

Thursday 22 February 2024 - 10.00 a.m.

AGENDA

Page 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. GENERAL FUND REVENUE BUDGET 2024 - 2027

- | | | |
|-----|---|---------|
| (a) | Council Tax Setting: Provisions Relating to Voting by Elected Members - Report by the Executive Director, Finance and Corporate Services; | 3 – 6 |
| (b) | Local Government Settlement 2024/2025 - Local Government Finance Circular No. 8/2023; | 7 – 24 |
| (c) | report by the Executive Director, Finance and Corporate Services; and | 25 – 43 |
| (d) | Administration's Motion and Revenue Budget Proposals 2024 - 2027. | 44 - 56 |

4. HOUSING REVENUE ACCOUNT (HRA) BUDGET 2024 - 2025 (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 2024 - 2025; and | 57 – 73 |
| (b) | Administration's Motion on the Housing Revenue Account Budget 2024 - 2025. | 74 - 75 |

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.

Lindsay Thomson
Head of Legal and Democratic Services
Finance and Corporate Services

Fife House
North Street
Glenrothes

Fife, KY7 5LT

15 February, 2024

If telephoning, please ask for:

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Agendas and papers for all Committee meetings can be accessed on
www.fife.gov.uk/committees

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 have cameras switched on during meetings and mute microphones when not speaking. During any breaks or adjournments please switch cameras off.

22 February 2024

Agenda Item No. 3(a)

COUNCIL TAX SETTING: PROVISIONS RELATING TO VOTING BY ELECTED MEMBERS

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

Wards Affected: All

Purpose

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)

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

None

Legal & Risk Implications

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

An impact assessment is not required.

Consultation

None

1.0 Background

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.
- 1.5 Members should also consider the revised Guidance on the Code (published on 7 February 2024) which includes a new section on “Participating in Decisions on the Council’s Budget when you have a personal interest” from paragraph 163 (page 35) onwards. [1707322621240207GuidanceonCouncillorsCode2024v1.pdf](#) (standardscommissionscotland.org.uk) The guidance provides additional clarification on declaration of interest. Please contact the Monitoring Officer if you require further advice on the application of the guidance.

2.0 Conclusions

- 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. 8/2023

Chief Executives and Directors of Finance of
Scottish Local Authorities

Chief Executive, Convention of Scottish Local
Authorities (COSLA)

Our ref: A46473266
21 December 2023

Dear Chief Executive/Director of Finance

LOCAL GOVERNMENT FINANCE SETTLEMENT 2024-25 NON-DOMESTIC RATES

1. This Local Government Finance Circular provides details of the provisional total revenue and capital funding allocations for 2024-25, as well as the latest information on current known redeterminations for 2023-24. This Circular also provides details on a range of Non-Domestic Rates measures, including the proposed 2024-25 poundage and changes to certain reliefs.
2. These 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 2024 being presented to the Scottish Parliament. This is currently scheduled for the end of February 2024.
3. We expect local authorities to inform COSLA, and for COSLA in turn to inform the Scottish Government by no later than 23 January 2024, 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 2024.
4. The Deputy First Minister wrote to the COSLA President, copied to all Council Leaders on 19 December 2023, 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 £13.9 billion and includes:

- £950.9 million of funding that has now been baselined in to the General Revenue Grant, as part of our commitment under the Verity House Agreement to review ring-fenced funding;
 - An additional £230 million to deliver the payment of £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts;
 - An additional £11.5 million to support the uprating of Free Personal and Nursing Care rates;
 - An additional £6 million to support the expansion of the Free School Meals policy;
 - An additional £6.8 for Discretionary Housing Payments;
 - £145.5 million to support additional teachers and support staff;
 - £242 million to support teacher pay uplifts; and
 - £266.2 million of resource to support local government pay.
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 2.17 in the Scottish Government’s “Budget Document: 2024-25”, which was published on 19 December 2023, provides provisional details of these funding streams but as with previous years, the actual sums payable will be notified by the relevant policy team at the earliest opportunity.
 7. The 2024-25 Scottish Government Draft Budget also made available £144 million to fund a freeze in Council Tax across each of Scotland’s 32 local authorities. The funding earmarked is equivalent to a 5% net increase in Council Tax nationally, taking into account the average rise to Council Tax in 2023-24, whilst recognising that inflationary pressures have eased in the last 12 months.
 8. The allocations have been arrived at using the standard agreed needs-based distribution methodology and updated indicators. Reflecting the unique implications of incorporating the 2022 census data for the first time, the funding floor has been set provisionally at 0.5% and as set out in the Deputy First Minister’s letter, we would welcome any views on this or other elements of distribution as part of the consultation.
 9. 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 2023-24 and 2024-25 Budgets and between the 2024-25 Budget and the figures in this Circular. We have also provided full details of all the revenue and capital allocations.
 10. 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: 2024-25 and changes in 2023-24;
 Part B: Local Government Finance Settlement – Capital: 2023-25;
 Part C: Non-Domestic Rates for 2024-25.

The various Annexes included in this Circular are as follows:

- Annex A: All Scotland Aggregated Funding Totals 2023-25;
- Annex B: Individual Revenue Allocations for 2024-25;
- Annex C: Revised Individual Revenue Allocations for 2023-24;
- Annex D: Explanatory Notes on the Revenue Distribution;
- Annex E: Estimates of Ring-Fenced Grant Revenue Funding for 2024-25;
- Annex F: Floor calculation for 2024-25;
- Annex G: Redeterminations of Individual Revenue funding for 2023-24;
- Annex H: 2008-25 Changes Column;
- Annex I: General Capital Grant and Specific Capital Grants 2024-25;
- Annex J: General Capital Grant – Flood Allocations Per Local Authority 2024-25;
- Annex K: Updated General Capital Grant 2023-24; and

Part A: Local Government Finance Settlement - Revenue: 2024-25 and changes in 2023-24

11. This Finance Circular sets out the provisional distribution of revenue funding allocations for 2024-25. **Annex A** of this Circular sets out the all-Scotland aggregate totals for 2023-25.
12. **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 2024-25 and 2023-24. 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.
13. **Annex E** gives a breakdown of the provisional individual council shares of all the ring-fenced revenue grant allocations for 2024-25. The provisional total for ring-fenced grant included in the circular is £24.187 million higher than was published in the 2024-25 Scottish Government Budget due to the in-year transfer from the General Revenue Grant to the Support for Ferries specific grant for £13.760 million. The variance of £10.427 million for Pupil Equity funding was included in table 2.16 of the Scottish Budget (Local Government Attainment Grants) and will also be transferred in-year.
14. The calculation and effects of the main floor adjustment for 2024-25, which provided councils with a maximum reduction in the funding used in the calculation of the main floor of 1.04%, 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 with the percentage set at 0.5%.
15. This Circular confirms the continuation of the **85% funding floor** for 2024-25. 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.
16. This Local Government Finance Circular provides details of current known 2023-24 redeterminations at **Annex G** for the General Revenue Grant.
17. **Annex H** summarises the column within the settlement titled 2008-25 Changes Column.

Part B: Local Government Finance Settlement – Capital Grants 2023-25

18. In 2024-25 the Local Government Settlement provides capital grants totalling £638.009 million. This is made up of General Capital Grant totalling £516.837 million and Specific Capital Grants totalling £121.172 million.
19. **Annex I** sets out the provisional distribution of the Settlement for capital per local authority for 2024-25. The methodologies used to calculate these provisional allocations have been agreed with COSLA. Capital grants which remain undistributed are identified as such.
20. 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.
21. **Annex K** provides a breakdown of the updated 2023-24 General Capital Grant allocations by local authority.

22. **Annex L** summarises the Local Government Finance Settlement for 2024-25

Part C: Non-Domestic Rates for 2024-25

23. The Distributable Amount of Non-Domestic Rates Income for 2024-25 has been provisionally set at £3,068 million. This figure uses the latest forecast of net income from non-domestic rates in 2024-25 and also draws on council estimates of the amounts they will contribute to the Non-Domestic Rating Account (the ‘Pool’) in 2023-24. 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 2024-25 has been based on the amount each Council estimates that it will collect (based on the 2023-24 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.

24. The 2024-25 Non-Domestic Basic Property Rate (‘poundage’) is provisionally set at 49.8 pence, the same rate as last year. The Intermediate Property Rate (levied on properties with a rateable value from £51,001 to £100,000) and Higher Property Rate (levied on properties with a rateable value over £100,000) will increase by inflation to 54.5 pence and 55.9 pence respectively.

25. A 100% non-domestic rates relief will be available in 2024-25 for properties in the hospitality sectors on islands, as defined by the Islands (Scotland) Act 2018, capped at £110,000 per ratepayer.

26. The Scottish Budget 2024-25 announced the following changes to existing reliefs:
- District Heating relief for renewables will be extended and expanded. A 90% relief will be available until 31 March 2027 for district heating networks where at least 80% of the thermal energy generated derives from renewables. Previously support for renewable district heating was limited to new networks entered on the valuation roll after 1 April 2021.
 - Telecommunications mobile mast relief will be extended from 31 March 2029 to 31 March 2031.
 - Enterprise Areas relief which had been due to expire on 31 March 2024, will be phased out over 2024-25 and 2025-26 as set out in the table below.

Enterprise Areas Relief

Rateable Value	Relief available		
	2023-24	2024-25	2025-26
£120,000 or less	100%	66.7%	33.3%
£120,001 to £240,000	50%	33.3%	16.7%
£240,001 to £480,000	25%	16.7%	8.3%
£480,001 to £1,200,000	10%	6.7%	3.3%
£1,200,001 to £2,400,000	5%	3.3%	1.7%
Over £2,400,000	2.5%	1.7%	0.8%

27. The Scottish Budget 2023-24 introduced the following transitional reliefs for the 2023 revaluation and which will apply in the 2024-25 financial year:

- 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 were capped at £600 in 2023-24, rising to £1,200 in 2024-25 and £1,800 in 2025-26.
- Parks Transitional Relief provided 67% relief in 2023-24, and will provide 33% relief in 2024-25 for parks, or parts of parks, that became rateable on 1 April 2023.

28. The following reliefs will be maintained: business growth accelerator relief, charitable rates relief, day nursery relief, disabled rates relief, fresh start relief, hardship relief, hydro relief, new fibre relief, renewable energy relief, rural relief, small business bonus scheme relief, sports club relief and stud farms relief.

29. Empty Property Relief was 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.

30. NDR reliefs, like other subsidy or support measures, may be subject to the Subsidy Control Act 2022.

31. Information on the Non-Domestic Rates Incentivisation Scheme (NDRIS) will be set out later.

Enquiries relating to this Circular

32. 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:

Mirren Kelly mirren.kelly@cosla.gov.uk

Any other queries should be addressed to the following:

Local Government Revenue and Capital Settlement. Craig Inglis

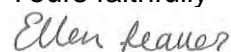
Craig.Inglis@gov.scot

Non-Domestic Rates. Anouk Berthier Anouk.Berthier@gov.scot

33. 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



Ellen Leaver

Deputy Director, Local Government & Analytical Services Division

	2023-24	2024-25
	£ million	£ million
Revenue Funding		
General Resource Grant	8,998.160	9,914.113
Non Domestic Rate Income	3,047.000	3,068.000
Specific Revenue Grants	775.859	262.987
Total Revenue	12,821.019	13,245.100
<i>less</i> Redress Top-Slice	6.000	0.000
<i>less</i> Valuation Committee	0.583	0.583
<i>less</i> National Dog Database	0.000	0.053
<i>less</i> Climate Intelligence Service	0.000	0.900
Net Total Revenue	12,814.436	13,243.564
<i>less</i> Teachers' Induction Scheme	0.000	37.600
<i>less</i> Discretionary Housing Payments	15.137	92.700
<i>less</i> Gaelic	0.103	0.103
<i>less</i> Customer First Top-up	0.010	1.410
<i>less</i> Scottish Disability Assistance	0.000	3.500
<i>less</i> Social Care	0.000	230.000
<i>less</i> Retained Teacher Support	45.500	0.000
<i>less</i> Local government Pay Contribution	0.000	0.000
<i>less</i> Teachers Pay Contribution	0.000	0.000
<i>Total Undistributed Revenue Funding</i>	<i>60.750</i>	<i>365.313</i>
Distributable Revenue Funding	12,753.686	12,878.251
Capital Funding		
General Capital Grant	726.933	516.837
Specific Capital Grants	123.777	121.172
Distributed to SPT	15.327	0.000
Total Capital	866.037	638.009
Total Funding	13,687.056	13,883.109
2023-24 RECONCILIATION FROM FINANCE CIRCULAR 3/2023		
General Resource Grant Circular 3/2023	8,835.458	
Local Government Pay	55.000	
SNCT Pay 2023-24	32.000	
Self Directed Support Transformation Funding	0.176	
Ukraine Refugee Resettlement Teams	3.200	
Summer Programmes	4.000	
Further Ukraine Funding	30.000	
SRA for Kinship & Foster Care	16.000	
Climate Intelligence Service	-0.373	
Temporary Accommodation	2.000	
Educational Psychologists	-0.050	
Teacher Induction Scheme	6.748	
Storm Babet Emergency Payments	0.753	
Storm Babet Additional Welfare funding	0.100	
Grangemouth Future Industry Board	0.050	
Employability Staffing	12.498	
Green Free Ports	0.600	
General Resource Grant Circular 7/2023	8,998.160	
General Capital Grant Circular 3/2023	689.937	
Playparks	10.001	
Community Bus Fund	5.000	
Capital - LG Pay	22.000	
Coastal Adaption	-0.005	
General Capital Grant Circular 7/2023	726.933	

INDIVIDUAL REVENUE ALLOCATIONS 2024-25

ANNEX B

£million	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
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	500.639	47.918	6.512	-5.360	549.709	95.529	7.310	208.113	238.757	454.180	0.000	454.180
Aberdeenshire	617.902	59.097	17.566	-6.721	687.843	114.985	6.057	131.217	435.584	572.859	0.000	572.859
Angus	277.874	26.579	10.699	-3.119	312.034	44.929	3.944	29.212	233.949	267.106	0.000	267.106
Argyll & Bute	237.722	22.719	8.485	13.260	282.185	40.185	4.526	41.205	196.269	242.001	0.000	242.001
Clackmannanshire	129.163	12.356	4.290	-1.432	144.377	19.821	2.783	19.597	102.177	124.556	0.000	124.556
Dumfries & Galloway	382.936	36.609	14.072	-3.347	430.270	59.912	5.798	63.508	301.052	370.358	0.000	370.358
Dundee City	382.399	36.606	5.353	1.878	426.236	49.028	8.653	73.464	295.091	377.208	0.000	377.208
East Ayrshire	313.985	30.046	4.242	-1.490	346.783	43.656	6.059	33.424	263.643	303.127	0.000	303.127
East Dunbartonshire	276.199	26.435	3.682	-2.938	303.378	51.391	2.587	25.820	223.580	251.987	0.000	251.987
East Lothian	261.085	24.985	3.427	-2.768	286.729	49.467	2.891	59.737	174.634	237.263	0.000	237.263
East Renfrewshire	254.328	24.344	8.732	-2.769	284.635	44.944	2.161	15.891	221.638	239.690	0.000	239.690
Edinburgh, City of	1,083.233	103.690	21.986	10.307	1,219.216	230.587	16.211	406.367	566.051	988.629	0.000	988.629
Eilean Siar	87.948	8.394	6.330	18.508	121.180	9.770	1.600	9.691	100.120	111.411	0.000	111.411
Falkirk	378.177	36.194	13.735	-1.450	426.656	60.119	6.660	72.733	287.144	366.538	0.000	366.538
Fife	900.349	86.178	28.359	-10.145	1,004.741	142.757	16.585	143.021	702.378	861.984	0.000	861.984
Glasgow City	1,593.587	152.585	34.734	30.970	1,811.876	220.895	39.256	385.603	1,166.123	1,590.981	0.000	1,590.981
Highland	597.832	57.152	28.057	-0.513	682.528	100.393	9.434	159.842	412.859	582.135	0.000	582.135
Inverclyde	207.814	19.887	9.261	-0.518	236.444	27.843	3.944	20.235	184.422	208.601	0.000	208.601
Midlothian	232.584	22.260	6.111	-2.445	258.510	39.605	3.681	34.834	180.389	218.905	0.000	218.905
Moray	222.554	21.283	7.614	-1.674	249.777	35.576	2.779	67.015	144.407	214.201	0.000	214.201
North Ayrshire	359.000	34.359	5.327	5.120	403.806	50.720	6.917	42.994	303.175	353.087	0.000	353.087
North Lanarkshire	851.614	81.528	9.167	-9.409	932.900	119.476	15.290	120.364	677.770	813.424	0.000	813.424
Orkney Islands	91.271	8.723	5.035	-0.976	104.053	8.458	16.314	12.137	67.145	95.596	0.000	95.596
Perth & Kinross	363.937	34.813	11.066	-3.928	405.888	68.150	3.806	64.514	269.418	337.738	0.000	337.738
Renfrewshire	444.650	42.562	7.155	-4.823	489.544	73.089	7.301	116.791	292.363	416.455	0.000	416.455
Scottish Borders	288.167	27.550	9.016	-3.250	321.484	48.946	3.206	42.089	227.243	272.537	0.000	272.537
Shetland Islands	102.063	9.757	5.037	3.390	120.247	8.364	23.588	27.263	61.032	111.883	0.000	111.883
South Ayrshire	285.881	27.353	8.315	-3.197	318.352	48.688	4.359	45.931	219.374	269.665	0.000	269.665
South Lanarkshire	795.563	76.149	9.248	-8.648	872.313	129.649	13.528	364.911	364.224	742.664	0.000	742.664
Stirling	229.507	21.954	10.161	-2.556	259.066	40.286	2.802	47.618	168.360	218.780	0.000	218.780
West Dunbartonshire	241.050	23.071	3.300	4.992	272.413	33.845	5.041	87.207	146.320	238.568	0.000	238.568
West Lothian	443.689	42.469	11.537	-4.955	492.740	68.603	7.914	95.652	320.570	424.136	0.000	424.136
Scotland	13,434.702	1,285.603	337.611	0.000	15,057.916	2,179.665	262.987	3,068.000	9,547.264	12,878.251	0.000	12,878.251

REVISED INDIVIDUAL REVENUE ALLOCATIONS 2023-24

ANNEX C

	Expenditure					Funding							
	1	2	3	4	5	6	7	8	9	10	11	12	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	Retained Teacher Support	Revised Total
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	507.661	32.634	17.159	-6.587	550.867	95.314	27.239	257.797	170.516	455.553	0.000	-1.568	453.985
Aberdeenshire	622.653	41.244	18.202	-8.502	673.597	114.087	33.008	134.839	391.663	559.510	0.000	-2.305	557.205
Angus	283.672	18.753	10.974	-3.223	310.176	44.703	14.460	27.934	223.079	265.473	0.000	-0.953	264.520
Argyll & Bute	239.578	15.936	8.761	16.280	280.554	40.185	11.617	37.645	191.107	240.369	0.000	-0.674	239.695
Clackmannanshire	132.290	8.739	4.442	-1.798	143.673	19.629	7.925	17.764	98.355	124.044	0.000	-0.427	123.617
Dumfries & Galloway	388.135	25.695	14.599	0.090	428.519	59.890	19.182	60.313	289.134	368.629	0.000	-1.248	367.381
Dundee City	390.858	25.807	5.558	3.621	425.844	48.212	22.984	73.704	280.943	377.632	0.000	-1.253	376.378
East Ayrshire	321.661	21.283	8.566	-4.482	347.028	43.225	20.015	30.467	253.321	303.803	0.000	-1.036	302.767
East Dunbartonshire	278.120	18.287	3.821	-3.525	296.702	51.245	12.237	24.099	209.122	245.457	0.000	-1.031	244.426
East Lothian	261.317	17.316	3.556	-3.446	278.742	48.507	13.789	58.108	158.338	230.235	0.000	-0.922	229.313
East Renfrewshire	255.747	16.837	8.876	-3.520	277.940	44.416	10.562	15.695	207.267	233.524	0.000	-1.049	232.475
Edinburgh, City of	1,105.739	72.570	22.576	15.360	1,216.245	227.839	56.545	377.317	554.543	988.406	0.000	-3.302	985.104
Eilean Siar	89.991	5.974	6.577	18.954	121.496	9.666	4.168	9.106	98.556	111.830	0.000	-0.225	111.605
Falkirk	390.092	25.650	18.096	-5.314	428.524	59.793	22.322	75.322	271.087	368.731	0.000	-1.389	367.342
Fife	919.244	60.737	29.302	-12.015	997.268	141.862	52.815	172.108	630.483	855.406	0.000	-3.219	852.187
Glasgow City	1,643.696	107.362	35.496	27.622	1,814.177	218.382	100.532	358.472	1,136.791	1,595.795	0.000	-5.148	1,590.647
Highland	611.527	40.573	29.155	-0.860	680.394	99.495	32.423	156.979	391.497	580.899	0.000	-2.008	578.892
Inverclyde	211.679	14.013	9.627	1.530	236.850	27.800	11.218	21.333	176.499	209.050	0.000	-0.655	208.395
Midlothian	233.830	15.488	6.224	-3.069	252.473	38.646	15.246	35.215	163.366	213.827	0.000	-0.850	212.976
Moray	229.301	15.104	7.904	-3.231	249.078	35.071	11.941	55.314	146.752	214.007	0.000	-0.769	213.238
North Ayrshire	365.004	24.066	5.529	8.016	402.615	50.363	19.488	43.955	288.809	352.252	0.000	-1.184	351.068
North Lanarkshire	874.279	57.725	9.510	-11.922	929.591	118.152	50.583	121.640	639.216	811.439	0.000	-3.125	808.314
Orkney Islands	90.287	6.042	5.387	-1.288	100.428	8.272	16.113	11.473	64.570	92.156	0.000	-0.200	91.955
Perth & Kinross	368.351	24.468	11.459	-4.980	399.298	67.366	17.721	60.754	253.457	331.932	0.000	-1.128	330.804
Renfrewshire	452.344	29.832	7.430	-6.032	483.573	72.532	25.685	131.323	254.033	411.041	0.000	-1.493	409.548
Scottish Borders	289.816	19.168	11.915	-1.726	319.172	48.689	14.102	37.818	218.563	270.483	0.000	-0.918	269.565
Shetland Islands	98.170	6.565	5.666	3.937	114.338	8.333	20.632	24.302	61.070	106.005	0.000	-0.236	105.769
South Ayrshire	291.823	19.237	8.610	-4.001	315.669	48.347	14.259	47.708	205.355	267.322	0.000	-0.917	266.404
South Lanarkshire	802.883	53.195	9.593	-3.859	861.812	128.345	45.074	341.536	346.857	733.467	0.000	-2.934	730.533
Stirling	235.221	15.471	10.478	-2.409	258.761	39.797	11.781	45.636	161.548	218.964	0.000	-0.810	218.155
West Dunbartonshire	246.378	16.313	3.459	6.672	272.822	33.680	14.348	93.396	131.398	239.142	0.000	-0.792	238.350
West Lothian	454.665	29.808	11.914	-6.292	490.094	67.290	25.742	87.928	309.135	422.804	0.000	-1.733	421.072
Scotland	13,686.011	901.888	370.421	0.000	14,958.319	2,159.133	775.756	3,047.000	8,976.431	12,799.186	0.000	-45.500	12,753.686

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 - 2025 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, 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 2023-24 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 2024-25.

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	Support for Ferries
	£m	£m	£m	£m
Aberdeen City	0.090	3.264	3.956	0.000
Aberdeenshire	0.000	3.240	2.818	0.000
Angus	0.004	2.310	1.630	0.000
Argyll & Bute	0.355	1.364	0.986	1.821
Clackmannanshire	0.006	1.663	1.114	0.000
Dumfries & Galloway	0.000	3.274	2.523	0.000
Dundee City	0.000	5.107	3.545	0.000
East Ayrshire	0.139	3.809	2.111	0.000
East Dunbartonshire	0.068	1.727	0.792	0.000
East Lothian	0.006	1.816	1.069	0.000
East Renfrewshire	0.057	1.489	0.616	0.000
Edinburgh, City of	0.315	7.911	7.984	0.000
Eilean Siar	0.965	0.340	0.294	0.000
Falkirk	0.012	3.962	2.686	0.000
Fife	0.011	10.466	6.108	0.000
Glasgow City	0.565	23.208	15.482	0.000
Highland	0.905	4.291	3.238	1.000
Inverclyde	0.060	2.585	1.299	0.000
Midlothian	0.006	2.424	1.252	0.000
Moray	0.002	1.484	1.293	0.000
North Ayrshire	0.088	4.172	2.657	0.000
North Lanarkshire	0.255	9.682	5.353	0.000
Orkney Islands	0.000	0.250	0.235	15.829
Perth & Kinross	0.098	1.874	1.834	0.000
Renfrewshire	0.050	4.663	2.588	0.000
Scottish Borders	0.000	1.949	1.257	0.000
Shetland Islands	0.000	0.255	0.252	23.082
South Ayrshire	0.013	2.616	1.731	0.000
South Lanarkshire	0.165	8.949	4.414	0.000
Stirling	0.110	1.453	1.239	0.000
West Dunbartonshire	0.027	3.381	1.634	0.000
West Lothian	0.006	5.449	2.459	0.000
Scotland	4.378	130.427	86.450	41.732

Local Authority	Grant Without Floor	Change Without Floor	Floor Change	Grant With Floor	Change With Floor
	£m	%	£m	£m	%
East Dunbartonshire	212.594	3.67%	-2.938	209.656	2.23%
East Lothian	200.299	2.90%	-2.768	197.531	1.48%
Midlothian	176.906	2.51%	-2.445	174.462	1.10%
East Renfrewshire	200.373	2.37%	-2.769	197.605	0.96%
Aberdeenshire	486.391	2.27%	-6.721	479.670	0.86%
Renfrewshire	349.016	1.69%	-4.823	344.193	0.28%
South Ayrshire	231.340	1.32%	-3.197	228.143	-0.08%
Scottish Borders	235.179	1.19%	-3.250	231.930	-0.21%
South Lanarkshire	625.852	1.10%	-8.648	617.204	-0.30%
Perth & Kinross	284.225	0.98%	-3.928	280.297	-0.41%
Fife	734.190	0.97%	-10.145	724.045	-0.43%
Orkney Islands	70.605	0.94%	-0.976	69.629	-0.45%
Clackmannanshire	103.600	0.86%	-1.432	102.168	-0.54%
Aberdeen City	387.855	0.84%	-5.360	382.496	-0.56%
West Lothian	358.579	0.71%	-4.955	353.624	-0.68%
North Lanarkshire	680.877	0.64%	-9.409	671.469	-0.75%
Angus	225.683	0.46%	-3.119	222.565	-0.93%
Stirling	184.965	0.42%	-2.556	182.409	-0.97%
Argyll & Bute	191.222	-7.46%	13.260	204.482	-1.04%
Dumfries & Galloway	316.165	0.02%	-3.347	312.819	-1.04%
Dundee City	312.205	-1.63%	1.878	314.084	-1.04%
East Ayrshire	252.753	-0.45%	-1.490	251.263	-1.04%
Edinburgh (City of)	815.700	-2.27%	10.307	826.007	-1.04%
Eilean Siar	81.236	-19.40%	18.508	99.744	-1.04%
Falkirk	299.612	-0.56%	-1.450	298.162	-1.04%
Glasgow City	1,314.167	-3.32%	30.970	1,345.137	-1.04%
Highland	492.769	-0.93%	-0.513	492.255	-1.04%
Inverclyde	175.847	-0.75%	-0.518	175.329	-1.04%
Moray	180.768	-0.11%	-1.674	179.094	-1.04%
North Ayrshire	292.967	-2.74%	5.120	298.088	-1.04%
Shetland Islands	75.882	-5.27%	3.390	79.273	-1.04%
West Dunbartonshire	191.350	-3.55%	4.992	196.342	-1.04%
	10,741.172		0.000	10,741.172	

The annual change in the Grant for Floor Funding was 0.54% and as a result of the floor being set at -0.50% below this annual change the minimum increase in the Grant for floor was set at 1.04%

REDETERMINATIONS OF INDIVIDUAL REVENUE FUNDING 2023-24 – GENERAL

ANNEX G

GENERAL FUNDING	Local Government Pay	SNCT Pay 2023-24	Self Directed Support Transformation Funding	Ukraine Refugee Resettlement Teams	Summer Programmes	Further Ukraine Funding	SRA for Kinship & Foster Care	Climate Intelligence Service	Temporary Accommodation
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	5.609	5.263	0.006	0.319	0.112	2.144	0.535	-0.013	0.302
Aberdeenshire	7.088	7.876	0.006	0.085	0.142	0.927	0.597	-0.017	0.000
Angus	3.223	3.314	0.006	0.056	0.084	0.533	0.326	-0.008	0.000
Argyll & Bute	2.739	2.392	0.005	0.054	0.054	0.559	0.207	-0.007	0.047
Clackmannanshire	1.502	1.595	0.006	0.050	0.044	0.224	0.177	-0.004	0.022
Dumfries & Galloway	4.416	3.982	0.006	0.099	0.132	0.898	0.444	-0.011	0.132
Dundee City	4.435	4.000	0.005	0.077	0.118	0.923	0.488	-0.011	0.000
East Ayrshire	3.658	3.563	0.006	0.050	0.112	0.521	0.421	-0.009	0.018
East Dunbartonshire	3.143	3.993	0.005	0.050	0.042	0.333	0.233	-0.008	0.000
East Lothian	2.976	2.955	0.005	0.050	0.065	0.433	0.296	-0.007	0.000
East Renfrewshire	2.894	3.994	0.006	0.050	0.047	0.243	0.232	-0.007	0.000
Edinburgh, City of	12.472	10.678	0.005	0.555	0.230	4.501	1.109	-0.030	0.546
Eilean Siar	1.027	0.917	0.006	0.050	0.018	0.129	0.058	-0.002	0.000
Falkirk	4.408	4.732	0.005	0.050	0.114	0.592	0.501	-0.011	0.244
Fife	10.438	10.675	0.005	0.117	0.296	1.555	1.204	-0.025	0.000
Glasgow City	18.452	16.566	0.006	0.341	0.666	4.323	2.365	-0.044	0.443
Highland	6.973	6.755	0.006	0.148	0.186	1.492	0.622	-0.017	0.000
Inverclyde	2.408	2.238	0.005	0.050	0.052	0.403	0.237	-0.006	0.000
Midlothian	2.662	3.098	0.005	0.050	0.065	0.439	0.295	-0.006	0.000
Moray	2.596	2.800	0.006	0.050	0.069	0.331	0.262	-0.006	0.029
North Ayrshire	4.136	4.111	0.005	0.070	0.130	0.794	0.486	-0.010	0.000
North Lanarkshire	9.921	10.680	0.006	0.090	0.306	1.387	1.183	-0.024	0.000
Orkney	1.038	0.738	0.006	0.050	0.016	0.097	0.050	-0.002	0.054
Perth & Kinross	4.205	4.067	0.006	0.084	0.097	0.756	0.382	-0.010	0.036
Renfrewshire	5.127	5.102	0.005	0.099	0.117	1.001	0.518	-0.012	0.034
Scottish Borders	3.294	3.060	0.006	0.055	0.083	0.570	0.311	-0.008	0.020
Shetland	1.128	0.971	0.006	0.050	0.020	0.089	0.049	-0.003	0.018
South Ayrshire	3.306	3.337	0.005	0.070	0.076	0.672	0.312	-0.008	0.000
South Lanarkshire	9.142	10.080	0.005	0.112	0.231	1.373	0.952	-0.022	0.000
Stirling	2.659	2.793	0.006	0.069	0.056	0.613	0.222	-0.006	0.056
West Dunbartonshire	2.804	2.724	0.005	0.050	0.079	0.449	0.319	-0.007	0.000
West Lothian	5.123	5.949	0.005	0.050	0.142	0.697	0.609	-0.012	0.000
Scotland	155.000	155.000	0.176	3.200	4.000	30.000	16.000	-0.373	2.000

GENERAL FUNDING	Educational Psychologists	Teacher Induction Scheme	Storm Babet Emergency Payments *	Storm Babet Additional Welfare funding	Grangemouth Future Industry Board	Green Free Ports	Employability Staffing	Customer first Top up	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	0.015	2.400	0.000	0.000	0.000	0.000	0.378	0.000	17.070
Aberdeenshire	0.015	0.977	0.026	0.000	0.000	0.000	0.441	0.000	18.162
Angus	0.015	0.098	0.541	0.100	0.000	0.000	0.294	0.000	8.582
Argyll & Bute	0.015	0.033	0.000	0.000	0.000	0.000	0.213	0.000	6.312
Clackmannanshire	0.006	0.337	0.000	0.000	0.000	0.000	0.188	0.000	4.148
Dumfries & Galloway	0.006	0.874	0.000	0.000	0.000	0.000	0.409	0.000	11.387
Dundee City	0.006	1.232	0.177	0.000	0.000	0.000	0.354	0.000	11.805
East Ayrshire	0.015	1.227	0.000	0.000	0.000	0.000	0.357	0.000	9.938
East Dunbartonshire	0.006	3.336	0.000	0.000	0.000	0.000	0.187	0.000	11.321
East Lothian	0.009	0.819	0.000	0.000	0.000	0.000	0.250	0.000	7.852
East Renfrewshire	0.015	2.327	0.000	0.000	0.000	0.000	0.198	0.000	9.998
Edinburgh, City of	0.030	1.311	0.000	0.000	0.000	0.000	0.662	0.000	32.070
Eilean Siar	0.000	0.213	0.000	0.000	0.000	0.000	0.124	0.000	2.539
Falkirk	0.000	2.315	0.000	0.000	0.050	0.300	0.376	0.000	13.677
Fife	0.030	2.523	0.000	0.000	0.000	0.000	0.829	0.000	27.648
Glasgow City	0.051	5.512	0.000	0.000	0.000	0.000	1.687	0.000	50.368
Highland	0.000	0.359	0.000	0.000	0.000	0.300	0.540	0.000	17.363
Inverclyde	0.015	0.859	0.000	0.000	0.000	0.000	0.195	0.000	6.458
Midlothian	0.015	0.437	0.000	0.000	0.000	0.000	0.240	0.000	7.301
Moray	0.009	1.635	0.000	0.000	0.000	0.000	0.264	0.000	8.044
North Ayrshire	0.015	0.814	0.000	0.000	0.000	0.000	0.394	0.000	10.945
North Lanarkshire	0.030	2.830	0.000	0.000	0.000	0.000	0.843	1.400	28.652
Orkney	0.000	0.055	0.000	0.000	0.000	0.000	0.119	0.000	2.220
Perth & Kinross	0.006	0.149	0.009	0.000	0.000	0.000	0.322	0.000	10.108
Renfrewshire	0.015	1.903	0.000	0.000	0.000	0.000	0.371	0.000	14.279
Scottish Borders	0.000	0.942	0.000	0.000	0.000	0.000	0.294	0.000	8.627
Shetland	0.000	0.036	0.000	0.000	0.000	0.000	0.126	0.000	2.490
South Ayrshire	0.000	1.229	0.000	0.000	0.000	0.000	0.273	0.000	9.273
South Lanarkshire	0.030	2.306	0.000	0.000	0.000	0.000	0.641	0.000	24.851
Stirling	0.015	1.183	0.000	0.000	0.000	0.000	0.218	0.000	7.882
West Dunbartonshire	0.009	0.986	0.000	0.000	0.000	0.000	0.267	0.000	7.686
West Lothian	0.006	3.090	0.000	0.000	0.000	0.000	0.440	0.000	16.098
Scotland	0.400	44.348	0.753	0.100	0.050	0.600	12.498	1.400	425.152

*Final funding is subject to full reconciliation.

Local Authority	2024-25 GAE plus SINA	Percentage Shares	2008-24 Changes	2008-23 Changes	Movement in Changes
	£m	£m	£m	£m	£m
Aberdeen City	499.601	3.727	47.918	32.634	15.284
Aberdeenshire	616.158	4.597	59.097	41.244	17.853
Angus	277.122	2.067	26.579	18.753	7.827
Argyll & Bute	236.869	1.767	22.719	15.936	6.783
Clackmannanshire	128.830	0.961	12.356	8.739	3.618
Dumfries & Galloway	381.697	2.848	36.609	25.695	10.914
Dundee City	381.663	2.847	36.606	25.807	10.799
East Ayrshire	313.268	2.337	30.046	21.283	8.763
East Dunbartonshire	275.615	2.056	26.435	18.287	8.148
East Lothian	260.504	1.943	24.985	17.316	7.670
East Renfrewshire	253.812	1.894	24.344	16.837	7.507
Edinburgh, City of	1,081.093	8.065	103.690	72.570	31.120
Eilean Siar	87.515	0.653	8.394	5.974	2.420
Falkirk	377.364	2.815	36.194	25.650	10.544
Fife	898.511	6.703	86.178	60.737	25.441
Glasgow City	1,590.884	11.869	152.585	107.362	45.222
Highland	595.883	4.446	57.152	40.573	16.580
Inverclyde	207.344	1.547	19.887	14.013	5.874
Midlothian	232.085	1.731	22.260	15.488	6.772
Moray	221.906	1.656	21.283	15.104	6.180
North Ayrshire	358.231	2.673	34.359	24.066	10.293
North Lanarkshire	850.029	6.342	81.528	57.725	23.803
Orkney	90.947	0.679	8.723	6.042	2.681
Perth & Kinross	362.967	2.708	34.813	24.468	10.345
Renfrewshire	443.767	3.311	42.562	29.832	12.730
Scottish Borders	287.244	2.143	27.550	19.168	8.382
Shetland	101.729	0.759	9.757	6.565	3.192
South Ayrshire	285.192	2.128	27.353	19.237	8.116
South Lanarkshire	793.951	5.923	76.149	53.195	22.954
Stirling	228.893	1.708	21.954	15.471	6.482
West Dunbartonshire	240.540	1.795	23.071	16.313	6.758
West Lothian	442.790	3.303	42.469	29.808	12.661
Scotland	13,404.004	100.000	1,285.603	901.888	383.715

2024-25	Capital Settlement			Specific Capital Grants			
£m	General Capital Grant	Specific Grants	Total Capital Grants	Vacant and Derelict Land	TMDF	Cycling Walking & Safer Streets	Total
Authority							
Aberdeen City	17.067	0.986	18.053	0.000	0.000	0.986	0.986
Aberdeenshire	16.864	1.161	18.025	0.000	0.000	1.161	1.161
Angus	8.134	0.503	8.637	0.000	0.000	0.503	0.503
Argyll & Bute	8.834	0.379	9.213	0.000	0.000	0.379	0.379
Clackmannanshire	4.132	0.228	4.360	0.000	0.000	0.228	0.228
Dumfries & Galloway	10.541	0.642	11.183	0.000	0.000	0.642	0.642
Dundee City	12.201	0.652	12.853	0.000	0.000	0.652	0.652
East Ayrshire	7.178	0.529	7.707	0.000	0.000	0.529	0.529
East Dunbartonshire	6.735	0.480	7.215	0.000	0.000	0.480	0.480
East Lothian	25.342	0.494	25.836	0.000	0.000	0.494	0.494
East Renfrewshire	5.098	0.426	5.524	0.000	0.000	0.426	0.426
Edinburgh, City of	34.476	30.206	64.682	0.000	27.950	2.256	30.206
Eilean Siar	6.053	0.115	6.168	0.000	0.000	0.115	0.115
Falkirk	9.446	0.697	10.143	0.000	0.000	0.697	0.697
Fife	24.579	2.741	27.320	1.111	0.000	1.630	2.741
Glasgow City	46.326	68.297	114.623	1.270	64.295	2.732	68.297
Highland	20.472	1.036	21.508	0.000	0.000	1.036	1.036
Inverclyde	5.935	0.345	6.280	0.000	0.000	0.345	0.345
Midlothian	6.696	0.425	7.121	0.000	0.000	0.425	0.425
Moray	7.341	0.411	7.752	0.000	0.000	0.411	0.411
North Ayrshire	8.628	1.550	10.178	0.963	0.000	0.587	1.550
North Lanarkshire	21.334	2.732	24.066	1.231	0.000	1.501	2.732
Orkney Islands	4.640	0.097	4.737	0.000	0.000	0.097	0.097
Perth & Kinross	25.702	0.664	26.366	0.000	0.000	0.664	0.664
Renfrewshire	11.177	0.809	11.986	0.000	0.000	0.809	0.809
Scottish Borders	9.320	0.515	9.835	0.000	0.000	0.515	0.515
Shetland Islands	4.831	0.101	4.932	0.000	0.000	0.101	0.101
South Ayrshire	7.787	0.491	8.278	0.000	0.000	0.491	0.491
South Lanarkshire	19.276	1.865	21.141	0.425	0.000	1.440	1.865
Stirling	20.101	0.408	20.509	0.000	0.000	0.408	0.408
West Dunbartonshire	3.597	0.389	3.986	0.000	0.000	0.389	0.389
West Lothian	10.444	0.798	11.242	0.000	0.000	0.798	0.798
Undistributed	86.550	0.000	86.550	0.000	0.000	0.000	0.000
Councils Total	516.837	121.172	638.009	5.000	92.245	23.927	121.172

Council	Flood Scheme	Total 2024-25 £m
Aberdeenshire Council	Stonehaven	-2.447
Aberdeenshire Council	Huntly	-0.384
Angus Council	Arbroath	-0.739
Argyll & Bute Council	Campbeltown	0.000
Comhairle nan Eilean Siar	South Fords	0.000
Dumfries & Galloway Council	Dumfries/ River Nith/ Whitesands FPS	-11.652
Dumfries & Galloway Council	Stranraer work item 4 &6	0.000
Dumfries & Galloway Council	Langholm	0.000
Dumfries & Galloway Council	Newton Stewart/ River Cree	8.359
Dundee City Council	Broughty Ferry	-0.126
Dundee City Council	Dundee	-0.087
East Ayrshire Council	New Cumnock	-0.080
East Dunbartonshire Council	Park Burn	0.000
East Lothian Council	Musselburgh	16.980
East Lothian Council	Haddington	0.680
Falkirk Council	Grangemouth FPS	0.000
Fife Council	Kinness Burn	0.960
Glasgow City Council	White Cart Water Phase 3	0.000
Glasgow City Council	Camlachie Burn	0.000
Highland Council	Smithton and Culloden	-1.398
Highland Council	Caol and Lochyside	1.337
Highland Council	Drumnadrochit	-0.167
Inverclyde Council	Inverclyde FPS - Glenmosston Burn	0.000
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	-0.042
North Ayrshire Council	Millport Coastal	-0.040
North Ayrshire Council	Upper Garnock FPS	-0.400
North Ayrshire Council	Mill Burn Millport	0.000
Orkney Islands Council	Kirkwall	-0.090
Perth & Kinross Council	Comrie	8.924
Perth & Kinross Council	Milnathort	-1.136
Perth & Kinross Council	South Kinross	5.776
Perth & Kinross Council	Scone	-0.013
Scottish Borders Council	Hawick	-0.848
Stirling Council	Bridge of Allan	12.392
Stirling Council	Stirling	0.000
Stirling Council	Callander	0.723
West Dunbartonshire Council	Gruggies Burn	-2.882
	Total	33.600

2023-24 General Capital Grant	Circular 3/2023	Playparks	Nature Restoration Funding	Coastal Adaption	Community Bus Fund	Free School Meals	Flooding	Capital - LG Pay	2023-24 Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	22.923	0.373	0.270	0.000	0.004	4.350	0.581	1.300	29.801
Aberdeenshire	22.846	0.616	0.445	0.056	0.288	0.000	0.113	0.000	24.364
Angus	12.850	0.220	0.306	0.000	0.110	1.460	0.119	1.540	16.605
Argyll & Bute	17.326	0.157	0.489	0.000	0.233	5.000	0.374	0.000	23.579
Clackmannanshire	5.620	0.093	0.195	0.000	0.121	0.000	0.050	0.000	6.079
Dumfries & Galloway	23.221	0.291	0.490	0.036	0.422	2.000	14.297	0.000	40.757
Dundee City	16.679	0.243	0.171	0.000	0.009	2.250	0.061	0.000	19.413
East Ayrshire	11.106	0.224	0.206	0.000	0.323	1.630	0.068	0.000	13.557
East Dunbartonshire	9.825	0.202	0.266	0.000	0.046	0.000	0.151	0.000	10.490
East Lothian	6.862	0.218	0.223	0.000	0.098	0.000	0.028	0.000	7.429
East Renfrewshire	7.923	0.204	0.121	0.000	0.036	1.300	0.060	0.000	9.644
Edinburgh, City of	47.786	0.811	0.272	0.000	0.011	5.630	0.147	0.000	54.657
Eilean Siar	8.185	0.062	0.255	0.000	0.115	0.000	0.025	0.000	8.642
Falkirk	9.181	0.289	0.348	0.000	0.103	1.990	0.089	0.000	12.000
Fife	35.323	0.681	0.612	0.126	0.478	6.730	0.215	16.270	60.435
Glasgow City	64.614	1.028	0.247	0.000	0.030	0.000	0.545	0.000	66.464
Highland	27.695	0.488	0.676	0.083	0.547	3.160	0.130	0.840	33.619
Inverclyde	8.102	0.126	0.306	0.000	0.025	2.000	0.027	0.000	10.586
Midlothian	9.289	0.197	0.211	0.000	0.101	0.000	0.044	0.000	9.842
Moray	10.264	0.188	0.246	0.000	0.215	0.000	0.029	0.000	10.942
North Ayrshire	33.750	0.231	0.355	0.000	0.146	4.000	0.076	0.000	38.558
North Lanarkshire	31.315	0.635	0.556	0.000	0.231	20.000	0.053	0.000	52.790
Orkney	5.874	0.051	0.106	0.066	0.035	0.000	0.016	0.000	6.148
Perth & Kinross	21.021	0.291	0.353	0.000	0.199	0.000	0.091	0.000	21.955
Renfrewshire	16.133	0.307	0.199	0.000	0.051	1.300	0.225	0.000	18.215
Scottish Borders	21.670	0.234	0.328	0.072	0.243	1.500	0.870	0.000	24.917
Shetland	6.054	0.061	0.161	0.000	0.044	0.000	0.002	0.000	6.322
South Ayrshire	11.157	0.189	0.189	0.106	0.171	1.400	0.039	0.000	13.251
South Lanarkshire	28.320	0.597	0.545	0.000	0.303	0.000	0.182	0.000	29.947
Stirling	7.408	0.168	0.228	0.000	0.103	2.000	0.074	2.050	12.031
West Dunbartonshire	14.338	0.157	0.257	0.000	0.008	0.000	0.151	0.000	14.911
West Lothian	15.727	0.369	0.368	0.000	0.151	2.300	0.068	0.000	18.983
Scotland	590.387	10.001	10.000	0.545	5.000	70.000	19.000	22.000	726.933

TOTAL LOCAL GOVERNMENT FUNDING SETTLEMENT 2024-25

ANNEX L

Local Authority	Ring-Fenced Grants	Non Domestic Rates	General Revenue Funding	Total 2024-25 Revenue	General Capital Grant	Specific Grant	Total 2024-25 Capital	2024-25 Local Government Finance Settlement
	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	7.310	208.113	238.757	454.180	17.067	0.986	18.053	472.233
Aberdeenshire	6.057	131.217	435.584	572.859	16.864	1.161	18.025	590.884
Angus	3.944	29.212	233.949	267.106	8.134	0.503	8.637	275.743
Argyll & Bute	4.526	41.205	196.269	242.001	8.834	0.379	9.213	251.214
Clackmannanshire	2.783	19.597	102.177	124.556	4.132	0.228	4.360	128.916
Dumfries & Galloway	5.798	63.508	301.052	370.358	10.541	0.642	11.183	381.541
Dundee City	8.653	73.464	295.091	377.208	12.201	0.652	12.853	390.061
East Ayrshire	6.059	33.424	263.643	303.127	7.178	0.529	7.707	310.834
East Dunbartonshire	2.587	25.820	223.580	251.987	6.735	0.480	7.215	259.202
East Lothian	2.891	59.737	174.634	237.263	25.342	0.494	25.836	263.099
East Renfrewshire	2.161	15.891	221.638	239.690	5.098	0.426	5.524	245.214
Edinburgh, City of	16.211	406.367	566.051	988.629	34.476	30.206	64.682	1,053.311
Eilean Siar	1.600	9.691	100.120	111.411	6.053	0.115	6.168	117.579
Falkirk	6.660	72.733	287.144	366.538	9.446	0.697	10.143	376.681
Fife	16.585	143.021	702.378	861.984	24.579	2.741	27.320	889.304
Glasgow City	39.256	385.603	1,166.123	1,590.981	46.326	68.297	114.623	1,705.604
Highland	9.434	159.842	412.859	582.135	20.472	1.036	21.508	603.643
Inverclyde	3.944	20.235	184.422	208.601	5.935	0.345	6.280	214.881
Midlothian	3.681	34.834	180.389	218.905	6.696	0.425	7.121	226.026
Moray	2.779	67.015	144.407	214.201	7.341	0.411	7.752	221.953
North Ayrshire	6.917	42.994	303.175	353.087	8.628	1.550	10.178	363.265
North Lanarkshire	15.290	120.364	677.770	813.424	21.334	2.732	24.066	837.490
Orkney	16.314	12.137	67.145	95.596	4.640	0.097	4.737	100.333
Perth & Kinross	3.806	64.514	269.418	337.738	25.702	0.664	26.366	364.104
Renfrewshire	7.301	116.791	292.363	416.455	11.177	0.809	11.986	428.441
Scottish Borders	3.206	42.089	227.243	272.537	9.320	0.515	9.835	282.372
Shetland	23.588	27.263	61.032	111.883	4.831	0.101	4.932	116.815
South Ayrshire	4.359	45.931	219.374	269.665	7.787	0.491	8.278	277.943
South Lanarkshire	13.528	364.911	364.224	742.664	19.276	1.865	21.141	763.805
Stirling	2.802	47.618	168.360	218.780	20.101	0.408	20.509	239.289
West Dunbartonshire	5.041	87.207	146.320	238.568	3.597	0.389	3.986	242.554
West Lothian	7.914	95.652	320.570	424.136	10.444	0.798	11.242	435.378
Undistributed	0.103	0.000	365.210	365.313	86.550	0.000	86.550	451.863
Scotland	263.090	3,068.000	9,912.474	13,243.564	516.837	121.172	638.009	13,881.573

22 February 2024

Agenda Item No. 3(c)

General Fund Revenue Budget 2024-27

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

Wards Affected: All

Purpose

The purpose of this report is to provide members with sufficient information to enable the Council to approve a balanced budget for 2024-27 as required by statute.

Recommendation(s)

The Council is asked to:

- (a) note the details of the provisional settlement announced by the Scottish Government as outlined in Finance Circular 8/2023, and the terms of the settlement as outlined in the letter from the Deputy First Minister, dated 19 December 2023;
- (b) agree the level of council tax to be levied for the financial year 2024-25 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 2025-26 and 2026-27;
- (d) approve the prudential indicators as outlined in Appendix 2;
- (e) agree an additional contribution of £17.1m to the Fife Health & Social Care (H&SC) Partnership; and
- (f) note the level of capital receipts used to fund transformational projects in the period 2019-23 and that this flexibility has ceased.

Resource Implications

The report identifies significant resource implications that have to be considered in the determination of the budget for 2024-25 and future years.

Legal & Risk Implications

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

Impact Assessment

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

Consultation

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

- 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 and the overall financial outlook.
- 1.3 This report provides information on the estimated resources available to the Council over the 2024-27 period. 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 2024-25 in order to set a balanced budget.
- 1.4 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..
- 1.5 The Scottish Government has offered Councils funding of approximately 5% if they implement a Council Tax freeze. They are free to increase Council Tax but the implication would be the loss of the offered funding.
- 1.6 In setting the core revenue budget for 2024-25 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 2024-25, high-level projections point to a considerable budget gap in both 2025-26 and 2026-27. In light of these projections, members are advised to give full consideration to the longer-term consequences of any decisions made in setting the 2024-25 budget.

2.0 Finance Settlement

- 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 2024-25, the Block Grant increased by 0.4% in real terms from 2023-24.
- 2.2 The Scottish Government published its provisional draft budget on 19th December 2023, followed by publication of the Local Government Finance Settlement for 2024-25 on 21 December 2023.
- 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 2024, the budget process is currently ongoing, with the Stage 1 debate held on 8th February 2024. 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 2024-25 Budget is £13.9bn. This is mostly made up of General Revenue Grant (GRG) and Non-Domestic Rates Income (NDRI), with additional smaller allocations for specific (or ring-fenced) Revenue and Capital Grants. Fife's provisional share of total revenue funding equates to £861.984m. This includes £16.585m grant funding for specific purposes e.g., Pupil Equity Fund, Criminal Justice, and Gaelic Language.
- 2.5 Locally, Fife received a cash reduction of 0.3%, equating to approx. £2.8m when comparing core revenue funding before new burdens, which is lower than the anticipated flat cash. The final Settlement will likely change following further revisions by the Scottish Government and there are some elements that remain undistributed.
- 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 (with estimated Fife figures where known) includes:
- £950.9 million of funding that has now been baselined into the General Revenue Grant as part of the Verity House Agreement, including £521.9m for Early Learning & Childcare, and £333.5m of Living Wage funding.
 - £508m (£34.3m for Fife) to support 2023/24 Local Government pay deals on a recurring basis.
 - Local Authority social care budgets for allocation to Integration Authorities must be at least £241.5m (£17.1m for Fife) greater than 2023-24 recurring budgets.
 - £145.5m (£10.2m for Fife) for Councils to maintain overall teacher numbers.
 - An additional £6m (£0.3m for Fife of the £4.5m distributed) to support the expansion of the Free School Meals policy.
 - An additional £6.8m (currently undistributed) for Discretionary Housing Payments.

3.0 Medium Term Forecast

- 3.1 In order to arrive at a budget gap for the Council for 2024-25, a comparison is made of the funding that the Council is expected to receive, with the cost of continuing existing service provision and delivery. The cost of continuing is illustrative as a baseline comparator only as it assumes that the Council continues to provide the range of services that it currently does in a similar manner. Clearly this is unsustainable in the medium term given the significant funding gap that this creates and the resulting financial challenge that the Council faces.
- 3.2 The last budget report to the 8 February Cabinet Committee showed a budget gap of £8.212m for 2024-25. This is a reduction from the previous report on 7th September that showed a gap of £21.9m as a significant amount of new information and subsequent decisions have had an impact on the budget gap. These include:
- The outcome of the Local Government Settlement
 - The Council Tax freeze

- The finalisation of pay awards for non-teaching staff along with clarity in relation to the level of funding being provided by the Scottish Government
- Potential for reduced employer contributions as a result of a strong funding position identified by the Pension Fund Triennial Pension Valuation
- Inflation impacting less on energy price forecasts than previously anticipated
- Committee decisions on the future of Rothesay House and New City House
- Committee approval of changes to Local Taxation

3.3 The budget gap for the next 3 years is shown in Table 1 below. No Council Tax increase has been assumed in these figures as this is a political decision. Political groups have choices to make regarding the level of council tax to levy and decisions that can be taken to balance the budget. It should be noted that the figures in the latter years are indicative as the level of government grant is not known as the Scottish Government has only produced a one-year budget for 2024-25.

Table 1	2024-25	2025-26	2026-27
Budget Gap	£m	£m	£m
At Jan 2024	8.212	24.370	42.522

The Scottish Government offered funding of £147m to freeze Council Tax for 2024-25, of which Fife's indicative allocation is £9.337m. It is a political decision as to whether to accept the freeze and the accompanying funding or to proceed with a Council Tax increase and decide upon the level to set and forgo the offer of funding. In the event that a Council Tax freeze is accepted along with the funding, the Council Tax base will be eroded, compounding the level of future budget gaps.

3.4 It is important that members are aware of the assumptions that underpin the medium-term forecast, these are detailed in Table 2 below:

Table 2	2024-25	2025-26	2026-27
Grant Level	-0.3%	0.0%	0.0%
Council Tax	No assumption	3.0%	3.0%
Pay & Pensions	3.0%	2.5%	2.5%
Non-Pay Inflation (contracted items only)	2.5%	2.5%	2.5%

Capital Financing Costs

3.5 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 affordable and sustainable limits. The Council is required to approve a range of prudential indicators. These are attached as Appendix 2.

- 3.6 The estimate of capital financing costs (loan charges) assumes that capital spend will be in accordance with the Council's approved Capital Investment Plan which was approved in June 2023. It is assumed that efforts will be made, as far as possible, to ensure the delivery of the capital investment plan throughout 2024-25 and beyond. Capital expenditure is primarily financed through borrowing, capital grants, capital receipts and revenue contributions. Interest rates are kept under review, but for the purposes of budget planning a rate of between 4.8% and 5.1% is appropriate and based on advice from our Treasury advisers. These rates impact on costs associated with future borrowing only.
- 3.7 Based on the current anticipated level of borrowing and interest rates, the estimated capital financing costs over the life of the Capital Investment Plan are affordable. Affordability is tested in depth every two years, with preparation for the next Capital Plan review beginning early in the 2024-25 financial year.
- 3.8 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.

4.0 Taxation

- 4.1 No Council Tax increase has been assumed when calculating the budget gap as this is ultimately a decision for Fife Council.
- 4.2 On 17 October the First Minister announced a Council Tax freeze for 2024/25. The Scottish Government budget on 19th December gave a figure of £147m to fund the freeze, nationally announced as the equivalent of a 5% increase. Fife's indicative share of £9.3m equates approximately to a 4.9% increase which compares favourably to the 3% assumed in the Medium-Term Financial Strategy. The Council is free to increase Council Tax rates but would forgo the funding offered by Scottish Government.
- 4.2 Legislation was introduced allowing Councils the power to increase Council Tax charges from 100% to 200% for all dwellings classified as Second Homes. This policy was approved for Fife at Cabinet Committee in 11th January 2024 and will take effect from 1 April 2024. The additional income expected to be generated through this policy change is included in the updated budget gap calculations.
- 4.3 The 2024-25 Non-Domestic Rate poundage rate has been provisionally set at 49.8p, the same as 2023-24. Two additional rates are levied on properties with a rateable value over £51k (54.5p – the Intermediate Property Rate) and over £100k (55.9p – the Higher Property Rate) that have both been increased by inflation.
- 4.4 Also approved at Cabinet Committee on 11 January 2024 was a revised Empty Rates Charging Policy for Fife effective from 1 April 2024. The additional income expected through this policy change is again included in the budget gap calculations.

5.0 Review of Reserves, Balances and Risk

- 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. The CIPFA guidance on Reserves and Balances makes it clear that individual Local Authorities should make their own judgements on such matters and consider all relevant local circumstances. It is up to the Section 95 Officer to consider all relevant factors in providing advice to the Council.

- 5.2 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 also 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;
 - The level of known financial risk.
- 5.3 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 A full review of the commitments made has been carried out and funds remain earmarked as CFCR contributions agreed during Capital Plan Review, recovery from the COVID-19 pandemic and provision for inflationary pressures. Members will recall that during the latest Capital Plan review process, £13.5m was identified for investment. This funding remains uncommitted and members may consider making commitments for investment at this time.
- 5.5 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 2024-25. 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. There is funding from Scottish Government dependent on maintaining overall teacher numbers and a risk exists that Scottish Government will not distribute funding if conditions are not met.
- 5.6 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 £20.3m) 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 2024 was £26.0m.

- 5.7 The Section 95 officer has determined that there is scope to use balances to fund one off investment this year. Based on the latest estimates, the level of uncommitted balances is £6.0m above the policy minimum. Any use of Council balances to address the budget gap for 2024-25 should be avoided as far as possible. All budget proposals need to be agreed by the Section 95 officer who will assess the financial sustainability of the full package brought forward.
- 5.8 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 Capital Receipts Flexibility

- 6.1 In December 2018 the Scottish Government confirmed that they were content to offer local government an enhanced flexibility to that previously offered in relation to capital receipts and there is a requirement to report on the use of this flexibility. This enhanced flexibility was to enable councils the use capital receipts to fund the costs of projects designed to transform service delivery to reduce/costs and/or reduce demand for services in future years. The financial flexibility was made available in financial years from 2018-19 to 2021-22. This was subsequently extended to include financial year 2022-23 following the COVID-19 pandemic,
- 6.2 Appropriate approval was sought and granted to use this flexibility and ring-fence capital receipts to fund two legacy replacement systems, SWIFT and COMIS. These had previously featured in the Capital Plan, but as both systems are cloud based, the costs were revenue in nature as opposed to capital. The flexibility was available as it was deemed the introduction of these system would transform service delivery by improving systems and processes. Both projects have experienced delays because of the COVID-19 pandemic.

SWIFT Replacement

- 6.3 The new system went live in April 2023 at a total cost to date of £4.475m of which £3.484m was funded by application of capital receipts. The programme was expected to achieve benefits more than £2m from improving processed. These are expected to be achieved within 12 months of implementation; therefore it is too early to quantify the actual benefits achieved.

COMIS Replacement

- 6.4 Implementation of a COMIS replacement system to provide a more modern integrated solution is continuing. The total cost of the project is being partially funded from the application of capital receipts, the actual cost being 2019-23 was £1.602m.
- 6.5 The programme is expected to achieve benefits in excess of £1.2m from improving processes and reducing duplication. These benefits are still expected to be achieved once the system has been fully implemented.
- 6.6 Capital receipts have been applied to these projects as follows:

Table 3 – Application of Capital Receipts

Financial Year	SWIFT (£m)	COMIS (£m)	Total (£m)
----------------	------------	------------	------------

2019-20	0.334	0.263	0.597
2020-21	0.738	0.400	1.138
2021-22	1.306	0.215	1.521
2022-23	1.106	0.724	1.830
Total	3.824	1.602	5.426

7.0 Conclusions

- 7.1 The budget beyond 2024-25 and into the future will become more 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.
- 7.2 There is a high risk that the assumptions from 2025-26 onwards could be optimistic given the current levels of inflation and wider economic challenges. In setting the budget for 2024-25 it is important that members have regard to the implications of any decisions on future years' budgets.
- 7.3 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 one-off basis.
- 7.4 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

1. Risk Register
2. Prudential Indicators

Background Papers

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

[Local Government Finance Circular 8/2023](#)

[UK Autumn Statement 2023](#)

[Office of Budget Responsibility Inflation Forecast](#)

[Office of National Statistics - Consumer Price Inflation](#)

[Bank of England Monetary Policy Report – November 2023](#)

[LGIU – The State of Local Government Finance in Scotland](#)

[Scottish Budget 2024-25](#)

[LGIU: Scottish Budget 2024-25: Funding for councils and public services](#)

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Fife Council - Financial Risk Register

APPENDIX 1

No.	RISK Threat to achievement of business objective	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) Assume No Controls in Place			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) With Controls Measures		
			Likeli- hood	Impact	Risk Score				Likeli- hood	Impact	Risk Score
1	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.	Y	5.0	5	5	25
2	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 when required. Participation in national modelling of pay costs and impact on Council budget. Scottish Government funding.	Y	7.1	4	4	16
3	Retained Teacher Funding	Funding from Scottish Government is dependent on maintaining overall teacher numbers but there is a risk that Scottish Government will claw back funding if numbers fall.	5	5	25	Engagement with Scottish Government through COSLA and use of appeals process. Recruiting teachers to the required level.	Y	3.2	4	4	16
4	Equal Pay Claims	Potential requirement to settle further Equal Pay claims.	5	5	25	Legal defence of cases.	N	TBC	3	5	15
5	Historic Child Abuse Claims	Potential requirement to settle Historic Child Abuse claims outwith redress scheme.	5	5	25	Legal defence of cases.	N	TBC	3	5	15
6	Service pressures	Services continue to face cost pressures where no funding solution has been identified to date	5	5	25	Medium Term Financial 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

No.	RISK Threat to achievement of business objective	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) Assume No Controls in Place			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) With Controls Measures		
			Likelihood	Impact	Risk Score				Likelihood	Impact	Risk Score
7	Changes to Terms and Conditions resulting in additional costs.	Work is ongoing to review the hourly rate of apprentices to comply with grant conditions around Fair Work. Ongoing work is being undertaken to evaluate other terms and conditions such as overtime, standby allowance etc	5	3	15	Job evaluation framework and processes in place. Negotiations with unions and full Committee approval required.	Y	3.2	3	3	9
8	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	2.6	4	2	8
9	Budget Realignment approach	The approach adopted for the 2023-24 budget was to review revenue budgets and to realign budgets and increase turnover allowance. This approach was based on the trends and level of underspend 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 the Council's ability to recruit.	5	3	15	This risk is held corporately and future service budget pressures may increase should the ability to recruit increase.	Partial	3.0	2	3	6
10	LGPS Pension Contribution Rate	The working assumption by officers is that the LGPS employers contribution rate may be reduced by 3% from 1 April 2024. As this decision will be made by the Pensions Committee after the budget setting date there is a risk that the assumed level of reduction differs from that approved.	4	5	20	Use of balances to cover the any shortfall in budget should the assumed revised rate not be agreed.	Y	4.4	2	3	6

No.	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) <i>Assume No Controls in Place</i>			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) <i>With Controls Measures</i>		
			Likelihood	Impact	Risk Score				Likelihood	Impact	Risk Score
11	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 high levels of inflation and the economic climate. Rephasing has also taken place. Continued capital plan monitoring and reporting to Committee. 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. Continued monitoring of supply chain by Procurement Team. The Capital Plan Review deals 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
12	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
13	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 taking place. Services requested to source funds from within existing resources but have limited capacity to do so.	Partial	1.0	3	2	6

Fife Council - Financial Risk Register

No.	RISK Threat to achievement of business objective	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) Assume No Controls in Place			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) With Controls Measures		
			Likelihood	Impact	Risk Score				Likelihood	Impact	Risk Score
14	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
15	Teachers Pension Contribution Rate	Teachers contribution rate will increase from 23% to 26% in 2024-25 which should be fully funded via Barnett consequentials but there is a risk that this is not passed on by Scottish Government.	3	5	15	Engagement with Scottish Government through COSLA.	Y	5.0	1	4	4
16	Inflation costs due to economic factors including Supply Chain disruption, Energy Costs, Insurance 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 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 current prices. Provision has also been made in balances for some inflation. The Medium Term Finance strategy does require Services to manage costs within available resources although it is recognised there is reduced capacity for this 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	4.0	2	2	4

Fife Council - Financial Risk Register

No.	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) <i>Assume No Controls in Place</i>			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) <i>With Controls Measures</i>		
			Likelihood	Impact	Risk Score				Likelihood	Impact	Risk Score
17	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
18	Additional costs of compliance with building safety standards and legislation and security costs.	There is a risk of non-compliance with relevant British standards for property and assets which will require expenditure to meet the standard and avoid fines.	5	2	10	Regular Asset Condition surveys are undertaken to ensure compliance with standards. Health and Safety teams are in place. Contingencies are held in both revenue and capital than could be used to meet these costs. Insurance arrangements are also in place	Y	2.5	3	1	3
19	Loan Charges additional interest costs	There is a risk of additional borrowing costs if interest rates are higher than forecast. Also the application of PPP Service Concession accounting does not generate a cash releasing saving meaning additional borrowing may be required.	5	2	10	Regular review of interest rates and consultation with Treasury Advisers takes place. Tactical borrowing ongoing to source loans at competitive rates and debt rescheduling undertaken to reduce costs. 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 day to day treasury activity	N	2.2	2	1	2

Fife Council - Financial Risk Register

APPENDIX 1

No.	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) Assume No Controls in Place			Risk Control Measures in Place	Are all Controls Operational? Y/N/ Partial	Potential Financial Risk Annual Basis £m	Assessment of Residual Risk (likelihood x impact) With Controls Measures		
			Likelihood	Impact	Risk Score				Likelihood	Impact	Risk Score
20	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

Uncommitted General Fund Balance as reported to Cabinet 11 January 2024
 Risk Per Risk Register
 % of Risks per Risk Register covered by Unallocated Balances

£26.0m
 £70.8m
 37%

ACTUAL	APPROVED
2022 23	2023 24
£m	£m
103.964	188.181
85.399	114.210
189.362	302.391
£m	£m
11.996	52.811
30.519	32.964
42.515	85.776
£m	£m
942.946	941.085
128.401	135.195
1,071.347	1,076.280
1.27%	5.61%
23.77%	24.38%
£m	£m
785.892	862.624
414.161	456.246
1,200.053	1,318.870
995.595	1,138.657
1,489.036	1,528.856
1,418.129	1,456.053
£m	£m
995.595	1,138.657
1,200.053	1,318.870
(204.458)	(180.213)
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

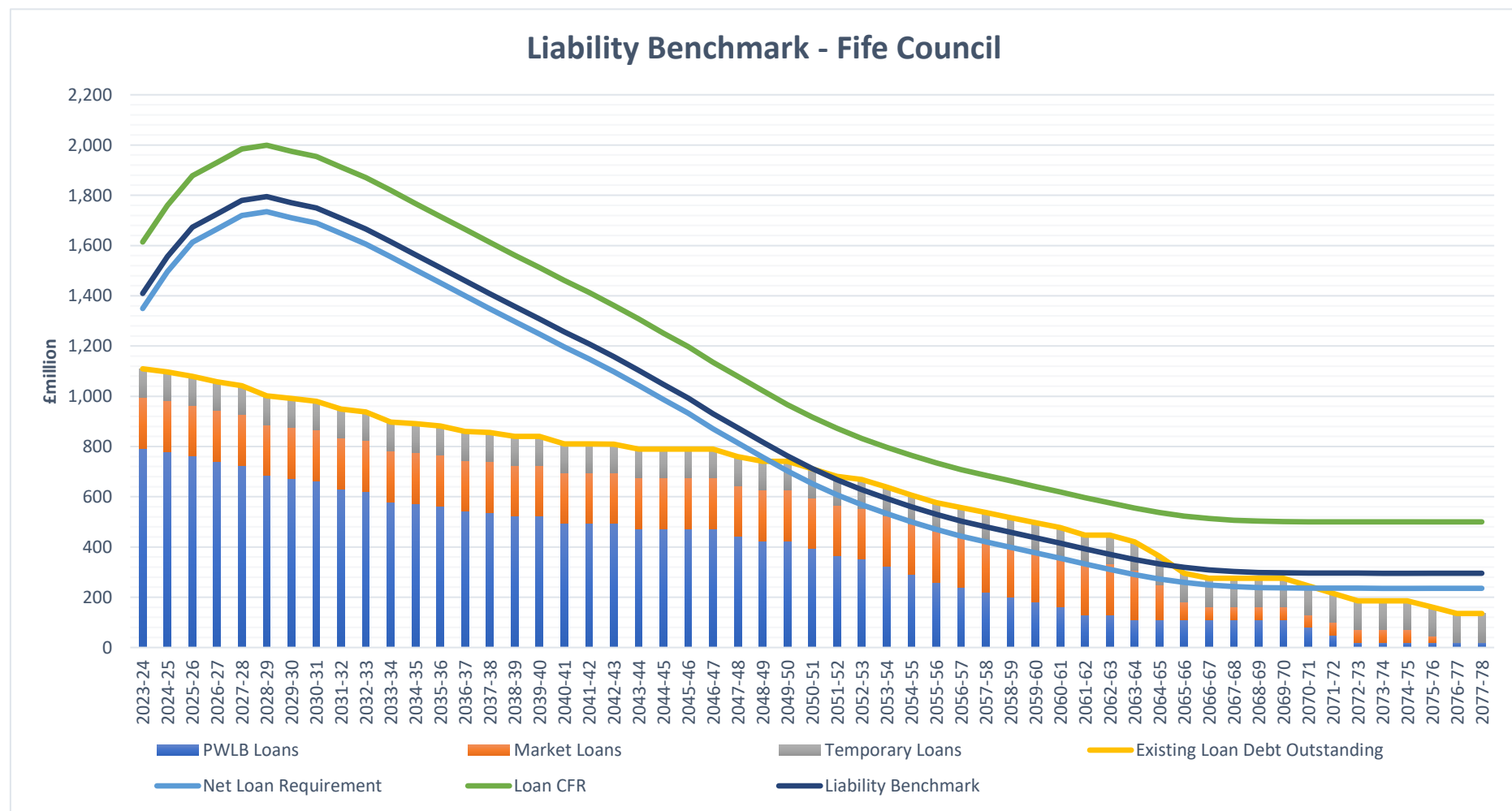
Forecast External Debt
Forecast Capital Financing Requirement

Adoption of the CIPFA Code on Treasury Management

Code adopted in 1996 and 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

APPROVED	APPROVED	APPROVED
2024 25	2025 26	2026 27
£m	£m	£m
173.727	163.718	111.712
143.228	110.103	78.582
316.955	273.822	190.294
£m	£m	£m
54.477	56.768	59.517
37.554	43.502	46.382
92.031	100.270	105.899
£m	£m	£m
1,038.338	1,038.338	1,038.338
140.178	146.701	153.968
1,178.516	1,185.039	1,192.306
5.25%	5.47%	5.73%
26.79%	29.65%	30.12%
£m	£m	£m
909.401	981.924	1,015.262
522.878	570.972	593.229
1,432.279	1,552.895	1,608.491
1,316.420	1,430.802	1,484.230
1,691.865	1,754.843	1,796.440
1,611.300	1,671.279	1,710.895
£m	£m	£m
1,316.420	1,430.802	1,484.230
1,432.279	1,552.895	1,608.491
(115.859)	(122.094)	(124.261)
100%	100%	100%
75%	75%	75%
0%	0%	0%

Debt Liability Benchmark



FIFE COUNCIL PRUDENTIAL INDICATORS 2024-27 - EXPLANATORY NOTE

CAPITAL EXPENITURE

This reflects the budgeted capital expenditure for the next 3 financial years.

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, known as Loan Charges. These costs will vary over time as capital expenditure estimates and interest rates change.

NET REVENUE STREAM

This provides details of the income anticipated from General Government Grant, Council Tax, Non-Domestic Rates and Housing Rents. The estimates used are consistent with the assumptions in medium term finance strategy.

RATIO OF FINANCING COSTS TO NET REVENUE STREAM

This is a key indicator and highlights how much of the Council's annual income is used to meet the costs of the Council borrowing to fund Capital Expenditure Plans. The cost of borrowing becomes a fixed cost, which is increasing over time as revenue streams decrease and capital expenditure increases.

THE CAPITAL FINANCING REQUIREMENT

This indicator quantifies the Council's need to borrow to fund Capital Projects. It takes account of capital expenditure and income estimates along with the estimates for the repayment of loan charges in each of the financial years.

EXTERNAL DEBT

This is the amount the Council borrows externally to fund Capital Projects. Council's can only borrow on a long term basis to meet the cost of new capital expenditure.

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. These limits are contained in the Treasury Strategy 2023-26 and approved by Cabinet Committee in August 2023 and will not change until new limits are approved in 2024-25.

FIFE COUNCIL

PRUDENTIAL INDICATORS 2024-27 - EXPLANATORY NOTE (Continued)

EXTERNAL DEBT AND THE CAPITAL FINANCING REQUIREMENT

This is another 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.

DEBT LIABILITY BENCHMARK

the relationship between the gross loan debt and its loan debt less investments made for treasury purposes. The Council is required to estimate and measure the Liability Benchmark for future years. The Liability Benchmark is not a single measure and therefore presented as a chart detailing four components:

Existing Loan Debt Outstanding – Council's existing loans still to be repaid.

Loan CFR – this is calculated in accordance with the Prudential Code guidance and projected into the future. It represents future estimated borrowing requirements.

Net Loans Requirement – this shows the Council's gross loan debt less treasury management investments at the end of each financial year based on the approved prudential borrowing, estimated loan fund principal repayments and any other major cash flow forecasts.

Liability Benchmark – this equals the net loan requirement plus short-term liquidity allowance for day-

The graph is intended to illustrate the gap between the current level of outstanding debt and the liability benchmark. Where the debt outstanding or actual loans are below the benchmark, this indicates a future borrowing requirement. This is shown between 2023-24 and 2049-50. In any year where the loans are greater than the benchmark demonstrates an overborrowed position which will mean there is a requirement for cash investment.

The graph depicts the borrowing requirement in the earlier years because of the planned levels of capital expenditure in those years based on the 10 year Capital Investment Plan.



FIFE COUNCIL MEETING

THURSDAY 22 FEBRUARY 2024

AGENDA ITEM NO. 3(d) - GENERAL FUND REVENUE BUDGET 2024-27

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 2024-25 as detailed below and specifically:-
 - (a) notes the details of the provisional settlement announced by the Scottish Government as outlined in Finance Circular 8/2023, and the terms of the settlement as outlined in the letter from Deputy First Minister, dated 19th December 2023;
 - (b) agree a freeze of council tax for the financial year 2024-25 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 2025-26 and 2026-27;
 - (d) approve the prudential indicators;
 - (e) agree an additional contribution of £17.1m to the Fife Health and Social Care Partnership;
 - (f) agrees that the Council set for 2024-25 the Council Tax at £1,385.18 for valuation Band D properties and proportionately for other Bands; and
 - (g) 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 2025-26 and 2026-27 revenue budgets.

RESOLUTION FOR THE LEVYING AND COLLECTION OF COUNCIL TAX AND RATES FOR THE YEAR 2024-25

Fife Council resolves for the financial year from 1st April 2024 to 31st March, 2025 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:-

Valuation Band	Council Tax
A	£923.45
B	£1,077.36
C	£1,231.27
D	£1,385.18
E	£1,819.97
F	£2,250.92
G	£2,712.64
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 David Ross

Seconded by Councillor Altany Craik



Revenue Budget 2024-27

Proposed by the Administration

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Budget Proposal from the Labour Administration

I am pleased to state that the Council should be able to avoid making any significant cuts to services in the coming year. This is in large part due to the sustained efforts of our Finance staff and the Directorate and Service managers to manage the Council's resource prudently and under huge pressure.

The Council has also benefited from some changes in the financial position and subsequent decisions that will assist in balancing the budget in the coming year.

The Council is under a duty to set a balanced budget. We must demonstrate that we can raise enough income to meet our projected expenditure for the coming year. There are always more demands for expenditure than income available and the difference between the two is the 'budget gap'.

The Scottish Government is responsible for over 80% of the Council's funding through our core grant and the non-domestic rates collected and distributed centrally. This year our starting assumption was that we would receive a 'flat cash' settlement for our core grant, that is the same level of grant we received last year with no additions for pay increases or inflation. In fact, our grant settlement was worse than that with a cut of £2.9m. Once again, the Scottish Government has failed to treat local government fairly with its financial settlement and this will have a negative impact on Fife Council in the coming year and in years to come.

The Scottish Government is partly dependent on the budget decisions made by the UK Government and austerity budgets set by Westminster have had a negative impact on public services across the UK, but the financial choices made by the Scottish Government over more than a decade have significantly undermined the funding of local government which has reduced from around 33% of the Scottish budget down to less than 24%.

The Executive Director for Finance & Corporate Service reported to the Cabinet Committee in September 2023 that the Council faced an initial budget gap of £21.9m. Fortunately, following in-year decisions and updated assumptions as detailed in the report, the gap has reduced to around £8.2m. We propose to allow services to raise discretionary fees and charges for council services by up to 5% reducing the budget gap further to £7.5m.

The two main ways of closing the remaining budget gap are by making savings through cuts to services or by raising the council tax.

Council tax is the main source of funding within the Council's own control, but without any consultation with local government the Scottish Government has decided that once again it will try to impose a council tax freeze on councils across Scotland. It plans to withhold £147m that should have been added to local government's core grant and only release this to councils that agree to freeze the council tax.

Scottish Government claims this freeze is to help less well off households with the cost of living crisis, but the council tax, which we were promised would be reformed or abolished, helps the less well off least and there are far better ways of targeting financial support to those who need it most. It is also worth noting that the Scottish Government is prepared to allow increases to water and sewage charges which will be added to council tax bills and rise by 8.8% for Scottish Water.

Fife's allocation of this £147m will be around £9.3m. The Council is therefore faced with a choice of freezing the council tax this coming year and receiving our share of the funding

withheld by the Scottish Government, or raising the council tax by at least 4.9% before it receives any financial benefit above the £9.3m.

The Scottish Government claims it is fully funding the council tax freeze for councils. This is clearly not the case when it is giving money to offset the council tax freeze with one hand and taking away core grant with the other. And the impact of simply receiving this cash amount from the Scottish Government instead of raising the council tax base is that Fife will lose an estimated £1.9m over 5 years.

Faced with these choices, we are proposing to agree to a council tax freeze for 2024-25 and ask Scottish Government to release the £9.3m they are threatening to withhold from our grant. This will result in a small surplus of £1.880m in next year's budget which we can use to support recurring expenditure.

However let us remember that if the Scottish Government had released the full grant with no conditions, the Council would have had the opportunity to raise council tax by a small amount to invest in improving services like social care or roads maintenance, for which there has always been strong public support.

Although we will be able to produce a balanced budget, the Council will continue to face major financial challenges in the medium and longer term. Service budgets in the present year are once again overspent and the Council is in surplus only because of favourable movements in loan charges and other corporate items that cannot be relied on in the longer term. The Executive Director Finance and Corporate Services sets out some significant financial risks facing the Council as we move into the next financial year.

We will review the Council's Capital Plan during the coming year and the challenges this will present throw into sharp relief pressures the Council is facing and the longer term impacts of the underfunding of local government over the past decade and more.

The need for ongoing roads maintenance is evident across Fife. We intend to invest additional money into the roads again in 2024-25, but for the following year the funding for the roads in the Capital Plan is drastically reduced.

The impacts of flooding and coastal erosion are being felt across Fife and this will be a major issue for attention going forward. However, with even the limited funding from the Scottish Government for flood schemes frozen, identifying further investment for such schemes will be extremely challenging.

We have put off the replacement of Council vehicles over the years, trying to extend their working life to the maximum, but 543 vehicles and plant are now over 10 years old and at the end of their working life.

Fife has an enviable record of renewing our school estate with the new Dunfermline Learning Campus housing state of the art new premises for Woodmill and St Columba's secondary schools and the planned replacement for Inverkeithing High School the latest examples. But the application for funding from the Scottish Government for the replacement of Glenrothes High School and Glenwood has been turned down and there is little investment available for the much-needed refurbishment or replacement of Balwearie in Kirkcaldy.

In terms of other educational provision it is our strong aspiration to roll out the supply of tablets to secondary and upper primary pupils across Fife as learning changes and increasingly requires more sophisticated digital skills. Not to invest in 1:1 devices risks our young people being left behind and a failure to provide the skilled and digitally literate workforce needed by our businesses and economy. We will make provision for

preparatory work for this move in this budget, but making the required investment in the necessary equipment will be another call on an increasingly pressured Capital Plan.

With the relocation of the replacement for the ageing Inverkeithing High School to Rosyth, there is a question of how to maintain community use and swimming facilities for South and West Fife and options for this will have to be considered as part of the Capital Plan Review.

The Council will also have to consider the future of its new build affordable housing programme which has seen over 6,000 new homes provided over the past 10 years. With the proposed cut of 26% in Scottish Government support for affordable housing, this presents yet another challenge to the Council on top of the need to retro fit much of its existing 30,000 houses to meet climate ready standards.

Recurring Expenditure

As noted above, there is a small projected surplus of £1.880m for 2024-25 available for recurring funding.

We propose to use this recurring funding to support the following investments:

Educational Psychologists - £0.500m

Fife lags behind other parts of Scotland in the ratio of educational psychologists to 0-19 age population. Investment of £0.500m should increase our establishment to at least the Scottish average and will assist not only the ongoing work in relation to neurodevelopmental pathways but also help address the problems of violence and aggression in schools.

Mid Fife Subsidised Bus Contracts - £0.880m

The Council contracts with the commercial bus companies to support bus routes across Fife at times and in places that are deemed by the companies to be uncommercial and which would otherwise not be provided. These contracts are tendered on a rolling programme for a three year period. The contract for the Mid Fife area is due for renewal in the coming financial year and the tenders that have been returned show an increase in costs of nearly 90%.

The Council is therefore faced with the choice of finding the additional funding to cover these increased costs or seeing bus services cut. Given the limited time available to agree these contracts, and there being no alternative approach to sustaining these services in the short term, it is proposed to invest the necessary funding to maintain the current provision of subsidised routes which analysis tells us are still used by numbers of people.

However it is recognised that the Council cannot continue to meet increases of this level over future years. The Cabinet Committee has already agreed that a study should be undertaken to consider whether and how the Council could operate its own municipal bus services, expanding on the current Fife Bus network. We propose to widen this study to include a substantive review of the overall bus networks serving Fife with a view to these being improved and the need for subsidy being reduced. Funding for these studies is included in the proposed one-off expenditure within this budget.

Street Cleansing and Grounds Maintenance - £0.250m

Due to restrictions on making savings from other parts of the Council's budget, Street Cleansing and Grounds Maintenance have been service areas that the Council has had to cut back on in previous years. During the current year we were able to make some

investment to restore these services but we would like to see standards of street cleaning and grounds maintenance improved across Fife.

As part of the approach to achieving a balanced budget in the current year, budgets for staff posts which were difficult to recruit to were removed. However Services were given the latitude to keep trying to fill these vacancies and if successful, the costs would be met corporately where appropriate. Street Cleansing and Grounds Maintenance have been able to recruit additional staff during the year so it is proposed to rebase the budget for these services to take account of this next year.

In addition to this we propose to invest a further £0.250m to increase staffing again and will commit one-off funding for a number of new small pavement/street sweeping machines that will further enhance the service.

This recurring expenditure totals £1.630m leaving £0.250m which will be added to balances for the coming year pending any in year decisions on funding.

Non-Recurring Expenditure – (One-Off Funding)

Additional funding became available in the current year due to Scottish Budget decisions and £13.500m of this funding was included in the Capital Investment Plan to support some of the longer term pressures listed earlier in this document.

In addition to this, the Executive Director Finance and Corporate Services has identified a further £6.000m in uncommitted balances above the level required to meet the Council's policy of maintaining 2% reserves, and which is therefore available for one-off expenditure.

It is hoped that during the course of the coming year, some currently committed balances may become available, but at this time it is not possible to predict if this will be the case.

Welfare Funding- £2.500m

The council operates a number of hardship welfare funds. The Scottish Welfare Fund (SWF) is the principal hardship fund to meet crisis and community care needs. The SWF is funded by the Scottish Government but administered on its behalf by local authorities. At this time, need continues to far outweigh the funding available from the Scottish Government, so as with last year, it is proposed that the Council tops up the SWF in Fife by almost doubling it with additional funding of £2.000m. We also propose to set aside further £0.500m as a reserve to meet excess demand in any of the welfare funds administered by the Council including those within the Housing Revenue Account.

Health and Social Care - £2.100m (for 2023-24)

The Fife Health and Social Care Partnership is jointly funded by Fife Council and NHS Fife. In the current year, the council passed across the funding it was required to in order to meet Scottish Government guidelines. However additional money for pay became available later in the current year and the Council had discretion on the use of this funding. The partnership is now projecting the need to use reserves to balance its budget in 2023-24 so it is proposed to transfer £2.100m from the Council on a one-off basis to support the Partnership in the current year.

Road Maintenance - £3.500m

We were able to invest an additional £3.500m in road maintenance in the current year and this has allowed significant progress to be made in cutting the backlog of road repairs and

improving Fife's roads. However more investment is needed and we are now seeing the impact of winter weather on our roads once again. We are therefore proposing to invest a further £3.500m again this year to make further progress towards improving our roads.

Flooding and Coastal Erosion

Flood schemes and studies already identified in the current Capital Plan will be progressed including Kinness Burn, Freuchie Mill and Cairneyhill. Measures to address flooding events in Cupar are currently under consideration.

A capital budget of £0.540m is already available for smaller scale flood alleviation measures and the Council will launch its Property Flood Resilience grant scheme in April, investing the already committed £0.500m for grants of up to £5,000 for householders of properties at risk from flooding to purchase and install flood resilience measures such as flood doors, airbrick covers, non-return valves and masonry waterproofing.

Future schemes to address flooding and coastal erosion will be considered as part of the Capital Plan Review later in the year.

Vehicle Fleet Replacement - £5.000m

The Council operates vehicles and plant of many types to deliver its services, from refuse collection and roads maintenance to social care and building services. Going back some years, the Council used to replace its vehicle fleet on a rolling programme every 5 years. In the face of the need to make budget cuts, this was extended to a 7 year cycle and has been pushed further and further as the years have gone by.

As a result, our vehicles are spending more and more time off the road needing repairs with a consequent impact on service delivery, bins not collected, recycling centres shut, grass not cut. The Council now has 543 vehicles and plant over 10 years old, much of it at the end of its useful life. It is estimated that to replace these immediately would cost £18m. The available annual budget for replacements is under £4m, with around £3m additional for new refuse collection vehicles that are on order this year.

We propose to allocate an additional £5.000m for vehicle fleet replacement in the coming year and to review the longer term strategy for vehicle replacement as part of the Capital Plan Review later in the year. In the longer term, the Council will have to look at moving its fleet from diesel and petrol to fully electric or other alternative fuels, but at present the costs of doing this in a comprehensive manner would be prohibitive.

Pedestrian Access to Recycling Centres - £0.020m

There have been long standing requests in some areas to allow pedestrian access as well as vehicle access, to recycling centres. There are significant health and safety constraints and associated costs relating to this approach but we believe that it should be possible to allow pedestrian access in St Andrews and Dalgety Bay with limited investment. It is believed that demand and location make this unsuitable in other areas. An allocation of £0.020m should allow progress to be made in these two areas.

1:1 Devices for School Pupils - £0.210m for preparatory work

As noted earlier, teaching and learning in schools is changing with far greater emphasis on the use of digital skills and devices in almost all subject areas. During the pandemic pupils took part in remote learning but this was as an emergency measure. Use of devices inside and outside the classroom takes this form of learning to a completely different level.

Councils across Scotland are beginning to move towards this approach with some more advanced than others. It is our clear aspiration to see that young people in Fife are not left

behind by these developments. This is likely to be one of the most important ways of raising attainment in our schools for the future.

Funding for this approach has been promised from Scottish Government for some time yet but has so far failed to materialise. This being the case, we propose to push forward with this approach as a council ourselves.

Not only will this require the roll out of tablets or other appropriate equipment to pupils, but it will need preparatory work with teachers and other staff. Fortunately much of the infrastructure, such as wifi connections, is already in place in most of our schools. Pupils moving to the new Dunfermline Learning Campus will be equipped with devices and this will provide valuable experience to build on across the rest of Fife. Initial preparatory work with staff is estimated at £0.210m as one-off expenditure.

The business case for this overall approach is currently being developed and the major investment in digital devices for pupils, estimated at up to £13m dependent on roll out and phasing, will be considered as part of the Capital Plan Review.

Street Cleansing - £0.360m

As well as the additional funding for staffing mentioned previously, it is proposed to invest a further one-off £0.360m to allow the purchase of a number of small mechanical pavement/road sweepers to assist in improving street cleaning.

Bus Network Study - £0.200m

As mentioned previously it is proposed to undertake a major study to consider the possibilities of developing municipal buses services in Fife and also to review the current overall bus network to see how this might be improved.

Craigtoun Park - £0.250m

Craigtoun Park was passed across to community ownership some years ago with the Council retaining ownership of the Dutch Village. The community trust has aspirations to restore and reopen the Dutch Village but it is in need of urgent repair to prevent the loss of feature. It is proposed to undertake these urgent repairs to stabilise the site and allow time for the community trust to source funding for the overall restoration.

Council Trusts

The Council supports four arms length Trusts operating services on behalf of the Council. The operation of both the Fife Sport and Leisure Trust (FSLT) and the Fife Cultural Trust (FCT) were badly affected by the pandemic with lengthy closures of facilities and significant fall off in use and consequently income. It is reported that usage is only now approaching pre-pandemic levels.

For all four trusts we propose to maintain current management fee levels and for FSLT and FCT any continuing loss of income due to the pandemic will be met from the funds earmarked for this purpose, supported by letters of comfort to provide necessary assurance for charity regulators.

The impact of the pandemic on the Fife Coast and Countryside Trust (FCCT) was to increase the use and pressure on the sites it manages on behalf of the Council and this has continued to the present. As a consequence the FCCT is projecting having to use its limited reserves again to support its operation in the coming year. **We therefore propose to provide one-off funding of £0.100m for FCCT** both to prevent depletion of its reserves and cope with increased use of facilities.

The Golf Trust has submitted a request for new and replacement equipment that will allow improvements in the standard of green and course condition that it estimates will support increased income over the longer term and the FCT has submitted some spend to save proposals. Once these have been evaluated, proposals may be submitted to committee.

It is hoped that over the coming year the post pandemic changes to the use of facilities and operations of the Trusts will have stabilised and that they will be able to move to longer term service level and management agreements.

The non-recurring one-off expenditure set out above totals £14.240m leaving £5.260m of the available £19.500m to be held in capital and balances to meet future pressures.

**FIFE COUNCIL
GENERAL FUND REVENUE BUDGET 2024-27**

	2024-25 £m	2025-26 £m	2026-27 £m
Estimated Budget Gap/(Surplus) as per report by Executive Director Finance & Corporate Services	8.212	24.370	42.522
Fees & Charges (increase by 5%)	(0.755)	(0.755)	(0.755)
Revised Budget Gap	7.457	23.615	41.767
Indicative Council Tax Freeze Funding	(9.337)	(9.337)	(9.337)
Revised Budget Gap	(1.880)	14.278	32.430
Proposed Additional Investment by Administration Investment (Appendix 1)	1.630	1.630	1.630
Funding Remaining for Future Pressures	0.250	0.250	0.250
Final Budget Gap	0.000	16.158	34.310

Proposed Additional Temporary Investment by Administration

Temporary Investment (Appendix 2)	14.240
Use of Balances	(6.000)
2023-24 Uncommitted Investment	(13.500)
Funding Remaining for Future Pressures	(5.260)

**FIFE COUNCIL
GENERAL FUND REVENUE BUDGET 2024-27
BUDGET INVESTMENT**

	2024-25 £m	2025-26 £m	2026-27 £m
<u>Education & Children's Services</u>			
Educational Psychologists	0.500	0.500	0.500
Education & Children's Services Total	0.500	0.500	0.500
<u>Enterprise & Environment</u>			
Roads & Transportation Services			
Mid Fife Bus Contracts	0.880	0.880	0.880
Environment & Building Services			
Street Cleansing & Grounds Maintenance	0.250	0.250	0.250
Enterprise & Environment Total	1.130	1.130	1.130
Total Budget Investment	1.630	1.630	1.630

**FIFE COUNCIL
GENERAL FUND REVENUE BUDGET 2024-27
TEMPORARY BUDGET INVESTMENT**

	2024-25 £m
<u>Education & Children's Services</u>	
1:1 Devices for School Pupils - Preparatory Work	0.210
Education & Children's Services Total	0.210
 <u>Enterprise & Environment</u>	
Roads & Transportation Services	
Road Maintenance	3.500
Bus Network Study	0.200
 Environment & Building Services	
Vehicle Fleet Replacement	5.000
Street Cleansing	0.360
Pedestrian Access to Recycling Centres	0.020
Enterprise & Environment Total	9.080
 <u>Communities</u>	
Welfare Funding	2.500
Craigtoun Park	0.250
FCCT One-Off Funding	0.100
Communities Total	2.850
 <u>Health & Social Care</u>	
Fife Health & Social Care Partnership 23/24 One-Off Support	2.100
Health & Social Care Total	2.100
 Total Temporary Budget Investment	 14.240

22 February 2024.

Agenda Item No. 4(a)

Housing Revenue Account (HRA) Budget 2024-25 (Including Options for the HRA and General Fund Housing Account [GFHA] Rents and Charges)

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

Wards Affected: All

Purpose

This report presents members with sufficient information to enable the Council to approve a budget for the HRA for 2024-25. As in previous years, proposals for GFHA homelessness temporary accommodation will be aligned to any decision around the HRA rent increase. The financial planning for the HRA is supported by modelling carried out as part of the HRA Business Plan Review 2023.

Recommendation(s)

It is recommended that Fife Council:

1. Considers the financial position of the HRA including:
 - a. The estimated budget gap of up to £7.020m for 2024-25.
 - b. The 2023 baseline business plan peaks at 34% debt affordability which is high risk.
 - c. The high level of risk the HRA is exposed to from potential future pressures.
2. Agrees a rent increase for 2024-25 and appropriate increase in charges for HRA and General Fund Housing Account services.
3. Balances the HRA budget for 2024-25 using options provided to members to close the budget gap.
4. Notes the level of current uncommitted HRA Reserves as £2.975m which is in line with the policy minimum.

Resource Implications

The budget gap for the HRA for 2024-25 is estimated at £7.020m. The size of the gap is a consequence of unusually high inflation coupled with rental increases over the last five years being below inflation and costs increasing at a faster rate than the income to support those costs. This is combined with increased costs of borrowing as a result of higher levels of investment in the Capital Investment Plan.

Taking account of the rental increase options of 5%, 6% and 7% for 2024-25 which tenants were consulted on, the HRA remains in a high to medium financial risk position in future years.

Cost inflation continues to be a significant pressure in the short to medium term and it is anticipated that further savings will need to be identified in addition to future rent increases to ensure the HRA remains sustainable and affordable. The scale of these will be dependent on the future ambition for increased capital investment.

Legal & Risk Implications

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 exposes 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 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, Transitional Affordable Housing Programme (TAHP) and the first two years of the Phase 4 Affordable Housing Programme will all be completed. The Council's ambition is to continue to build new council houses through a further 3 years of the Phase 4 programme to 2029, which will necessitate increased borrowing to fund additional new homes. An increased level of borrowing leads to increased cost of borrowing and exposes the HRA to a higher level of financial 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 reduce poverty.

The Council is legally obliged to maintain statutory duties and standards for council housing stock. The Energy Efficiency Standard for Social Housing (ESSH2) has been reviewed by the Scottish Government and is likely to be replaced by the Social Housing Net Zero Standard (SHNZS) in 2025. The revised standard will be confirmed in summer 2024 and currently contains a range of options different from ESSH2. The HRA Baseline Business Plan does not currently account for the anticipated costs of meeting SHNZS by the new completion date 2040 and depending on the standard adopted the cost could be comparable to the estimate costs of ESSH2 which was assessed at £325 million.

Impact Assessment

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

Consultation

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 2023 HRA Business Plan review.

1.0 Background

- 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 or main benefit of Council tenants. It is financed almost entirely by rents and other charges with no contribution made from Council Tax revenues, the General Fund or the Scottish Government.
- 1.2 The report outlines the impacts arising from high rates of inflation and consequent budget pressures. In presenting the HRA budget for 2024-25, 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 To assist council tenants who may be struggling with Cost-of-Living pressures, the intention is to continue with a provision of £1.5m tenant support funding in 2024-25 including support to 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, and tenants experiencing fuel poverty.

2.0 Current Budget Pressures for 2024-25

- 2.1 There is a requirement for the Council to agree a balanced HRA budget 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 options available to ensure the HRA budget is balanced are generating income from increased rents or to 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 repay housing debt and new borrowing to fund new council housing and maintain and improve existing housing stock.
- 2.2 Since the Consultative Budget paper was presented to committee, officers have made additional mitigations to reduce the HRA budget gap before a rental increase is applied from £8.055m to £7.020m. This has largely been achieved through improvement actions to reduce overspends in the areas of responsive repairs and managing void properties. The gap of £7.020m facing the HRA for 2024-25 includes the following pressures:
 - £3.154m from increased operational costs which are a result of high levels of inflation, increasing materials and supplies costs and increasing stock numbers.
 - £2.989m from general inflationary increases which includes increasing salary costs and Central Support Services Charges as a result of both settled and anticipated pay rises and increments.
 - £0.877m increase in funding for Capital Investment to maintain an investment level consistent with prior years.

- 2.3 It must also be noted that these are the current pressures anticipated for 2024-25 only. If additional pressures emerge, the budget gap faced by the HRA will widen in future years 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.
- 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.

3.0 Reserves

- 3.1 As at the end of 2022-23 The HRA held reserves of £7.380m. The table below shows the current HRA Reserves position and the estimated uncommitted reserves of £2.975m at the end of 2024-25 based on current commitments:

OVERVIEW OF HRA RESERVES	APPROVAL STATUS	2023-24	2024-25
Opening Year Balances	-	7.380	5.475
Estate Management Improvements	Committee Approval	(0.545)	
Disability Adaptations	Committee Approval	(0.500)	
Contribution to CFCR	n/a	(0.859)	
Transitional Affordable Housing Programme Contribution	Committee Approval		(2.500)
ESTIMATED UNCOMMITTED RESERVES		5.475	2.975

- 3.2 The current HRA policy is to maintain minimum reserves at the level of 2% of the mainstream annual rent income budget. Uncommitted reserves are estimated to be within the policy minimum and therefore there is no plan to restore reserves any further at this stage.
- 3.3 In terms of budget setting, reserves should not be relied on to fund recurring expenditure as this would be unsustainable in the medium term. Use of reserves is more appropriate to fund one off investment or deal with financial shocks that occur. Any use of reserves to address the budget gap for 2024-25 should be avoided as far as possible. All budget proposals need to be agreed by the Section 95 Officer who will assess the financial sustainability of the full package brought forward.

4.0 Medium Term Forecast

- 4.1 The medium-term 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 where the increase in rent leaves a remaining budget gap, the additional savings to be made to balance the budget.

	Individual Year (£m)			Cumulative Impact (£m)
	2024-25	2025-26	2026-27	
Indicative Budget Gap	7.020	6.806	7.588	21.414

4.2 Several 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 2024-25 through to 2026-27 and the cumulative impact of each rental option. This assumes that rental increases for 2025-27 are set at 3.5% and general inflation is set at 2.5%. These assumptions are for planning purposes, and it is recognised that the actual level of inflation can vary dependent on external factors.

Rental Option Increase	Indicative Budget Gap Individual Year (£m)			Cumulative Impact (£m)
	2024-25	2025-26	2026-27	
5% Rental Increase	0.422	(0.101)	0.336	0.658
6% Rental Increase	(0.897)	(1.482)	(1.092)	(3.472)
7% Rental Increase	(2.217)	(2.863)	(2.515)	(7.595)

4.3 As can be seen from the table above, a rental increase of 5% would leave a remaining budget gap of £0.422m whereas 6% would close the budget gap in full for 2024-25 with scope for a small level of investment.

4.4 It is proposed that any resulting budget gap in 2024-25 is bridged by achieving additional recurring savings. Options for additional recurring savings have been shared with members for their consideration and to allow budget proposals to come forward. The use of CFCR has not been deemed as a financially sustainable option as this would not be recurring and would compound the known financial risk and pressures in the HRA Capital Investment Plan which is due to be reviewed early in the new financial year.

4.5 The table below shows the impact on the annual mainstream rental income and the average weekly rents from 5% to 7%:

RENTAL INCREASE %	AVERAGE WEEKLY RENT (£)	INCREASE IN AVERAGE RENTS PER WEEK (£)
Current Rent	82.41	n/a
5.00%	86.53	4.12
6.00%	87.35	4.94
7.00%	88.18	5.77

5.0 Affordability / Tenant Impact

5.1 **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. Mid-January 2024, 8,441 (28%) Council households were claiming Housing Benefit, with an additional estimated 11,500 (38%) now receiving Universal Credit.

- 5.2 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.
- 5.3 According to the above, approximately 66% 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 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 2024-25 and all future years.
- 5.4 Based on the estimated uptake in benefits, it can be assumed that around 34% Council households will not claim benefits in 2023-24 and will be required to fully fund any rent increase. As stated in section 1.4, 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 support of £1.5m to tenants experiencing difficulty.
- 5.5 **Living Rent** - the introduction of a 'Fife Living Rent' was recommended by the Fairer Fife Commission in 2015 and an appropriate definition for social housing was agreed. A 'Fife 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 £115.88 per week. Housing costs below this threshold are affordable and above the threshold will be unaffordable.
- 5.6 A rental increase of 5% to 7% equates to an average rent of between £86.53 to £88.18 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)	£115.88	Rent options affordable / below threshold
Two-person household with a full-time and part-time employee, both with lower quartile earnings	£168.38	Rent options affordable / below threshold
Single person household, in full-time employment with lower decile earnings	£90.31	Rent options affordable / below threshold

Source: Annual Survey of Hours and Earnings Oct 2023 provisional data / Fife Statistics

- 5.7 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 'Fife 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 Fife 'living rent'.

- 5.8 On 30th November 2023, Cabinet Committee agreed to survey all Council tenants around the rent options. Tenants were asked to vote on their preferred rent option and to provide feedback on their housing service priorities. A total of 1237 tenants responded to the survey. Full details of the tenant survey are provided in Appendix 2.

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

1. Home improvements.
2. New build housing.
3. Home energy efficiency works.

- 5.9 The table below shows the results of the survey in relation to rent options. The majority of respondents (69%) expressed a preference for a rent option of 5%:

Rent Proposal	Total Number of Respondents	% of Respondents
Option 1: 5%	849	69
Option 2: 6%	153	12
Option 3: 7%	103	8
Other/incomplete	132	11
Total	1237	100

Source: Fife Council Rent Survey for 2024-25/ issued Dec 2023- January 2024

- 5.10 The Housing Spokesperson and the Head of Housing Services met with the Chairpersons of the Fife Tenants Federations in January 2024 to consult on the HRA budget, rent options and service priorities. The Federations had opportunity to consult with their members. Feedback from the North East Fife Tenant and Resident Federation (NEFTRF) included that members had not responded negatively to proposals for rent increases. The Fife Federation of Tenants and Residents Association (FFOTRA) reported that members expressed the view that a 5% increase was the only affordable option presented. Federations highlighted that an efficient repairs service was a priority and that whilst there is support for the Councils new build programme as a means of addressing housing pressures, there is a recognition that current stock being kept up to good standard is also a priority.
- 5.11 The Federations expressed the view that some non-statutory services are important, and that consulting with tenants about services is key. The excellent work of Tenants and Residents Associations (TRAs) in supporting estates improvements through community activity was recognised, as was the ongoing commitment to work with TRAs in addressing estates improvement to ensure available resources are best targeted and benefits maximised.

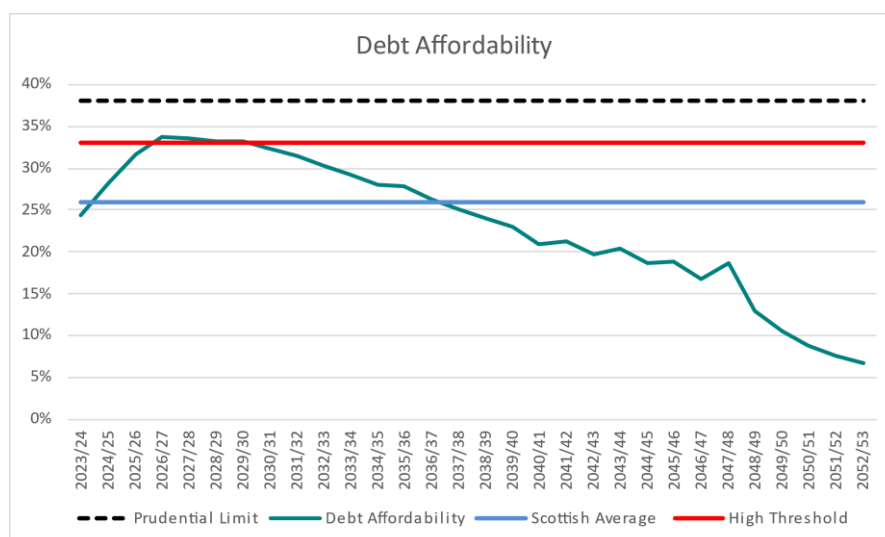
6.0 Long term Forecast & HRA Business Plan

- 6.1 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.
- 6.2 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.
- 6.3 The HRA Business Plan model assumes that, over the 30-year life of the plan, income increases annually 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 keeps 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 to ensure the HRA has plans that are affordable, sustainable and prudent.
- 6.4 However, for the previous five 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 in 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 faster rate 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 34% in the 2023 Business Plan (as detailed in para 5.7). This reflects the HRA moving from a position of low risk to a position of high risk.
- 6.5 The table below shows the comparison between the rental increase approved for the past five financial years compared to the September RPI+1% rental strategy. This difference in the rental figures demonstrates the opportunity cost of income that is lost to the HRA per week for each affordable home when compared with the actual level of inflation for each review period:

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 (£)
19-20	3.20%	4.30%	73.25	74.03	0.78
20-21	3.00%	3.40%	75.45	76.55	1.10
21-22	1.50%	2.10%	76.58	78.16	1.58
22-23	2.50%	5.90%	78.50	82.77	4.27
23-24	5.00%	13.60%	82.42	94.02	11.60

- 6.6 The 2023 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 only. The assumptions in the baseline plan include:
- Annual rental increases of 3.5% (RPI+1%) over the life of the 30-year plan, including 2024-25.
 - Inflation for expenditure is set at 4% for 2024-25 followed by 2.5% for all future years.
 - An assumption that Bad Debts will be maintained at 1% and Void Rent Loss will reduce from 1.8% to 1% by 24-25.
 - The net pressures of £7.020m for 2024-25 detailed within para 2.2.
 - The costs of all approved tranches of the Affordable Housing Programme which includes the completion of the Phase 3, TAHP and Phase 4 years 1&2.
 - There is no further investment for policy options such as the continuation of the Affordable Housing Programme, Property Acquisitions or investment into Net Zero built into the baseline plan. The Service is preparing a detailed Asset Management Plan and this review will inform future investment requirements which may identify required commitments currently not accounted for.
 - No recognition of the Scottish Government's proposed significant reduction in Affordable Housing Supply Programme subsidy

6.7 Based on these assumptions the baseline business plan identifies that the HRA is exposed to a high level of risk with the prudential borrowing peaking at 34% in years 4-5. However, whilst the graph looks more favourable beyond year 5, it must be stressed that this is an optimistic view as this does not allow for any additional investment beyond that outlined in the above assumptions. This can be seen in the graphic below:

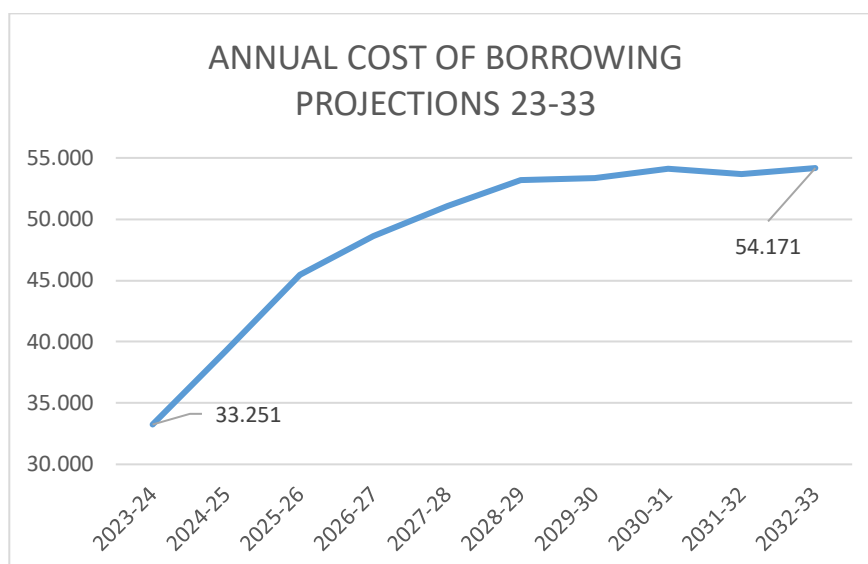


6.8 Additional testing was carried out to illustrate how rental increases of 5% to 7% in 2024-25 impact the affordability of the baseline business plan. The table below shows how the exposure to risk decreases as the proposed rental options for 2024-25 is increased.

Rental Increase Option for 24-25	Minimum Debt Affordability	Maximum Debt Affordability	Average Debt Affordability over 30 years
5%	5.6%	33.1%	22.0%
6%	5.0%	32.7%	21.0%
7%	4.5%	32.3%	21.0%

6.9 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 the Phase 4 Affordable Housing Programme and to improve houses to the current energy efficiency standard in future years. A rental increase of 6% or above in 2024-25 would keep the baseline plan in a position of medium risk assuming no further investment were to be considered.

6.10 The current projections for the cost of borrowing for 2023-2033 are outlined in the graph below and show that the annual cost of borrowing is projected to increase by £20.920m by 2032-33. These projections are included in the calculations of the budget gap and are based on the current baseline business plan assumptions only and do not include any impact from any additional investment in Affordable Housing beyond years 1&2 of Phase 4, additional acquisitions, additional costs of Net Zero, or any additional commitments required following review of the Asset Management Plan. 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, this assumption will have been made at the time of testing affordability of new investment.



- 6.11 As well as the potential future policy options outlined above 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.
- 6.12 A full report will be presented to Cabinet Committee early in the new financial year and will assess the affordability of the continuation of Phase 4. Initial testing on affordability was completed prior to the Scottish Government budget announcement of a reduction in subsidy and subsequent uncertainty over resource planning assumptions (RPAs). This initial testing did indicate a high-risk position based on completion of an additional 750 units over years 3 – 5 of Phase 4 and indicate the need to maintain rental increases at sufficient levels to allow for potential future borrowing. Affordability of the continuation of Phase 4 will be fully considered as part of the Capital Plan Report.
- 6.13 The HRA Baseline Business Plan does not currently account for the anticipated costs of meeting SHNZS by the new completion date 2040. The new standards are subject to ongoing consultation and depending on the standard adopted the cost could be comparable to the estimate costs of EESSH2 which was assessed at £325 million. Previous testing of projected EESSH2 costs on the business plan indicated that requirements were unaffordable.

7.0 HRA Capital Plan 2024-27

- 7.1 The Capital Plan review process continues, and the outcome of the initial planning work and affordability testing has been outlined within this paper. Due to the high level of risk the HRA is currently exposed to, more time will be taken to consider the HRA Capital Investment Plan 2024-27 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 2024-25 and emerging risks associated with the likely loss of subsidy for Affordable Housing and the ongoing Scottish Government consultation on Loans Fund Accounting.

- 7.2 Given the risk relating to the affordability levels of future additional investment into the capital plan across 2024-27 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 may 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 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. A revised HRA Capital Investment Plan will be brought to Cabinet Committee early in the new financial year. This will include consideration of options regarding the continuation of the Phase 4 Affordable Housing Programme and Property Acquisitions into future years.
- 7.4 There is a clear link between the setting of the rental increase for 2024-25 and the affordability and sustainability of any future additional capital investment. The existing HRA Capital Investment Plan 2022-25 was approved at Full Council in February 2022.
- 7.5 The delay with the approval of the revised HRA Capital Plan 2024-27 will not halt or reduce workflow of property addresses to Property and Building Services.

8.0 Conclusions

- 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. Rental increases at a level below inflation over a number of years is beginning to limit the capacity to borrow to invest and further testing of affordability will be carried out once the increase for 2024-25 has been agreed. A rental increase of 5% would leave a budget gap to be closed by reducing costs, 6% would close the budget gap without further savings being required and would create a small capacity for investment. The Council needs to consider the budget position in 2024-25 and ensure a balanced financial position for the HRA.
- 8.2 The Council will continue to support council tenants in financial difficulty by deploying £1.5m of tenant support funding in 2024-25 including support to 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, and tenants experiencing fuel poverty.
- 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 investment already agreed as well as future capital investment aspirations. This will be essential to ensure the HRA remains affordable and sustainable.

Appendices

Appendix 1 - Equality Impact Assessment Summary Report

Appendix 2 – Fife Council Tenant Rent Option Consultation 2024-25

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Appendix 1

Equality Impact Assessment Summary Report

<p>Which Committee report does this IA relate to (specify meeting date)?</p> <p>Fife Council 22nd February 2024</p>
<p>What are the main impacts on equality?</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>In relation to a strategic decision, how will inequalities of outcome caused by economic disadvantage be reduced?</p> <p>Affordability model based on the Living Rents criteria.</p> <p>The HRA Budget incorporates a rent support fund.</p>
<p>What are the main recommendations to enhance or mitigate the impacts identified?</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>If there are no equality impacts on any of the protected characteristics, please explain.</p> <p>See above – specific policy proposals will be impact-assessed through the planning and policy framework.</p>
<p>Further information is available from: Name / position / contact details:</p> <p>John Mills, Head of Housing Services john.mills@fife.gov.uk</p>

Appendix 2

Fife Council Tenant Rent Option Consultation 2024-25

1. Introduction

The Rent Consultation Survey for Fife Council tenants ran from December 2023 until the end of January 2024. The survey was promoted in the winter edition of Down Your Street, our tenant magazine, and through social media. Tenants were able to vote through an online survey, or via a postal survey return. Our tenants were asked to select their preference from the 3 options below:

- 5% rent increase
- 6% rent increase
- 7% rent increase

2. Results

A total of 1237 Fife Council tenants participated and voted in the consultation survey. Graph 1 below highlights the votes cast with the majority of our tenants (69%) expressing a preference for the 5% rent increase option. Table 1 provides details of number of tenants voting for each option

Graph 1 - %age of votes

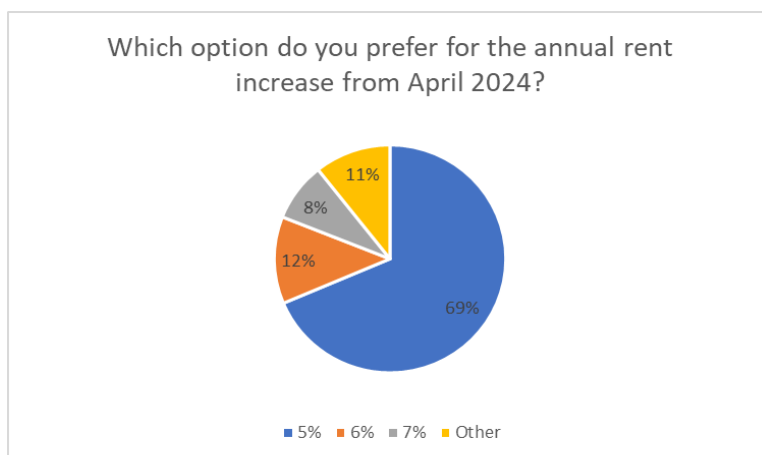


Table 1 – number of votes

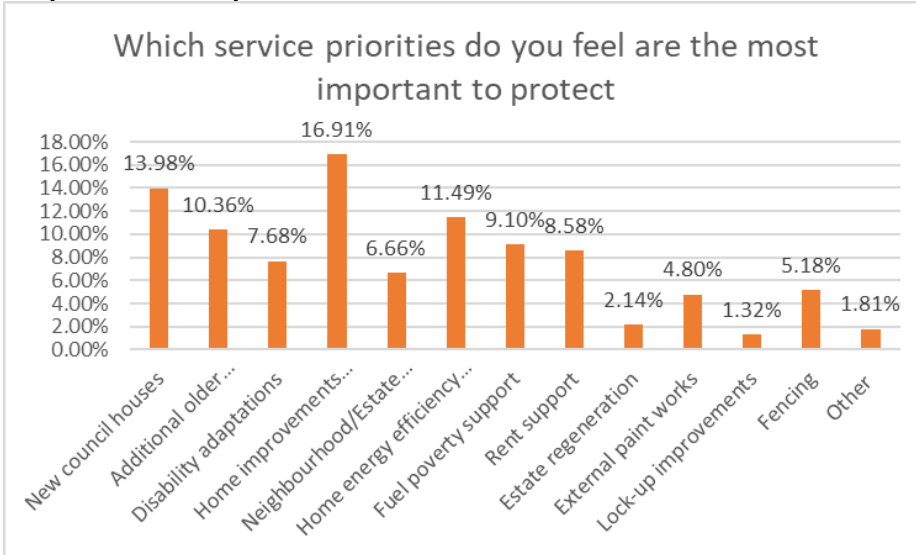
Rent Proposal	No of Respondents	% of Respondents
Option 1: 5%	849	69
Option 2: 6%	153	12
Option 3: 7%	103	8
Other/incomplete	132	11
Total	1237	100

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

1. Home Improvements (17%)
2. New Council Housing (14%)
3. Home Energy Efficiency Works (11%)

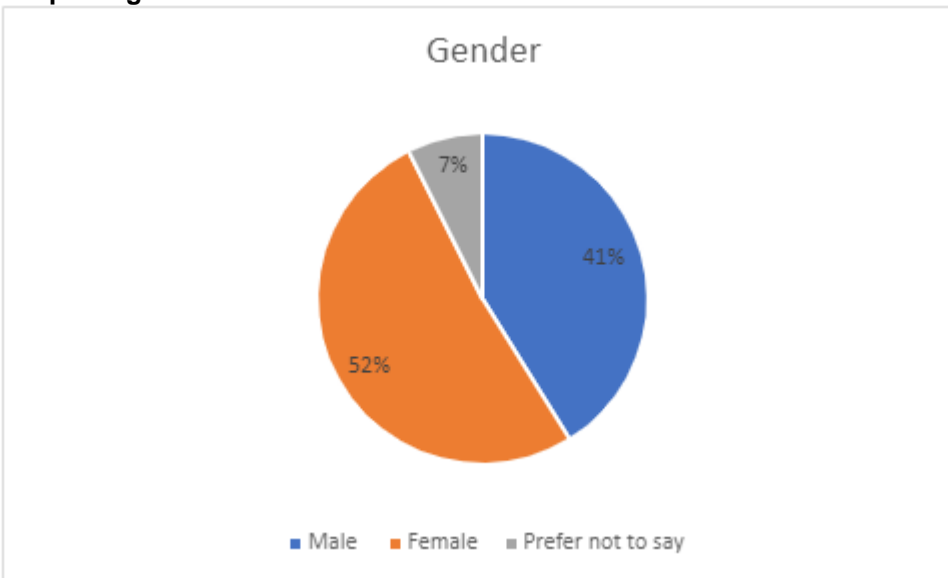
Graph 2 below indicates the breakdown of preferences for tenant service priorities.

Graph 2 – service priorities



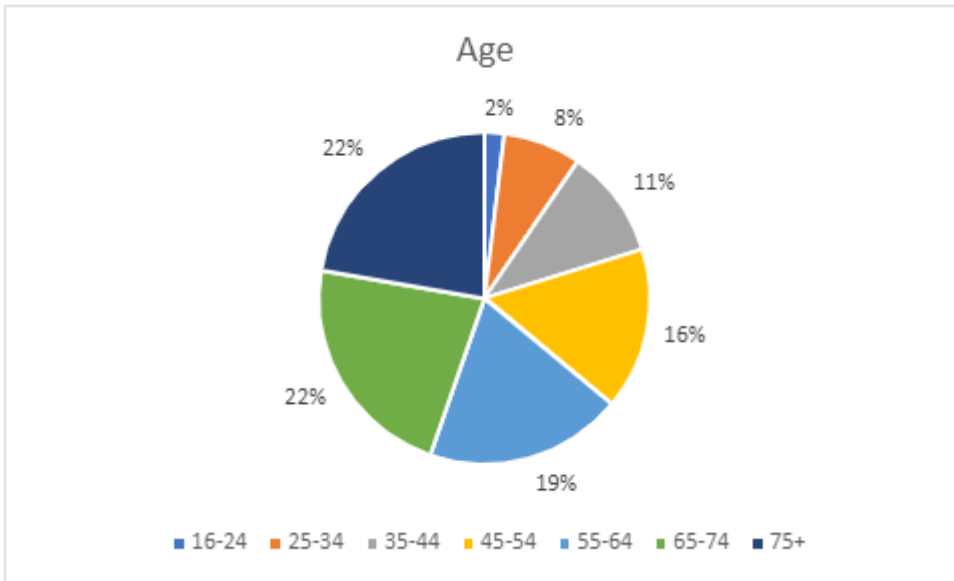
The gender breakdown of respondents is outlined in the graph 3, showing 53% of participants are female, 41% are male and 7% preferring not to indicate.

Graph 3 –gender breakdown



The age distribution of respondents is illustrated in graph 4 below. Broadly our voting response rate increase by age, with 63% of participants aged 55 years or over and 10% under 35 years.

Graph 4 – age profile of participants





FIFE COUNCIL MEETING

THURSDAY, 22 FEBRUARY 2024

**AGENDA ITEM NO. 4(b) – HOUSING REVENUE ACCOUNT (HRA) BUDGET
2024-25**

MOTION ON BEHALF OF THE ADMINISTRATION

“That the Council: -

1. Approves the Housing Revenue Account (HRA) Budget 2024-25 report by the Head of Housing Services and the Head of Finance and agrees the following:
 - (a) Approves a rental increase of 5% for 2024-25 HRA rents and charges for 2024-25.
 - (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 2024-25.
 - (c) Approve a reduction to the Tenant Support Funding of £0.200m to be replaced by funding from the Welfare Reserve fund proposed in the General Fund Revenue Budget, and the use of £0.222m from the HRA reserve to close the Budget Gap for 2024-25.
 - (d) Approves the terms of the Administration’s HRA budget statement attached.

Proposed by Councillor Judy Hamilton

Seconded by Councillor Gordon Pryde

FIFE COUNCIL
HRA REVENUE BUDGET 2024-25

	2024-25
	£m
Estimated Budget Gap in Year as per report by Executive Director Finance & Corporate Services	7.020
Increased income generated by 5% Rental Increase	(6.598)
Revised Budget Gap	0.422
Proposed Reduction in Budget by Administration	
Reduction in Tenant Support Funding	(0.200)
Reduction in HRA Balances	(0.222)
Revised Budget Gap	0.000