593                     | 117.725                          | 49.382                   | 111.737            | 614.749                 | 775.868           | 0.000         | 775.868           | 16.995                      | 1.951                         |
| Orkney Islands      | 88.193                    | 3.510           | 5.605                   | -1.330       | 95.978                      | 8.243                            | 15.527                   | 12.954             | 59.253                  | 87.735            | 0.000         | 87.735            | 1.160                       | 0.128                         |
| Perth & Kinross     | 360.728                   | 14.074          | 11.853                  | -4.793       | 381.862                     | 66.803                           | 17.194                   | 46.141             | 251.723                 | 315.059           | 0.000         | 315.059           | 6.140                       | 0.702                         |
| Renfrewshire        | 446.600                   | 17.310          | 7.705                   | -6.131       | 465.484                     | 71.555                           | 25.589                   | 108.076            | 260.263                 | 393.929           | 0.000         | 393.929           | 8.747                       | 0.951                         |
| Scottish Borders    | 288.416                   | 11.220          | 12.405                  | -3.539       | 308.502                     | 48.476                           | 15.017                   | 35.294             | 209.715                 | 260.026           | 0.000         | 260.026           | 5.406                       | 0.519                         |
| Shetland Islands    | 96.767                    | 3.861           | 5.943                   | 4.690        | 111.261                     | 8.300                            | 20.722                   | 35.322             | 46.918                  | 102.961           | 0.000         | 102.961           | 1.179                       | 0.118                         |
| South Ayrshire      | 287.052                   | 11.085          | 8.904                   | -4.041       | 303.000                     | 48.255                           | 13.887                   | 30.913             | 209.946                 | 254.745           | 0.000         | 254.745           | 4.958                       | 0.559                         |
| South Lanarkshire   | 788.685                   | 30.614          | 9.939                   | -1.429       | 827.809                     | 126.650                          | 43.109                   | 422.591            | 235.459                 | 701.159           | 0.000         | 701.159           | 15.218                      | 1.985                         |
| Stirling            | 232.397                   | 9.060           | 10.795                  | -3.309       | 248.944                     | 39.162                           | 12.665                   | 35.942             | 161.175                 | 209.782           | 0.000         | 209.782           | 3.063                       | 0.373                         |
| West Dunbartonshire | 245.324                   | 9.504           | 3.601                   | 4.739        | 263.168                     | 33.568                           | 13.817                   | 107.740            | 108.043                 | 229.600           | 0.000         | 229.600           | 5.039                       | 0.568                         |
| West Lothian        | 443.097                   | 17.118          | 12.292                  | -6.375       | 466.133                     | 66.492                           | 24.590                   | 79.491             | 295.560                 | 399.641           | 0.000         | 399.641           | 8.289                       | 1.043                         |
| <b>Scotland</b>     | <b>13,438.821</b>         | <b>521.659</b>  | <b>383.931</b>          | <b>0.000</b> | <b>14,344.411</b>           | <b>2,140.082</b>                 | <b>773.879</b>           | <b>2,766.000</b>   | <b>8,664.450</b>        | <b>12,204.329</b> | <b>10.116</b> | <b>12,214.446</b> | <b>249.534</b>              | <b>28.828</b>                 |

The explanation of each of the columns within the tables at Annex B is as follows:

**Column 1** – represents the updated on-going service provision and includes the following combined information: (i) the updated Grant Aided Expenditure (GAE) assessments; (ii) the revised Special Islands Needs Allowance (SINA); (iii) each council's individual share of the on-going revenue grants which have been rolled up into the core local government finance settlement; (iv) each council's share of all the baselined redeterminations since Spending Review 2007; and the previous loan charge adjustment.

**Column 2** – is the new combined total, non-ring-fenced, changes in general provision resulting from Spending Reviews 2007, 2010, 2011, 2013, 2015 and budget revisions for 2016 - 2024 allocated pro-rata to each council's share of TEE as agreed with the Settlement and Distribution Group (SDG).

**Column 3** – represents the updated share of the loan charges support for outstanding debt and the same level of on-going PPP level playing field support. The methodology for calculating Loan Charge Support (LCS) and support for Public Private Partnership (PPP) projects (level playing field projects only (LPFS) is set out on Annex H of Finance Circular 2/2011.

**Column 4** – is the main floor adjustment which has been calculated using the revised methodology agreed following the 2018 review.

**Column 5** – this is the net revenue expenditure recognised by the Scottish Government and represents the sum of columns 1 to 4.

**Column 6** – is the assumption of the amount of Total Estimated Expenditure to be funded from the council tax. Any changes are as a result of buoyancy or projected numbers of properties, as well as the estimated additional council tax income to be collected and retained by each local authority as a result of the changes to bands E to H.

**Column 7** – is each council's estimated share of the on-going Ring-Fenced Grants for Gaelic, Pupil Equity Fund (PEF), Criminal Justice Social Work, Early Learning and Childcare, and Inter-Island Ferries.

**Column 8** – is each council's share of the estimated non-domestic rate income which has been distributed proportionately on the basis of council's 2022-23 mid-year income.

**Column 9** – is the balance of funding provided by means of general revenue funding and is calculated by deducting columns 6, 7 and 8 from the Total Estimated Expenditure in column 5.

**Column 10** – represents the total revenue funding available to each council in 2023-24.

**Column 11** – is the 85% floor adjustment which has been calculated to meet the Scottish Government's commitment to ensure that no Local Authority receives less than 85% of the Scottish average per head in terms of revenue support.

**Column 12** - is the revised total funding including all the changes and the 85% funding floor adjustments.

| Local Authority     | Gaelic       | Pupil Equity Fund | Criminal Justice Social Work | Early Learning and Childcare Expansion | Support for Ferries | Outwith Settlement Justice Social Work Offender Services top-up |
|---------------------|--------------|-------------------|------------------------------|--|---------------------|---|
|                     | £m           | £m                | £m                           | £m                                     | £m                  | £m  |
| Aberdeen City       | 0.092        | 3.256             | 3.956                        | 19.941                                 | 0.000               | 1.002   |
| Aberdeenshire       | 0.000        | 3.232             | 2.818                        | 26.968                                 | 0.000               | 0.714   |
| Angus               | 0.004        | 2.304             | 1.630                        | 10.524                                 | 0.000               | 0.413   |
| Argyll & Bute       | 0.360        | 1.364             | 0.986                        | 7.610                                  | 1.300               | 0.250   |
| Clackmannanshire    | 0.002        | 1.659             | 1.114                        | 5.153                                  | 0.000               | 0.282   |
| Dumfries & Galloway | 0.000        | 3.266             | 2.523                        | 13.397                                 | 0.000               | 0.639   |
| Dundee City         | 0.000        | 5.095             | 3.545                        | 14.350                                 | 0.000               | 0.898   |
| East Ayrshire       | 0.144        | 3.800             | 2.111                        | 13.964                                 | 0.000               | 0.535   |
| East Dunbartonshire | 0.068        | 1.723             | 0.792                        | 9.657                                  | 0.000               | 0.201   |
| East Lothian        | 0.007        | 1.786             | 1.069                        | 10.931                                 | 0.000               | 0.271   |
| East Renfrewshire   | 0.022        | 1.485             | 0.616                        | 8.442                                  | 0.000               | 0.156   |
| Edinburgh, City of  | 0.320        | 7.850             | 7.984                        | 40.405                                 | 0.000               | 2.023   |
| Eilean Siar         | 0.965        | 0.340             | 0.294                        | 2.570                                  | 0.000               | 0.075   |
| Falkirk             | 0.014        | 3.953             | 2.686                        | 15.675                                 | 0.000               | 0.680   |
| Fife                | 0.012        | 10.441            | 6.108                        | 36.267                                 | 0.000               | 1.547   |
| Glasgow City        | 0.560        | 23.154            | 15.482                       | 61.364                                 | 0.000               | 3.922   |
| Highland            | 0.910        | 4.262             | 3.238                        | 23.124                                 | 0.897               | 0.820   |
| Inverclyde          | 0.065        | 2.579             | 1.299                        | 7.278                                  | 0.000               | 0.329   |
| Midlothian          | 0.007        | 2.418             | 1.252                        | 11.572                                 | 0.000               | 0.317   |
| Moray               | 0.000        | 1.481             | 1.293                        | 9.169                                  | 0.000               | 0.328   |
| North Ayrshire      | 0.090        | 4.162             | 2.657                        | 12.585                                 | 0.000               | 0.673   |
| North Lanarkshire   | 0.260        | 9.659             | 5.353                        | 35.325                                 | 0.000               | 1.356   |
| Orkney Islands      | 0.000        | 0.249             | 0.235                        | 2.227                                  | 13.402              | 0.060   |
| Perth & Kinross     | 0.102        | 1.870             | 1.834                        | 13.919                                 | 0.000               | 0.465   |
| Renfrewshire        | 0.015        | 4.652             | 2.588                        | 18.439                                 | 0.000               | 0.656   |
| Scottish Borders    | 0.001        | 1.919             | 1.257                        | 10.929                                 | 0.000               | 0.318   |
| Shetland Islands    | 0.000        | 0.254             | 0.252                        | 2.631                                  | 17.496              | 0.064   |
| South Ayrshire      | 0.015        | 2.609             | 1.731                        | 9.907                                  | 0.000               | 0.438   |
| South Lanarkshire   | 0.170        | 8.928             | 4.414                        | 31.575                                 | 0.000               | 1.118   |
| Stirling            | 0.114        | 1.450             | 1.239                        | 8.981                                  | 0.000               | 0.314   |
| West Dunbartonshire | 0.029        | 3.373             | 1.634                        | 9.318                                  | 0.000               | 0.414   |
| West Lothian        | 0.007        | 5.426             | 2.459                        | 17.857                                 | 0.000               | 0.623   |
| <b>Scotland</b>     | <b>4.355</b> | <b>130.000</b>    | <b>86.450</b>                | <b>522.056</b>                         | <b>33.095</b>       | <b>21.899</b>   |

Notes: These figures represent the best estimates used in the calculation of the 2023-24 local government finance settlement, including the calculation of the Floors. The actual sums payable will be notified to the relevant Policy Team.

PEF allocations for 2023-24 are still being prepared by the Scottish Government. The figures refer to local authority PEF allocations in the 2022-23 financial year.

The distribution of the Inter-Island Ferries has also necessarily used estimated figures.

| Local Authority     | Grant Without Floor | Change Without Floor | Floor Change | Grant With Floor | Change With Floor |
|---------------------|---------------------|----------------------|--------------|------------------|-------------------|
|                     | £m                  | %                    | £m           | £m               | %                 |
| Aberdeen City       | 342.220             | 5.52%                | -6.736       | 335.484          | 3.44%             |
| Moray               | 167.730             | 5.24%                | -3.302       | 164.428          | 3.17%             |
| Orkney Islands      | 66.701              | 5.13%                | -1.313       | 65.388           | 3.06%             |
| East Lothian        | 178.931             | 4.98%                | -3.522       | 175.409          | 2.91%             |
| Aberdeenshire       | 442.051             | 4.86%                | -8.701       | 433.349          | 2.80%             |
| Perth & Kinross     | 258.639             | 4.85%                | -5.091       | 253.548          | 2.78%             |
| West Lothian        | 326.140             | 4.77%                | -6.420       | 319.721          | 2.70%             |
| East Renfrewshire   | 182.647             | 4.68%                | -3.595       | 179.051          | 2.62%             |
| Clackmannanshire    | 93.280              | 4.54%                | -1.836       | 91.444           | 2.48%             |
| Midlothian          | 159.315             | 4.48%                | -3.136       | 156.179          | 2.43%             |
| Falkirk             | 275.673             | 4.45%                | -5.426       | 270.247          | 2.39%             |
| North Lanarkshire   | 617.959             | 4.33%                | -12.164      | 605.795          | 2.27%             |
| South Ayrshire      | 207.602             | 4.27%                | -4.086       | 203.516          | 2.21%             |
| East Ayrshire       | 232.444             | 4.14%                | -4.575       | 227.869          | 2.09%             |
| Renfrewshire        | 312.741             | 4.05%                | -6.156       | 306.585          | 2.00%             |
| East Dunbartonshire | 190.496             | 4.00%                | -3.750       | 186.746          | 1.95%             |
| Angus               | 206.023             | 3.77%                | -3.612       | 202.411          | 1.95%             |
| Argyll & Bute       | 173.485             | -6.78%               | 16.240       | 189.724          | 1.95%             |
| Dumfries & Galloway | 285.548             | 2.00%                | -0.149       | 285.399          | 1.95%             |
| Dundee City         | 279.003             | 0.48%                | 4.068        | 283.071          | 1.95%             |
| Edinburgh (City of) | 723.763             | -0.14%               | 15.119       | 738.882          | 1.95%             |
| Eilean Siar         | 76.218              | -18.48%              | 19.099       | 95.317           | 1.95%             |
| Fife                | 663.600             | 3.92%                | -12.577      | 651.023          | 1.95%             |
| Glasgow City        | 1,163.608           | -0.73%               | 31.368       | 1,194.975        | 1.95%             |
| Highland            | 454.072             | 2.23%                | -1.273       | 452.799          | 1.95%             |
| Inverclyde          | 157.874             | 0.90%                | 1.633        | 159.507          | 1.95%             |
| North Ayrshire      | 260.268             | -1.14%               | 8.119        | 268.387          | 1.95%             |
| Scottish Borders    | 211.937             | 3.00%                | -2.159       | 209.778          | 1.95%             |
| Shetland Islands    | 71.809              | -3.33%               | 3.920        | 75.729           | 1.95%             |
| South Lanarkshire   | 560.640             | 2.69%                | -4.046       | 556.594          | 1.95%             |
| Stirling            | 168.819             | 3.54%                | -2.601       | 166.219          | 1.95%             |
| West Dunbartonshire | 170.174             | -1.89%               | 6.662        | 176.836          | 1.95%             |
|                     | <b>9,681.408</b>    | <b>2.20%</b>         | <b>0.000</b> | <b>9,681.408</b> | <b>2.20%</b>      |

The annual change in the Grant for Floor Funding was 2.20% and as a result of the floor being set at -0.25% below this annual change the minimum increase in the Grant for floor was set at 1.95%

REDETERMINATIONS OF INDIVIDUAL REVENUE FUNDING 2022-23 – GENERAL

ANNEX G

| <b>GENERAL FUNDING</b> | 2022 Summer Programme | Teacher Pay Award 21-22 | Adult Disability Payment | Whole Family Wellbeing Fund | 2022 Local Heat and Energy Efficiency Strategies resourcing | *Scottish Child Payment Bridging Payments | Green Growth Accelerator Resource Funding | Additional Funding for Local Government Pay Deal | Customer First | Discretionary Housing Payments Benefit Cap | Discretionary Housing Payments Benefit Cap ADMIN |
|------------------------|-----------------------|-------------------------|--------------------------|-----------------------------|---|---|---|--|----------------|--|--|
|                        | £m                    | £m                      | £m                       | £m                          | £m  | £m  | £m  | £m   | £m             | £m   | £m   |
| Aberdeen City          | 0.279                 | 1.067                   | 0.089                    | 1.025                       | 0.075   | 0.955                                     | 0.026                                     | 5.050  | 0.000          | 0.086                                      | 0.017  |
| Aberdeenshire          | 0.355                 | 1.667                   | 0.080                    | 1.464                       | 0.075   | 0.954                                     | 0.026                                     | 6.433  | 0.000          | 0.089                                      | 0.013  |
| Angus                  | 0.211                 | 0.716                   | 0.071                    | 0.657                       | 0.075   | 0.523                                     | 0.026                                     | 2.923  | 0.000          | 0.040                                      | 0.009  |
| Argyll & Bute          | 0.135                 | 0.528                   | 0.045                    | 0.439                       | 0.075   | 0.276                                     | 0.026                                     | 2.504  | 0.000          | 0.018                                      | 0.007  |
| Clackmannanshire       | 0.110                 | 0.339                   | 0.036                    | 0.337                       | 0.075   | 0.442                                     | 0.026                                     | 1.356  | 0.000          | 0.028                                      | 0.005  |
| Dumfries & Galloway    | 0.329                 | 0.868                   | 0.098                    | 0.917                       | 0.075   | 0.770                                     | 0.026                                     | 4.012  | 0.000          | 0.039                                      | 0.014  |
| Dundee City            | 0.294                 | 0.859                   | 0.125                    | 0.894                       | 0.075   | 1.086                                     | 0.026                                     | 4.024  | 0.000          | 0.079                                      | 0.020  |
| East Ayrshire          | 0.279                 | 0.772                   | 0.089                    | 0.832                       | 0.075   | 0.791                                     | 0.026                                     | 3.272  | 0.000          | 0.037                                      | 0.016  |
| East Dunbartonshire    | 0.105                 | 0.854                   | 0.045                    | 0.471                       | 0.075   | 0.505                                     | 0.026                                     | 2.865  | 0.000          | 0.028                                      | 0.005  |
| East Lothian           | 0.162                 | 0.627                   | 0.054                    | 0.579                       | 0.075   | 0.433                                     | 0.026                                     | 2.679  | 0.000          | 0.046                                      | 0.007  |
| East Renfrewshire      | 0.118                 | 0.836                   | 0.036                    | 0.492                       | 0.075   | 0.303                                     | 0.026                                     | 2.598  | 0.000          | 0.023                                      | 0.004  |
| Edinburgh, City of     | 0.576                 | 2.220                   | 0.250                    | 2.199                       | 0.075   | 1.785                                     | 0.026                                     | 11.261   | 0.000          | 0.344                                      | 0.046  |
| Eilean Siar            | 0.046                 | 0.195                   | 0.018                    | 0.161                       | 0.075   | 0.056                                     | 0.026                                     | 0.945  | 0.000          | 0.003                                      | 0.001  |
| Falkirk                | 0.286                 | 1.010                   | 0.107                    | 0.923                       | 0.075   | 0.966                                     | 0.026                                     | 3.986  | 0.000          | 0.033                                      | 0.014  |
| Fife                   | 0.740                 | 2.245                   | 0.223                    | 2.289                       | 0.075   | 2.306                                     | 0.026                                     | 9.438  | 0.000          | 0.133                                      | 0.037  |
| Glasgow City           | 1.665                 | 3.439                   | 0.535                    | 4.666                       | 0.075   | 5.009                                     | 0.026                                     | 16.527   | 0.000          | 0.420                                      | 0.077  |
| Highland               | 0.465                 | 1.444                   | 0.134                    | 1.420                       | 0.075   | 0.868                                     | 0.026                                     | 6.337  | 0.000          | 0.050                                      | 0.017  |
| Inverclyde             | 0.131                 | 0.488                   | 0.071                    | 0.423                       | 0.075   | 0.503                                     | 0.026                                     | 2.167  | 0.000          | 0.029                                      | 0.010  |
| Midlothian             | 0.162                 | 0.630                   | 0.064                    | 0.535                       | 0.075   | 0.449                                     | 0.026                                     | 2.401  | 0.000          | 0.043                                      | 0.007  |
| Moray                  | 0.173                 | 0.585                   | 0.045                    | 0.546                       | 0.075   | 0.290                                     | 0.026                                     | 2.330  | 0.000          | 0.024                                      | 0.006  |
| North Ayrshire         | 0.324                 | 0.890                   | 0.098                    | 0.959                       | 0.075   | 1.005                                     | 0.026                                     | 3.744  | 0.000          | 0.057                                      | 0.019  |
| North Lanarkshire      | 0.766                 | 2.291                   | 0.276                    | 2.351                       | 0.075   | 2.153                                     | 0.026                                     | 8.968  | 1.400          | 0.113                                      | 0.035  |
| Orkney                 | 0.041                 | 0.158                   | 0.009                    | 0.132                       | 0.075   | 0.050                                     | 0.026                                     | 0.942  | 0.000          | 0.003                                      | 0.001  |
| Perth & Kinross        | 0.242                 | 0.863                   | 0.071                    | 0.805                       | 0.075   | 0.458                                     | 0.026                                     | 3.777  | 0.000          | 0.032                                      | 0.010  |
| Renfrewshire           | 0.292                 | 1.092                   | 0.125                    | 0.988                       | 0.075   | 0.904                                     | 0.026                                     | 4.646  | 0.000          | 0.040                                      | 0.017  |
| Scottish Borders       | 0.208                 | 0.654                   | 0.062                    | 0.668                       | 0.075   | 0.454                                     | 0.026                                     | 3.011  | 0.000          | 0.034                                      | 0.009  |
| Shetland               | 0.049                 | 0.204                   | 0.009                    | 0.158                       | 0.075   | 0.060                                     | 0.026                                     | 1.036  | 0.000          | 0.004                                      | 0.001  |
| South Ayrshire         | 0.189                 | 0.704                   | 0.071                    | 0.604                       | 0.075   | 0.589                                     | 0.026                                     | 2.975  | 0.000          | 0.028                                      | 0.012  |
| South Lanarkshire      | 0.577                 | 2.135                   | 0.223                    | 1.827                       | 0.075   | 1.980                                     | 0.026                                     | 8.216  | 0.000          | 0.077                                      | 0.030  |
| Stirling               | 0.139                 | 0.587                   | 0.045                    | 0.495                       | 0.075   | 0.338                                     | 0.026                                     | 2.432  | 0.000          | 0.013                                      | 0.006  |
| West Dunbartonshire    | 0.198                 | 0.591                   | 0.071                    | 0.604                       | 0.075   | 0.734                                     | 0.026                                     | 2.551  | 0.000          | 0.036                                      | 0.011  |
| West Lothian           | 0.354                 | 1.241                   | 0.134                    | 1.140                       | 0.075   | 1.139                                     | 0.026                                     | 4.594  | 0.000          | 0.051                                      | 0.017  |
| <b>Scotland</b>        | <b>10.000</b>         | <b>32.800</b>           | <b>3.409</b>             | <b>32.000</b>               | <b>2.400</b>  | <b>29.134</b>                             | <b>0.832</b>                              | <b>140.000</b>                                   | <b>1.400</b>   | <b>2.080</b>                               | <b>0.500</b>                                     |

REDETERMINATIONS OF INDIVIDUAL REVENUE FUNDING 2022-23 – GENERAL - Continued

ANNEX G

| GENERAL FUNDING     | Educational Psychologists | Improvement Service | Easter Study Support Provision | Council Tax Reduction (CTR) data extract funding | Teachers Induction Scheme (TIS) | Dundee to Stansted | River Annan Bridges | Self Isolation Assistance Service | Total          | 10% £150 Cost of Living Award |
|---------------------|---------------------------|---------------------|--------------------------------|--|---------------------------------|--------------------|---------------------|-----------------------------------|----------------|-------------------------------|
|                     | £m                        | £m                  | £m                             | £m   | £m                              | £m                 | £m                  | £m                                | £m             | £m                            |
| Aberdeen City       | 0.012                     | 0.000               | 0.099                          | 0.030  | 1.770                           | 0.000              | 0.000               | 0.025                             | 10.605         | 0.974                         |
| Aberdeenshire       | 0.013                     | 0.000               | 0.093                          | 0.008  | 0.745                           | 0.000              | 0.000               | 0.030                             | 12.045         | 1.126                         |
| Angus               | 0.017                     | 0.000               | 0.070                          | 0.008  | 0.130                           | 0.000              | 0.000               | 0.017                             | 5.493          | 0.692                         |
| Argyll & Bute       | 0.011                     | 0.000               | 0.042                          | 0.009  | 0.109                           | 0.000              | 0.000               | 0.012                             | 4.236          | 0.386                         |
| Clackmannanshire    | 0.016                     | 0.000               | 0.049                          | 0.008  | 0.453                           | 0.000              | 0.000               | 0.008                             | 3.288          | 0.308                         |
| Dumfries & Galloway | 0.011                     | 0.000               | 0.091                          | 0.009  | 1.037                           | 0.000              | 0.033               | 0.024                             | 8.353          | 0.796                         |
| Dundee City         | 0.018                     | 0.000               | 0.162                          | 0.009  | 0.219                           | 1.246              | 0.000               | 0.025                             | 9.161          | 0.962                         |
| East Ayrshire       | 0.018                     | 0.000               | 0.112                          | 0.009  | 1.053                           | 0.000              | 0.000               | 0.020                             | 7.401          | 0.752                         |
| East Dunbartonshire | 0.017                     | 0.000               | 0.053                          | 0.009  | 1.357                           | 0.000              | 0.000               | 0.011                             | 6.426          | 0.365                         |
| East Lothian        | 0.008                     | 0.000               | 0.051                          | 0.029  | 1.545                           | 0.000              | 0.000               | 0.013                             | 6.334          | 0.497                         |
| East Renfrewshire   | 0.017                     | 0.000               | 0.043                          | 0.009  | 3.353                           | 0.000              | 0.000               | 0.009                             | 7.942          | 0.273                         |
| Edinburgh, City of  | 0.036                     | 0.000               | 0.232                          | 0.008  | 1.098                           | 0.000              | 0.000               | 0.053                             | 20.209         | 2.085                         |
| Eilean Siar         | 0.000                     | 0.000               | 0.009                          | 0.029  | 2.625                           | 0.000              | 0.000               | 0.005                             | 4.194          | 0.168                         |
| Falkirk             | 0.008                     | 0.000               | 0.117                          | 0.008  | 2.697                           | 0.000              | 0.000               | 0.021                             | 10.277         | 0.934                         |
| Fife                | 0.035                     | 0.000               | 0.315                          | 0.009  | 3.172                           | 0.000              | 0.000               | 0.055                             | 21.098         | 2.218                         |
| Glasgow City        | 0.069                     | 0.000               | 0.707                          | 0.029  | 5.612                           | 0.000              | 0.000               | 0.108                             | 38.964         | 3.813                         |
| Highland            | 0.004                     | 0.000               | 0.128                          | 0.009  | 0.494                           | 0.000              | 0.000               | 0.033                             | 11.504         | 1.167                         |
| Inverclyde          | 0.017                     | 0.000               | 0.076                          | 0.009  | 0.777                           | 0.000              | 0.000               | 0.013                             | 4.815          | 0.452                         |
| Midlothian          | 0.016                     | 0.000               | 0.070                          | 0.008  | 0.672                           | 0.000              | 0.000               | 0.011                             | 5.169          | 0.493                         |
| Moray               | 0.001                     | 0.000               | 0.044                          | 0.008  | 1.878                           | 0.000              | 0.000               | 0.012                             | 6.043          | 0.560                         |
| North Ayrshire      | 0.023                     | 0.000               | 0.137                          | 0.009  | 0.941                           | 0.000              | 0.000               | 0.023                             | 8.330          | 0.910                         |
| North Lanarkshire   | 0.036                     | 0.049               | 0.290                          | 0.008  | 2.709                           | 0.000              | 0.000               | 0.049                             | 21.595         | 1.951                         |
| Orkney              | 0.000                     | 0.000               | 0.008                          | 0.009  | 0.053                           | 0.000              | 0.000               | 0.003                             | 1.511          | 0.128                         |
| Perth & Kinross     | 0.011                     | 0.000               | 0.054                          | 0.009  | 0.301                           | 0.000              | 0.000               | 0.019                             | 6.753          | 0.702                         |
| Renfrewshire        | 0.027                     | 0.000               | 0.139                          | 0.009  | 2.520                           | 0.000              | 0.000               | 0.026                             | 10.926         | 0.951                         |
| Scottish Borders    | 0.001                     | 0.000               | 0.057                          | 0.009  | 0.746                           | 0.000              | 0.000               | 0.016                             | 6.030          | 0.519                         |
| Shetland            | 0.000                     | 0.000               | 0.007                          | 0.008  | 0.051                           | 0.000              | 0.000               | 0.003                             | 1.691          | 0.118                         |
| South Ayrshire      | 0.015                     | 0.000               | 0.076                          | 0.009  | 1.712                           | 0.000              | 0.000               | 0.017                             | 7.102          | 0.559                         |
| South Lanarkshire   | 0.041                     | 0.000               | 0.263                          | 0.009  | 1.875                           | 0.000              | 0.000               | 0.047                             | 17.401         | 1.985                         |
| Stirling            | 0.017                     | 0.000               | 0.045                          | 0.029  | 1.226                           | 0.000              | 0.000               | 0.011                             | 5.484          | 0.373                         |
| West Dunbartonshire | 0.008                     | 0.000               | 0.101                          | 0.009  | 0.474                           | 0.000              | 0.000               | 0.015                             | 5.504          | 0.568                         |
| West Lothian        | 0.018                     | 0.000               | 0.160                          | 0.008  | 2.856                           | 0.000              | 0.000               | 0.025                             | 11.838         | 1.043                         |
| <b>Scotland</b>     | <b>0.542</b>              | <b>0.049</b>        | <b>3.900</b>                   | <b>0.379</b>                                     | <b>46.260</b>                   | <b>1.246</b>       | <b>0.033</b>        | <b>0.759</b>                      | <b>307.723</b> | <b>28.828</b>                 |

\*Final funding is subject to full reconciliation.

| Local Authority     | 2023-24 GAE     | Percentage     | 2008-24        | 2008-23        | Movement in    |
|---------------------|-----------------|----------------|----------------|----------------|----------------|
|                     | £m              | £m             | £m             | £m             | £m             |
| Aberdeen City       | 359.876         | 3.64           | 33.019         | 18.816         | 14.202         |
| Aberdeenshire       | 479.171         | 4.85           | 41.835         | 23.971         | 17.864         |
| Angus               | 213.447         | 2.16           | 19.011         | 10.891         | 8.120          |
| Argyll & Bute       | 171.493         | 1.74           | 16.127         | 9.332          | 6.795          |
| Clackmannanshire    | 92.191          | 0.93           | 8.813          | 5.053          | 3.761          |
| Dumfries & Galloway | 286.061         | 2.89           | 25.995         | 14.950         | 11.045         |
| Dundee City         | 270.828         | 2.74           | 25.998         | 14.994         | 11.004         |
| East Ayrshire       | 230.133         | 2.33           | 21.459         | 12.192         | 9.267          |
| East Dunbartonshire | 203.740         | 2.06           | 18.540         | 10.674         | 7.867          |
| East Lothian        | 196.123         | 1.98           | 17.534         | 9.982          | 7.552          |
| East Renfrewshire   | 192.013         | 1.94           | 17.070         | 9.681          | 7.388          |
| Edinburgh, City of  | 790.007         | 7.99           | 73.306         | 41.960         | 31.346         |
| Eilean Siar         | 70.984          | 0.72           | 6.044          | 3.520          | 2.524          |
| Falkirk             | 285.792         | 2.89           | 25.906         | 14.853         | 11.053         |
| Fife                | 675.315         | 6.83           | 61.357         | 35.166         | 26.190         |
| Glasgow City        | 1116.622        | 11.30          | 107.928        | 61.583         | 46.345         |
| Highland            | 453.816         | 4.59           | 41.067         | 23.612         | 17.455         |
| Inverclyde          | 146.785         | 1.49           | 14.135         | 8.076          | 6.059          |
| Midlothian          | 174.642         | 1.77           | 15.651         | 8.948          | 6.703          |
| Moray               | 172.764         | 1.75           | 15.299         | 8.683          | 6.617          |
| North Ayrshire      | 253.669         | 2.57           | 24.253         | 13.950         | 10.303         |
| North Lanarkshire   | 628.811         | 6.36           | 58.234         | 33.418         | 24.816         |
| Orkney              | 61.404          | 0.62           | 6.120          | 3.510          | 2.610          |
| Perth & Kinross     | 274.851         | 2.78           | 24.805         | 14.074         | 10.731         |
| Renfrewshire        | 323.850         | 3.28           | 30.125         | 17.310         | 12.815         |
| Scottish Borders    | 217.151         | 2.20           | 19.415         | 11.220         | 8.194          |
| Shetland            | 66.111          | 0.67           | 6.656          | 3.861          | 2.795          |
| South Ayrshire      | 209.254         | 2.12           | 19.442         | 11.085         | 8.357          |
| South Lanarkshire   | 590.275         | 5.97           | 53.769         | 30.614         | 23.155         |
| Stirling            | 172.287         | 1.74           | 15.672         | 9.060          | 6.612          |
| West Dunbartonshire | 167.678         | 1.70           | 16.418         | 9.504          | 6.914          |
| West Lothian        | 334.332         | 3.38           | 30.065         | 17.118         | 12.947         |
| <b>Scotland</b>     | <b>9881.475</b> | <b>100.000</b> | <b>911.066</b> | <b>521.659</b> | <b>389.407</b> |

| 2023-24<br>£m                         | Capital Settlement 2023-24 |                 |                      | Specific grants to be paid in 2023-24 |                          |               |                   |                |
|---------------------------------------|----------------------------|-----------------|----------------------|---------------------------------------|--------------------------|---------------|-------------------|----------------|
|                                       | General Capital Grant      | Specific Grants | Total Capital Grants | Strathclyde Partnership               | Vacant and Derelict Land | TMDF          | Cycling Walking & | Total          |
| Aberdeen City                         | 25.241                     | 0.993           | 26.234               | 0.000                                 | 0.000                    | 0.000         | 0.993             | 0.993          |
| Aberdeenshire                         | 27.765                     | 1.147           | 28.912               | 0.000                                 | 0.000                    | 0.000         | 1.147             | 1.147          |
| Angus                                 | 14.587                     | 0.507           | 15.094               | 0.000                                 | 0.000                    | 0.000         | 0.507             | 0.507          |
| Argyll & Bute                         | 19.456                     | 0.376           | 19.832               | 0.000                                 | 0.000                    | 0.000         | 0.376             | 0.376          |
| Clackmannanshire                      | 6.272                      | 0.225           | 6.497                | 0.000                                 | 0.000                    | 0.000         | 0.225             | 0.225          |
| Dumfries & Galloway                   | 26.187                     | 0.650           | 26.837               | 0.000                                 | 0.000                    | 0.000         | 0.650             | 0.650          |
| Dundee City                           | 18.220                     | 0.645           | 18.865               | 0.000                                 | 0.000                    | 0.000         | 0.645             | 0.645          |
| East Ayrshire                         | 12.831                     | 0.533           | 13.364               | 0.000                                 | 0.000                    | 0.000         | 0.533             | 0.533          |
| East Dunbartonshire                   | 11.446                     | 0.476           | 11.922               | 0.000                                 | 0.000                    | 0.000         | 0.476             | 0.476          |
| East Lothian                          | 8.410                      | 0.478           | 8.888                | 0.000                                 | 0.000                    | 0.000         | 0.478             | 0.478          |
| East Renfrewshire                     | 9.370                      | 0.422           | 9.792                | 0.000                                 | 0.000                    | 0.000         | 0.422             | 0.422          |
| Edinburgh, City of                    | 52.571                     | 30.249          | 82.820               | 0.000                                 | 0.000                    | 27.950        | 2.299             | 30.249         |
| Eilean Siar                           | 8.677                      | 0.116           | 8.793                | 0.000                                 | 0.000                    | 0.000         | 0.116             | 0.116          |
| Falkirk                               | 11.191                     | 0.702           | 11.893               | 0.000                                 | 0.000                    | 0.000         | 0.702             | 0.702          |
| Fife                                  | 40.776                     | 3.257           | 44.033               | 0.000                                 | 1.621                    | 0.000         | 1.636             | 3.257          |
| Glasgow City                          | 71.538                     | 69.018          | 140.556              | 0.000                                 | 1.950                    | 64.295        | 2.773             | 69.018         |
| Highland                              | 32.743                     | 1.039           | 33.782               | 0.000                                 | 0.000                    | 0.000         | 1.039             | 1.039          |
| Inverclyde                            | 8.879                      | 0.335           | 9.214                | 0.000                                 | 0.000                    | 0.000         | 0.335             | 0.335          |
| Midlothian                            | 10.723                     | 0.413           | 11.136               | 0.000                                 | 0.000                    | 0.000         | 0.413             | 0.413          |
| Moray                                 | 11.864                     | 0.421           | 12.285               | 0.000                                 | 0.000                    | 0.000         | 0.421             | 0.421          |
| North Ayrshire                        | 35.704                     | 2.092           | 37.796               | 0.000                                 | 1.506                    | 0.000         | 0.586             | 2.092          |
| North Lanarkshire                     | 36.383                     | 3.332           | 39.715               | 0.000                                 | 1.841                    | 0.000         | 1.491             | 3.332          |
| Orkney Islands                        | 6.529                      | 0.098           | 6.627                | 0.000                                 | 0.000                    | 0.000         | 0.098             | 0.098          |
| Perth & Kinross                       | 23.369                     | 0.672           | 24.041               | 0.000                                 | 0.000                    | 0.000         | 0.672             | 0.672          |
| Renfrewshire                          | 18.383                     | 0.786           | 19.169               | 0.000                                 | 0.000                    | 0.000         | 0.786             | 0.786          |
| Scottish Borders                      | 23.476                     | 0.507           | 23.983               | 0.000                                 | 0.000                    | 0.000         | 0.507             | 0.507          |
| Shetland Islands                      | 6.865                      | 0.100           | 6.965                | 0.000                                 | 0.000                    | 0.000         | 0.100             | 0.100          |
| South Ayrshire                        | 12.761                     | 0.491           | 13.252               | 0.000                                 | 0.000                    | 0.000         | 0.491             | 0.491          |
| South Lanarkshire                     | 33.388                     | 2.096           | 35.484               | 0.000                                 | 0.687                    | 0.000         | 1.409             | 2.096          |
| Stirling                              | 8.834                      | 0.408           | 9.242                | 0.000                                 | 0.000                    | 0.000         | 0.408             | 0.408          |
| West Dunbartonshire                   | 15.547                     | 0.383           | 15.930               | 0.000                                 | 0.000                    | 0.000         | 0.383             | 0.383          |
| West Lothian                          | 18.551                     | 0.810           | 19.361               | 0.000                                 | 0.000                    | 0.000         | 0.810             | 0.810          |
| Undistributed                         | 19.000                     | 0.000           | 19.000               | 0.000                                 | 0.000                    | 0.000         | 0.000             | 0.000          |
| <b>Councils Total</b>                 | <b>687.537</b>             | <b>123.777</b>  | <b>811.314</b>       | <b>0.000</b>                          | <b>7.605</b>             | <b>92.245</b> | <b>23.927</b>     | <b>123.777</b> |
| Strathclyde Partnership for Transport |                            | 15.327          | 15.327               | 15.327                                | 0.000                    | 0.000         | 0.000             | 15.327         |
| <b>Grand Total</b>                    | <b>687.537</b>             | <b>139.104</b>  | <b>826.641</b>       | <b>15.327</b>                         | <b>7.605</b>             | <b>92.245</b> | <b>23.927</b>     | <b>139.104</b> |

| <b>Council</b>              | <b>Flood Scheme</b>                  | <b>Total 2023-24</b> |
|-----------------------------|--------------------------------------|----------------------|
|                             |                                      | <b>£m</b>            |
| Aberdeenshire Council       | Stonehaven                           | -4.685               |
| Aberdeenshire Council       | Huntly                               | 0.000                |
| Angus Council               | Arbroath                             | 0.518                |
| Argyll & Bute Council       | Campbeltown                          | 5.424                |
| Comhairle nan Eilean Siar   | South Fords                          | 0.864                |
| Dumfries & Galloway Council | Dumfries/ River Nith/ Whitesands FPS | 2.538                |
| Dumfries & Galloway Council | Stranraer work item 4 &6             | 0.224                |
| Dumfries & Galloway Council | Langholm                             | 0.392                |
| Dumfries & Galloway Council | Newton Stewart/ River Cree           | 1.229                |
| Dundee City Council         | Broughty Ferry                       | -0.004               |
| Dundee City Council         | Dundee                               | 0.000                |
| East Ayrshire Council       | New Cumnock                          | 0.129                |
| East Dunbartonshire Council | Park Burn                            | -0.002               |
| East Lothian Council        | Musselburgh                          | -3.885               |
| East Lothian Council        | Haddington                           | 0.088                |
| Falkirk Council             | Grangemouth FPS                      | -4.713               |
| Fife Council                | Kinness Burn                         | 1.152                |
| Glasgow City Council        | White Cart Water Phase 3             | 0.000                |
| Glasgow City Council        | Camlachie Burn                       | 0.000                |
| Highland Council            | Smithton and Culloden                | 0.082                |
| Highland Council            | Caol and Lochyside                   | -0.790               |
| Highland Council            | Drumnadrochit                        | -0.445               |
| Inverclyde Council          | Inverclyde FPS - Glenmosston Burn    | 0.024                |
| Inverclyde Council          | Inverclyde FPS - Coves Burn          | 0.000                |
| Inverclyde Council          | Inverclyde FPS - Bouverie Burn       | 0.000                |
| Inverclyde Council          | Quarrier's Village                   | 0.000                |
| Moray Council               | Newmill                              | 0.000                |
| North Ayrshire Council      | Millport Coastal                     | 19.980               |
| North Ayrshire Council      | Upper Gamock FPS                     | 0.000                |
| North Ayrshire Council      | Mill Burn Millport                   | 0.544                |
| Orkney Islands Council      | Kirkwall                             | 0.000                |
| Perth & Kinross Council     | Comrie                               | 1.776                |
| Perth & Kinross Council     | Milnathort                           | 1.272                |
| Perth & Kinross Council     | South Kinross                        | 1.076                |
| Perth & Kinross Council     | Scone                                | 0.142                |
| Scottish Borders Council    | Hawick                               | 7.847                |
| Stirling Council            | Bridge of Allan                      | -0.490               |
| Stirling Council            | Stirling                             | -0.628               |
| Stirling Council            | Callander                            | -1.248               |
| West Dunbartonshire Council | Gruggies Burn                        | 5.186                |
|                             | <b>Total</b>                         | <b>33.600</b>        |

| <b>2022-23 General Capital Grant</b> | Circular 1/2022 | Nature Restoration Fund | Additional Nature Restoration Bid Fund | Local Government Pay Deal | Free School Meals | Flooding      | <b>2022-23 Total</b> |
|--------------------------------------|-----------------|-------------------------|--|---------------------------|-------------------|---------------|----------------------|
|                                      | £m              | £m                      | £m                                     | £m                        | £m                | £m            | £m                   |
| Aberdeen City                        | 18.638          | 0.135                   | 0.000                                  | 4.350                     | 0.897             | 0.642         | <b>24.662</b>        |
| Aberdeenshire                        | 27.885          | 0.213                   | 0.000                                  | 5.542                     | 1.893             | 0.125         | <b>35.658</b>        |
| Angus                                | 11.093          | 0.150                   | 0.350                                  | 2.518                     | 0.702             | 0.132         | <b>14.945</b>        |
| Argyll & Bute                        | 16.716          | 0.238                   | 0.000                                  | 2.157                     | 0.807             | 0.078         | <b>19.996</b>        |
| Clackmannanshire                     | 4.355           | 0.091                   | 0.000                                  | 1.168                     | 0.284             | 0.055         | <b>5.953</b>         |
| Dumfries & Galloway                  | 14.179          | 0.257                   | 0.000                                  | 3.456                     | 1.108             | 0.114         | <b>19.114</b>        |
| Dundee City                          | 13.845          | 0.086                   | 0.183                                  | 3.466                     | 0.635             | 0.067         | <b>18.282</b>        |
| East Ayrshire                        | 9.764           | 0.102                   | 0.000                                  | 2.818                     | 0.650             | 0.074         | <b>13.408</b>        |
| East Dunbartonshire                  | 7.553           | 0.132                   | 0.000                                  | 2.468                     | 0.604             | 0.168         | <b>10.925</b>        |
| East Lothian                         | 9.776           | 0.110                   | 0.000                                  | 2.308                     | 0.581             | 8.155         | <b>20.930</b>        |
| East Renfrewshire                    | 6.474           | 0.061                   | 0.000                                  | 2.238                     | 0.538             | 0.066         | <b>9.377</b>         |
| Edinburgh, City of                   | 40.626          | 0.161                   | 0.000                                  | 9.700                     | 1.821             | 0.163         | <b>52.471</b>        |
| Eilean Siar                          | 8.866           | 0.124                   | 0.000                                  | 0.814                     | 0.240             | 0.028         | <b>10.072</b>        |
| Falkirk                              | 16.005          | 0.179                   | 0.000                                  | 3.434                     | 0.813             | 0.100         | <b>20.531</b>        |
| Fife                                 | 25.308          | 0.378                   | 0.000                                  | 8.130                     | 2.059             | 0.238         | <b>36.113</b>        |
| Glasgow City                         | 50.794          | 0.132                   | 0.000                                  | 14.237                    | 2.627             | 0.603         | <b>68.393</b>        |
| Highland                             | 36.726          | 0.328                   | 0.000                                  | 5.459                     | 1.918             | 0.142         | <b>44.573</b>        |
| Inverclyde                           | 6.417           | 0.160                   | 0.000                                  | 1.867                     | 0.350             | 0.030         | <b>8.824</b>         |
| Midlothian                           | 7.318           | 0.103                   | 0.000                                  | 2.069                     | 0.534             | 0.049         | <b>10.073</b>        |
| Moray                                | 8.797           | 0.124                   | 0.000                                  | 2.007                     | 0.598             | 0.032         | <b>11.558</b>        |
| North Ayrshire                       | 13.428          | 0.190                   | 0.000                                  | 3.225                     | 0.738             | 8.760         | <b>26.341</b>        |
| North Lanarkshire                    | 23.681          | 0.274                   | 0.000                                  | 7.726                     | 1.905             | 0.059         | <b>33.645</b>        |
| Orkney                               | 5.234           | 0.054                   | 0.000                                  | 0.811                     | 0.245             | 0.017         | <b>6.361</b>         |
| Perth & Kinross                      | 12.016          | 0.176                   | 0.000                                  | 3.254                     | 0.913             | 0.100         | <b>16.459</b>        |
| Renfrewshire                         | 12.229          | 0.102                   | 0.350                                  | 4.002                     | 0.876             | 0.248         | <b>17.807</b>        |
| Scottish Borders                     | 20.781          | 0.161                   | 0.106                                  | 2.594                     | 0.740             | 0.186         | <b>24.568</b>        |
| Shetland                             | 5.814           | 0.079                   | 0.000                                  | 0.893                     | 0.314             | 0.002         | <b>7.102</b>         |
| South Ayrshire                       | 8.811           | 0.096                   | 0.114                                  | 2.563                     | 0.602             | 0.043         | <b>12.229</b>        |
| South Lanarkshire                    | 22.720          | 0.188                   | 0.000                                  | 7.077                     | 1.887             | 0.202         | <b>32.074</b>        |
| Stirling                             | 10.886          | 0.114                   | 0.000                                  | 2.095                     | 0.531             | 0.081         | <b>13.707</b>        |
| West Dunbartonshire                  | 6.061           | 0.126                   | 0.000                                  | 2.197                     | 0.496             | 0.166         | <b>9.046</b>         |
| West Lothian                         | 11.740          | 0.176                   | 0.000                                  | 3.957                     | 1.094             | 0.075         | <b>17.042</b>        |
| <b>Scotland</b>                      | <b>494.536</b>  | <b>5.000</b>            | <b>1.103</b>                           | <b>120.600</b>            | <b>30.000</b>     | <b>21.000</b> | <b>672.239</b>       |

## TOTAL LOCAL GOVERNMENT FUNDING SETTLEMENT 2023-24

## ANNEX L

| Local Authority                 | Ring-Fenced Grants | Non Domestic Rates | General Revenue Funding | Total 2023-24 Revenue | General Capital Grant | Specific Grant | Total 2023-24 Capital | 2023-24 Local Government Finance Settlement |
|---------------------------------|--------------------|--------------------|-------------------------|-----------------------|-----------------------|----------------|-----------------------|---|
|                                 | £m                 | £m                 | £m                      | £m                    | £m                    | £m             | £m                    | £m  |
| Aberdeen City                   | 27.246             | 257.797            | 147.101                 | 432.144               | 25.241                | 0.993          | 26.234                | 458.378                                     |
| Aberdeenshire                   | 33.017             | 134.839            | 366.928                 | 534.784               | 27.765                | 1.147          | 28.912                | 563.696                                     |
| Angus                           | 14.463             | 27.934             | 210.605                 | 253.001               | 14.587                | 0.507          | 15.094                | 268.095                                     |
| Argyll & Bute                   | 11.619             | 37.645             | 181.629                 | 230.894               | 19.456                | 0.376          | 19.832                | 250.726                                     |
| Clackmannanshire                | 7.928              | 17.764             | 92.002                  | 117.694               | 6.272                 | 0.225          | 6.497                 | 124.191                                     |
| Dumfries & Galloway             | 19.186             | 60.313             | 271.962                 | 351.461               | 26.187                | 0.650          | 26.837                | 378.298                                     |
| Dundee City                     | 22.991             | 73.704             | 260.370                 | 357.065               | 18.220                | 0.645          | 18.865                | 375.930                                     |
| East Ayrshire                   | 20.020             | 30.467             | 237.897                 | 288.384               | 12.831                | 0.533          | 13.364                | 301.748                                     |
| East Dunbartonshire             | 12.240             | 24.099             | 194.382                 | 230.721               | 11.446                | 0.476          | 11.922                | 242.643                                     |
| East Lothian                    | 13.793             | 58.108             | 147.132                 | 219.033               | 8.410                 | 0.478          | 8.888                 | 227.921                                     |
| East Renfrewshire               | 10.565             | 15.695             | 194.296                 | 220.556               | 9.370                 | 0.422          | 9.792                 | 230.348                                     |
| Edinburgh, City of              | 56.559             | 377.317            | 506.286                 | 940.163               | 52.571                | 30.249         | 82.820                | 1,022.983                                   |
| Eilean Siar                     | 4.169              | 9.106              | 94.995                  | 108.270               | 8.677                 | 0.116          | 8.793                 | 117.063                                     |
| Falkirk                         | 22.327             | 75.322             | 251.354                 | 349.004               | 11.191                | 0.702          | 11.893                | 360.897                                     |
| Fife                            | 52.828             | 172.108            | 588.428                 | 813.364               | 40.776                | 3.257          | 44.033                | 857.397                                     |
| Glasgow City                    | 100.560            | 358.472            | 1,059.673               | 1,518.705             | 71.538                | 69.018         | 140.556               | 1,659.261                                   |
| Highland                        | 32.431             | 156.979            | 365.998                 | 555.408               | 32.743                | 1.039          | 33.782                | 589.190                                     |
| Inverclyde                      | 11.221             | 21.333             | 166.610                 | 199.165               | 8.879                 | 0.335          | 9.214                 | 208.379                                     |
| Midlothian                      | 15.249             | 35.215             | 152.700                 | 203.164               | 10.723                | 0.413          | 11.136                | 214.300                                     |
| Moray                           | 11.943             | 55.314             | 135.627                 | 202.884               | 11.864                | 0.421          | 12.285                | 215.169                                     |
| North Ayrshire                  | 19.495             | 43.955             | 271.586                 | 335.036               | 35.704                | 2.092          | 37.796                | 372.832                                     |
| North Lanarkshire               | 50.598             | 121.640            | 596.445                 | 768.683               | 36.383                | 3.332          | 39.715                | 808.398                                     |
| Orkney                          | 16.114             | 11.473             | 61.479                  | 89.066                | 6.529                 | 0.098          | 6.627                 | 95.693                                      |
| Perth & Kinross                 | 17.725             | 60.754             | 238.787                 | 317.265               | 23.369                | 0.672          | 24.041                | 341.306                                     |
| Renfrewshire                    | 25.693             | 131.323            | 232.748                 | 389.764               | 18.383                | 0.786          | 19.169                | 408.933                                     |
| Scottish Borders                | 14.106             | 37.818             | 205.841                 | 257.765               | 23.476                | 0.507          | 23.983                | 281.748                                     |
| Shetland                        | 20.633             | 24.302             | 57.822                  | 102.757               | 6.865                 | 0.100          | 6.965                 | 109.722                                     |
| South Ayrshire                  | 14.263             | 47.708             | 191.512                 | 253.483               | 12.761                | 0.491          | 13.252                | 266.735                                     |
| South Lanarkshire               | 45.087             | 341.536            | 310.163                 | 696.786               | 33.388                | 2.096          | 35.484                | 732.270                                     |
| Stirling                        | 11.784             | 45.636             | 150.737                 | 208.157               | 8.834                 | 0.408          | 9.242                 | 217.399                                     |
| West Dunbartonshire             | 14.353             | 93.396             | 119.262                 | 227.012               | 15.547                | 0.383          | 15.930                | 242.942                                     |
| West Lothian                    | 25.749             | 87.928             | 285.739                 | 399.416               | 18.551                | 0.810          | 19.361                | 418.777                                     |
| Undistributed                   | 0.103              | 0.000              | 225.360                 | 225.463               | 19.000                | 0.000          | 19.000                | 244.463                                     |
| Redress Top Slice               | 0.000              | 0.000              | 6.000                   | 6.000                 | 0.000                 | 0.000          | 0.000                 | 6.000                                       |
| Strathclyde Passenger Transport | 0.000              | 0.000              | 0.000                   | 0.000                 | 0.000                 | 15.327         | 15.327                | 15.327                                      |
| <b>Scotland</b>                 | <b>776.059</b>     | <b>3,047.000</b>   | <b>8,579.459</b>        | <b>12,402.517</b>     | <b>687.537</b>        | <b>139.104</b> | <b>826.641</b>        | <b>13,229.158</b>                           |

23rd February, 2023

Agenda Item No. 4(c)

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## General Fund Revenue Budget 2023-26

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Report by: Eileen Rowand, Executive Director (Finance and Corporate Services)

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Wards Affected: All

### Purpose

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The purpose of this report is to provide members with sufficient information to enable the Council to approve a balanced budget for 2023-26 as required by statute.

### Recommendation(s)

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The Council is asked to:

- (a) note the details of the provisional settlement announced by the Scottish Government as outlined in Finance Circular 11/2022, and the terms of the settlement as outlined in the letter from Cabinet Minister for Finance and Economy, dated 20th December, 2022;
- (b) agree the level of council tax to be levied for the financial year 2023-24 at Band D equivalent and the revenue budget which can be sustained by this level of income;
- (c) note the indicative levels of expenditure, subject to further detailed analysis in respect of the financial years 2024-25 and 2025-26;
- (d) approve the prudential indicators as outlined in Appendix 2;
- (e) agree an additional contribution of £8.1m to the Fife Health & Social Care (H&SC) Partnership.

### Resource Implications

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The report identifies significant resource implications that have to be considered in the determination of the budget for 2023-24 and future years.

## **Legal & Risk Implications**

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It is a statutory requirement for the Council to set a balanced budget.

## **Impact Assessment**

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An EqlA is not required for this report.

## **Consultation**

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All relevant Stakeholder groups have been kept informed of all pertinent developments during this budget process, including all political groups and Cabinet Committee.

## 1.0 Background

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- 1.1 The Council continues to operate in a climate of unprecedented uncertainty, the enduring impacts of which remain unknown. A review of the Council's budget assumptions has been undertaken and it is clear that the financial impacts of increased expenditure and reduced income could continue for some time to come.
- 1.2 The Council has been able to balance its budget in recent years despite challenging settlements, however the future financial sustainability of the Council is a concern given the combination of continued high inflation along with the potential risk to core funding given the financial outlook. The Council's ability to take decisions to respond to these challenges is limited with the protection of a large part of Council resources as a result of policy decisions made by the Scottish Government implemented by ring-fenced funding for the Council.
- 1.3 This report provides information on the estimated resources available to the Council over the 2023-26 period. Over this planning period and based on the assumptions in this report, there is scope to set the budget using a minimal amount of balances in financial year 2023-24 only. However, the estimates indicate a significant gap in funding over the following two financial years. The information in this report will enable decisions to be made on the level of the Council's expenditure and the level of Council Tax to be levied for the financial year 2023-24 in order to set a balanced budget.
- 1.4 Following a review of the ongoing cost of continuing current services at their current level, it has been determined that the Council will need to use one of the fiscal flexibility measures provided by the Scottish Government, in respect of accounting treatment of Service Concessions. This is to support both the revenue budget and capital plan review. Further explanation is provided in a report elsewhere on this agenda.
- 1.5 The determination of the budget requirement is governed by statute, in particular, section 93 (3) of the Local Government Finance Act 1992. This outlines that the Council must calculate the level of expenditure it will incur in the year, the level of income it will receive through non-domestic rates, general revenue funding and additional grants and whether or not there will be a contribution from reserves or the need to restore reserves. The difference between such expenditure and income being the balance of the budget to be met from council tax which will be divided by the council tax base to determine the Band D council tax. All other council tax bands being set with reference to Band D as required by legislation. The Council has again been given full flexibility by the Scottish Government to increase council tax for 2023-24. and this is relevant to decision making in setting a balanced budget.
- 1.6 In setting the core revenue budget for 2023-24 members should seek to maintain a 3-year focus recognising the significant financial challenge that lies ahead. Whilst there is uncertainty in relation to the figures beyond 2023-24, high-level projections point to a considerable budget gap in both 2024-25 and 2025-26. In light of these projections, members are advised to give full consideration to the longer-term consequences of any decisions made in setting the 2023-24 budget.
- 1.7 Temporary budget provision continues to be available to cover the estimated continuing financial consequences of the recovery from COVID-19 pandemic, in particular income which has not yet returned to pre-pandemic levels. This will come from funding that is earmarked in balances having been allocated by the Scottish Government for this purpose.

It is assumed that the financial impact should reduce over time, however, this funding will need to be managed wisely given the future is still uncertain in this regard.

## 2.0 Finance Settlement

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- 2.1 The overall Scottish Budget is very much dependent on the total Block grant from the UK Government, including any Barnett Consequentials resulting from any change in 'comparable' UK Government spending. It is up to the Scottish Government to determine how this funding is allocated. For 2023-24, the Block Grant increased by 3.4%, as per UK Autumn Statement.
- 2.2 The Scottish Government published its provisional draft budget on 16th December 2022, followed by publication of the Local Government Finance Settlement for 2023-23 on 20th December 2022. An amended Local Government Finance Circular was issued on 10th January 2023 following the agreed checking process and contained several revisions.
- 2.3 The provisional total funding allocations form the basis for the annual consultation between the Scottish Government and COSLA ahead of the Local Government Finance (Scotland) Order 2022, the budget process is currently ongoing, with the Stage 1 debate held on 2nd February 2023. The Bill is expected to pass in February and receive royal assent in March. It is important to note that any discrepancies in the Finance Circular will be addressed within the overall total settlement allocations and not through the provision of any additional resources by the Scottish Government.
- 2.4 The total allocation to local government in the 2023-24 Budget is £11,853m. This is mostly made up of General Revenue Grant (GRG) and Non-Domestic Rates Income (NDRI), with smaller allocations for specific (or ring-fenced) Revenue and Capital Grants. Fife's provisional share of total revenue funding equates to £760.847m. This includes £52.847m specific grant funding for specific purposes e.g., ELC, PEF etc.
- 2.5 Locally, Fife received a cash increase of 0.5%, equating to approx. £4.0m, after new burdens which is slightly better than anticipated, however this provides limited capacity to deal with the significant inflationary pressures faced by the Council. The final Settlement will change following further revisions by the Scottish Government. Directors of Finance have been made aware of 2 further amendments to date; Empty Property Relief and Teachers Pay Award 2021-22, an improvement of approximately £2.0m, this will increase the level of grant that the Council will receive for 2023-24. The value of these two adjustments can be used by political groups when bringing forward their budget proposals.
- 2.6 As in previous years the settlement constitutes a package of measures in return for the provisional funding allocations set out in the circular. The overall draft settlement includes:-
  - £260.0m (£9.4m revenue and £8.1m capital for Fife) to support the local government pay deal and SSSC fees on a recurring basis;
  - £105.0m (£5.6m for Fife) following the devolution of Non-Domestic Rates Empty Property Relief;
  - £30.0m Capital (£2.0m for Fife) to help with the expansion of Free School Meals ;
  - Consolidation of £30.5m (£1.9m for Fife) for the homelessness prevention fund, this is not additional, rather a consolidation of existing funding streams;

- Local Authority social care budgets for allocation to Integration Authorities must be at least £95.0m (£8.1m for Fife), greater than 2022-23 recurring budgets;
- Councils to maintain the overall pupil: teacher ratio at a national level; and
- No restrictions on councils to increase Council Tax;

2.7 Subsequent correspondence received from the Scottish Government outlines additional requirements for protecting teacher numbers, pupil support staff, pupil induction scheme and learning hours.

2.8 Previous funding of £88m (£6.1m for Fife) to maintain teacher numbers and provide places on the Teacher Induction Scheme, will now be combined with £145.5m (£10.3m for Fife) which was provided to fund Teachers giving an overall allocation of £233.5m (£16.4m for Fife). The combined funding will be maintained in full, but from 01 April 2023 will be partially conditional upon successful delivery of the following expectations:

- Maintain teacher numbers at 2022 census levels, as published in the Summary School Statistics in December 2022
- Maintain pupil support staff numbers at 2022 census levels, which we will publish on 21 March 2023 based on the data collected from local authorities in September 2022.
- Ensure that places remain available for probationer teachers who need them through the Teacher Induction Scheme

2.9 The correspondence also outlined the intention to consult on proposals to make regulations to ensure that there is no reduction in the number of learning hours available to pupils.

### **3.0 Medium Term Forecast**

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3.1 In order to determine the core revenue budget gap for 2023-24, a comparison of the recurring funding that the Council is expected to receive with the cost of continuing existing service provision has been made. The latter assumes that the Council continues to provide the range of services that it currently does in a similar manner. The cost of continuing is illustrative only as it assumes that the Council responds to demand and operates in the same way as it does currently. This comparison demonstrates an extremely challenging position from 2023-24 onwards.

3.2 Since the budget gap was last reported in August 2022, it has reduced from £30.7m to £11.5m. A number of items impacted on the budget gap including updating the assumptions for pay, taking account of previous decisions, incorporating service concessions and updating for the results of the provisional Local Government Settlement for 2023-24 which confirmed the level of grant the Council will receive.

3.3 However, the main influence in reducing the gap was the short-term strategy for 2023-24 which focused on realigning budget from areas with recurring underspend, substitute funding streams for core budget and a change in approach to budgeting for vacancy management. This strategy recognises the trends in Service underspends that have been encountered over the last few years. It is recognised that there is an element of risk in this approach, and this will be included in the Council's financial risk register. Historically, risk of over or underspend has been held by services, however this approach transfers the risk of overspend to be held corporately for those items where the budget has been adjusted

through this exercise.

- 3.4 In addition the Council has assumed that the updated accounting guidance in respect of Service Concessions which will generate a financial benefit will be used to support the revenue budget.
- 3.5 As per the conditions of the Local Government Settlement, all additional funding associated with adult social care services delegated to the Fife H&SC Partnership will require to be passported in full (£8.1m), as additional to their 2023-24 recurring base budget.
- 3.6 Additional factors which have been built into the budget gap are the introduction of the non-domestic rates revaluation which results in increased costs of £1.964m, and the recurring impact of a previous Cabinet Committee decision to remove charges for bulky uplifts at a cost of £1.2m. The financial impacts of these have been factored in when arriving at the budget gap.
- 3.7 The budget Gap for the next 3 years is provided below, signifying that the gap is likely to be increasing over the 3 years modelled. It should be noted that the figures in the latter two years are less certain and therefore are indicative at this stage as the Scottish Government has produced a draft one-year budget for 2023-24. Budget assumptions will be refined as more robust financial intelligence becomes available. The Scottish Government published their Resource Spending Review in May 2022 which sets out high-level parameters within the Scottish Budget up to 2026-27, followed by their Medium-Term Strategy. However, since then the fiscal landscape has tightened dramatically the future funding for Local Government is not yet known. Once more information becomes available, further scenario planning will be carried out to update and further refine the estimated budget gap.

|                                    | <b>2023-24</b><br>£'000 | <b>2024-25</b><br>£'000 | <b>2025-26</b><br>£'000 |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| <b>Budget (Gap) as at Jan 2023</b> | <b>(11,505)</b>         | <b>(33,198)</b>         | <b>(55,598)</b>         |

- 3.8 It is important that members are aware of the assumptions that underpin the medium-term forecast, these are detailed in the table below:

**High level Assumptions:**

| <b>Factor</b>                   | <b>2023-24</b>                            | <b>2024-25</b>                            | <b>2025-26</b>                            |
|---------------------------------|---|---|---|
| Grant Level                     | 0.5%<br>Increase                          | Flat Cash                                 | Flat Cash                                 |
| Council Tax                     | No increase<br>(full Council<br>Decision) | No increase<br>(full Council<br>Decision) | No increase<br>(full Council<br>Decision) |
| Pay, Pensions &<br>Demographics | 5.0%                                      | 2.5%                                      | 2.5%                                      |

|  |       |      |       |
|--|-------|------|-------|
| Non-Pay Inflation<br>(contracted items only) | 6.0 % | 3.0% | 3.0 % |
|--|-------|------|-------|

3.9 The budget gap outlined at para. 3.7 does not include any inflationary increase in Council Tax income as this is a member decision, however due to the scale of the financial challenge in 2023-24 and more extensively in future years, an increase will be required to reach a balanced budget for 2023-24 and will therefore necessitate an increase in the recurring base budget.

3.10 The Scottish Government has confirmed that Councils have full autonomy to set their own Council Tax levels in 2023-24. The income from Council Tax is recurring and is a means of protecting the current level of services that can continue to be provided to the community. For illustrative purposes, a range of possible options for increasing the Council Tax levels for 2023-24 will yield the following:

| % Increase | Annual Yield | Annual Impact on Band D equivalent |
|------------|--------------|------------------------------------|
| 3%         | £5.448m      | £39.58                             |
| 4%         | £7.264m      | £52.77                             |
| 5%         | £9.080m      | £65.96                             |

3.11 In line with the Councils Medium Term Financial Strategy (MTFS), demographic growth will be provided for on an evidenced basis. To date services have been required to redesign services to meet the cost of additional pressures within the resources available to them. It is becoming increasingly difficult for Services to absorb such pressures as the opportunities to identify savings are reducing and this is likely to be an increasing pressure in the medium to long term.

3.12 Financial risk remains extremely high around public pay policy and in particular Teachers pay for 2022-23 has not yet been settled and the impact could also be significant. There was no public sector pay policy announced as part of the Scottish Government's Budget on the 16<sup>th</sup> December 2022

3.13 Sensitivity analysis identifies the level of risk where the future assumptions are uncertain;

3.13.1 The modelled assumption, assumes that the core Scottish Government grant before new burdens in 2024-25 onwards, will be flat cash. There is a real possibility that this is an optimistic assumption given the indicative UK budget at flat cash and also the risk that the Scottish Government may make choices to protect budgets other than the local government budget, for example protecting the Health budget. If the total grant funding was reduced by 1% , the budget gap would increase by around £8.1m per annum.

3.13.2 The overall impact of both a 1% increase in pay (approx. £6.5m) beyond that provided for, and a 1% reduction in government grant would increase the budget gap shown at para 3.5 from £55.6m to around £70.2m in 2025-26. The figures quoted in

relation to grant include the Health and Social Care Partnership. The Councils decision in relation to the partnership is how much funding to provide in totality.

- 3.14 Taking into account the updated gap position, members are invited to present their proposals for closing the budget gap and to agree the level of Council Tax to be set for 2023-24. In the event that any change in the level of Council Tax does not fully close the budget gap, the Section 95 Officer has agreed, for this year only, that a minimal amount of Council balances may be used. Guidance relating to the budget process and timings was issued to Political Group Leaders on 26<sup>th</sup> January 2023 and the timings set out must be closely observed..

### *Capital Financing Costs*

- 3.15 Planned Capital expenditure is determined by what is considered by the Council to be affordable in terms of the prudential code. The fundamental objective in the consideration of the affordability of the Council's capital programme is to ensure that the total capital investment of the Council remains within sustainable limits. The CIPFA guidance requires Councils to approve a range of prudential indicators. Prudential indicators are attached as Appendix 2.
- 3.16 The estimate of capital financing costs (loan charges) assumes that capital spend will be in accordance with the Council's Capital Investment Plan, which was approved in February 2021 and updated for re-phasing in August 2022. It is assumed that efforts will be made to secure as far as possible the delivery of the capital investment plan throughout 2023-24 and beyond. Capital expenditure is primarily financed through borrowing, capital grants, capital receipts and revenue contributions. The underlying budget assumption is that borrowing in 2023-24 will be based on an interest rate of 4.5%. Interest rates will be kept under review, but for the purpose of budget planning a rate of 4.5% is appropriate and based on advice from our Treasury advisers.
- 3.17 Based on the current anticipated level of borrowing and interest rates, the estimated capital financing costs over the life of the current approved Capital Investment Plan continue to be affordable and sustainable.
- 3.18 However, the Capital Plan is currently being reviewed, and the outcome of the initial planning work and affordability testing has been shared with all political groups. It has been agreed that more time will be taken to consider the Capital Plan Review given the challenge of significant cost inflation and pressures.
- 3.19 Given the level of inflationary pressure affecting projects already approved, coupled with the additional pressures identified, all funding avenues have been explored by officers. The Capital Plan Review work advanced to date indicates that the plan would be unaffordable and unsustainable over the long term. Decisions will therefore need to be taken to ensure that the plan remains affordable.
- 3.20 Taking more time to agree the plan recognises the affordability challenge and allows more in-depth consideration of the outcome of the current review. It is likely that the revised plan will be reported to Fife Council in May 2023 for approval. Revised Prudential Indicators will be issued at the same time. There is a clear link to the setting of the revenue budget and at this stage members should work to the existing loan charges budget based on existing commitments.

- 3.21 Full details of the Council's borrowing strategies are contained in the Treasury Management and Investment Strategies which are approved on an annual basis by the Cabinet Committee.
- 3.22 The Treasury Management and Investment Strategies will be presented to Cabinet after the Capital Investment Plan has been approved in May 2023 and will reflect the revised borrowing strategies and updated Prudential Indicators following agreement of the plan.
- 3.23 Approval of the current Prudential Indicators will cover both the Operational Boundary and Authorised Limit for Total External Debt to facilitate any borrowing requirements in the immediate term. New limits will be agreed when the new capital plan is approved.

## 4.0 Taxation

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- 4.1 No Council Tax increase has been assumed when calculating the budget gap as this is ultimately a decision for full Council.
- 4.2 The 2023-24 Non-Domestic Rate poundage rate has been provisionally set at 49.8p, the same as 2022-23. Two additional rates are levied on properties with a rateable value over £51k (51.1p – the Intermediate Property Rate) and £100k (52.4p – the Higher Property Rate).
- 4.3 The draft Scottish Budget also introduced the following policies:
- The Small Business Bonus Scheme will be reformed: 100% relief will be available for properties with a rateable value of up to £12,000 and the upper rateable value will be extended to £20,000. Improvements will be made to the scheme by tapering the relief for properties. The cumulative rateable value threshold will remain at £35,000. Car parks, car spaces, advertisements and betting shops will be excluded from eligibility for Small Business Bonus Scheme from 1 April 2023.
  - Business Growth Accelerator relief: properties receiving improvements relief for 2022-23 can continue to receive the same percentage of relief for the duration of the award in 2023-24.
  - Eligibility for Fresh Start relief will be expanded by raising rateable value threshold to which properties qualify from £95,000 to £100,000. In addition, properties receiving Fresh Start relief for 2022-23 can continue to receive it for the duration of the award in 2023-24, irrespective of value.
  - Enterprise Areas relief will be extended for one year to 31 March 2024;
  - The following reliefs will also be maintained: charitable rates relief, day nursery relief, disabled rates relief, district heating relief, hardship relief, hydro relief, mobile masts relief, new fibre relief, renewable energy relief, renewable heat networks relief, reverse vending machine relief, rural relief, sports club relief and stud farms relief.
  - Empty Property Relief will be devolved to local authorities on 1 April 2023 covering all relief and rates exemptions for fully unoccupied properties including listed buildings, properties where the owner is in administration, etc. Partly unoccupied properties that the council requests be apportioned by the assessor will be liable for rates on the occupied portion only. Councils may offer their own local reliefs under the Community Empowerment (Scotland) Act 2015 including to empty properties.

- 4.4 The impact for Fife Council of these changes to Non-Domestic Rates and the revaluation during 2022 has resulted in a pressure for the Council of £1.964m. This has been reflected in the budget gap calculations in Section 3.
- 4.5 The Barclay Review of Non- Domestic rates (NDR) identified significant reforms to the appeals system were necessary in order for the NDR system to operate efficiently and effectively. With the regards to the public sector appeals, the current system essentially sees the public sector challenge other parts of the public sector.
- 4.6 A number of changes will be introduced from 1 April 2023 including for all bodies, including councils, who receive their funding through the Scottish Government, the financial incentive for proposing and appealing will be removed, with the financial outcome of successful proposals or appeals resulting in a downward re-determination of revenue allocations at a subsequent fiscal event. This effectively means that any appeal will be financially neutral as there will be a corresponding reduction in government grant. Work is currently being advanced to pre agreed values in order that any errors or anomalies can be addressed in both values and funding.

## **5.0 Review of Reserves, Balances and Risk**

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- 5.1 The Section 95 Officer has a fiduciary duty to local taxpayers and the Council to ensure that the decisions taken on balances and reserves represent proper stewardship of public funds.
- 5.2 The CIPFA guidance on Reserves and Balances makes it clear that individual Local Authorities should make their own judgements on such matters and take into account all relevant local circumstances. . It is up to the Section 95 Officer to take into account all relevant factors in providing advice to the Council.
- 5.3 It is important to consider the overall adequacy of the General Fund reserve when making spending decisions. Considering the level of General Fund reserves is just one of several related decisions in the formulation of the Medium-Term Financial Strategy and the General Fund revenue budget for a particular year. The following factors are taken into account:
- The treatment of inflation and interest rate movements;
  - Estimates and timing of capital receipts;
  - The treatment of demand led pressures;
  - The treatment of planned efficiency savings/productivity gains;
  - The financial risks inherent in any significant new funding partnerships, etc;
  - The availability of other funds to deal with unforeseen exceptional events;
  - The adequacy of provisions within the annual accounts; and
  - The level of known financial risk.
- In terms of budget setting, reserves and balances should not be relied upon to fund recurring expenditure as this would be unsustainable in the medium term. Reserves are more appropriate to fund one off investment or deal with financial shocks that occur.
- 5.4 The economic outlook will have a direct impact on the level of public sector funding in the future. The level of uncertainty continues regarding future resources available due to the cost-of-living crisis following the pandemic, war in Ukraine and also as a result of the EU-Exit. It is too early at this stage to determine what the full impact will be, and this key risk will continue to be monitored. The degree of change that will be needed, puts the Council

in a challenging position going forward and funds have been set aside to provide a Change Fund to facilitate the degree of change required.

- 5.5 As at December 2022, CPI was 10.2%, the highest rate in 40 years. The most significant contributors to this high level of inflation are principally from the increased prices of electricity, gas and fuels impacting on the costs of goods and services. Commentators are indicating that inflation is expected to begin to fall from the middle of this year and be around 4% by the end of the year. The forecast is as a result of wholesale energy prices in Europe reducing, a sharp fall in the price of imported goods and less demand for goods and services in the UK due to people having less money to spend.
- 5.6 The approval of use of revised guidance for service concessions will result in a significant increase in the level of reserves as a result of the catch-up benefit. That said, there are corresponding commitments over the coming years as this benefit is used as a funding source for the capital plan. The revenue benefits generated will also be managed through balances over the medium term.
- 5.7 A full review of the commitments made has been carried out and funds remain earmarked to continue to deal with the financial consequences of COVID-19 pandemic and provision for inflationary pressures on food costs, fuel costs and winter maintenance.
- 5.8 There are a number of additional financial risks that the Council will need to mitigate against in the coming years. A financial risk register is shown at Appendix 1 and provides an indication of the scale of potential financial risks that the Council may face in 2023-24. The likelihood and impact of each risk is scored, and risks are listed in order of risk score from high to low. The financial risk register provides transparency to members and informs members of the level of balances held against the level of financial risk going forward. The Council continues to be involved in legal cases in respect of Equal Pay which presents a significant financial risk. At this time this cannot be definitively quantified in monetary terms as the legal process is ongoing and as yet the scale of claims has not been fully identified.
- 5.9 The current policy in relation to General Fund balances is to maintain a minimum of uncommitted General Fund balances of 2% of budgeted expenditure (approximately £19.5m) over a 3-year period. This, in conjunction with a review of the risk register, allows a judgement to be made on the use of balances. The projected level of uncommitted balances detailed in a report considered by Cabinet Committee in January 2023 was £27.4m over a 3 year period. Approval of Service Concession arrangements will increase that level of balances to £171.6m however, after applying the relevant commitments the level of uncommitted balances will be £28.0m by 2027-28.
- 5.10 The Section 95 officer has determined that there is scope to use balances to balance the budget this year. Based on the latest estimates, the level of uncommitted balances is £8.0m above the policy minimum. It should be recognised that any use of Council balances to address the budget gap for 2023-24 should be minimised as far as possible and be temporary in nature. Decisions to add to the recurring budget of the Council would need to be agreed by the section 95 Officer and be assessed on the full package of budget proposals that are brought forward.
- 5.11 Given the temporarily high level of balances and also the degree of future uncertainty,

commitments against balances will continually be kept under review and any further recommendations will be made by the Section 95 Officer in future reports to the Cabinet Committee

## 6.0 Conclusions

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- 6.1 The budget beyond 2023-24 and into the future, will continue to be challenging for the Council. The indicative Local Government Finance Settlement provides provisional grant figures for the next year only. Figures for future years are subject to change following further refinement.
- 6.2 The Council has taken proactive steps to reduce the budget gap in the immediate term by actively reviewing underspends, realigning budgets and applying revised accounting guidance to release revenue benefits. It should be noted that this approach is only available in 2023-24 and does carry a degree of risk which is reflected on the risk register.
- 6.3 There is a high risk that the assumptions from 2024-25 onwards could be optimistic. In setting the budget for 2023-24 it is important that members have regard to the implications of any decisions on future years' budgets.
- 6.4 Whilst the Council currently holds a high level of balances, the Council also faces an unprecedented degree of financial uncertainty and risk. Balances are held to cover one off shocks or risks and are not a sustainable means of closing the future budget gap. Recommendations have been made regarding the level of balances that can be used on a temporary basis to close the budget gap.
- 6.5 A combination of high inflation combined with potential reductions in core funding going forward provides a significant challenge to the future financial sustainability of the Council. In recognition of this, an updated budget gap for future years will be presented to Members later in the financial year.

### List of Appendices

- Appendix 1 – Risk Register
- Appendix 2 – Prudential Indicators

### Background Papers

- The following papers were relied on in the preparation of this report-
- Local Government Finance Circular No 11/2022 – December 2022
- Office for Budget Responsibility (OBR) - Economic Forecasts
- CIPFA Directors of Finance Briefings prepared by Professor John McLaren
- General Fund Revenue Budget Report 2023-26 – August 2022

### Report Contact

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Fife Council - Financial Risk Register

APPENDIX 1

| No. | RISK<br><i>Threat to achievement of business objective</i> | Scope/potential consequences of risk   | Assessment of Risk (likelihood x impact)<br><i>Assume No Controls in Place</i> |        |            | Risk Control Measures in Place   | Are all Controls Operational?<br>Y/N/ Partial | Potential Financial Risk Annual Basis £m | Assessment of Residual Risk (likelihood x impact)<br><i>With Controls Measures</i> |        |            |
|-----|--|--|--|--------|------------|--|---|--|--|--------|------------|
|     |  |  | Likeli-hood  | Impact | Risk Score |  |   |  | Likeli-hood  | Impact | Risk Score |
| 1   | Local Government Pay Award                                 | Increased costs to the Council due to higher negotiated pay award than that provided for.      | 4  | 5      | 20         | Model assumptions have been updated. Sensitivity analysis is used to demonstrate any potential increase in cost. Options and analysis prepared and submitted to COSLA. Participation in national modelling of pay costs and impact on Council budget | Y   | 6.5                                      | 4  | 4      | 16         |
| 2   | Future Equal Pay Claims                                    | Potential requirement to settle further Equal Pay claims.                                      | 5  | 5      | 25         | Legal defence of cases.  | N   | TBC                                      | 3  | 5      | 15         |
| 3   | Historic Child Abuse Claims                                | Potential requirement to settle Historic Child Abuse claims                                    | 5  | 5      | 25         | Legal defence of cases and redress scheme. Scottish Government funding?  | N   | TBC                                      | 3  | 5      | 15         |
| 4   | Service pressures  | Services continue to face cost pressures where no funding solution has been identified to date | 5  | 5      | 25         | Medium Term Finance strategy requires that Services should meet the costs of pressures and requires an evidence based approach. This risk exists because Services may not achieve sufficient mitigation  | Partial                                       | 5.0                                      | 3  | 4      | 12         |

Fife Council - Financial Risk Register

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|-----|--|---|---|--------|------------|---|---|---|---|--------|------------|
|     |  |   | Likelihood  | Impact | Risk Score |   |   |   | Likelihood  | Impact | Risk Score |
| 5   | Budget Realignment approach                                | The approach adopted for 2023-24 has been to review revenue budgets to realign budgets, substitute funding and increased turnover allowance. This approach is based on the trends and level of underspend in recent times as well as lengthened recruitment periods currently being experienced. There is a risk that these items do not come to realise the levels of benefits required due to changes in demand and changes in Scottish Government funding. | 5   | 5      | 25         | Scottish Government ministers have indicated they will provide revenue flexibilities in terms of grant funding and the conditions. The risk will be held corporately and future budget gaps may increase should the demand increase or Scottish Government seek to recover funding. | Partial                                       | 9.0   | 2   | 5      | 10         |
| 6   | Insurance Renewals   | Fife is currently undertaking a tender process for Insurance cover. As a result of improved risk management strategies and increased focus on risk across the organisation the expected costs are not expected to increase as originally anticipated. That said the tender process is ongoing as although not expected to cost as much but may still be greater than budget available.  | 5   | 2      | 10         | Services continue to mitigate against, in particular, property related risks. Increased risk awareness across the Council. Completed Risk Appetite assessment.  | Partial                                       | 1.0   | 5   | 2      | 10         |

Fife Council - Financial Risk Register

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|-----|--|--|---|--------|------------|---|---|---|---|--------|------------|
|     |  |  | Likelihood  | Impact | Risk Score |   |   |   | Likelihood  | Impact | Risk Score |
| 7   | Emergency response to Climate Change and environmental impacts for example flooding events, severe winter and oil spillage | Strain on budget and internal resources.   | 4   | 5      | 20         | Bellwin Scheme available , but only when significantly high costs are incurred and within certain criteria. Not available to cover lower costs of adverse winter weather.   | Y   | 1.7   | 4   | 2      | 8          |
| 8   | Health and Social Care Overspend   | IJB overspends and the Council is currently liable for a share of the total overspend and contribution to the partnership. | 5   | 5      | 25         | Robust revenue monitoring and regular reporting to IJB. Risk share arrangement is the control to minimise the risk to the Council. IJB have retained a level of reserves which could be utilised to cover overspends in the first instance. | Y   | 4.2   | 2   | 4      | 8          |

Fife Council - Financial Risk Register

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|-----|--|---|--|--------|------------|---|---|--|--|--------|------------|
|     |  |   | Likelihood   | Impact | Risk Score |   |   |  | Likelihood   | Impact | Risk Score |
| 9   | Inflationary Construction Costs (capital)                  | Delay in supply of materials and increased cost of construction materials   | 5  | 5      | 25         | Biennial Capital plan review has factored in additional costs associated with general economic climate. Rephasing has also taken place. Continued capital plan monitoring and reporting to the Investment strategy group. A number of projects already have contracts in place. Other alternatives to keep costs down such as Off-site Storage are being adopted. Additional provision has been added to the Capital Plan for inflationary pressures (£8.125m). Continued monitoring of supply chain by Procurement Team. The approval of the Capital Plan Review will deal with the risk in the immediate term, however a risk remains due to the longer term nature of capital projects. Funding set aside which may not be sufficient. | Y   | 1.6                                      | 3  | 2      | 6          |
| 10  | Revenue Consequences of Capital                            | Recurring revenue costs resulting from Capital Investment which are not fully resourced within Service's budgets. | 5  | 2      | 10         | Medium Term Finance Strategy requires that services should meet any recurring revenue costs. Business case process should identify and account for revenue costs.   | Y   | 2.0                                      | 3  | 2      | 6          |

Fife Council - Financial Risk Register

APPENDIX 1

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|-----|--|--|---|--------|------------|--|---|---|---|--------|------------|
|     |  |  | Likelihood  | Impact | Risk Score |  |   |   | Likelihood  | Impact | Risk Score |
| 11  | Common Good  | Common Good properties require investment in order to carry out emergency repair and remedial works and have insufficient funds to do so. In some instances work is required for public safety reasons | 3   | 2      | 6          | Review of Common Good to take place. Services requested to source funds from within existing resources but have limited capacity to do so.   | Partial                                       | 1.0   | 3   | 2      | 6          |
| 12  | Financial Guarantees                                       | Two Financial Guarantees with Fife Resource Solutions in respect of defaults from Energy to Waste agreements.  | 2   | 5      | 10         | Close monitoring of FRS and business plans and activities.   | N   | 16.0  | 1   | 5      | 5          |
| 13  | Capital Plan Affordability                                 | There is a higher than previous year's level of funding from CFCR supporting the proposed capital plan. There is a risk that this funding is not available or is recovered by the Scottish Government. | 2   | 5      | 10         | Financial planning and management. Commitments to be reflected in balances and earmarked for a specific purpose. Scottish Government have indicated revenue flexibilities are in place for Councils. | Partial                                       | 7.1   | 1   | 5      | 5          |

Fife Council - Financial Risk Register

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|-----|---|--|--|--------|------------|---|---|---|--|--------|------------|
|     |   |  | Likelihood   | Impact | Risk Score |   |   |   | Likelihood   | Impact | Risk Score |
| 14  | Inflation costs due to economic factors including Supply Chain disruption, Energy Costs and Bus Contract Tenders. | High inflationary increases resulting in increased service budget pressures could lead to overspend. | 4  | 5      | 20         | More inflation has been provided for corporately meaning Services will not need to absorb the full impact. This has been achieved by additional provision has been built into the budget for energy prices increases . Although there is limited non-pay inflationary costs included within budget model this has been updated to Sept 2022 prices. Provision has also been made in balances for some inflationary elements for fuel and food. The Medium Term Finance strategy does require Services to manage costs within available resources although it is recognised there is reduced capacity for them to do so. Further, the Procurement Team continue to monitor supply chain and negotiate contracts to achieve the best price. It is recognised that the provision made is still not sufficient. | Partial                                       | 2.0   | 2  | 2      | 4          |

Fife Council - Financial Risk Register

APPENDIX 1

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|-----|---|--|---|--------|------------|--|---|---|---|--------|------------|
|     |   |  | Likelihood  | Impact | Risk Score |  |   |   | Likelihood  | Impact | Risk Score |
| 15  | Debt Charges - Interest Rates rise at a faster rate than forecasted   | Higher debt charges result in corporate overspend.   | 5   | 2      | 10         | Effective Treasury Management Strategy.  | N   | 1.0   | 3   | 1      | 3          |
| 16  | Revenue Implications of major Capital projects which cannot progress  | Potential need to move costs previously capitalised to revenue in circumstances where the project can no longer progress as planned. | 4   | 2      | 8          | Robust Capital Strategy, Capital Monitoring. Investment Strategy Group and Investment Accountant provide support and challenge in this area  | Y   | 1.0   | 3   | 1      | 3          |
| 17  | Increase in scale of bad debts owed to the Council (AR, Council Tax, NDR). Welfare Reform and COVID-19 pandemic compounding this issue. | Potential pressure on revenue budgets as greater amounts may need to be written off.   | 5   | 2      | 10         | Bad Debt provision in place, proved adequate for C/Tax and NDR historically. More robust policy framework now in place. Any debt written off is in line with policy. Debt recovery arrangements indicate this risk is being managed. | Y   | 2.0   | 2   | 1      | 2          |

Fife Council - Financial Risk Register

APPENDIX 1

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|-----|--|---|--|--------|------------|---|---|--|--|--------|------------|
|     |  |   | Likelihood   | Impact | Risk Score |   |   |  | Likelihood   | Impact | Risk Score |
| 18  | Use of Service Concessions                                 | Application of revised guidance on the accounting for PPP arrangements. Additional costs of borrowing as not a cash releasing saving meaning there could be additional interest | 5  | 5      | 25         | Treasury strategy and cash flow arrangements that are in place are robust and sufficient to respond to additional borrowing requirement. Borrowing on temporary basis and this will be managed with all other treasury activity | Y   | 1.2                                      | 2  | 1      | 2          |

Revised Projected General Fund uncommitted balance as at 31 March 2025  
 Risk Per Risk Register  
 % of Risks per Risk Register covered by Unallocated Balances

£28.1m  
 £62.3m  
 45%

| ACTUAL<br>2021-22 | APPROVED<br>2022-23 |
|-------------------|---------------------|
| <b>£m</b>         | <b>£m</b>           |
| 89.911            | 122.646             |
| 73.894            | 82.251              |
| 163.805           | 204.897             |
| <b>£m</b>         | <b>£m</b>           |
| 58.349            | 57.702              |
| 27.464            | 30.196              |
| 85.813            | 87.898              |
| <b>£m</b>         | <b>£m</b>           |
| 913.590           | 882.515             |
| 124.608           | 127.092             |
| 1,038.198         | 1,009.607           |
| 6.39%             | 6.54%               |
| 22.04%            | 23.76%              |
| <b>£m</b>         | <b>£m</b>           |
| 746.223           | 809.930             |
| 386.898           | 403.259             |
| 1,133.121         | 1,213.189           |
| 1,022.655         | 1,111.582           |
| 1,451.766         | 1,489.036           |
| 1,382.634         | 1,418.129           |
| <b>£m</b>         | <b>£m</b>           |
| 1,022.655         | 1,111.582           |
| 1,133.121         | 1,213.189           |
| (110.467)         | (101.607)           |
| 100%              | 100%                |
| 75%               | 75%                 |
| 0%                | 0%                  |

**Affordability Indicators**

Capital Expenditure

General Fund  
Housing Revenue Account

Financing Costs

General Fund  
Housing Revenue Account

Net Revenue Stream

General Fund  
Housing Revenue Account

Ratio of Financing Costs to Net Revenue Stream

General Fund  
Housing Revenue Account

The Capital Financing Requirement

General Fund  
Housing Revenue Account

External Debt  
Authorised Limit for Total External Debt  
Operational Boundary for Total External Debt

**Prudence Indicators**

External Debt and the Capital Financing Requirement

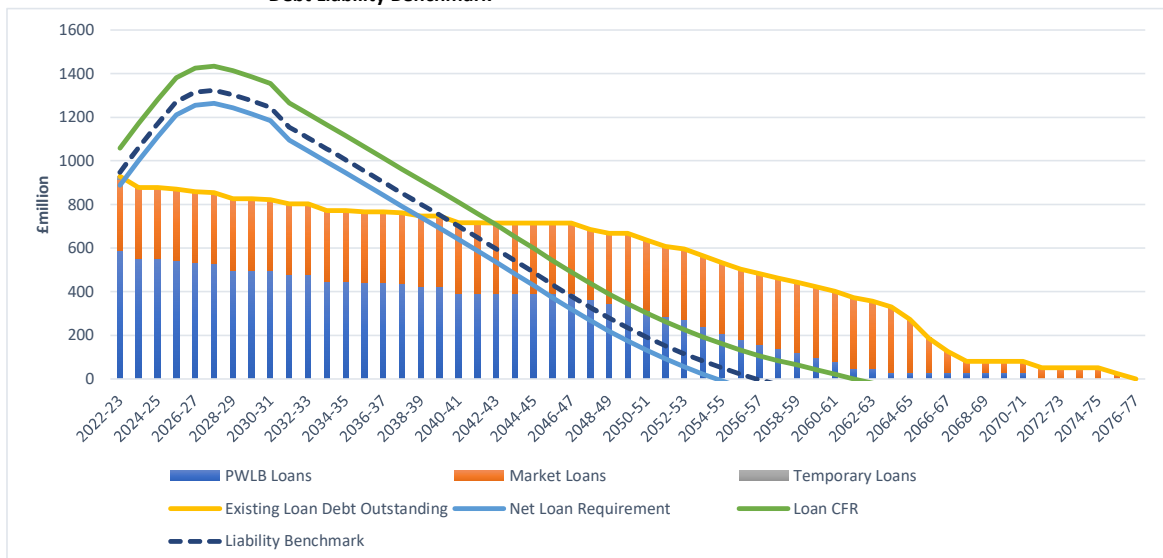
Forecast External Debt  
Forecast Capital Financing Requirement

Adoption of the CIPFA Code on Treasury Management

Compliance maintained through the Treasury Management Strategy  
Fixed Interest Rate Exposure Upper Limit  
Variable Interest Rate Exposure Upper Limit  
Total Principal Sums Invested Beyond 364 days Upper Limit

| 2023-24   | 2024-25   | 2025-26   |
|-----------|-----------|-----------|
| <b>£m</b> | <b>£m</b> | <b>£m</b> |
| 147.963   | 125.319   | 133.443   |
| 98.024    | 118.741   | 96.236    |
| 245.986   | 244.060   | 229.679   |
| <b>£m</b> | <b>£m</b> | <b>£m</b> |
| 54.592    | 57.956    | 59.169    |
| 32.932    | 37.100    | 41.718    |
| 87.524    | 95.056    | 100.886   |
| <b>£m</b> | <b>£m</b> | <b>£m</b> |
| 941.085   | 941.085   | 941.085   |
| 132.617   | 137.442   | 143.122   |
| 1,073.702 | 1,078.527 | 1,084.207 |
| 5.80%     | 6.16%     | 6.29%     |
| 24.83%    | 26.99%    | 29.15%    |
| <b>£m</b> | <b>£m</b> | <b>£m</b> |
| 889.769   | 948.003   | 1,008.187 |
| 430.902   | 480.224   | 518.148   |
| 1,320.671 | 1,428.227 | 1,526.335 |
| 1,133.155 | 1,235.019 | 1,332.401 |
| 1,649.753 | 1,666.004 | 1,674.988 |
| 1,571.193 | 1,586.671 | 1,595.227 |
| <b>£m</b> | <b>£m</b> | <b>£m</b> |
| 1,133.155 | 1,235.019 | 1,332.401 |
| 1,320.671 | 1,428.227 | 1,526.335 |
| (187.515) | (193.208) | (193.934) |
| 100%      | 100%      | 100%      |
| 75%       | 75%       | 75%       |
| 0%        | 0%        | 0%        |

**Debt Liability Benchmark**



## **FIFE COUNCIL PRUDENTIAL INDICATORS EXPLANATORY NOTE**

As a requirement of the Prudential Code for Capital Finance in Local Authorities, members should be provided with an update of the Prudential Code Indicators. This ensures members are aware of the impact of decisions taken in relation to the capital plan to satisfy the requirement of the code that capital expenditure plans should be suitably prudent, affordable and sustainable. A brief explanation of some of the key indicators are as follows:-

### **Capital Expenditure**

Actual expenditure is taken from the Councils audited accounts. Estimated capital expenditure reflects the Council's ten year Capital Investment Plan.

### **Financing Costs**

These are the costs to the Council of borrowing money to pay for capital projects and include principal repayments and interest charges which are charged against the relevant revenue budgets.

### **Ratio Financing Costs to Revenue Stream**

This is a key indicator and highlights how much the Council's annual income is used to meet the costs of the Council borrowing to fund Capital Expenditure Plans.

### **The Capital Financing Requirement**

This indicator quantifies the Council's need to borrow to fund Capital Projects.

### **External Debt**

This is the amount the Council borrows externally to fund Capital Projects

### **Authorised Limit / Operational Boundary for External Debt**

These are approved limits which are used to monitor the total borrowings of the Council on a day to day basis. The Operational Boundary is set to reflect the estimated need to borrow for a capital purpose in the current and two following financial years as permitted by the CIPFA code on Treasury Management. It is not normally expected to be exceeded. The Authorised Limit is the upper limit of gross external debt which should not be exceeded. It reflects the level of external debt which could be afforded in the short term, but is not necessarily sustainable in the longer term. If any breach of either of these limits were to occur, members should be formally advised of the occasions and reason for the breach.

### **External Debt and the Capital Financing Requirement**

This is a key indicator which highlights whether the Council has borrowed to meet its needs or not. If the limit has been exceeded it may indicate that the Council has borrowed in advance of its needs. This indicator requires to be closely monitored to ensure premature borrowing does not happen.

### **CIPFA Code on Treasury Management / Treasury Indicators**

The Council has adopted the CIPFA Code on Treasury Management and complies with all aspects of the Code. The various Treasury Indicators are important in setting parameters that ensure the Council is not exposed to interest rate movements which could impact significantly on the Council's finances.

### **Upper limit for the maturity of borrowing**

This indicator limits the exposure of the maturity of borrowing and is set at an upper limit of 15%.

### **CIPFA Code on Treasury Management / Treasury Indicators**

The Council has adopted the CIPFA Code on Treasury Management and complies with all aspects of the Code. The various Treasury Indicators are important in setting parameters that ensure the Council is not exposed to interest rate movements which could impact significantly on the Council's finances.

### **Debt Liability Benchmark**

#### **Existing Loan Debt Outstanding**

This represents the Council's existing loans which are still outstanding and are due to be repaid in future years

### **Loan Capital Financing Requirement**

This represents the Capital Financing Requirement less the Long Term Liabilities for PPP. It gives an indication of what the Council could require to borrow in future years

### **Net Loan Requirement**

This represents the expected external debt less any investments which the Council expects to hold in the future

### **Liability Benchmark**

This represents the Loan Capital Financing Requirement less any investments the Council expects to hold in the future



**FIFE COUNCIL MEETING**

**THURSDAY, 23 FEBRUARY 2023**

**AGENDA ITEM NO. 4(d) - GENERAL FUND REVENUE BUDGET 2023-26**

**MOTION ON BEHALF OF THE ADMINISTRATION**

“That the Council:-

1. Approves the report by the Executive Director (Finance & Corporate Services) and the resolution for the levying and collection of council tax and rates for the year 2023-26 as detailed below and specifically:-
  - (a) notes the details of the provisional settlement announced by the Scottish Government as outlined in Finance Circular 11/2022, and the terms of the settlement as outlined in the letter from Cabinet Minister for Finance and Economy, dated 20th December 2022;
  - (b) agree a rise of 5% council tax to be levied for the financial year 2023-24 at Band D equivalent and the revenue budget which can be sustained by this level of income;
  - (c) note the indicative levels of expenditure, subject to further detailed analysis in respect of the financial years 2024-25 and 2025-26;
  - (d) approve the prudential indicators;
  - (e) approve the commitment from balances of £8m to support the revenue budget;
  - (f) agree an additional contribution of £8.1m to the Fife Health and Social Care Partnership
  - (g) agrees that the Council set for 2023-24 the Council Tax at £1,385.18 for valuation Band D properties and proportionately for other Bands; and
  - (h) approve the terms of the Administration’s Budget Statement and the attached investment proposals.
  
2. Agrees that early work commences in relation to the development of options for the preparation of the 2024-25 and 2025-26 revenue budgets.

**RESOLUTION FOR THE LEVYING AND COLLECTION OF COUNCIL TAX AND RATES FOR THE YEAR 2023-24**

Fife Council resolves for the financial year from 1st April, 2023 to 31st March, 2024 as follows:-

- (i) in terms of Section 93 of the Local Government Finance Act 1992 and of all other powers enabling them in that behalf to set the amount of council tax to be paid in their area in respect of a chargeable dwelling listed in valuation Band D at £1,385.18 and to determine the amounts for all the valuation bands as follows:-

| <b>Valuation Band</b> | <b>Council Tax</b> |
|-----------------------|--------------------|
| A                     | £923.45            |
| B                     | £1,077.36          |
| C                     | £1,231.27          |
| D                     | £1,385.18          |
| E                     | £1,819.98          |
| F                     | £2,250.92          |
| G                     | £2,712.65          |
| H                     | £3,393.69          |

- (ii) in terms of sections 7 and 7B of the Local Government (Scotland) Act 1975, to levy within their area the non-domestic rate as prescribed by the Scottish Ministers and in accordance with the relevant Non-Domestic Rates (Levying) (Scotland) Regulations.

Proposed by Councillor Altany Craik

Seconded by Councillor Linda Erskine



# Revenue Budget 2023-26

Proposed by the Administration

## Contents

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|-------------------|---|
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| 4                 | Revenue Budget Gap 2023-26                                      |
| <b>Appendices</b> |   |
| 5                 | Appendix 1 – Budget Investment proposed by Joint Administration |
| 6                 | Appendix 2 – On-Off Investment proposed by Joint Administration |

## **Budget Statement from the Labour Administration**

Fife Council is once again faced with making cuts to vital local services and raising council tax over the next three years as a result of under funding by the Scottish Government.

This follows more than a decade of cuts to council budgets by the Scottish Government along with restrictions on council tax and ring fencing of spending. Year after year, the Council has been forced to make cuts to services in order to produce a balanced budget.

Let's remind ourselves that the Scottish Government controls over 80% of council funding through our core grant. It is the stated intent of Scottish Government to provide councils with only a 'flat cash' settlement for 2024/25 and 2025/26. This means no additional funding for inflation, currently running at over 10%, pay increases or demographic pressures, let alone any funding to meet new or emerging local needs.

The Convention of Scottish Local Authorities (COSLA) estimated that local government across Scotland needed an additional £600.000m in grant just to cope with inflation and demand pressures even without pay increases for staff. The Scottish Government provided just £71.000m of funding that was not ring fenced or directed at national priorities. If local government had received the funding COSLA asked for, Fife's share would have been around £40.000m. Think what the council could have achieved with this extra funding. More investment in education, social care and the roads. Protecting leisure and environmental services and keeping the council tax low. There is a long list of services crying out for additional investment.

Council staff played a vital role during the pandemic in supporting our communities. But fewer staff are having to cope with more work and the pressures this creates are being seen in sickness rates and in problems with recruitment and retention of staff. Since 2010 the Council has lost over 2,000 posts. We hope to avoid making any cuts to staff numbers during the coming year but the Council could be forced to lose up to 500 more posts over the following two years.

Our Council has already identified £26.000m in budget realignment and accountancy measures to reduce expenditure for the coming year, but this will still leave the Council with a budget gap, between income and the cost of maintaining existing services, of £11.505m this year, rising to £33.198m in 2024/25 and £55.598m in 2025/26. This will inevitably mean more cuts to local services, job losses and increases in council tax in the future.

Having consulted with all other political groups represented on the council, these are our proposals to produce the legally required balanced budget for 2023/24.

The starting point is the baseline budget gap of £11.505m as estimated by the Executive Director, Finance and Corporate Services, in her report.

To this we have added recurring expenditure to meet on-going financial pressures:

|  |         |
|--|---------|
| Increased costs of subsidised bus contracts  | £0.761m |
| Converting costs met by temporary funding in the past to recurring costs within the baseline budget: |         |
| Café Inc   | £0.150m |
| Fife Coast and Countryside Trust   | £0.216m |

This brings the total budget gap to be met to £12.632m.

We propose to balance this budget gap as follows:

Teachers Funding – £2.000m

Funding for teachers that was allocated in previous years but was withdrawn in the initial budget settlement for 2023/24 announced in December. This has now been returned to the settlement by Scottish Government.

Council Tax - £9.080m

Increase in Council Tax of 5% (less than half the current rate of inflation)

This leaves a remaining budget gap of £1.552m.

We are advised by the Executive Director, Finance and Corporate Services, that there are currently £8.000m of uncommitted balances available to be used in 2023/24 and we propose to close the remaining budget gap using part of these balances rather than by raising the council tax further or by cutting services.

This will allow the Council time to address the budget gaps for future years in a managed way, although this is likely to mean further cuts to services.

Once this remaining budget gap of £1.552m has been met from uncommitted balances, there remains £6.448m for one-off temporary expenditure in the coming year.

We propose to make additional temporary investment this year as follows:

Roads - £3.500m

We have made progress in the past year on our commitment to improve the state of Fife's roads but there is still work to be done, and there is once again a backlog of work building up because of the impact of winter weather. We will review the capital expenditure for road improvements later in the year but we propose to invest an additional £3.500m from uncommitted balances in fixing potholes, reactive patching, and drainage, bringing the funding available for this through revenue spending in the coming year, to over £10.800m.

Additional Hardship Support – £2.000m

During the Covid lockdowns and the current financial year, additional temporary funding has been made available from the Scottish Government to address

hardship and support the recovery. This is no longer available, but we know that most families and individuals in Fife are continuing to face cost of living pressures. We will therefore be adding £2.000m from uncommitted balances to provide hardship support, to help those most in need.

Cost of Living - £0.948m

We will hold the remaining £0.948m in reserve for cost of living pressures, to be committed during the course of the coming year, with priority likely to be given to increasing the hardship funds further, depending on demand; funding a winter programme of support measures for people most in need, similar to that which we have put in place this winter; supplementing staffing in our contact centre to improve accessibility for those needing to contact the Council.

**Conclusion**

Through this budget we hope to protect vital local services for another year, provide support to the most vulnerable in our communities and invest the limited resources we have in Fife's priorities. But the pressures facing the Council only look set to get worse and we must now turn our attention to how we cope with the challenges of the following years.

**FIFE COUNCIL**  
**GENERAL FUND REVENUE BUDGET 2023-26**

|  | 2023-24<br>£m | 2024-25<br>£m | 2025-36<br>£m |
|--|---------------|---------------|---------------|
| <b>Estimated Budget Gap as per report by Executive Director Finance &amp; Corporate Services</b> | <b>11.505</b> | <b>33.198</b> | <b>55.598</b> |
| <b>Proposed Additional Investment by Administration</b>  |               |               |               |
| Investment (Appendix 1)  | 1.127         | 1.366         | 1.366         |
| <b>Revised Budget Gap</b>  | <b>12.632</b> | <b>34.564</b> | <b>56.964</b> |
| Teachers Funding - To be included in Finance Order   | (2.000)       | (2.000)       | (2.000)       |
| Council Tax 5% increase  | (9.080)       | (9.080)       | (9.080)       |
| <b>Revised Budget Gap</b>  | <b>1.552</b>  | <b>23.484</b> | <b>45.884</b> |
| Use of Balances (One-off)  | (1.552)       |               |               |
| <b>Final Budget Gap</b>  | <b>0.000</b>  | <b>23.484</b> | <b>45.884</b> |
| <b>Proposed Additional Temporary Investment by Administration</b>                                |               |               |               |
| Temporary Investment (Appendix 2)  | 6.448         | 0.000         | 0.000         |
| Use of Balances (One-off)  | (6.448)       | 0.000         | 0.000         |
| <b>Final Budget Gap</b>  | <b>0.000</b>  | <b>0.000</b>  | <b>0.000</b>  |

**FIFE COUNCIL  
GENERAL FUND REVENUE BUDGET 2023-26  
BUDGET INVESTMENT**

|  | 2023-24<br>£m | 2024-25<br>£m | 2025-26<br>£m |
|--|---------------|---------------|---------------|
| <b><u>Enterprise &amp; Environment</u></b> |               |               |               |
| Assets, Transportation & Environment       |               |               |               |
| <b>Roads &amp; Transportation Service</b>  |               |               |               |
| Bus Contracts                              | 0.761         | 1.000         | 1.000         |
| <b>Total Enterprise &amp; Environment</b>  | <b>0.761</b>  | <b>1.000</b>  | <b>1.000</b>  |
| <b><u>Communities</u></b>                  |               |               |               |
| <b>Communities &amp; Neighbourhoods</b>    |               |               |               |
| FCCT                                       | 0.216         | 0.216         | 0.216         |
| Café Inc                                   | 0.150         | 0.150         | 0.150         |
| <b>Total Communities</b>                   | <b>0.366</b>  | <b>0.366</b>  | <b>0.366</b>  |
| <b>Total Budget Investment</b>             |               |               |               |
|  | <b>1.127</b>  | <b>1.366</b>  | <b>1.366</b>  |

**FIFE COUNCIL  
GENERAL FUND REVENUE BUDGET 2023-26  
TEMPORARY BUDGET INVESTMENT**

|   | <b>2023-24<br/>£m</b> | <b>2024-25<br/>£m</b> | <b>2025-26<br/>£m</b> |
|---|-----------------------|-----------------------|-----------------------|
| <b>Enterprise &amp; Environment</b>       |                       |                       |                       |
| Assets, Transportation & Environment      |                       |                       |                       |
| <b>Roads &amp; Transportation Service</b> |                       |                       |                       |
| Roads                                     | 3.500                 | 0.000                 | 0.000                 |
| <b>Total Enterprise &amp; Environment</b> |                       |                       |                       |
|   | <b>3.500</b>          | <b>0.000</b>          | <b>0.000</b>          |
| <b>Communities</b>                        |                       |                       |                       |
| <b>Communities &amp; Neighbourhoods</b>   |                       |                       |                       |
| Hardship Support                          | 2.000                 | 0.000                 | 0.000                 |
| Cost of Living Pressures                  | 0.948                 | 0.000                 | 0.000                 |
| <b>Total Communities</b>                  | <b>2.948</b>          | <b>0.000</b>          | <b>0.000</b>          |
| <b>Total Budget Investment</b>            |                       |                       |                       |
|   | <b>6.448</b>          | <b>0.000</b>          | <b>0.000</b>          |



**FIFE COUNCIL MEETING**

**THURSDAY, 23 FEBRUARY 2023**

**AGENDA ITEM NO. 4(e) - GENERAL FUND REVENUE BUDGET 2023-26**

**MOTION ON BEHALF OF THE SNP GROUP**

“That the Council:-

1. Approves the report by the Executive Director (Finance & Corporate Services) to include the details of the provisional settlement, the levels of expenditure in future years and the prudential indicators,
2. Agrees a rise of 3% council tax to be levied for the financial year 2023-24 at Band D equivalent and the revenue budget which can be sustained by this level of income;
3. Agrees that the Council set the Council Tax for 2023/24 at £1,358.80 for valuation Band D properties and proportionately for other Bands;
4. Approves the resolution for the levying and collection of council tax and rates for the year 2023-24 as detailed below; and
5. Agrees the terms of the SNP’s budget proposal contained at appendix 1.

**RESOLUTION FOR THE LEVYING AND COLLECTION OF COUNCIL TAX AND RATES FOR THE YEAR 2023-24**

Fife Council resolves for the financial year from 1st April, 2023 to 31st March, 2024 as follows:-

- (i) in terms of Section 93 of the Local Government Finance Act 1992 and of all other powers enabling them in that behalf to set the amount of council tax to be paid in their area in respect of a chargeable dwelling listed in valuation Band D at £1,358.80 and to determine the amounts for all the valuation bands as follows:-

| <b>Valuation Band</b> | <b>Council Tax 2022/23</b> | <b>Council Tax 2023/24</b> |
|-----------------------|----------------------------|----------------------------|
| A                     | £879.48                    | £905.86                    |
| B                     | £1,026.06                  | £1,056.84                  |
| C                     | £1,172.64                  | £1,207.82                  |
| D                     | £1,319.22                  | £1,358.80                  |
| E                     | £1,733.31                  | £1,785.31                  |
| F                     | £2,142.73                  | £2,207.01                  |
| G                     | £2,583.48                  | £2,660.98                  |
| H                     | £3,232.09                  | £3,329.05                  |

- (ii) in terms of sections 7 and 7B of the Local Government (Scotland) Act 1975, to levy within their area the non-domestic rate as prescribed by the Scottish Ministers and in accordance with the relevant Non-Domestic Rates (Levying) (Scotland) Regulations.

Proposed by Councillor: David Alexander

Seconded by Councillor: Craig Walker

## Fife Council SNP Group General Fund Revenue Budget 2023-2024

### Budget Details

The proposed SNP Budget shows that **Fife Council** for the **4<sup>th</sup> year in a row** can **avoid cuts and job losses** and can invest **£3.9 million** in vital services that are under the most stress.

Our Proposals for additions investment:

1. **250 additional homeless packs** are included to help those caught up in the current housing crisis.
2. We are increasing funding to the **welfare fund**, support for **foodbanks and community larders**, and writing off unrecoverable **school meal debt**.
3. We are also increasing infrastructure budgets to combat the scourge of **flooding and potholes**.
4. In addition, given the funding from the Scottish Government last year to **end music tuition charges** we are providing funding to schools to purchase **additional musical instruments**.

### Council Tax

We are asking people to pay a **3% increase** in Council tax which is in line with the minimum assumption in the Council's Medium-Term Finance Strategy (MTFS). The monthly and weekly **impact by band** is as follows:

| <b>Valuation Band</b> | <b>2022/23 (£)</b> | <b>23/24 (£)</b> | <b>Annual increase (£)</b> | <b>Increase per month, based on 10 months (£)</b> | <b>Increase per week, based on 44 weeks (£)</b> |
|-----------------------|--------------------|------------------|----------------------------|---|---|
| A                     | 879.48             | 905.86           | 26.38                      | 2.64  | 0.60  |
| B                     | 1,026.06           | 1,056.84         | 30.78                      | 3.08  | 0.70  |
| C                     | 1,172.64           | 1,207.82         | 35.18                      | 3.52  | 0.80  |
| D                     | 1,319.22           | 1,358.80         | 39.58                      | 3.96  | 0.90  |
| E                     | 1,733.31           | 1,785.31         | 52.00                      | 5.20  | 1.18  |
| F                     | 2,142.73           | 2,207.01         | 64.28                      | 6.43  | 1.46  |
| G                     | 2,583.48           | 2,660.98         | 77.50                      | 7.75  | 1.76  |
| H                     | 3,232.09           | 3,329.05         | 96.96                      | 9.70  | 2.20  |

In setting a 3% Council Tax rate we are balancing the need to minimise the impact on Council Taxpayers and to protect the services the Council provides.

Fife Council will receive **£5.4 million** from a 3% Council tax increase but it is important to recognise that, apart from the £3.9 million mentioned above, Fife will benefit from a **further £49 million** from the ring-fenced projects funded by the Scottish Government.

### **Impact of Inflation/demand for wage increases**

Whilst Fife Council can balance the books this year inflationary pressures are feeding through into **all areas of public spending**. People across Fife are suffering from **financial hardship** and workers are **rightly demanding pay increases** to combat the Tory cost-of-living crisis.

Whatever inflation measure people choose to use the funding coming to the Scottish Government and Councils is **insufficient** to cover the impact. The average for RPI for the first 9 months of this year is **12.6%**. The average for CPI is **8.7%**.

**The Westminster Government** try to deflect their responsibility for creating crippling rates of inflation. However, it is certainly not the fault of Fife Council, neither is it the fault of the Scottish Government. It is also not the fault of the ordinary people who must deal with the consequences. The **Scottish Fiscal Commission (SFC)** forecasts that this year will see the **biggest fall (-3.3%) in living standards** since Scottish records began in 1998.

### **Westminster Underfunding and future years**

The Scottish Government received an uplift of only **3.4%** from Westminster for the new financial year (23/24) whilst Westminster Government forecasts estimate that **inflation** will continue to significantly **exceed** that for the rest of this year.

By comparison the Scottish Government's Emergency Budget Review (EBR) last year **reallocated £1.2 billion** from within existing spending plans, primarily for **improved public sector pay deals and cost of living support**.

The estimated financial projections for Fife Council for **2024/2025** indicate a **potential £25 million** gap between income and expenditure (excluding a council tax increase) . The Westminster Government uplift to Holyrood is estimated to be **as low as 1%**.

This is **unacceptable** and the Westminster Government has a **moral responsibility** to adequately recompense workers and also the devolved administrations which are struggling with underfunding from Westminster caused by **catastrophic Tory mismanagement** of the economy and public finances.

The financial details of our budget are provided in the following tables.

### **Fife Council SNP Group General Fund Revenue Budget Proposals 2023-2024**

|  | <b>2023-24<br/>£m</b> |
|--|-----------------------|
| Estimated Budget gap before Council Tax increase | -11.505               |
| Council Tax increase (3%)                        | 5.448                 |

|   |               |
|---|---------------|
| <b>Estimated Budget Gap</b>             | <b>-6.057</b> |
| Transfer from Reserves                  | 8.000         |
| Additional £2 million – teachers        | 2.000         |
| Proposed one-off investment (see below) | 3.943         |
| <b>Revised Budget Gap</b>               | <b>0.000</b>  |

#### **Proposed One-off Investment**

| <b>One-off Investment/cost of living funding</b>      | <b>£m</b>    |
|---|--------------|
| 250 homeless starter packs                            | 0.475        |
| Additional contribution to Welfare Fund               | 0.600        |
| Additional flooding prevention measures               | 0.800        |
| Additional revenue support to pothole remediation     | 1.555        |
| Support to foodbanks and community larders            | 0.300        |
| Write off unrecoverable school meal debt              | 0.063        |
| Increased provision to schools of musical instruments | 0.150        |
| <b>Total One-off Investment</b>                       | <b>3.943</b> |

#### **Ring-fenced cash spent in Fife (Scottish Government Funded)**

|  | <b>£m</b>     |
|--|---------------|
| Early Learning and Childcare expansion | 36.267        |
| Pupil Equity Fund                      | 10.441        |
| Whole Family Well-being (new)          | 2.288         |
| Others                                 | 0.345         |
| <b>Total Ring-fenced funding</b>       | <b>49.341</b> |

23rd February, 2023

Agenda Item No. 5(a)

## **Housing Revenue Account (HRA) Budget 2023-24 (Including Options for the HRA and General Fund Housing Account [GFHA] Rents and Charges)**

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Report by: John Mills, Head of Housing Services and Elaine Muir, Head of Finance

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Wards Affected: All

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### **Purpose**

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The report presents members with sufficient information relating to the HRA within the context of the outcome of the HRA Business Plan Review 2022 to enable the Council to approve a budget for 2023-24. As in previous years, proposals for GFHA homelessness temporary accommodation will be aligned to any decision around the HRA rent increase.

### **Recommendation(s)**

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It is recommended that Fife Council:

1. Considers the context of the HRA Business Plan 2022 and the HRA Medium Term Financial Strategy including:
  - a. The estimated budget gap of up to £8.333m for 2023-24
  - b. The baseline plan risk of 30% which is medium risk
  - c. The high level of risk the HRA is exposed to from potential future pressures
2. Agrees the rent increase for 2023/24 and appropriate increase in charges for HRA and General Fund Housing Account services.
3. Balances the HRA budget for 2023-24 using CFCR (Capital Funding from Current Revenue) to close the gap for one year only while noting the future pressures.
4. Notes the level of current uncommitted HRA Reserves as £3.005m which is £0.500m above the policy minimum.

### **Resource Implications**

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As a result of the last 4 years of rental increases being below inflation and pressures arising from the current economic climate, the HRA faces significant resource pressures.

The rental increases of 0% to 3% for 2023-24 which tenants were consulted on place the HRA in a medium risk position with the level of affordability expected to peak at up to 32%. The level of budget gap for 2023-24 would require a rental increase of 6.5% if this was the only means considered to address the gap.

Cost inflation is a significant pressure in the short to medium term and it is anticipated that future savings will need to be identified in addition to future rent increases to ensure

the HRA remains sustainable and affordable. The scale of both of these will be dependent on the future ambition of future capital investment.

## **Legal & Risk Implications**

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The HRA Business Plan is designed to support the Council in meeting statutory housing requirements and there will be no additional legal and risk implications providing the model is preserved.

Continued rental increases below inflation ultimately expose the HRA to an increasing level of financial risk due to costs rising at a higher rate than income. Low rent increases also restrict the HRA's ability to borrow new money to continue building and improving council housing. This is detailed further in the paper.

The Baseline Business Plan has been modelled on the basis that the Phase 3 Affordable Housing Programme and Transitional Affordable Housing Programme (TAHP) will be completed by late 2024. The Council's desire to continue to build new council houses through an additional Phase 4 programme will necessitate increased borrowing to fund capital investment. An increased level of borrowing leads to increased cost of borrowing and exposes the HRA to a higher level of risk. Building new council houses is not a statutory duty of the council however, it is at the heart of the Plan4Fife to address housing need and reducing poverty.

The Council is obliged to maintain statutory duties and standards for council housing stock. The Energy Efficiency Standard for Social Housing (EESH2) is currently under review by the Scottish Government. A revised standard will be produced later in 2023. The HRA Baseline Business Plan does not currently account for the anticipated costs of meeting EESH2 by 2032.

## **Impact Assessment**

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An EqIA and summary form have been completed – the summary form is attached in appendix 1 of the report.

## **Consultation**

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The Housing (Scotland) Act 2001 requires the Council to consult with tenants affected by any proposal to increase rents and charges and have due regard to the views expressed by those consulted. Feedback from consultation with tenants is detailed in this report.

Housing Services and Financial Services have worked jointly on this paper and have taken cognisance of the completed 2022 HRA Business Plan review.

## 1.0 Background

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- 1.1 The Housing Revenue Account (HRA) provides the financial framework for the Council's role as housing landlord. The HRA is required by legislation to be a ring-fenced account used for the sole benefit of Council tenants. It is financed almost entirely by rents and other charges with no contribution made from Council Tax revenues or the General Fund.
- 1.2 The report outlines the impacts arising from high rates of inflation and consequent budget pressures. In presenting the HRA budget for 2023-24, consideration has been given to the need to balance these financial pressures with provision of statutory services, future capital investment requirements and the level of rent income required to support these priorities.
- 1.3 The Housing (Scotland) Act 2001 requires the Council to consult with tenants affected by any proposal to increase rents and have regard to the views expressed by those consulted.
- 1.4 The Cost of Living (Tenant Protection) (Scotland) Act 2022 introduced a temporary rent freeze from October 2022 to March 2023. The Scottish Government subsequently confirmed that the rent freeze for the social sector will expire on 26 February 23. COSLA has issued a Statement of Intent which confirms local authorities' commitment to keeping rent increases in April 2023 to an average of no more than £5 a week.
- 1.5 To assist council tenants through the Cost-of-Living crisis, the intention is to continue with £2m HRA funding to support tenants struggling with transition from housing benefit to universal credit, tenants on the margin who pay cash rent and who may struggle to make full rent payments, tenants who may be negatively affected by legacy benefits and tenants experiencing fuel poverty.
- 1.6 Targeting support to tenants in difficulty will be more effectively deployed through the Council's new LIFT system which will go live in April 2023. This system enables council officers to contact individual households to offer assistance and advice to alleviate their financial situation.

## 2.0 Current Budget Pressures for 2023-24

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- 2.1 The HRA is required to present a balanced budget for approval at full Council each year. The HRA currently faces significantly increased costs due to high inflation, staff salary increases, increasing stock figures, and other pressures. To meet these rising costs, the HRA must increase rents or generate recurring savings (or a combination of both) annually. This is to allow the rising costs to be met whilst maintaining service provision to tenants and ensuring adequate funds to pay interest on historic housing debt and new borrowing, to fund new council housing and maintain and improve existing housing stock.
- 2.2 In recognition of ongoing Cost of Living challenges affecting tenants, a motion for officers to consider the financial impact on the HRA of both a rent freeze and a partial rent freeze for 2023-24 was approved at Cabinet Committee on 22nd September 2022. The HRA Consultative Budget 2023-24 Paper was subsequently presented to Cabinet Committee on 17<sup>th</sup> November 2022 and agreed to consult with tenants on rental increases of between 0% to 3% for 2023-24. At that time, it was estimated that the HRA would face a

budget gap of £6.627m in 2023-24 which would require mitigation from either rental increases or revenue savings. Based on the anticipated rental income, it was estimated that the budget gap in 2023-24 would range from £5.835m if a 0% rent option was approved to a surplus of £0.400m if a 5% rent option was approved.

- 2.3 Since the Consultative Budget paper was presented to committee the anticipated pressures have continued to rise and have increased from £6.627m to £10.228m which means it is not possible to close the budget gap based on the rental increases consulted on of 0% to 3%. It must be noted that this increased gap comes from recurring pressures and are likely to increase in future years. The £10.228m of pressures facing the HRA for 2023-24 includes:
- £3.102m from increased operational costs which are a result of increasing stock numbers, increasing materials and supplies costs because of the current economic climate.
  - £2.892m increase in funding for Capital Investment to maintain an investment level consistent with prior years
  - £1.410m from inflationary increases in salary costs and Central Support Services Charges as a result of both approved and anticipated pay rises and increments.
  - £2.824m from other general inflation increases which is significantly higher than previous financial years.
- 2.4 The HRA historically invests around 47% of Net Rental Income into the HRA Capital Programme each year. This is comprised of both the CFCR (Capital Funding from Current Revenue) and the Cost of Borrowing. These budgets provide flexibility to accommodate fluctuations in the cost of borrowing year to year but combined, maintains a consistent level of investment into the capital programme. The budget gap assumes investment into the Capital Programme is maintained at a consistent level.
- 2.5 It must also be noted that these are the current pressures anticipated for 2023-24 only. If additional pressures emerge, the budget gap faced by the HRA will widen and expose the HRA to further financial risk. The pressures outlined above are wide ranging and significant and cover several areas of spend within the HRA. The pressures have been minimised and offset to a degree by budget re-alignments from areas of underspend. There are no policy related savings proposed at this time, but this cannot be ruled out for future years.

### 3.0 Medium Term Forecast

- 3.1 The budget gap for the next three years is provided below. Whilst an estimate for rental growth associated with additional housing stock has been included, no inflationary rent increase has been assumed in arriving at the figures as this is a political decision. Members have choices to make regarding the level of rent to set and consequently, the level of reduction in capital investment (CFCR) in the short term, in order to balance the budget:

|                           | Individual Year (£m) |         |         | Cumulative Impact (£m) |
|---------------------------|----------------------|---------|---------|------------------------|
|                           | 2023-24              | 2024-25 | 2025-26 |                        |
| <b>Budget Gap In Year</b> | 8.333                | 8.577   | 8.044   | 24.955                 |

- 3.2 A number of scenarios have been modelled in order to assess the impact on the budget gap of varying rent options. The table below shows the estimated budget gap for the

three years from 2023-24 through to 2023-26 and the cumulative impact of each rental option. This assumes that rental increases for 2024-26 are set at 3.5% and cost inflation is set at 3%:

| Rental Increase Option | Estimated Budget Gap (£m) |         |         | Cumulative Impact Over Three Years |
|------------------------|---------------------------|---------|---------|------------------------------------|
|                        | 2023-24                   | 2024-25 | 2025-26 |                                    |
| 0% Rental Increase     | 8.333                     | 8.577   | 8.044   | 24.955                             |
| 3% Rental Increase     | 4.401                     | 4.509   | 3.803   | 12.713                             |
| 5% Rental Increase     | 1.874                     | 1.896   | 1.076   | 4.847                              |
| 6.5% Rental Increase   | (0.022)                   | (0.082) | (0.978) | (1.083)                            |

- 3.3 As can be seen from the table above, a rental increase of 6.5% would be required to close the budget gap in full for 2023-24
- 3.4 It is proposed that any resulting budget gap in 2023-24 is bridged by reducing the level of CFCR, which will result in an equivalent reduction in capital funding. The impact of this will be considered and agreed as part of the review of the HRA Capital Plan in May 2023. However, use of CFCR to close the budget gap is a short-term measure and is not sustainable in the medium to long term if investment is to be maintained at historic levels. Pursuing a strategy of reducing CFCR over the medium term would adversely impact on the level of capital investment that is affordable.
- 3.5 The table below shows the impact on the annual mainstream rental income and the average weekly rents from 0% to 6.5%:




| RENTAL INCREASE % | 2023-24 RENTAL INCOME (£m) | INCREASE IN MAINSTREAM RENTAL INCOME COMPARED TO 2022-23 (£m) | AVERAGE WEEKLY RENT (£) | INCREASE IN AVERAGE RENTS PER WEEK (£) |
|-------------------|----------------------------|---|-------------------------|--|
| 0.00%             | 125.959                    | 2.049   | 78.49                   | 0.00                                   |
| 1.00%             | 127.210                    | 3.301   | 79.27                   | 0.78                                   |
| 2.00%             | 128.478                    | 4.568   | 80.06                   | 1.57                                   |
| 3.00%             | 129.730                    | 5.820   | 80.84                   | 2.35                                   |
| 5.00%             | 132.249                    | 8.340   | 82.41                   | 3.92                                   |
| 6.50%             | 134.143                    | 10.233  | 83.59                   | 5.10                                   |

## 4.0 Affordability / Tenant Impact

- 4.1 **Housing benefits** - the affordability of housing rents will depend on the circumstances of individual tenants. Given the general profile of Council tenants, the uptake of benefits is

of importance. At the end of August 2022, 9,541 (32%) Council households were claiming Housing Benefit, with an additional estimated 10,500 (35%) now receiving Universal Credit.

- 4.2 Tenants in receipt of Universal Credit are entitled to any increase in their housing costs in a similar way to those on Housing Benefit. However, the Department for Work & Pensions administers Universal Credit applications and holds claimants' data. This makes it difficult to predict with any accuracy the exact number of Council tenants claiming Universal Credit at any point in time, and how they will be impacted by a rent increase.
- 4.3 According to the above, approximately 67% of council tenants are supported through HB or UC to pay their rent. This represents income to the HRA received directly through benefits payments. A rent freeze or a lower rent increase would therefore not benefit most tenants but would instead benefit HM Treasury and result in lost income to the HRA in both 2023-24 and all future years.
- 4.4 Based on the estimated uptake in benefits, it can be assumed that around 33% Council households will not claim benefits in 2022-23 and will be required to fully fund any rent increase. As stated in section 1.5, to support all tenants in financial difficulty with their rent payment, the Council has had rent support funding available for the past few years. The proposal is to continue to provide this rent support at £1.5m with added £0.5m support for fuel poverty.
- 4.5 **Living Rent** - the introduction of a 'living rent' was recommended by the Fairer Fife Commission in 2015 and an appropriate definition for social housing was agreed. A 'living rent' is defined as being affordable for a household with someone in full-time employment and not assisted through benefits, based on a calculation of charging a fixed percentage (28%) of net lower quartile earnings. In Fife, the current 'living rent' threshold for a single person is £106.12 per week. Housing costs below this threshold are affordable and above the threshold will be unaffordable.
- 4.6 A rental increase of 3% to 6.5% equates to an average rent of between £80.84 to £83.59 per week. The affordability of these rental increases can be tested against different types of Council households on low income and not in receipt of benefits:

|   | Household / Income Scenario  | 28% of Weekly Earnings (net of tax) | Affordability of FC Rent Options          |
|---|--|-------------------------------------|---|
|  | Single person household, in full-time employment with lower quartile earnings (i.e. 'Living Rent' scenario') | £106.12                             | Rent options affordable / below threshold |
|  | Two-person household with a full-time and part-time employee, both with lower quartile earnings              | £145.88                             | Rent options affordable / below threshold |
|  | Single person household, in full-time employment with lower <u>decile</u> earnings                           | £91.28                              | Rent options affordable / below threshold |

Source: Annual Survey of Hours and Earnings 2021 / Fife Statistics

- 4.7 The table above indicates that single people and working couples on lower quartile earnings should be able to afford the proposed rent options without the assistance of benefits. Even if the 'living rent' definition is remodelled to assess lower decile earnings, reducing the living

rent threshold, the average full-time employee should afford the proposed rent options based on average rent levels. Therefore, the average Council rent across each option should remain affordable to those on the lowest earnings and would continue to be classed as a 'living rent'.

- 4.8 The COSLA Statement of Intent outlined that Local Authorities would keep rent increases to an average of no more than £5 per week. A rental increase of up to 5% keeps the average weekly rental increase within this limit at £3.92 per week.
- 4.9 A rental increase of 6.5% is within the living rent parameters outlined in para 5.6. However it increases the average weekly rent by £5.10 which is above the limit of £5 set in COSLAs Statement of Intent.
- 4.10 On the 17th of November 2022, Cabinet Committee agreed to survey all Council tenants around the rent proposals. Tenants were asked to vote on their preferred rent option and to provide feedback on their housing service priorities. A total of 1170 tenants responded to the survey (excluding incomplete and spoiled returns). Full details of the tenant survey are provided in Appendix 2.

The survey results highlighted the top three priorities for tenants as:

- Home improvements
- Home energy efficiency works
- New build housing

- 4.11 The table below shows the results of the survey in relation to rent options. The majority of 621 respondents (53%) agree with a rent option of 0%:

| <b>Rent Proposal</b> | <b>Total Number of Respondents</b> | <b>% of Respondents</b> |
|----------------------|------------------------------------|-------------------------|
| Option 1: 0%         | 621                                | 53                      |
| Option 2: 1%         | 237                                | 20                      |
| Option 3: 2%         | 208                                | 18                      |
| Option 4: 3%         | 104                                | 9                       |
| <b>Total</b>         | <b>1,170</b>                       | <b>100%</b>             |

Source: Fife Council Rent Survey for 2023-24/ issued Dec 2022 (spoiled responses excluded)

- 4.12 The Housing Spokesperson and the Head of Housing Services held a formal meeting with the Chairpersons of the three Fife Tenants Federations on 3rd February 2023 to consult on the HRA budget and rent options. The Federation Chairpersons expressed the view that whilst they recognised that a rent increase was required to ensure that tenant priorities could be delivered, more effective and targeted support for some tenants was also needed. A rental increase was considered to be necessary, caveated by the importance of reaching and providing support to tenants who are not in receipt of benefits and help with housing costs for those tenants who may be on the margins and struggling financially. It was confirmed that a council proposal for rent support would be taken to a future meeting of the Fife Tenants Forum.

## 5.0 Long term Forecast & HRA Business Plan

- 5.1 The HRA uses prudential limits as a measure of debt affordability to assess the HRAs long term level of exposure to financial risk. The prudential limit is calculated by looking at the cost of loan charges as a percentage of net rental income. There is a risk to the HRA's ability to meet statutory duties if borrowing increases to a level where a high percentage of rental income must go towards repaying long term fixed loan charges. The affordability of borrowing must be measured over the long term given that increased borrowing commits the HRA to long term fixed costs.
- 5.2 The HRA currently has an agreed maximum prudential limit of 38%, this ensures that the cost of borrowing remains within affordable and sustainable levels. This limit remains reasonable in the current context but is dependent on rent income increasing more or less in line with inflation over time but recognises that this assumption might not be guaranteed. A borrowing level below 30% is deemed low risk and between 30%-33% is deemed to be medium risk. Anything over 33% is classed as high risk. Emerging financial challenges create pressure for the HRA and, to prevent moving into a high-risk position going forward, future risks should be mitigated.
- 5.3 The HRA Business Plan model assumes that income increases at RPI+1% (3.5%) each year whilst cost increase as RPI (2.5%) each year. The differential between the increase to income and the increase to costs ensures there is capacity to continue to invest into the Capital Programme and deal with unexpected pressures. Given that the actual RPI fluctuates each year the HRA ordinarily uses the September RPI % to inform the rent increase for the year ahead. This provides a consistent benchmark for comparing rent increases over time. This also keep rental increases in line with the expected growth in costs within the HRA. The Business Plan allows the Council to consider the affordability of different scenarios and to plan over the longer term. It is based on assumptions that will be varied when budgets are set dependant on the current situation however the principles of considering costs, investment and rental increases over the medium and longer term is required as these factors are all interlinked and need to be considered in order to ensure the HRA has plans that are affordable, sustainable and prudent.
- 5.4 However, for the previous four financial years the annual rental increases have been below the September RPI+1% which has reduced the HRA's capacity to meet rising costs and maintain a high level of investment into new projects. The below inflation rental increase in previous years exposes the HRA to an increasing level of financial risk because costs are increasing at a rate that is higher than the level of income being received. This can be evidenced in the rising peak debt level of 26% in the 2019 Business Plan to 30% in the 2022 Business Plan (as detailed in para 6.4). This reflects the HRA moving from a position of low risk to a position of medium risk.
- 5.5 The table below shows the comparison between the rental increase approved for the past four financial years compared to the September RPI+1% rental strategy. This difference in the rental figures represents the opportunity cost of income that is lost to the HRA per week for each affordable home:

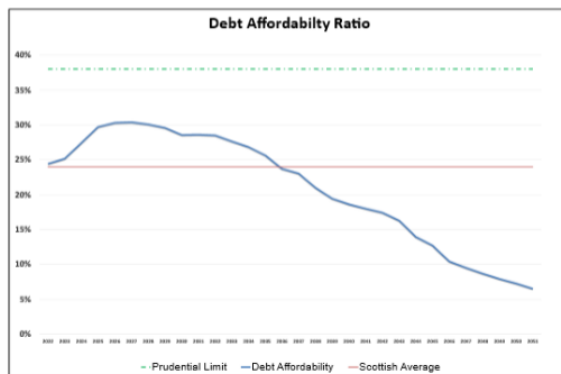
| Financial Year | Percentage Rent Increase Applied | September RPI+1% | Weekly Average Rent based on % increase applied to rents (£) | Weekly Average Rent based on September RPI+1% (£) | Difference in Average Weekly Rent (£) |
|----------------|----------------------------------|------------------|--|---|---------------------------------------|
| 2019-20        | 3.2%                             | 4.3%             | 73.25  | 74.03   | 0.78                                  |

|         |      |      |       |       |      |
|---------|------|------|-------|-------|------|
| 2020-21 | 3.0% | 3.4% | 75.45 | 76.55 | 1.10 |
| 2021-22 | 1.5% | 2.1% | 76.58 | 78.16 | 1.58 |
| 2022-23 | 2.5% | 5.9% | 78.49 | 81.10 | 2.61 |

5.6 The 2022 HRA Business Plan tested the affordability of the baseline business plan which includes assumptions regarding financial pressures and includes future spend based on approved policies and investment. The assumptions in the baseline plan include:

- Annual rental increases of 3.5% (RPI+1%) over the life of the 30-year plan, including 2023-24.
- An ongoing Property Acquisitions programme of 50 properties per year over the life of the 30-year Plan.
- Completion of the Phase 3 and Transitional Affordable Housing Programme (TAHP) by 2025-26 with additional capital spend of £38.778m required to fund the completion of these programmes.
- No further investment in further Affordable Housing Programmes or other policy priorities.

5.7 Based on these assumptions the baseline business plan identifies that the HRA is exposed to a medium level of risk with the prudential borrowing peaking at 30%. This can be seen in the graphic below:

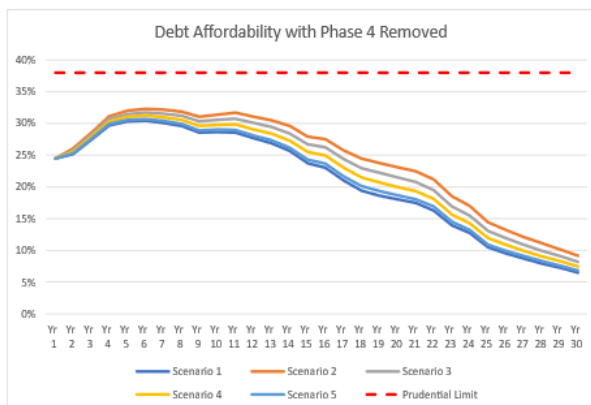


Max debt affordability peaks at: 30%

Debt per unit Y1: £13k  
Max debt per unit: £19k

Assumes rent increase of 3.5% per annum

5.8 Additional testing was carried out to illustrate how rental increases below 3.5% in 2023-24 impact the affordability of the baseline business plan. The graphic below shows how the exposure to risk increases the lower the proposed rental increase for 2023-24 becomes.



Scenario 1  
(3.5% 23/24)

30%

Scenario 2  
(0% 23/24)

32%

Scenario 3  
(1% 23/24)

32%

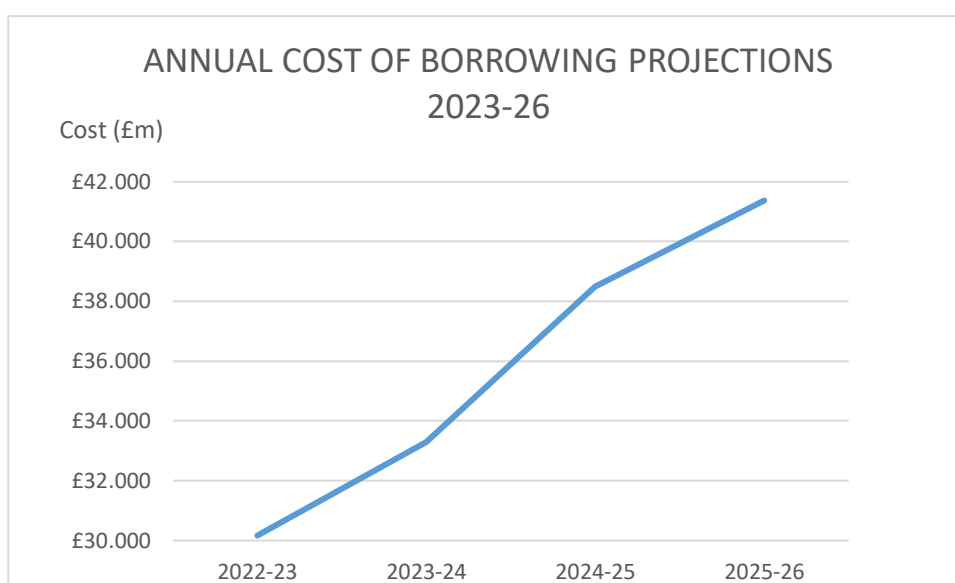
Scenario 4  
(2% 23/24)

31%

Scenario 5  
(3% 23/24)

31%

- 5.9 The lower the level of rental increase, the higher the HRA's exposure to risk becomes, and in turn, reduces the capacity for the HRA to borrow to fund investment into future policy decisions. Decisions made now, relating to the level of rent increase, are critical to maintaining the ability to continue to build new council houses as part of a future Phase 4 Affordable Housing Programme and to improve houses to the current energy efficiency standard in future years. A rental increase of 5% or above is required in 2023-24 to keep the baseline plan in a position of medium risk and support future policy decisions.
- 5.10 The current projections for the cost of borrowing for 2023-2026 are outlined in the graph below and show that the annual cost of borrowing is projected to increase by £11m over the next three financial years. These projections are included in the calculations of the budget gap are based on the current baseline business plan assumptions only and do not include any impact from the future costs of Affordable housing beyond TAHP or additional costs of EESSH 2. For the cost of borrowing to remain affordable, future rent levels must continue to be set at a level to ensure the increasing costs of borrowing remain affordable and sustainable.



- 5.11 As well as the pressure of future Affordable Housing Programmes and EESSH 2 there is likely to be continued inflationary or other unknown pressures which arise in the medium to long term. As these become known they will be included in future years business plans.
- 5.12 A full report will be made to Cabinet Committee in April 2023 on the affordability of Phase 4. Initial testing shows that a five-year programme totalling 1,250 units will see the HRA's affordability level peak at between 35% to 40% based on rental increase for 2023-24 ranging from 5% down to 0% followed by rental increases of 3.5% for the remainder of the plan. All of these scenarios are classed as high risk and emphasise the importance of the need to maintain rental increases at a sufficient level to allow for the funding of potential future borrowing. Initial testing would suggest that a rental increase of 5% for three years across 2023-26 is required to fund an additional 1,250 units and maintain affordability at 33% which is the highest end of medium risk.
- 5.13 The Energy Efficiency Standard for Social Housing (EESH2) is currently under review by the Scottish Government. A revised standard will be produced later in 2023 and is expected to require a significant level of investment across the next ten years. Initial testing on the cost of EESSH 2 was carried out at a cost of £300m over ten years. This

saw the affordability level for the HRA peak at up to 50% depending on the rental option chosen. This completely breaches the maximum affordability level and as such is currently unaffordable. As the revised standard becomes known the affordability of EESSH 2 will be reviewed further.

## 6.0 Reserves

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- 6.1 As at the end of 2021-22 The HRA held reserves of £7.005m. As previously reported throughout this financial year, the level of HRA balances are unusually high given the unique circumstances that have been encountered in recent years linked to the pandemic. The current HRA policy is to maintain minimum reserves at the level of 2% of the mainstream annual rent income budget. Based on the latest 3-year estimates, the level of uncommitted balances is £0.500m above the policy minimum.
- 6.2 The table below shows the current HRA Reserves and the estimated uncommitted reserves at the end of 2023-24 based on current commitments:

| <b>OVERVIEW OF HRA RESERVES</b>                        | <b>APPROVAL STATUS</b> | <b>2022-23</b> | <b>2023-24</b> |
|--|------------------------|----------------|----------------|
| Opening Year Balances                                  | -                      | 7.005          | 5.505          |
| Estate Management Improvements                         | Committee Approval     | (1.500)        |                |
| Transitional Affordable Housing Programme Contribution | Committee Approval     |                | (2.500)        |
| <b>ESTIMATED UNCOMMITTED RESERVES</b>                  |                        | <b>5.505</b>   | <b>3.005</b>   |

## 7.0 HRA Capital Plan 2023-26

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- 7.1 The Capital Plan review process continues, and the outcome of the initial planning work and affordability testing of potential future capital investments has been outlined within this paper. Whilst the current plan is affordable, more time will be taken to consider the HRA Capital Investment Plan 2023-26 including the ambition to incorporate a Phase 4 Affordable Housing Programme and Energy Efficiency investments and will test the level of new investment proposals that will be affordable. Given the challenge of significant cost inflation and the pressures outlined in this paper it is important the affordability of the HRA Capital Plan is reviewed within the context of the rental option chosen for 2023-24.
- 7.2 Given the risk relating to the affordability levels of future additional investment into the capital plan across 2023-26 all funding avenues for future capital projects will be explored by officers. The Capital Plan Review work advanced to date indicates that significant additional investment into the capital plan may be unaffordable and unsustainable over the long term. Decisions on prioritising statutory and core work programmes will therefore need to be taken to ensure that the plan remains affordable in the medium to long term.
- 7.3 Taking more time to agree the plan recognises the affordability challenge and allows more in-depth consideration of the outcome of the current review. The review must be driven by current programmes in progress but also the stated Tenant Priorities outlined earlier in this report. Options for a Phase 4 Affordable Housing Programme will be

considered and presented in April 2023 to Cabinet Committee. This will be followed by a revised HRA Capital Investment Plan 2023-26 reported to Fife Council in May 2023 for final approval.

- 7.4 There is a clear link to the setting of the rental increase for 2023-24 and the affordability of future capital investment. At this stage members should work to the existing HRA Capital Investment Plan 2022-25 approved at Full Council in February 2022. Details of the 2022-25 Capital Investment Plan are detailed in appendix 3.
- 7.5 The delay with the approval of the revised HRA Capital Plan 2023-26 will not halt or reduce workflow of property addresses to Property and Building Services. The Core SHQS improvement programmes of component replacements and energy efficiency, such as windows, doors, kitchens and bathrooms will be maintained at current levels of spend of £31.m to continue to deliver for council tenants.

## 8.0 Conclusions

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- 8.1 The HRA is under considerable financial pressure at this time and faces a high level of financial risk based on the assumptions outlined in this paper. All rental options approved for consultation with tenants result in a significant budget gap and place the HRA into a level of medium risk. A rental increase of 6.5% is required to close the budget gap but this would breach the COSLA Statement of Intent. The Council needs to consider the budget position in 2023-24 and act to preserve a balanced financial position for the HRA if services are to be maintained at current levels.
- 8.2 The Council will continue to support council tenants in financial difficulty by deploying a £2m fund of rent and fuel poverty supports. A revised approach to supporting tenants who pay cash rent and who may be struggling to continue to pay full rent will be discussed with the Tenant Forum in April 2023.
- 8.3 Decisions on future rental increases will need to consider the level of pressure on the revenue budget and key influencers will be inflation on costs and the level of future capital investment aspirations. This will be essential to ensure the HRA remains affordable and sustainable.

### Appendices

- Appendix 1 - Equality Impact Assessment
- Appendix 2 - Fife Council Tenant Rent Option Consultation 2023
- Appendix 3 - Overview of the Approved 2022-25 HRA Capital Investment Plan

**John Mills**  
Head of Housing Services

**Elaine Muir**  
Head of Finance

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## Appendix 1

### Equality Impact Assessment Summary Report

|  |
|--|
| <p><b>Which Committee report does this IA relate to (specify meeting date)?</b></p> <p>Cabinet Committee 23<sup>rd</sup> February 2023</p>   |
| <p><b>What are the main impacts on equality?</b></p> <p>While tenants within the protected characteristics living in Fife Council housing will be affected by the proposal to increase rents, there will be no difference in the treatment of tenants who share a protected characteristic and those who do not.</p> |
| <p><b>In relation to a strategic decision, how will inequalities of outcome caused by economic disadvantage be reduced?</b></p> <p>Affordability model based on the Living Rents criteria.</p> <p>The HRA Budget incorporates a rent support fund.</p>   |
| <p><b>What are the main recommendations to enhance or mitigate the impacts identified?</b></p> <p>The use of the agreed HRA budget has the potential to benefit those tenants with a protected characteristic, subject to agreement of investment priorities through Housing Services' planning framework.</p>       |
| <p><b>If there are no equality impacts on any of the protected characteristics, please explain.</b></p> <p>See above – specific policy proposals will be impact-assessed through the planning and policy framework.</p>  |
| <p><b>Further information is available from: Name / position / contact details:</b></p> <p>John Mills, Head of Housing Services <a href="mailto:john.mills@fife.gov.uk">john.mills@fife.gov.uk</a></p>   |

## Appendix 2

### Fife Council Tenant Rent Option Consultation 2023

#### Introduction

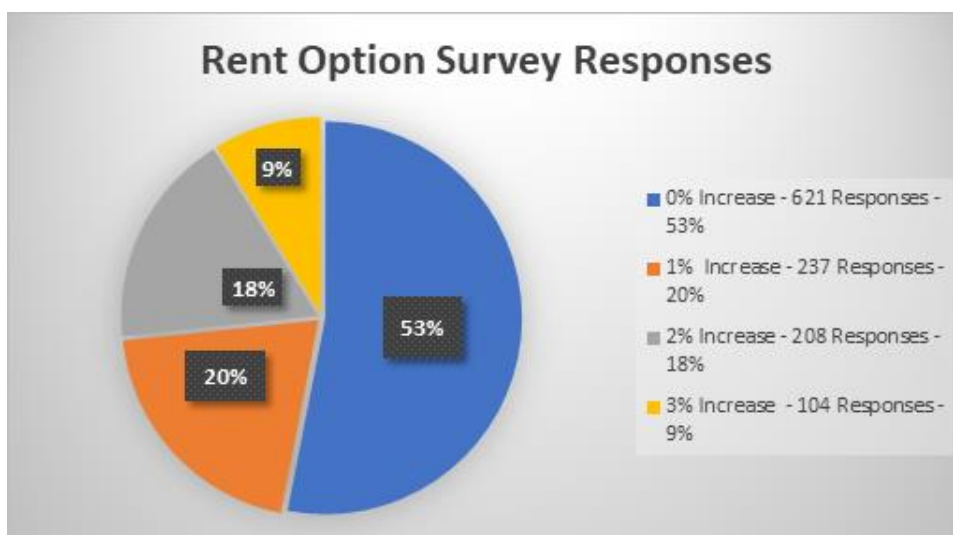
The Rent Consultation Survey for Fife Council tenants ran from mid December 2022 until the end of January 2023 giving tenants around six weeks to consider and express their views. The survey was promoted in the winter edition of Down Your Street, our tenant magazine and votes could be made online, or via a postal return.

Our tenants were asked to select their preference from the 4 options below:

- 0% rent increase
- 1% rent increase
- 2% rent increase
- 3% rent increase

#### Results

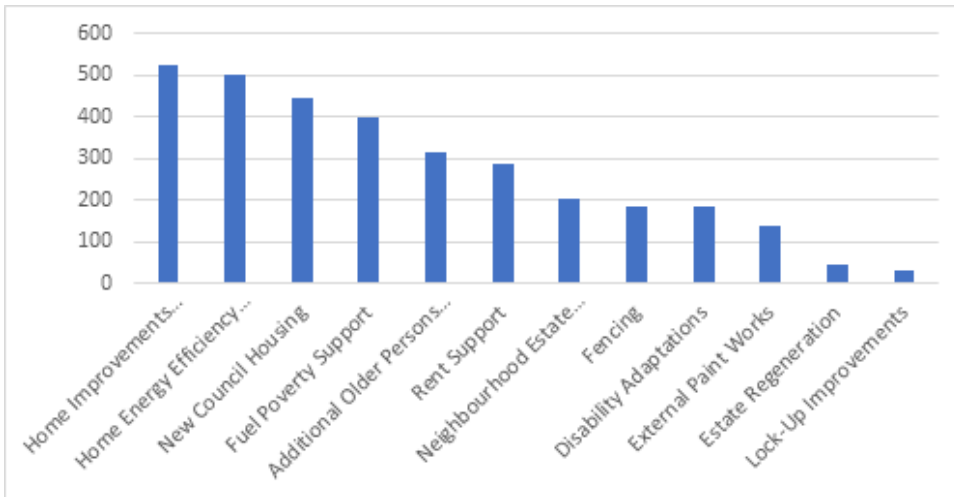
1170 Fife Council tenants voted in the consultation survey. The graphic below highlights the votes cast with the majority of our tenants (53%) voting for a rent freeze (0% increase).



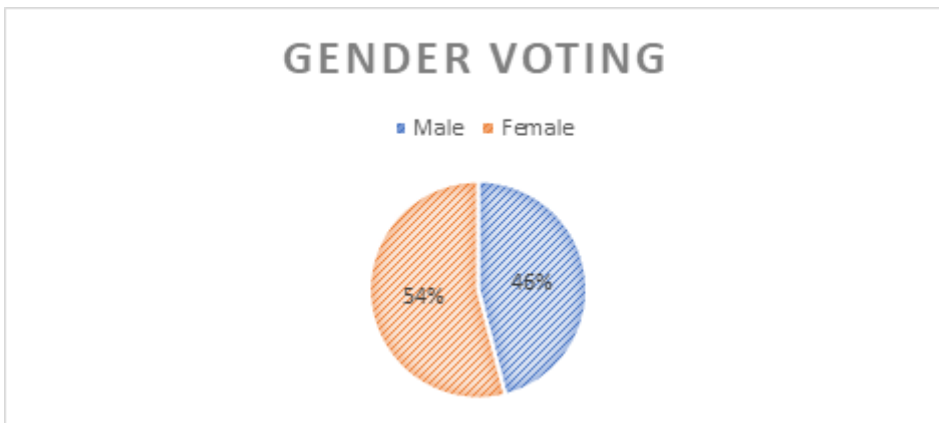
Our tenants were also asked to consider their top 3 housing service priorities. This was with the intention of ensuring that our tenants views are considered in any potential decisions on rent options or service efficiencies. From the responses received tenants indicated their top priorities were

- Home Improvements
- Home Energy Efficiency Works
- New Council Housing

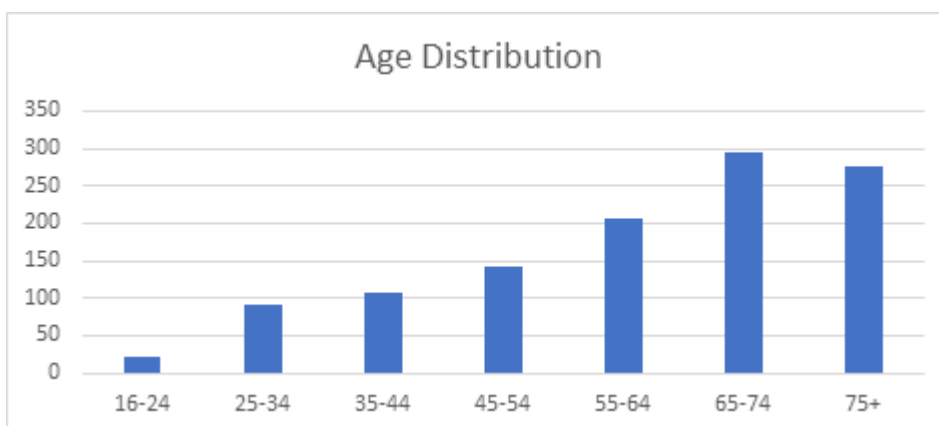
The graphic below indicates the breakdown of votes for tenant service priorities.



The gender breakdown of respondents is outlined in the graphic below



The age distribution of respondents is illustrated below. Broadly our voting response rate increase by age.



## Appendix 3

### Overview of the Approved 2022-25 HRA Capital Investment Plan

|                                     | 2022-23        | 2023-24        | 2024-25        | TOTAL<br>2022-25 | <b>OVERVIEW OF CAPITAL SPEND &amp;<br/>BUDGET PRIORITIES</b>  |
|-------------------------------------|----------------|----------------|----------------|------------------|---|
|                                     | £m             | £m             | £m             | £m               |   |
| <b>Component Replacement</b>        | <b>31.000</b>  | <b>31.000</b>  | <b>31.000</b>  | <b>93.000</b>    | Maintain all existing properties to the current SHQS Standard.  |
| <b>Wider Works</b>                  |                |                |                |                  |   |
| Major Projects                      | 1.884          | 1.000          | 1.000          | 3.884            | Projects for Improvements and replacement works.  |
| EESSH 2 & Fuel Poverty              | 5.400          | 6.400          | 6.205          | 18.005           | Supports energy innovation which contributes to the Climate Fife Plan, addresses fuel poverty and meets the requirements of EESSH2.   |
| Regeneration/<br>Estates Action     | 5.051          | 3.460          | 2.400          | 10.911           | Large scale projects to improve, modernise and future proof existing estates.   |
| Specific Needs                      | 2.817          | 1.030          | 0.380          | 4.227            | Including improvements to older persons housing, enhancement of Gypsy Traveller sites and accommodation, and homeless hostel upgrades.  |
| Safety & Structural Works           | 2.650          | 1.708          | 1.755          | 6.113            | Ensuring the highest levels of safety in Council housing including fired door replacement and lift refurbishment.   |
| Land Acquisitions                   | 1.205          | 1.200          | 1.200          | 3.605            | Investment in land assets to rebuild the HRA land bank suitable for future new build programmes.  |
| Property Acquisitions               | 5.000          | 5.000          | 5.000          | 15.000           | Acquiring properties to provide permanent affordable homes for tenants and other housing applicants, those with specific requirements and to address areas of high demand, including for homeless families. |
| <b>Total Wider Works</b>            | <b>24.007</b>  | <b>19.798</b>  | <b>17.940</b>  | <b>61.745</b>    |   |
| <b>Affordable Housing Programme</b> | <b>45.145</b>  | <b>54.792</b>  | <b>57.604</b>  | <b>157.541</b>   | The completion of the Phase 3 and Transitional Affordable Housing Programme is ongoing with a target completion date of 2025.   |
| <b>Total Investment Programme</b>   | <b>100.152</b> | <b>105.590</b> | <b>106.544</b> | <b>312.286</b>   |   |



**FIFE COUNCIL MEETING**

**THURSDAY, 23 FEBRUARY 2023**

**AGENDA ITEM NO. 5(b) – HOUSING REVENUE ACCOUNT (HRA) BUDGET  
2023-24**

**MOTION ON BEHALF OF THE ADMINISTRATION**

“That the Council: -

1. Approves the Housing Revenue Account (HRA) Budget 2023-24 report by the Head of Housing Services and the Head of Finance and agrees the following:
  - (a) Approves a rental increase of 5% for 2023-24 HRA rents and charges for 2023-24.
  - (b) Approves a rental increase of 5% on Homelessness Temporary Accommodation to keep rental increase on the General Fund Housing Account in line with increases on HRA rents and charges for 2023-24.
  - (c) Approves the use of uncommitted HRA Reserves of £0.500m for use on reducing the current waiting time for Disability Adaptations in HRA properties to ensure that more individuals can live independently at home.
  - (d) Approves the terms of the Administration’s HRA budget statement attached.

Proposed by Councillor Judy Hamilton

Seconded by Councillor David Graham

**FIFE COUNCIL**  
**HRA REVENUE BUDGET 2023-24**

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|  | <b>2023-24</b><br><b>£m</b> |
|--|-----------------------------|
| <b>Estimated Budget Gap in Year as per report by Executive Director Finance &amp; Corporate Services</b> | 8.333                       |
| Increased income generated by 5% Rental Increase   | <b>(6.459)</b>              |
| <b>Revised Budget Gap</b>  | <b>1.874</b>                |
| <br>   |                             |
| <b>Proposed Reduction in Budget by Administration</b>  |                             |
| Reduction in CFCR budget   | <b>(1.874)</b>              |
| <b>Revised Budget Gap</b>  | <b>0.000</b>                |

## FIFE COUNCIL MEETING

THURSDAY, 23<sup>rd</sup> February, 2023

ITEM 5(c) - HOUSING REVENUE ACCOUNT (HRA) BUDGET

**2023-24**

### MOTION ON BEHALF OF THE SNP Group on Fife Council

That the Council: -

(a) Approves a rental increase of 3% for HRA rents and charges for 2023-24;

(b) Approves a rental increase of 3% on Homelessness Temporary Accommodation to keep rental increase on the General Fund Housing Account in line with increases on HRA rents and charges for 2023-24;

(c) Approves the HRA gap to be funded from CFCR in the short term (see below)

HRA Funding Gap £8.333m

3% Rent Increase (£3.932)m

Reduction in CFCR (£4.401)m

(d) Agrees that **all departments** which have a part to play in reducing Council house voids work together with void reduction as a top priority. The target is to reduce the financial impact of voids to .9% or less of net rental income to reduce financial pressure on the Housing Revenue account and to alleviate the housing crisis by making more Council houses available for allocation as soon as possible.

Proposed by Councillor David Alexander

Seconded by Councillor Craig Walker