

Thursday 20 February 2025 - 10.00 a.m.

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

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

3. GENERAL FUND REVENUE BUDGET 2025 - 2028

- | | | |
|-----|---|---------|
| (a) | Council Tax Setting: Provisions Relating to Voting by Elected Members - Report by the Executive Director, Finance and Corporate Services; | 4 – 6 |
| (b) | Local Government Settlement 2025/2026 - Local Government Finance Circular No. 10/2024; | 7 – 20 |
| (c) | Report by the Executive Director, Finance and Corporate Services; and | 21 – 40 |
| (d) | Administration's Motion and Revenue Budget Proposals 2025 - 2028. | 41 - 52 |

4. CAPITAL INVESTMENT PLAN 2025-35

- | | | |
|-----|--|---------|
| (a) | Report by the Executive Director, Finance and Corporate Services; and | 53 – 58 |
| (b) | Administration's Motion and Capital Investment Plan Proposals 2025-35. | 59 - 63 |

5. HOUSING REVENUE ACCOUNT (HRA) BUDGET 2025 - 2026 (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 2025 - 2026; and | 64 – 82 |
| (b) | Administration's Motion on the Housing Revenue Account Budget 2025 - 2026. | 83 - 84 |

6. HOUSING REVENUE ACCOUNT: CAPITAL INVESTMENT PLAN 2025-29

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|-----|--|---------|
| (a) | Joint report by the Head of Housing Services and Head of Finance in relation to the Housing Revenue Account Capital Investment Plan 2025 - 2029; and | 85 – 92 |
| (b) | Administration's Motion on the Housing Revenue Account Capital Investment Plan 2025 - 2029. | 93 |

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

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Fife, KY7 5LT

13 February, 2025

If telephoning, please ask for:
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Telephone: 03451 555555, ext. 442303; email: Emma.Whyte@fife.gov.uk

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.

20 February 2025

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 also 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 (the 1992 Act) 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 the meeting begins, 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 as a declaration of interest where they are –
- (a) ... a Council Tax or rate payer ... including [for] the setting of budgets...;
- The result of which is that no interest needs to be declared in this situation.
- 1.4 However 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 18 December 2024) which includes a section on “Participating in Decisions on the Council’s Budget when you have a personal interest” from paragraph 163 (page 35) onwards. [1734686348241218GuidanceonCouncillorsCode2024v4.pdf](#) 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 in advance of the meeting.

2.0 Conclusions

- 2.1 If a member fails to comply with the terms of the 1992 Act, 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 and budget setting.

Report Contact

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Local Government Finance Circular No. 10/2024

Chief Executives and Directors of Finance of
Scottish Local Authorities

Chief Executive, Convention of Scottish Local
Authorities (COSLA)

Our ref: A51219904
12 December 2024

Dear Chief Executive/Director of Finance

LOCAL GOVERNMENT FINANCE SETTLEMENT 2025-26 NON-DOMESTIC RATES

1. This Local Government Finance Circular provides details of the provisional total revenue and capital funding allocations for 2025-26, as well as the latest information on current known redeterminations for 2024-25. This Circular also provides details on a range of Non-Domestic Rates measures, including the proposed 2025-26 rates 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 2025 being presented to the Scottish Parliament. This is currently scheduled for the end of February 2025.
3. We expect local authorities to inform COSLA, and for COSLA in turn to inform the Scottish Government by no later than 17 January 2025, 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 2025.
4. The Cabinet Secretary for Finance and Local Government wrote to the COSLA President, copied to all Council Leaders on 4 December 2024, and the First Minister wrote similarly on 9 December 2024, confirming the package of measures that make up the settlement to be provided to local government. This Circular should be read in conjunction with those letters. 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 £15 billion and includes:

- a further £524.9 million of funding has now been baselined as General Revenue Grant, as part of our commitment under the Verity House Agreement to review ring-fenced funding;
 - Additional General Revenue Grant of £289 million to support local priorities;
 - An additional £15 million to support the expansion of Free School Meals;
 - £125 million for adult social care workers in commissioned services;
 - £10 million to support provision of Free Personal and Nursing care;
 - An additional £25.7 million to improve pay for early learning and childcare workers;
 - An additional £41 million investment to maintain or restore teacher numbers to 2023 levels;
 - An additional £28 million for additional support for learning;
 - £33 million to support development of people working in children's social work;
 - £40 million to tackle the climate emergency;
 - An additional £10 million to improve play parks for children; and
 - An additional £8.6 million resource and £20 million capital to improve inter-island connectivity.
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 support local government services. [Table 4.15 in the Scottish Government's "Budget Document: 2025-26"](#), which was published on 4 December 2024, 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 allocations have been arrived at using the standard agreed needs-based distribution methodology and updated indicators. The funding floor has been set at 0.75% below the average, at an increase of 1.95%.
8. 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 and Directors of Finance providing a full reconciliation of the changes between the 2024-25 and 2025-26 Budgets. We have also provided full details of all the revenue and capital allocations.
9. 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: 2025-26 and changes in 2024-25;
 Part B: Local Government Finance Settlement – Capital: 2024-26;
 Part C: Non-Domestic Rates for 2025-26.

The various Annexes included in this Circular are as follows:

Annex A: All Scotland Aggregated Funding Totals 2024-26;
 Annex B: Individual Revenue Allocations for 2025-26;
 Annex C: Revised Individual Revenue Allocations for 2024-25;
 Annex D: Explanatory Notes on the Revenue Distribution;
 Annex E: Estimates of Ring-Fenced Grant Revenue Funding for 2025-26;
 Annex F: Floor calculation for 2025-26;
 Annex G: Redeterminations of Individual Revenue funding for 2024-25;
 Annex H: 2008-26 Changes Column;
 Annex I: General Capital Grant and Specific Capital Grants 2025-26;
 Annex J: General Capital Grant – Flood Allocations Per Local Authority 2025-26;
 Annex K: Updated General Capital Grant 2024-25; and
 Annex L: Total Local Government Funding Settlement 2025-26

Part A: Local Government Finance Settlement - Revenue: 2025-26 and changes in 2024-25

10. This Finance Circular sets out the provisional distribution of revenue funding allocations for 2025-26. **Annex A** of this Circular sets out the all-Scotland aggregate totals for 2024-25 and 2025-26.
11. **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 Specific Revenue Grants) for each council for 2025-26 and 2024-25 respectively. The explanatory notes contained in **Annex D** explain the basis behind the calculation of the individual council grant allocations.
12. **Annex E** gives a breakdown of the provisional individual council shares of all the ring-fenced revenue grant allocations for 2025-26. The provisional total for specific grant included in the circular is £24.5 million higher than was published in the 2025-26 Scottish Government Budget due to the in-year transfer from the General Revenue Grant to the Support for Inter Island Connectivity specific grant for £13.760 million. The variance of £10.6 million for Pupil Equity funding was included in table 4.12 of the Scottish Budget (Local Government Attainment Grants) and will also be transferred in-year.
13. The calculation and effects of the main floor adjustment for 2025-26, which provided councils with a minimum increase in the funding used in the calculation of the main floor of 1.95%, is set out in **Annex F** of this Circular. The setting of the floor is in line with the revised arrangements agreed following the SDG review of the floor methodology during 2018 with the percentage set at 0.75% below the average.
14. This Circular confirms the continuation of the **85% funding floor** for 2025-26. 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.
15. This Local Government Finance Circular provides details of current known 2024-25 redeterminations at **Annex G** for the General Revenue Grant.
16. **Annex H** summarises the column within the settlement titled 2008-26 Changes Column.

Part B: Local Government Finance Settlement – Capital Grants 2024-26

17. In 2025-26 the Local Government Settlement provides capital grants totalling £777.172 million. This is made up of General Capital Grant totalling £581.000 million and Specific Capital Grants totalling £196.172 million.
18. **Annex I** sets out the provisional distribution of the Settlement for capital per local authority for 2025-26. The methodologies used to calculate these provisional allocations have been agreed with COSLA. Capital grants which remain undistributed are identified as such.
19. The provisional distribution for the General Capital Grant includes allocations for flood risk management schemes. The allocations for these schemes are set out in **Annex J**. Where schemes have slipped and the grant paid in a prior year exceeds the grant due to the council, the scheme will show a negative value which will reduce the total General Capital Grant payable to that Council as shown in Annex I.
20. **Annex K** provides a breakdown of the updated 2024-25 General Capital Grant allocations by local authority.

21. **Annex L** summarises the Local Government Finance Settlement for 2025-26

Part C: Non-Domestic Rates for 2025-26

22. The Distributable Amount of Non-Domestic Rates Income for 2025-26 has been provisionally set at £3,114 million. This figure uses the latest forecast of net income from non-domestic rates in 2025-26 and also draws on council estimates of the amounts they will contribute to the Non-Domestic Rating Account (the 'Pool') in 2024-25. 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 2025-26 has been based on the amount each Council estimates that it will collect (based on the 2024-25 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.
23. The 2025-26 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 55.4 pence and 56.8 pence respectively.
24. A new 40% non-domestic rates relief will be available in 2025-26 for hospitality premises (including Grassroots Music Venues with a capacity of up to 1,500) liable for the Basic Property Rate, those with a rateable value up to and including £51,000. This relief is capped at £110,000 per ratepayer.
25. A 100% non-domestic rates relief will continue to be available in 2025-26 for properties in the hospitality sectors on islands, as defined by the Islands (Scotland) Act 2018, and prescribed remote areas (Cape Wrath, Knoydart and Scoraig), capped at £110,000 per ratepayer.
26. The Scottish Budget 2024-25 announced that Enterprise Areas relief would be phased out over 2024-25 and 2025-26 as set out in the table below. This relief will end on 31 March 2026.

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 these will continue to apply in the 2025-26 financial year:

- A Revaluation Transitional Relief to protect those most affected by revaluation with bills capped as per the table below. The cumulative multipliers for small, medium and large properties respectively are therefore 1.933, 3.281 and 5.113 in 2025-26.

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

Rateable Value	2023-24	2024-25	2025-26
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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.

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. The Retail, Hospitality and Leisure relief which was previously available from 1 April 2020 to 30 June 2022 will close on 31 March 2025. After this date, no retrospective applications for this relief can be accepted.
31. NDR reliefs, like other subsidy or support measures, may be subject to the Subsidy Control Act 2022.
32. Information on the Non-Domestic Rates Incentivisation Scheme (NDRIS) will be set out in a future circular
33. The Scottish Government is committed to a fair and transparent non-domestic rates system that is not undermined by avoidance tactics and we appreciate the efforts of the local authorities using the powers within the Non-Domestic Rates (Miscellaneous Anti-Avoidance Measures) (Scotland) Regulations 2023 to tackle known anti-avoidance practices. With effect from 1 April 2025, local authorities can retain 50 per cent of the non-domestic rates revenue received as a consequence of using these powers to tackle avoidance. We will liaise with councils and the Institute of Revenues, Rating and Valuation regarding the arrangements for reporting this.
34. Since 2019-20, the Scottish Government has provided Local Government Revenue Funding to support the additional costs met by Scottish Assessors in respect of the implementation of the recommendations of the Barclay Review of Non-Domestic Rates. Local authorities are expected to continue to pass on the allocated quantum for this to Assessors, including any increment in line with the 2025-26 settlement.

Enquiries relating to this Circular

35. 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

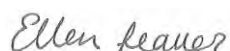
Any other queries should be addressed to the following:

Local Government Revenue and Capital Settlement. Craig Inglis
Craig.Inglis@gov.scot

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

36. 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
Director, Local Government

	2024-25	2025-26
	£ million	£ million
Revenue Funding		
General Resource Grant	10,338.364	10,872.221
Non Domestic Rate Income	3,068.000	3,114.000
Specific Revenue Grants	263.055	271.903
Total Revenue	13,669.419	14,258.124
<i>less</i> Redress Top-Slice	0.000	9.000
<i>less</i> Valuation Committee	0.583	0.883
<i>less</i> National Dog Database	0.053	0.053
<i>less</i> SSSC Fees	0.000	2.200
<i>less</i> Climate Intelligence Service	0.900	0.900
Net Total Revenue	13,667.883	14,245.088
<i>less</i> Teachers' Induction Scheme	0.000	37.600
<i>less</i> Discretionary Housing Payments	16.519	99.200
<i>less</i> Gaelic	0.103	0.100
<i>less</i> Inter Island Connectivity	0.000	0.512
<i>less</i> Criminal Justice Social Work	0.000	86.450
<i>less</i> Customer First Top-up	0.010	0.000
<i>less</i> Scottish Disability Assistance	0.000	3.149
<i>less</i> Social Care	0.000	0.000
<i>less</i> Additional Support for Learning	0.000	28.000
<i>less</i> Teacher Support	0.000	186.500
<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>16.632</i>	<i>441.511</i>
Distributable Revenue Funding	13,651.251	13,803.577
Capital Funding		
General Capital Grant	611.796	581.000
Specific Capital Grants	121.172	183.772
Distributed to SPT	0.000	12.400
Total Capital	732.968	777.172
Total Funding	14,402.387	15,035.296

2024-25 RECONCILIATION FROM FINANCE CIRCULAR 2/2024		
General Resource Grant Circular 2/2024	9,927.845	
No-one Left Behind	2.500	
Council tax Freeze	147.269	
62.7m Additional Funding	62.700	
Pay - Children's Services	19.862	
Island cost of living	5.000	
Climate Intelligence Service	1.373	
SNCT Pay Offer	29.000	
Ed Psych Refund	0.400	
Teacher Pensions	86.224	
King's Theatre	0.092	
Scottish Welfare Fund	20.000	
LG Pay	24.500	
School Milk	1.000	
Ukraine	3.400	
Green Freeport	0.800	
Teacher Induction	4.349	
Temporary Accommodation	2.000	
Verity House Resource	0.050	
General Resource Grant Circular 10/2024	10,338.364	-
General Capital Grant Circular 2/2024	534.837	
MoD Forthside	5.000	
Active Travel	35.000	
Landfill Ban Compliance	1.500	
Free School Meals	48.000	
Ferries	3.000	
LG Pay	53.000	
King's Theatre	0.459	
Undistributed	-69.000	
General Capital Grant Circular 10/2024	611.796	

	Expenditure					Funding						
	1	2	3	4	5	6	7	8	9	10	11	12
£million	Updated Service Provision	2008-25 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
Aberdeen City	524.735	65.348	6.096	-3.956	592.224	97.320	3.359	200.361	291.184	494.904	0.000	494.904
Aberdeenshire	639.470	79.577	16.930	-4.938	731.039	115.726	3.240	130.389	481.684	615.313	0.000	615.313
Angus	288.708	35.932	10.425	-2.274	332.792	44.956	2.315	28.346	257.174	287.836	0.000	287.836
Argyll & Bute	250.434	31.143	8.209	10.164	299.951	40.418	4.539	42.809	212.185	259.534	0.000	259.534
Clackmannanshire	134.589	16.753	4.138	-1.058	154.422	19.878	1.670	19.834	113.040	134.544	0.000	134.544
Dumfries & Galloway	397.442	49.439	13.545	-3.160	457.267	60.104	3.270	64.534	329.359	397.163	0.000	397.163
Dundee City	394.459	49.130	5.149	0.258	448.996	50.092	5.107	71.406	322.391	398.904	0.000	398.904
East Ayrshire	323.859	40.323	4.082	-1.990	366.273	43.982	3.987	33.087	285.217	322.291	0.000	322.291
East Dunbartonshire	289.070	35.998	3.542	-2.160	326.450	51.599	1.825	26.697	246.328	274.850	0.000	274.850
East Lothian	273.627	34.071	3.298	-2.064	308.932	50.687	1.826	60.072	196.348	258.246	0.000	258.246
East Renfrewshire	266.795	33.227	8.587	-2.042	306.567	45.199	1.551	15.871	243.947	261.368	0.000	261.368
Edinburgh, City of	1,127.683	140.448	21.397	4.215	1,293.744	234.700	8.240	400.788	650.016	1,059.044	0.000	1,059.044
Eilean Siar	91.007	11.302	6.083	19.490	127.882	9.845	1.310	9.387	107.340	118.038	0.000	118.038
Falkirk	391.286	48.724	4.901	-3.028	441.883	60.883	3.975	82.693	294.331	380.999	0.000	380.999
Fife	934.704	116.406	27.416	-7.414	1,071.111	143.573	10.478	171.721	745.340	927.538	0.000	927.538
Glasgow City	1,639.632	204.261	33.972	24.945	1,902.809	223.690	23.789	402.292	1,253.038	1,679.119	0.000	1,679.119
Highland	621.337	77.289	25.626	-1.927	722.325	101.373	6.721	167.986	446.245	620.952	0.000	620.952
Inverclyde	216.294	26.931	8.895	-1.753	250.368	27.868	2.650	20.806	199.043	222.499	0.000	222.499
Midlothian	244.506	30.448	5.998	-1.868	279.083	40.483	2.444	36.433	199.724	238.601	0.000	238.601
Moray	231.243	28.774	7.324	-1.831	265.510	35.911	1.485	58.035	170.080	229.599	0.000	229.599
North Ayrshire	370.253	46.105	5.125	4.940	426.423	51.113	4.290	44.123	326.897	375.310	0.000	375.310
North Lanarkshire	878.226	109.390	8.824	-6.897	989.543	119.819	9.943	122.759	737.022	869.724	0.000	869.724
Orkney Islands	99.615	12.390	2.726	-0.276	114.455	8.462	21.054	11.759	73.181	105.994	0.000	105.994
Perth & Kinross	381.204	47.447	7.326	-2.887	433.090	68.847	1.967	63.537	298.739	364.242	0.000	364.242
Renfrewshire	464.660	57.871	6.881	-3.588	525.824	73.600	4.718	108.844	338.663	452.225	0.000	452.225
Scottish Borders	298.797	37.170	5.204	0.094	341.264	49.057	1.948	43.024	247.235	292.207	0.000	292.207
Shetland Islands	107.548	13.378	4.663	1.801	127.391	8.475	24.934	26.492	67.490	118.916	0.000	118.916
South Ayrshire	297.583	37.047	8.020	-2.316	340.334	48.820	2.624	49.811	239.079	291.514	0.000	291.514
South Lanarkshire	830.814	103.470	8.902	-6.415	936.770	130.938	9.133	371.110	425.590	805.832	0.000	805.832
Stirling	237.399	29.547	9.845	-1.850	274.941	40.588	1.568	46.246	186.540	234.354	0.000	234.354
West Dunbartonshire	249.229	31.036	3.175	3.447	286.887	34.039	3.408	84.737	164.703	252.848	0.000	252.848
West Lothian	463.400	57.712	11.159	-3.663	528.608	69.540	5.473	98.011	355.585	459.069	0.000	459.069
Scotland	13,959.607	1,738.088	307.463	0.000	16,005.159	2,201.582	184.841	3,114.000	10,504.736	13,803.577	0.000	13,803.577

	Expenditure					Funding						
	1	2	3	4	5	6	7	8	9	10	11	12
	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
Aberdeen City	522.678	47.764	6.512	-5.308	571.646	95.529	7.310	208.768	260.039	476.117	0.000	476.117
Aberdeenshire	652.983	58.636	17.566	-6.626	722.559	114.985	6.057	131.630	469.887	607.574	0.000	607.574
Angus	293.903	26.503	10.699	-3.083	328.023	44.929	3.944	29.304	249.846	283.094	0.000	283.094
Argyll & Bute	251.923	22.679	8.485	13.141	296.228	40.185	4.526	41.334	210.183	256.043	0.000	256.043
Clackmannanshire	137.197	12.321	4.290	-1.420	152.388	19.821	2.783	19.659	110.125	132.567	0.000	132.567
Dumfries & Galloway	405.353	36.590	14.072	-3.425	452.589	59.912	5.794	63.708	323.175	392.677	0.000	392.677
Dundee City	405.471	36.588	5.353	1.757	449.169	49.028	8.653	73.695	317.793	400.141	0.000	400.141
East Ayrshire	333.984	30.044	4.242	-1.554	366.717	43.656	6.094	33.530	283.437	323.060	0.000	323.060
East Dunbartonshire	292.101	26.230	3.682	-2.894	319.119	51.391	2.587	25.901	239.240	267.728	0.000	267.728
East Lothian	276.956	24.872	3.427	-2.734	302.521	49.467	2.891	59.925	190.238	253.054	0.000	253.054
East Renfrewshire	270.573	24.079	8.732	-2.722	300.662	44.944	2.161	15.941	237.615	255.717	0.000	255.717
Edinburgh, City of	1,145.796	103.553	21.986	10.548	1,281.882	230.587	16.210	407.645	627.440	1,051.295	0.000	1,051.295
Eilean Siar	93.871	8.377	6.330	18.321	126.899	9.770	1.600	9.722	105.808	117.130	0.000	117.130
Falkirk	402.664	36.077	13.735	-1.388	451.088	60.119	6.660	72.962	310.947	390.569	0.000	390.569
Fife	946.634	86.038	28.359	-10.061	1,050.971	142.757	16.585	143.471	748.558	908.614	0.000	908.614
Glasgow City	1,692.841	152.416	34.734	30.881	1,910.871	220.895	39.274	386.817	1,263.885	1,689.976	0.000	1,689.976
Highland	629.738	56.944	28.057	-0.702	714.037	100.393	9.428	160.345	443.471	613.244	0.000	613.244
Inverclyde	218.136	19.894	9.261	-0.569	246.721	27.843	3.944	20.298	195.037	219.279	0.000	219.279
Midlothian	247.030	22.142	6.111	-2.419	272.864	39.605	3.681	34.944	194.634	233.260	0.000	233.260
Moray	236.559	21.216	7.614	-1.727	263.661	35.576	2.777	67.225	158.083	228.085	0.000	228.085
North Ayrshire	381.682	34.387	5.327	4.937	426.333	50.720	6.917	43.129	325.567	375.614	0.000	375.614
North Lanarkshire	886.746	81.240	9.167	-9.327	967.826	119.476	15.290	120.743	712.317	848.350	0.000	848.350
Orkney Islands	96.274	8.659	5.035	-0.969	108.999	8.458	16.314	12.176	72.052	100.541	0.000	100.541
Perth & Kinross	385.317	34.723	11.066	-3.884	427.223	68.150	3.806	64.717	290.549	359.072	0.000	359.072
Renfrewshire	472.456	42.439	7.155	-4.778	517.272	73.089	7.301	107.505	329.377	444.182	0.000	444.182
Scottish Borders	305.964	27.526	9.016	-3.219	339.286	48.946	3.205	42.222	244.913	290.340	0.000	290.340
Shetland Islands	107.180	9.660	5.037	3.307	125.183	8.364	23.588	27.348	65.883	116.819	0.000	116.819
South Ayrshire	304.254	27.345	8.315	-3.170	336.745	48.688	4.359	46.075	237.623	288.057	0.000	288.057
South Lanarkshire	843.057	75.844	9.248	-8.556	919.593	129.649	13.542	366.059	410.343	789.944	0.000	789.944
Stirling	243.468	21.816	10.161	-2.525	272.921	40.286	2.802	47.768	182.065	232.636	0.000	232.636
West Dunbartonshire	256.283	23.075	3.300	5.073	287.730	33.845	5.041	87.481	161.363	253.886	0.000	253.886
West Lothian	472.322	42.233	11.537	-4.906	521.187	68.603	7.930	95.953	348.700	452.583	0.000	452.583
Scotland	14,211.393	1,281.912	337.611	0.000	15,830.916	2,179.665	263.055	3,068.000	10,320.196	13,651.251	0.000	13,651.251

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 - 2026 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), and Inter-Island Connectivity.

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 2024-25 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 2025-26.

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	Inter Island Connectivity
	£m	£m	£m
Aberdeen City	0.095	3.264	0.000
Aberdeenshire	0.000	3.240	0.000
Angus	0.006	2.310	0.000
Argyll & Bute	0.365	1.364	2.810
Clackmannanshire	0.007	1.663	0.000
Dumfries & Galloway	0.000	3.270	0.000
Dundee City	0.000	5.107	0.000
East Ayrshire	0.144	3.843	0.000
East Dunbartonshire	0.073	1.752	0.000
East Lothian	0.010	1.816	0.000
East Renfrewshire	0.062	1.489	0.000
Edinburgh, City of	0.325	7.915	0.000
Eilean Siar	0.970	0.340	0.000
Falkirk	0.013	3.962	0.000
Fife	0.012	10.466	0.000
Glasgow City	0.565	23.224	0.000
Highland	0.915	4.285	1.521
Inverclyde	0.065	2.585	0.000
Midlothian	0.008	2.436	0.000
Moray	0.002	1.482	0.000
North Ayrshire	0.093	4.197	0.000
North Lanarkshire	0.265	9.678	0.000
Orkney Islands	0.000	0.250	20.804
Perth & Kinross	0.103	1.864	0.000
Renfrewshire	0.055	4.663	0.000
Scottish Borders	0.001	1.948	0.000
Shetland Islands	0.000	0.255	24.679
South Ayrshire	0.009	2.614	0.000
South Lanarkshire	0.170	8.963	0.000
Stirling	0.115	1.453	0.000
West Dunbartonshire	0.027	3.381	0.000
West Lothian	0.008	5.465	0.000
Scotland	4.482	130.545	49.814

Notes: These figures represent the best estimates used in the calculation of the 2025-26 local government finance settlement, including the calculation of the Floors. The actual sums payable will be notified to the relevant Policy Team.

Local Authority	Grant Without Floor	Change Without Floor	Floor Change	Grant With Floor	Change With Floor
	£m	%	£m	£m	%
Midlothian	220.550	5.29%	-1.868	218.682	4.40%
East Renfrewshire	241.069	5.22%	-2.042	239.028	4.32%
Aberdeen City	467.026	5.00%	-3.956	463.071	4.11%
West Lothian	432.524	4.97%	-3.663	428.860	4.08%
Clackmannanshire	124.881	4.90%	-1.058	123.823	4.01%
Renfrewshire	423.587	4.85%	-3.588	419.999	3.96%
South Lanarkshire	757.431	4.79%	-6.415	751.016	3.90%
East Dunbartonshire	255.023	4.71%	-2.160	252.863	3.83%
East Lothian	243.696	4.44%	-2.064	241.632	3.56%
South Ayrshire	273.466	3.81%	-2.316	271.149	2.93%
Angus	268.432	3.80%	-2.274	266.158	2.92%
Fife	875.329	3.78%	-7.414	867.915	2.90%
North Lanarkshire	814.335	3.72%	-6.897	807.438	2.84%
Perth & Kinross	340.794	3.64%	-2.887	337.908	2.77%
Aberdeenshire	583.019	3.47%	-4.938	578.081	2.60%
Dumfries & Galloway	373.036	3.42%	-3.160	369.876	2.55%
Stirling	218.403	3.38%	-1.850	216.553	2.51%
Moray	216.194	3.23%	-1.831	214.363	2.36%
Inverclyde	206.958	3.22%	-1.753	205.205	2.35%
Falkirk	357.495	2.85%	-3.028	354.467	1.98%
Argyll & Bute	226.216	-2.43%	10.164	236.381	1.95%
Dundee City	368.768	1.88%	0.258	369.027	1.95%
East Ayrshire	302.509	2.62%	-1.990	300.519	1.95%
Edinburgh (City of)	974.804	1.51%	4.215	979.019	1.95%
Eilean Siar	91.481	-15.96%	19.490	110.972	1.95%
Glasgow City	1,550.615	0.34%	24.945	1,575.560	1.95%
Highland	580.075	2.29%	-1.927	578.148	1.95%
North Ayrshire	344.617	0.51%	4.940	349.557	1.95%
Orkney Islands	79.981	2.30%	-0.276	79.705	1.95%
Scottish Borders	273.476	1.91%	0.094	273.570	1.95%
Shetland Islands	88.292	-0.09%	1.801	90.093	1.95%
West Dunbartonshire	228.367	0.43%	3.447	231.814	1.95%
	12,802.449		0.000	12,802.449	

The annual change in the Grant for Floor Funding was 2.70% and as a result of the floor being set at -0.75% below this annual change the minimum increase in the Grant for floor was set at 1.95%

GENERAL FUNDING	No-one Left Behind	Council tax Freeze	62.7m Additional Funding	Pay - Children's Services	Island cost of living	Climate Intelligence Service	Building Standards Hub	SNCT Pay Offer	Ed Psych Refund	Teacher Pensions
Aberdeen City	0.077	6.978	2.336	0.673	0.000	0.003	-0.028	0.994	0.012	2.782
Aberdeenshire	0.082	7.963	2.868	0.683	0.000	0.004	-0.057	1.471	0.021	4.243
Angus	0.069	2.841	1.296	0.378	0.000	0.002	-0.022	0.630	0.008	1.886
Argyll & Bute	0.063	2.860	1.109	0.243	0.705	0.002	-0.026	0.456	0.008	1.389
Clackmannanshire	0.060	1.307	0.603	0.208	0.000	0.001	-0.006	0.299	0.006	0.928
Dumfries & Galloway	0.079	3.747	1.790	0.479	0.000	0.003	-0.032	0.755	0.007	2.408
Dundee City	0.078	3.413	1.790	0.658	0.000	0.003	-0.022	0.770	0.013	2.367
East Ayrshire	0.075	3.041	1.469	0.495	0.000	0.002	-0.019	0.649	0.013	2.065
East Dunbartonshire	0.060	3.570	1.283	0.302	0.000	0.002	-0.032	0.756	0.010	2.185
East Lothian	0.066	3.404	1.217	0.358	0.000	0.002	-0.023	0.560	0.008	1.735
East Renfrewshire	0.060	3.148	1.178	0.290	0.000	0.002	-0.023	0.757	0.011	2.106
Edinburgh, City of	0.104	16.110	5.065	1.541	0.000	0.007	-0.110	2.022	0.027	5.814
Eilean Siar	0.054	0.598	0.410	0.068	1.287	0.001	-0.008	0.169	0.002	0.596
Falkirk	0.078	3.845	1.765	0.587	0.000	0.003	-0.023	0.905	0.009	2.593
Fife	0.118	9.337	4.208	1.407	0.000	0.006	0.924	1.983	0.023	5.459
Glasgow City	0.191	15.447	7.455	3.097	0.000	0.011	-0.073	3.041	0.045	8.699
Highland	0.088	6.865	2.785	0.734	0.525	0.004	-0.062	1.258	0.019	3.834
Inverclyde	0.063	1.871	0.973	0.313	0.000	0.001	-0.009	0.415	0.008	1.267
Midlothian	0.066	2.870	1.083	0.377	0.000	0.002	-0.017	0.583	0.008	1.657
Moray	0.065	2.485	1.038	0.296	0.000	0.002	-0.022	0.515	0.006	1.615
North Ayrshire	0.079	3.453	1.682	0.569	0.286	0.002	-0.022	0.765	0.010	2.378
North Lanarkshire	0.116	7.366	3.974	1.499	0.000	1.289	-0.036	1.983	0.029	6.128
Orkney	0.053	0.565	0.424	0.059	1.089	0.001	-0.007	0.139	0.002	0.548
Perth & Kinross	0.072	4.739	1.698	0.443	0.000	0.002	-0.036	0.760	0.010	2.258
Renfrewshire	0.078	4.897	2.076	0.692	0.000	0.003	-0.029	0.943	0.013	2.992
Scottish Borders	0.069	3.220	1.346	0.344	0.000	0.002	-0.031	0.575	0.007	1.864
Shetland	0.053	0.519	0.472	0.057	1.108	0.001	-0.005	0.181	0.002	0.585
South Ayrshire	0.068	3.311	1.338	0.369	0.000	0.002	-0.029	0.630	0.008	1.796
South Lanarkshire	0.102	7.869	3.710	1.212	0.000	0.005	-0.051	1.892	0.024	5.497
Stirling	0.062	2.923	1.067	0.266	0.000	0.002	-0.023	0.524	0.009	1.674
West Dunbartonshire	0.068	2.219	1.129	0.415	0.000	0.002	-0.010	0.505	0.009	1.655
West Lothian	0.083	4.486	2.066	0.750	0.000	0.003	-0.033	1.116	0.011	3.222
Scotland	2.500	147.269	62.700	19.862	5.000	1.373	0.000	29.000	0.400	86.224

GENERAL FUNDING	King's Theatre	Scottish Welfare Fund	LG Pay	Teacher numbers	School Milk	Ukraine	Green Freeport	Teacher Induction	Temporary Accom	Customer First Top Up	Verity House Resource	Total
												£m
Aberdeen City	0.000	0.599	-6.112	5.210	0.037	0.063	0.000	1.805	0.015	0.000	0.000	15.444
Aberdeenshire	0.000	0.505	3.545	7.349	0.059	0.163	0.000	0.899	0.015	0.000	0.000	29.812
Angus	0.000	0.359	1.602	3.039	0.022	0.053	0.000	0.093	0.015	0.000	0.000	12.272
Argyll & Bute	0.000	0.258	1.371	2.125	0.015	0.091	0.000	0.031	0.015	0.000	0.000	10.713
Clackmannanshire	0.000	0.223	0.745	1.399	0.010	0.053	0.000	0.439	0.015	0.000	0.000	6.288
Dumfries & Galloway	0.000	0.522	2.212	3.902	0.027	0.068	0.000	0.355	0.015	0.000	0.000	16.337
Dundee City	0.000	0.745	2.212	4.032	0.025	0.198	0.000	0.674	0.015	0.000	0.000	16.971
East Ayrshire	0.000	0.566	1.816	3.315	0.024	0.065	0.000	1.269	0.015	0.000	0.000	14.861
East Dunbartonshire	0.000	0.236	-1.414	3.388	0.023	0.053	0.000	3.092	0.015	0.000	0.000	13.530
East Lothian	0.000	0.327	1.504	2.952	0.023	0.053	0.000	0.582	0.015	0.000	0.000	12.782
East Renfrewshire	0.000	0.196	1.456	3.396	0.024	0.053	0.000	2.198	0.015	0.000	0.000	14.867
Edinburgh, City of	0.092	1.362	1.260	10.658	0.074	0.153	0.000	1.283	0.743	0.000	0.000	46.206
Eilean Siar	0.000	0.081	0.506	0.718	0.005	0.053	0.000	0.106	0.015	0.000	0.000	4.660
Falkirk	0.000	0.551	2.181	4.430	0.029	0.098	0.400	2.045	0.015	0.000	0.000	19.510
Fife	0.000	1.355	-4.798	10.165	0.068	0.163	0.000	2.452	0.091	0.000	0.000	32.963
Glasgow City	0.000	3.659	9.215	16.499	0.099	0.220	0.000	6.654	0.576	0.000	0.000	74.835
Highland	0.000	0.700	0.443	6.163	0.046	0.071	0.400	0.403	0.015	0.000	0.000	24.292
Inverclyde	0.000	0.426	-1.797	2.120	0.013	0.106	0.000	1.046	0.015	0.000	0.000	6.833
Midlothian	0.000	0.297	1.339	2.785	0.022	0.138	0.000	0.643	0.015	0.000	0.000	11.867
Moray	0.000	0.248	1.283	2.440	0.019	0.053	0.000	1.011	0.015	0.000	0.000	11.068
North Ayrshire	0.000	0.705	2.079	3.753	0.023	0.075	0.000	0.626	0.015	0.000	0.000	16.478
North Lanarkshire	0.000	1.555	-15.088	9.870	0.067	0.078	0.000	3.883	0.015	1.400	0.050	24.178
Orkney	0.000	0.046	0.523	0.634	0.004	0.053	0.000	0.034	0.015	0.000	0.000	4.181
Perth & Kinross	0.000	0.368	2.099	3.625	0.028	0.129	0.000	0.137	0.015	0.000	0.000	16.348
Renfrewshire	0.000	0.705	2.566	4.801	0.033	0.247	0.000	1.776	0.015	0.000	0.000	21.809
Scottish Borders	0.000	0.330	1.664	2.893	0.021	0.077	0.000	0.929	0.015	0.000	0.000	13.325
Shetland	0.000	0.039	0.584	0.746	0.005	0.053	0.000	0.054	0.015	0.000	0.000	4.471
South Ayrshire	0.000	0.421	1.653	2.947	0.020	0.101	0.000	1.108	0.015	0.000	0.000	13.759
South Lanarkshire	0.000	1.243	4.585	9.379	0.063	0.218	0.000	1.818	0.085	0.000	0.000	37.653
Stirling	0.000	0.249	1.319	2.562	0.017	0.053	0.000	0.929	0.015	0.000	0.000	11.647
West Dunbartonshire	0.000	0.481	1.395	2.595	0.016	0.205	0.000	0.528	0.015	0.000	0.000	11.225
West Lothian	0.000	0.639	2.553	5.613	0.039	0.141	0.000	3.048	0.099	0.000	0.000	23.835
Scotland	0.092	20.000	24.500	145.500	1.000	3.400	0.800	41.949	2.000	1.400	0.050	595.019

Local Authority	2025-26 GAE plus SINA	Percentage Shares	2008-25 Changes	2008-24 Changes	Movement in Changes
	£m	£m	£m	£m	£m
Aberdeen City	523.697	3.760	65.348	47.764	17.585
Aberdeenshire	637.726	4.578	79.577	58.636	20.941
Angus	287.956	2.067	35.932	26.503	9.429
Argyll & Bute	249.581	1.792	31.143	22.679	8.464
Clackmannanshire	134.256	0.964	16.753	12.321	4.432
Dumfries & Galloway	396.203	2.844	49.439	36.590	12.850
Dundee City	393.723	2.827	49.130	36.588	12.541
East Ayrshire	323.142	2.320	40.323	30.044	10.278
East Dunbartonshire	288.486	2.071	35.998	26.230	9.768
East Lothian	273.046	1.960	34.071	24.872	9.199
East Renfrewshire	266.279	1.912	33.227	24.079	9.148
Edinburgh, City of	1,125.543	8.081	140.448	103.553	36.896
Eilean Siar	90.574	0.650	11.302	8.377	2.925
Falkirk	390.473	2.803	48.724	36.077	12.647
Fife	932.866	6.697	116.406	86.038	30.367
Glasgow City	1,636.929	11.752	204.261	152.416	51.844
Highland	619.388	4.447	77.289	56.944	20.345
Inverclyde	215.824	1.549	26.931	19.894	7.037
Midlothian	244.007	1.752	30.448	22.142	8.306
Moray	230.595	1.656	28.774	21.216	7.559
North Ayrshire	369.484	2.653	46.105	34.387	11.718
North Lanarkshire	876.641	6.294	109.390	81.240	28.150
Orkney	99.291	0.713	12.390	8.659	3.731
Perth & Kinross	380.234	2.730	47.447	34.723	12.723
Renfrewshire	463.777	3.330	57.871	42.439	15.433
Scottish Borders	297.874	2.139	37.170	27.526	9.644
Shetland	107.214	0.770	13.378	9.660	3.719
South Ayrshire	296.894	2.131	37.047	27.345	9.702
South Lanarkshire	829.202	5.953	103.470	75.844	27.626
Stirling	236.785	1.700	29.547	21.816	7.731
West Dunbartonshire	248.719	1.786	31.036	23.075	7.961
West Lothian	462.501	3.320	57.712	42.233	15.479
Scotland	13,928.909	100.000	1,738.088	1,281.912	456.177

2025-26	Capital Settlement				Specific Capital Grants					
Authority	General Capital Grant	Specific Grants	Total Capital Grants	Strathclyde Partnership	Vacant and Derelict Land	TMDF	Cycling Walking & Safer Streets	Inter Island Connectivity	Climate emergency	Total
Aberdeen City	21.047	0.993	22.040	0.000	0.000	0.000	0.993	0.000	0.000	0.993
Aberdeenshire	28.764	1.152	29.916	0.000	0.000	0.000	1.152	0.000	0.000	1.152
Angus	10.309	0.500	10.809	0.000	0.000	0.000	0.500	0.000	0.000	0.500
Argyll & Bute	11.951	0.383	12.334	0.000	0.000	0.000	0.383	0.000	0.000	0.383
Clackmannanshire	4.566	0.226	4.792	0.000	0.000	0.000	0.226	0.000	0.000	0.226
Dumfries & Galloway	46.676	0.635	47.311	0.000	0.000	0.000	0.635	0.000	0.000	0.635
Dundee City	14.166	0.655	14.821	0.000	0.000	0.000	0.655	0.000	0.000	0.655
East Ayrshire	9.196	0.526	9.722	0.000	0.000	0.000	0.526	0.000	0.000	0.526
East Dunbartonshire	8.036	0.476	8.512	0.000	0.000	0.000	0.476	0.000	0.000	0.476
East Lothian	-6.110	0.496	-5.614	0.000	0.000	0.000	0.496	0.000	0.000	0.496
East Renfrewshire	7.199	0.430	7.629	0.000	0.000	0.000	0.430	0.000	0.000	0.430
Edinburgh, City of	42.884	30.231	73.115	0.000	0.000	27.950	2.281	0.000	0.000	30.231
Eilean Siar	5.871	0.114	5.985	0.000	0.000	0.000	0.114	0.000	0.000	0.114
Falkirk	11.772	0.691	12.463	0.000	0.000	0.000	0.691	0.000	0.000	0.691
Fife	28.869	3.335	32.204	0.000	1.708	0.000	1.627	0.000	0.000	3.335
Glasgow City	52.488	68.956	121.444	0.000	1.907	64.295	2.754	0.000	0.000	68.956
Highland	26.352	1.030	27.382	0.000	0.000	0.000	1.030	0.000	0.000	1.030
Inverclyde	6.312	0.341	6.653	0.000	0.000	0.000	0.341	0.000	0.000	0.341
Midlothian	7.780	0.428	8.208	0.000	0.000	0.000	0.428	0.000	0.000	0.428
Moray	8.820	0.413	9.233	0.000	0.000	0.000	0.413	0.000	0.000	0.413
North Ayrshire	8.656	2.143	10.799	0.000	1.561	0.000	0.582	0.000	0.000	2.143
North Lanarkshire	23.687	3.386	27.073	0.000	1.896	0.000	1.490	0.000	0.000	3.386
Orkney Islands	5.336	10.096	15.432	0.000	0.000	0.000	0.096	10.000	0.000	10.096
Perth & Kinross	18.261	0.665	18.926	0.000	0.000	0.000	0.665	0.000	0.000	0.665
Renfrewshire	12.324	0.813	13.137	0.000	0.000	0.000	0.813	0.000	0.000	0.813
Scottish Borders	11.692	0.508	12.200	0.000	0.000	0.000	0.508	0.000	0.000	0.508
Shetland Islands	5.251	10.100	15.351	0.000	0.000	0.000	0.100	10.000	0.000	10.100
South Ayrshire	8.709	0.487	9.196	0.000	0.000	0.000	0.487	0.000	0.000	0.487
South Lanarkshire	21.686	1.967	23.653	0.000	0.528	0.000	1.439	0.000	0.000	1.967
Stirling	5.980	0.408	6.388	0.000	0.000	0.000	0.408	0.000	0.000	0.408
West Dunbartonshire	17.931	0.387	18.318	0.000	0.000	0.000	0.387	0.000	0.000	0.387
West Lothian	13.039	0.801	13.840	0.000	0.000	0.000	0.801	0.000	0.000	0.801
Undistributed	81.500	40.000	121.500	0.000	0.000	0.000	0.000	0.000	40.000	40.000
Councils Total	581.000	183.772	764.772	0.000	7.600	92.245	23.927	20.000	40.000	183.772
Strathclyde Partnership for Transport	0.000	12.400	12.400	12.400	0.000	0.000	0.000	0.000	0.000	12.400
	581.000	196.172	777.172	12.400	7.600	92.245	23.927	20.000	40.000	196.172

Council	Flood Scheme	Total 2025-26 £m
Aberdeenshire Council	Stonehaven	5.753
Aberdeenshire Council	Huntly	0.000
Angus Council	Arbroath	0.000
Argyll & Bute Council	Campbeltown	0.941
Comhairle nan Eilean Siar	South Fords	0.000
Dumfries & Galloway Council	Dumfries/ River Nith/ Whitesands FPS	31.485
Dumfries & Galloway Council	Stranraer work item 4 &6	0.131
Dumfries & Galloway Council	Langholm	0.000
Dumfries & Galloway Council	Newton Stewart/ River Cree	-0.616
Dundee City Council	Broughty Ferry	0.000
Dundee City Council	Dundee	0.000
East Ayrshire Council	New Cumnock	0.000
East Dunbartonshire Council	Park Burn	0.000
East Lothian Council	Musselburgh	-15.878
East Lothian Council	Haddington	0.600
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	-0.029
Highland Council	Caol and Lochyside	0.151
Highland Council	Drumnadrochit	-0.029
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	0.000
North Ayrshire Council	Millport Coastal	-3.200
North Ayrshire Council	Upper Garnock FPS	0.000
North Ayrshire Council	Mill Burn Millport	0.994
Orkney Islands Council	Kirkwall	0.000
Perth & Kinross Council	Comrie	8.109
Perth & Kinross Council	Milnathort	0.000
Perth & Kinross Council	South Kinross	-4.152
Perth & Kinross Council	Scone	0.333
Scottish Borders Council	Hawick	0.000
Stirling Council	Bridge of Allan	-5.011
Stirling Council	Stirling	0.000
Stirling Council	Callander	2.113
West Dunbartonshire Council	Gruggies Burn	10.944
	Total	33.600

2024-25 General Capital Grant	Circular 2/2024	MoD Forthside	Active Travel	Landfill Ban Compliance	Free School Meals	Ferries	LG Pay	King Theatre	2024-25 Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	17.518	0.000	1.557	0.000	0.000	0.000	9.000	0.000	28.075
Aberdeenshire	20.522	0.000	1.232	0.000	0.309	0.000	0.000	0.000	22.063
Angus	9.542	0.000	0.642	0.000	0.056	0.000	0.000	0.000	10.240
Argyll & Bute	9.256	0.000	0.395	1.500	0.000	0.000	0.000	0.000	11.151
Clackmannanshire	4.169	0.000	0.359	0.000	0.256	0.000	0.000	0.000	4.784
Dumfries & Galloway	4.251	0.000	0.721	0.000	3.865	0.000	0.000	0.000	8.837
Dundee City	12.689	0.000	1.084	0.000	0.156	0.000	0.000	0.000	13.929
East Ayrshire	7.588	0.000	0.745	0.000	0.132	0.000	0.000	0.000	8.465
East Dunbartonshire	7.033	0.000	0.746	0.000	0.045	0.000	3.000	0.000	10.824
East Lothian	25.788	0.000	0.691	0.000	0.083	0.000	0.000	0.000	26.562
East Renfrewshire	5.399	0.000	0.672	0.000	1.741	0.000	0.000	0.000	7.812
Edinburgh, City of	35.612	0.000	3.632	0.000	0.798	0.000	5.000	0.459	45.501
Eilean Siar	6.061	0.000	0.200	0.000	2.036	0.000	0.000	0.000	8.297
Falkirk	9.791	0.000	1.099	0.000	2.954	0.000	0.000	0.000	13.844
Fife	25.744	0.000	2.307	0.000	9.139	0.000	10.000	0.000	47.190
Glasgow City	47.842	0.000	4.605	0.000	12.999	0.000	0.000	0.000	65.446
Highland	23.347	0.000	1.168	0.000	0.101	0.000	3.000	0.000	27.616
Inverclyde	6.022	0.000	0.538	0.000	0.513	0.000	3.000	0.000	10.073
Midlothian	6.986	0.000	0.655	0.000	0.026	0.000	0.000	0.000	7.667
Moray	7.959	0.000	0.434	0.000	0.092	0.000	0.000	0.000	8.485
North Ayrshire	9.607	0.000	0.907	0.000	0.000	0.000	0.000	0.000	10.514
North Lanarkshire	22.270	0.000	2.434	0.000	0.479	0.000	20.000	0.000	45.183
Orkney	4.915	0.000	0.200	0.000	0.025	3.000	0.000	0.000	8.140
Perth & Kinross	25.567	0.000	0.739	0.000	2.325	0.000	0.000	0.000	28.631
Renfrewshire	11.530	0.000	1.305	0.000	1.292	0.000	0.000	0.000	14.127
Scottish Borders	10.412	0.000	0.545	0.000	0.900	0.000	0.000	0.000	11.857
Shetland	4.992	0.000	0.200	0.000	0.000	0.000	0.000	0.000	5.192
South Ayrshire	8.244	0.000	0.688	0.000	1.158	0.000	0.000	0.000	10.090
South Lanarkshire	20.156	0.000	2.122	0.000	0.331	0.000	0.000	0.000	22.609
Stirling	20.348	5.000	0.508	0.000	0.000	0.000	0.000	0.000	25.856
West Dunbartonshire	3.789	0.000	0.646	0.000	1.190	0.000	0.000	0.000	5.625
West Lothian	10.888	0.000	1.224	0.000	4.999	0.000	0.000	0.000	17.111
Undistributed	89.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	20.000
Scotland	534.837	5.000	35.000	1.500	48.000	3.000	53.000	0.459	611.796

Local Authority	Ring-Fenced Grants	Non Domestic Rates	General Revenue Funding	Total 2025-26 Revenue	General Capital Grant	Specific Grant	Total 2025-26 Capital	2025-26 Local Government Finance Settlement
	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	3.359	200.361	291.184	494.904	21.047	0.993	22.040	516.944
Aberdeenshire	3.240	130.389	481.684	615.313	28.764	1.152	29.916	645.229
Angus	2.315	28.346	257.174	287.836	10.309	0.500	10.809	298.645
Argyll & Bute	4.539	42.809	212.185	259.534	11.951	0.383	12.334	271.868
Clackmannanshire	1.670	19.834	113.040	134.544	4.566	0.226	4.792	139.336
Dumfries & Galloway	3.270	64.534	329.359	397.163	46.676	0.635	47.311	444.474
Dundee City	5.107	71.406	322.391	398.904	14.166	0.655	14.821	413.725
East Ayrshire	3.987	33.087	285.217	322.291	9.196	0.526	9.722	332.013
East Dunbartonshire	1.825	26.697	246.328	274.850	8.036	0.476	8.512	283.362
East Lothian	1.826	60.072	196.348	258.246	-6.110	0.496	-5.614	252.632
East Renfrewshire	1.551	15.871	243.947	261.368	7.199	0.430	7.629	268.997
Edinburgh, City of	8.240	400.788	650.016	1,059.044	42.884	30.231	73.115	1,132.159
Eilean Siar	1.310	9.387	107.340	118.038	5.871	0.114	5.985	124.023
Falkirk	3.975	82.693	294.331	380.999	11.772	0.691	12.463	393.462
Fife	10.478	171.721	745.340	927.538	28.869	3.335	32.204	959.742
Glasgow City	23.789	402.292	1,253.038	1,679.119	52.488	68.956	121.444	1,800.563
Highland	6.721	167.986	446.245	620.952	26.352	1.030	27.382	648.334
Inverclyde	2.650	20.806	199.043	222.499	6.312	0.341	6.653	229.152
Midlothian	2.444	36.433	199.724	238.601	7.780	0.428	8.208	246.809
Moray	1.485	58.035	170.080	229.599	8.820	0.413	9.233	238.832
North Ayrshire	4.290	44.123	326.897	375.310	8.656	2.143	10.799	386.109
North Lanarkshire	9.943	122.759	737.022	869.724	23.687	3.386	27.073	896.797
Orkney	21.054	11.759	73.181	105.994	5.336	10.096	15.432	121.426
Perth & Kinross	1.967	63.537	298.739	364.242	18.261	0.665	18.926	383.168
Renfrewshire	4.718	108.844	338.663	452.225	12.324	0.813	13.137	465.362
Scottish Borders	1.948	43.024	247.235	292.207	11.692	0.508	12.200	304.407
Shetland	24.934	26.492	67.490	118.916	5.251	10.100	15.351	134.267
South Ayrshire	2.624	49.811	239.079	291.514	8.709	0.487	9.196	300.710
South Lanarkshire	9.133	371.110	425.590	805.832	21.686	1.967	23.653	829.485
Stirling	1.568	46.246	186.540	234.354	5.980	0.408	6.388	240.742
West Dunbartonshire	3.408	84.737	164.703	252.848	17.931	0.387	18.318	271.166
West Lothian	5.473	98.011	355.585	459.069	13.039	0.801	13.840	472.909
Strathclyde Passenger Transport	-	-	-	-	-	12.400	12.400	12.400
Undistributed	87.062	0.000	354.449	441.511	81.500	40.000	121.500	563.011
Scotland	271.903	3,114.000	10,859.185	14,245.088	581.000	196.172	777.172	15,022.260

20 February 2025

Agenda Item No. 3(c)

General Fund Revenue Budget 2025-28

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 2025-26 as required by statute and to set out an indicative approach to the financial years 2026-27 and 2027-28.

Recommendation(s)

The Council is asked to:

- (1) note the details of the provisional settlement announced by the Scottish Government as outlined in Finance Circular 10/2024, and the terms of the settlement as outlined in the letter from the Cabinet Secretary for Finance & Local Government, dated 4 December 2024;
- (2) agree the level of council tax to be levied for the financial year 2025-26 at Band D equivalent and the revenue budget which can be sustained by this level of income;
- (3) note the indicative levels of expenditure, subject to further detailed analysis in respect of the financial years 2026-27 and 2027-28;
- (4) note the prudential indicators will be approved alongside the Capital Investment Plan review;
- (5) agree an additional contribution of £9.596m to the Fife Health & Social Care (H&SC) Partnership in respect of additional funding contained in the settlement; and
- (6) note the heightened level of future financial risk and uncertainty.

Resource Implications

The report identifies significant resource implications that have to be considered in the determination of the budget for 2025-26 and future years.

Legal & Risk Implications

It is a statutory requirement for the Council to set a balanced budget as required by the Local Government Finance Act 1992.

Impact Assessment

All savings proposed as part of the budget process have been screened as part of the Council's impact assessment approach. This screening process identifies the level of impact for each proposed savings and determines where any further or more detailed impact assessment will be required in the future. Some of the proposals for the three-year period that this budget process covers will require further policy development and approval and full impact assessments for those proposals will be provided as required. The impact assessment process also identifies additional mitigation measures which are recommended. The impact assessment summary for all budget motions and amendments will be published on the Council's website page for equality impact assessments.

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 financial 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 expenditure increasing at a faster rate than income could continue for some time to come. The Council has been able to balance its budget in recent years despite challenging settlements and the future financial sustainability of the Council is of significant concern given the potential risk to core funding and the overall financial outlook.
- 1.2 This report provides information on the estimated resources available to the Council over the 2025-28 period. The information in this report will enable decisions to be made on the level of Council's expenditure and the level of Council Tax to be levied for the financial year 2025-26 in order to set a balanced budget.
- 1.3 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 a 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.
- 1.4 In setting the core recurring revenue budget for 2025-26 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 2025-26, high-level projections point to a considerable budget gap in both 2026-27 and 2027-28. In light of these projections, members are advised to give full consideration to the longer-term consequences and the future level of risk when making decisions in setting a balanced budget for 2025-26.

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.
- 2.2 The Scottish Government published its draft budget for 2025-26 on 4th December 2024, with the Local Government Finance Settlement following on 12th December 2024.
- 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 2025. The Scottish Government budget process is currently ongoing, with the Stage 1 debate held on 4th February 2025. 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 provisional allocation to Local Government in the 2025-26 Budget is £15.0bn. 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 £927.538m. This includes £10.478m grant funding for specific purposes e.g., Pupil Equity Fund and Gaelic Language.

- 2.5 Fife received a cash increase of 2.3%, equating to an increase in grant of approximately £20.0m when comparing core revenue funding before new burdens, which is better 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 settlement includes:
- £15m to support the expansion of Free School Meals.
 - £125m for adult social care workers in commissioned services.
 - £10.0m to support provision of free personal and nursing care.
 - £9.7m for early learning and childcare workers in commissioned services.
 - £41.0m investment to maintain or restore teacher numbers to 2023 levels.
 - £28.0m for additional support for learning.
 - £13.1m for children's social care workers in commissioned services.

3.0 Medium Term Forecast

- 3.1 In order to arrive at a budget gap for the Council for 2025-26, 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 over the coming years.
- 3.2 The last budget report to the 6 February 2025 Cabinet Committee outlined a budget gap of £11.651m for 2025-26. This is a reduction from the previous report on 12 September 2024 that highlighted a gap of £22.6m. The reduction results from a significant amount of new information, and subsequent decisions have also had an impact on the budget gap. These include:
- The outcome of the Local Government Settlement.
 - Increased pay award assumption from 2.5% to 3.0% for the next three years in line with the Scottish Government's public sector pay policy.
 - Increased uptake of shared-cost AVCs.
 - Extended Producer Responsibility for Packaging (EPRP) income.
 - The cost of implementing the SLARC recommendations on members' pay.

- 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. Also removed is the assumption that a share of additional grant funding is to be passed to the Health & Social Care Partnership as that is also a political decision. In addition, new information about the contents of the settlement has meant the gap has been reduced by a further £2m. Political groups have choices to make regarding the level of council tax to levy and other 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 2025-26.

Table 1 – Budget Gap	Provisional	Indicative	
	2025-26 £m	2026-27 £m	2027-28 £m
Net Expenditure	1,133.431	1,158.279	1,185.574
Net Funding	(1,121.780)	(1,123.125)	(1,124.509)
Budget Gap/(Surplus) at 06/02/2025	11.651	35.154	61.065
Removed HSCP (political decision)	(4.410)	(4.410)	(4.410)
Settlement update	(2.000)	(2.000)	(2.000)
Revised Budget Gap/(Surplus)	5.241	28.744	54.655

- 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	2025-26	2026-27	2027-28
Grant Level	2.3%	0.0%	0.0%
Council Tax	Political decision	Political decision	Political decision
Pay & Pensions	3.0%	3.0%	3.0%
Non-Pay Inflation (contracted items only)	2.5%	2.5%	2.5%
Funding for H&SCP	Political decision	Political decision	Political decision

- 3.5 There is a high risk that the assumptions from 2026-27 onwards could be optimistic given the wider economic uncertainty. In setting the budget for 2025-26 it is important that members consider the implications of any decisions on future years' budgets and, given the future level of risk, plan now to close the future budget gap. Continuing the transformational corporate change programmes relating to No Wrong Door, Place and Digital will enable future cost reductions and will go some way to addressing the future budget gap.

Capital Financing Costs

- 3.6 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 and these must be approved as part of the capital plan review process given the dependence on the capital investment plans of the Council.
- 3.7 The estimate of capital financing costs (loan charges) assumes that capital spend will be in accordance with the Council's approved Capital Investment Plan (the Plan). The Plan is reviewed every two years, with this year being a review year. Testing of affordability of the Plan revealed that circumstances have changed significantly with interest rates not reducing at the rate previously estimated, and the cost of projects increasing significantly. In addition the previously approved plan was fairly front loaded and combined with the other factors has become unaffordable.
- 3.8 Modelling information was shared with members on 19 December 2024 and the results outlined that without any increase to the revenue budget (loan charges) that the plan would need to be substantially smaller. Political groups have been asked to propose their capital plans and where these result in an estimated increase in the cost of borrowing over the ten years of the Plan, that the associated increase to ensure a stable budget for loan charges over the life of the capital investment plan, is included within their revenue budget proposals. In doing so, there is likely to be headroom in 2025/26 to use that budget for one-off short-term investment. The Section 95 officer will assess the financial sustainability of the full package brought forward including advice on any headroom available based on the budget proposal being presented.
- 3.9 It is expected that efforts will be made, as far as possible, to ensure the delivery of the capital investment plan throughout 2025-26 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 forecast relating to future interest rates is used which is based on advice from the Council's Treasury advisers. These rates impact on costs associated with future borrowing but there remains risk around the actual level of interest rates in place at the time when the Council needs to borrow.
- 3.10 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 political decision for the Council.

- 4.2 The 2025-26 Non-Domestic Rates basic property rate for properties with a rateable value up to and including £51k has been frozen at 49.8p, the same as 2024-25. The two other rates have both been increased by inflation, the Intermediate Property Rate for properties with a rateable value from £51k to £100k increases to 55.4p from 54.5p, and the Higher Property Rate for properties with a rateable value over £100k increases to 56.8p from 55.9p. These changes take effect from 1 April 2025 and the financial impact for the Council has been included within the assumptions in this report.

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 overall level of known financial risk;
 - Affordability of future investment plans.
- 5.3 Reserves are not recurring funds, but rather, they are one off in nature and are more appropriate to fund one off investment or deal with financial shocks that occur. This is particularly relevant for Fife Council this year, given the level of uncommitted balances has been reducing over time and also given the forecast level of overspend within 2024-25 and the potential risk this may not be fully mitigated next year. In terms of budget setting, reserves and balances must not be relied upon to fund recurring expenditure as this would be unsustainable in the medium term and increase the overall level of financial risk being carried.
- 5.4 There are a number of additional financial risks that the Council will need to plan for and 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 2025-26. 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 most significant risks for 2025-26 include:

- Health & Social Care IJB overspends – mitigated by enhanced financial management and controls and additional risk management.
- Pay awards higher than budgeted – national agreement will be reached, mitigation could be to use balances in the very immediate/short term.
- Emergency response to Climate Change and environmental impacts – mitigated by balances and the Bellwin Scheme may be available.

- 5.5 The Council continues to be involved in legal cases in respect of Equal Pay which may present 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 cannot be fully identified.
- 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 £22.194m) 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 current projected level of General Fund balances at 31 March 2025 is £105.457m. Following approval to de-commit £5.260m of balances by Cabinet Committee in February 2025, committed balances are now £88.397m and uncommitted balances are £17.060m which is below the policy minimum. It should be noted that the current commitments to use balances have no impact on the recurring budget gap as these are all one-off commitments for one off purposes.
- 5.7 Given the current level of uncommitted balances, the Section 95 officer has determined that there is no scope to use balances either to bridge the budget gap, or to fund one off investment this year given they are below the policy minimum. 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 low level of uncommitted balances and also the degree of future uncertainty and risk, commitments against balances are continually being reviewed and any further recommendations will be made by the Section 95 Officer in future reports to the Cabinet Committee.

6.0 Conclusions

- 6.1 The budget beyond 2025-26, 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 when more information becomes available.
- 6.2 There is a high risk that the assumptions from 2026-27 onwards could be optimistic given the wider economic uncertainty. In setting the budget for 2025-26 it is important that members have regard to the implications of any decisions on future years' budgets and particularly take cognisance of the future level of inherent risk.
- 6.3 The Capital Investment Plan and the revenue budget are intrinsically linked and both must remain affordable and sustainable. When balancing the revenue budget, any revenue impact associated with the proposed level of capital

expenditure must be accounted for in the revenue budget before the Plan can be agreed.

- 6.4 The Council currently holds a level of balances below the policy recommended level in a time of financial uncertainty and risk. Uncommitted balances are held to cover one off shocks or risks and are not a sustainable means of closing the future recurring budget gap. The level of commitments will be closely monitored in the coming year, with any recommendations being made to Cabinet Committee for approval.
- 6.5 Given the wider economic context there is 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

Background Papers

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

[UK Autumn Statement 2024](#)

[Institute for Fiscal Studies Autumn Budget 2024 Analysis](#)

[Scottish Budget 2025-26](#)

[Scottish Fiscal Commission – Scotland's Economic and Fiscal Forecasts](#)

[Local Government Finance Circular 10/2024: settlement for 2025 to 2026](#)

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

[Bank of England Monetary Policy Report – November 2024](#)

[LGIU – 2024 State of Local Government Finance in Scotland](#)

[Scottish Government's Public Sector Pay Policy 2025 to 2026](#)

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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) <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>		
			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. Regular tri-partate meetings with directors of finance and CFO to manage risk.	Y	13.5	5	4	20
2	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	3.0	4	4	16
3	Local Government Pay Award	Increased costs to the Council due to higher negotiated pay award than that provided for.	4	4	16	Model assumptions have been updated to 3% in line with Scottish Government Public Sector Pay Policy. 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	8.0	4	4	16
4	Equal Pay Claims	Potential requirement to settle further Equal Pay claims.	5	5	25	Legal defence of cases. Equal Value Assessment (EVA) Project in place, valuation of impacted jobs being undertaken.	Y	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

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			Likeli-hood	Impact	Risk Score				Likeli-hood	Impact	Risk Score
6	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 process in place. Negotiations with unions and full Committee approval required.	Y	1.0	5	3	15
7	Loan Charges additional interest costs	There is a risk of additional borrowing costs if interest rates are higher than forecast.	5	4	20	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.	Y	2.0	3	3	9
8	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	4	16	Robust Capital Strategy, Capital Monitoring. Investment Strategy Group and Finance provide support and challenge in this area.	Y	1.0	3	3	9
9	Revenue Consequences of Capital	Recurring revenue costs resulting from Capital Investment which are not fully resourced within Service budgets.	5	3	15	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	3	9

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			Likeli-hood	Impact	Risk Score				Likeli-hood	Impact	Risk Score
10	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.	3	4	12	The budget model provides for inflation. Additional budget has been provided in certain circumstances. The Medium Term Finance Strategy requires Services to manage costs within available resources. The Procurement Team continue to monitor supply chain and negotiate contracts to achieve the best price.	Y	1.7	3	3	9
11	National NI Policy Changes	The full cost of National Insurance increases may not be fully funded.	3	4	12	Lobbying of UK and Scottish Governments for appropriate level of funding. Budget model assumes 60% funding.		2.0	3	3	9
12	Retained Teacher Funding	Funding from Scottish Government is dependent on maintaining overall teacher numbers but there is a risk that Scottish Government will impose a penalty if target is not achieved.	3	3	9	Engagement with Scottish Government through COSLA and use of appeals process. Recruiting teachers to the required level.	Y	2.0	3	3	9
13	Service pressures	Services continue to face cost pressures where no funding solution has been identified to date.	3	3	9	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.	Y	5.0	3	3	9
14	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	3	9	Council Services required to fund any repairs or maintenance from their own budgets, within available resources. If no resources available, Common Good policy in place that established a maintenance fund.	Y	1.0	3	3	9

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			Likeli-hood	Impact	Risk Score				Likeli-hood	Impact	Risk Score
15	Inflationary Construction Costs (capital)	Delay in supply of materials and increased cost of construction materials	3	4	12	Biennial Capital Plan review to be approved in February 2025. Continued capital plan monitoring and reporting to Committee. A number of projects already have contracts in place. Continued monitoring of supply chain by Procurement Team. The Capital Plan review deals with the risk in the short term, however a risk remains due to the longer term nature of capital projects.	Y	1.7	2	3	6
16	Inability to achieve savings	Increased risk of delivering budget savings being delayed, may result in overspend and future reduced service provision as a consequence.	3	3	9	Tracking through monitoring process. Services are required to substitute savings to contain expenditure within budget.	Y	2.0	2	3	6
17	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.	3	3	9	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	2	3	6
18	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

Fife Council - Financial Risk Register
APPENDIX 1

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			Likeli- hood	Impact	Risk Score				Likeli- hood	Impact	Risk Score
19	Increase in scale of bad debts owed to the Council (Sundry Debtors, Council Tax, NDR).	Potential pressure on revenue budgets as greater amounts may need to be written off.	4	2	8	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 approved at Cabinet 6 February 2025
£17.1m
Risk Per Risk Register
£66.4m
% of Risks per Risk Register covered by Unallocated Balances
26%



FIFE COUNCIL MEETING

THURSDAY 20 FEBRUARY 2025

AGENDA ITEM NO. 3(d) - GENERAL FUND REVENUE BUDGET 2025-28

ADMINISTRATION MOTION

"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 2025-26 as detailed below and specifically:-
 - (a) notes the details of the provisional settlement announced by the Scottish Government as outlined in Finance Circular 10/2024, and the terms of the settlement as outlined in the letter from the Cabinet Secretary for Finance & Local Government, dated 4 December 2024;
 - (b) agrees a rise of 8.2% council tax to be levied for the financial year 2025-26 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 2026-27 and 2027-28;
 - (d) note the prudential indicators will be approved alongside the Capital Investment Plan review;
 - (e) agree an additional contribution of £9.596m to the Fife Health & Social Care (H&SC) Partnership in respect of additional funding contained in the settlement;
 - (f) note the heightened level of future financial risk and uncertainty
 - (g) agrees that the Council set for 2025-26 the Council Tax at £1,498.76 for valuation Band D properties and proportionately for other Bands; and
 - (h) approve the terms of the Administration's Budget Statement and the attached appendices and investment proposals.
2. Agrees that early work commences in relation to the development of options for the preparation of the 2026-27 and 2027-28 revenue budgets.

RESOLUTION FOR THE LEVYING AND COLLECTION OF COUNCIL TAX AND RATES FOR THE YEAR 2025-26

Fife Council resolves for the financial year from 1st April 2025 to 31st March, 2026 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 £1,498.76 and to determine the amounts for all the valuation bands as follows:-

Valuation Band	Council Tax
A	£999.17
B	£1,165.70
C	£1,332.23
D	£1,498.76
E	£1,969.20
F	£2,435.49
G	£2,935.07
H	£3,671.96

- (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 2025-28

Proposed by the Administration

Contents

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6	Revenue Budget Gap 2025-28
Appendices	
7-8	Appendix 1 – Budget Savings proposed by the Administration
9	Appendix 2 – Budget Pressures and Investment proposed by the Administration

Budget Proposals from the Labour Administration

1.0 Introduction

- 1.1 The report on Budget Planning 2025-28 presented by the Executive Director (Finance and Corporate Services) to the Cabinet Committee earlier this month set out a budget gap between the cost of continuing the current level of services and the funding available, of £11.651m in 2025-26, rising to £35.154m in 2026-27 and £61.065m in 2027-28. Officers have continued to review and revise their estimates and assumptions and the current position is set out in the Executive Director's report to the Council Budget Meeting. These revisions have been taken into account when proposing this budget.
- 1.2 For the past few years, the Council has benefited from the availability of temporary funding allocated to it to offset the impacts of the pandemic. This funding is no longer available and since the Council is under a legal obligation to set a balanced budget, it can only do this by reducing expenditure, raising council tax or a combination of both.
- 1.3 As well as having to close the budget gap noted above, the Council also faces a number of significant additional financial pressures.
- 1.4 Firstly, the Fife Health and Social Care Partnership, jointly funded by the Council and NHS Fife, is facing a significant overspend in the current year and will face similar financial pressures in 2025-26 requiring additional funding from the Council, along with NHS Fife.
- 1.5 Secondly the Council has an ambitious 10 year capital programme for major projects in order to maintain its assets such as roads, schools and other facilities. It funds this 10 year programme by borrowing (much like a domestic mortgage) and pays this back over the lifetime of the asset. However over the past few years costs have risen dramatically, in particular construction costs, and interest rates have not fallen as quickly as predicted, meaning that the cost of the capital programme is significantly higher than estimated at the time of the last review. This means that the Council will have to cut back on planned projects and budget for higher revenue funding to support its loan charges.
- 1.6 Thirdly only 60% of the increase in employers National Insurance charges falling to the Council, is going to be funded by central government.
- 1.7 All these factors mean that the Council will have to make additional savings or increase the council tax well beyond the level required to bridge the basic budget gap.

2.0 Council Tax and a Sustainable Medium Term Budget

- 2.1 As noted above, in setting a legally competent budget, the Administration is proposing to strike a balance between achieving savings and raising the council tax in order to protect services and make essential investment through the capital plan.
- 2.2 We have approached setting the rate of council tax recognising the impact this has on families and individuals across Fife, but also recognising that the level of council tax was frozen for nearly a decade and that it was frozen again last year. It is also noted that Fife has one of the lower levels of council tax across Scotland with 22 of Scotland's 32 councils currently having a higher council tax level than Fife.

- 2.3 In our initial consideration of the budget, taking account of savings we felt we could take and required investment, we determined that a council tax increase of 9.7% was required. Recognising the impact this would have on households, we have engaged with council services again, seeking further savings and funding to offset a council tax rise.
- 2.4 Following this further scrutiny, we believe that we can set a balanced and sustainable budget with a lower council tax rise of 8.2% for the coming year, followed by indicative increases of 5% in each of 2026-27 and 2027-28.**
- 2.5 Our commitment of an additional £5.5m into Health and Social Care is equivalent to 2.8% of this rise whilst additional revenue investment in Fife's roads is equivalent to a further 1.5%. Taking these two elements into account, the underlying rise in council tax is equivalent to 3.9% meeting inflation and the increased costs of maintaining the Council's capital programme.
- 2.6 For a nearly a decade before the pandemic the level of council tax was frozen and the Council has faced real terms cuts to its core grant. As a consequence the Council faced the prospect of making cuts to services each year in order to set a balanced budget. This 'salami slicing' approach, cutting a little more each year, is not a satisfactory way to plan the Council's budget and we wish to avoid returning to this approach if possible.
- 2.7 We are therefore setting out an indicative budget for the coming three years, asking Council Services to plan over this medium term to provide greater certainty in managing their budgets.
- 2.8 Whilst there remains a notional budget gap in our estimates for 2026-27 and 2027-28, we believe there are opportunities to realise additional savings over this period that cannot be quantified at this time, and the possibility of increased funding, that will offset these future budget gaps. Nevertheless there also remains the risk that the Council will face further financial pressures over the medium term.

3.0 Transformation

- 3.1 Over this three year period the Council will be undertaking four major transformation programmes designed both to change and improve the way services are delivered and to reduce costs without the need to make constant cuts.
- 3.2 The transformation projects are:
- No Wrong Door – identifying and focusing on those needing support through improved early intervention and prevention;
 - Digital Transformation – making use of modern technology to improve services;
 - Place Programme – better joining up and co-ordinating services focused on local areas;
 - Transforming Learning – in schools through the introduction of digital learning technology in the classroom for teachers and pupils.
- 3.3 Although we have not fully included this in our estimates, it is hoped that these transformation projects themselves will generate efficiency savings to help offset future budget gaps.
- 3.4 This twin track approach of 3 year budget planning and the delivery of these major transformational programmes should provide the Council with a degree of stability and certainty and help sustain basic good quality local services.

Savings and Investment

4.0 Education

- 4.1 We will protect and invest in education. Adjusting for inflation, temporary and additional funding, savings and investment, the budget for education will rise to £457m, £22.6m more than in 2024-25. We will seek to maintain teacher numbers at the same level as 2023 in line with the agreement between Scottish Government and the Convention of Scottish Local Authorities, taking account of the mitigations agreed by Scottish Government including changes in class numbers and school rolls over future years.
- 4.2 We will invest in special needs/ASN education and support, and continue to address issues of behaviour and attendance in schools.
- 4.3 We will fully embed the Transforming Learning programme in all schools.

5.0 Health and Social Care

- 5.1 As noted above, Health and Social Care is projecting a significant overspend again next year. In this budget we will invest an additional £4.4m in Health and Social Care beyond the Scottish Government requirement. In addition to this we will set aside a further £5.5m for Health and Social Care subject to a joint funding solution being agreed with our partners NHS Fife, or alternatively to meet the Council's 'risk share' commitments at the end of the year.

6.0 Roads

- 6.1 We will continue to invest in maintaining and improving Fife's roads. There will be an additional £8.255m capital investment beyond the previously planned level, in improving roads over the next three years and an additional £3.5m temporary revenue investment in roads maintenance for 2025-26. We will endeavour to match this additional revenue investment in the following two years, dependent on the overall financial position at that time.

7.0 Fleet

- 7.1 There is a continuing need to invest in replacing the Council's fleet of vehicles and plant that are essential for maintaining services and investment of an additional £3.5m per year for the next 3 years will allow replacement of many of the Council's fleet items that are reaching the end of their operational lives.

8.0 Flooding

- 8.1 We will continue to invest in tackling flooding with £19.5m committed for schemes included in the capital programme and design work being undertaken on others to ensure that Fife is ready to bid for Scottish Government flood funding when that becomes available. It is noted that two new gully clearance machines were purchased towards the end of last year and this should also assist in preventing local flooding.

9.0 Future of Leisure

- 9.1 We will continue closer working and integration between direct Council community use and active schools services and the Fife Sports and Leisure Trust, benefiting from the continuing growth in membership following recovery from the pandemic.
- 9.2 Recognising that the closure of swimming facilities at Woodmill High School and the likely future closure of the Wing at Inverkeithing High School will reduce swimming

capacity in West Fife, we will set aside £13.1m in the capital programme for new pool and leisure facilities. Detailed specification and design work will require to be undertaken and approved for any new facility, and we will also ask officers to continue investigating the possibility of attracting external funding to scale up this proposal into a regional facility.

- 9.3 We will continue the additional temporary funding of £100k for Fife Coast and Countryside Trust for a further year.

10.0 Children, Families and Justice

- 10.1 There will be savings made in this area of service as it is integrated into the No Wrong Door approach with an emphasis on prevention and early intervention and a revised strategy will be brought forward later in the year.

11.0 Customer and Online Services

- 11.1 There will be savings from the digital transformation of customer and online services in conjunction with the No Wrong Door programme, ensuring that direct support is available to those who need it.

12.0 Finance and Corporate Services

- 12.1 We will continue to seek savings through improvements in productivity and the use of accommodation benefiting from technology progression and digital service redesign.

13.0 Staffing and Efficiency

- 13.1 We will seek 0.5% savings from service redesign and streamlining of management structures, reduction in absence and other efficiency and productivity measures across the Council. The savings proposals set out in this budget will not require any compulsory redundancies.

14.0 Fees and Charges

- 14.1 We will cap service increases in fees and charges at a maximum of 5% unless rises are included in specific budget proposals.

15.0 Visitor Levy

- 15.1 The Scottish Parliament has given local councils the power to introduce a levy on overnight visitor stays and a number of local authorities are already seeking to do this. It is estimated that such a levy in Fife could bring in several million pounds that would go towards improving visitor facilities and off setting the impacts of tourism on local areas. It would be at least 2027-28 before a levy could be introduced and this would require a full consultation to take place. At this stage, without any commitment, we will ask officers to investigate the possibility of introducing a visitor levy in Fife and to undertake any necessary consultation before a decision is taken.

16.0 Rejected Savings Proposals

- 16.1 We have rejected a number of savings options that were open to us including:
- Charging for the collection of brown bin garden waste
 - Re-imposing charges for bulky uplifts
 - Charging for the bin take out and return service for those unable to do this for themselves
 - Increasing the mileage qualification for school transport

- Imposing car parking charges in Cowdenbeath, Leven and Cupar
- Cutting the number of pupil support assistants
- Stopping the Café Inc provision
- Cutting funding to Shopmobility and the RVS.

17.0 Conclusion

17.1 In preparing this budget we have engaged with all other political groups represented on the Council as well as with our trade unions and our arms length organisations. We believe it broadly meets the aspirations of all political groups and we hope it will be agreed unanimously by the Council.

17.2 We believe these proposals strike the best balance between making budget savings and increasing the council tax in order to sustain and improve Council services over the next three years.

**FIFE COUNCIL
GENERAL FUND REVENUE BUDGET 2025-28**

	2025-26 £m	2026-27 £m	2027-28 £m
Estimated Budget Gap/(Surplus) as per report by Executive Director Finance & Corporate Services	5.241	28.744	54.655
Provision for Pressures/Investment			
Pressures and Investment (Appendix 2)	18.397	15.059	15.127
Revised Budget Gap	23.638	43.803	69.782
Budget Savings (Appendix 1)	(7.137)	(10.887)	(13.796)
Council Tax Increases (8.2% / Indicative 5.0% / Indicative 5.0%)	(15.908)	(26.614)	(37.974)
Fees & Charges (increase by 5.0% / 5.0% / 5.0%)	(0.593)	(1.186)	(1.779)
Final Budget Gap	0.000	5.116	16.233

**FIFE COUNCIL
GENERAL FUND REVENUE BUDGET 2025-28
BUDGET SAVINGS**

		2025-26 £m	2026-27 £m	2027-28 £m
<u>Place</u>				
Planning				
PL-001	Increase Non Statutory Income	0.040	0.040	0.040
Facilities Management				
PL-003	Staff Productivity - Facilities Management	0.260	0.260	0.260
Business & Employability				
PL-004	Removal Of Vacancies	0.104	0.104	0.104
PL-005	Increase External Income - Matrix	0.066	0.066	0.066
Roads & Transportation Services				
PL-033	Traffic Management	0.501	0.501	0.501
PL-034	Car Parking Strategy	0.281	0.407	0.453
Place Total		1.252	1.378	1.424
<u>Communities</u>				
Housing & Neighbourhood Services				
CM-001	Safer Communities - Travel Reduction	0.020	0.020	0.020
CM-003	B&B reduction	0.150	0.250	0.398
CM-004	Commissioning Services in house	0.050	0.100	0.150
Customer & Online Service				
CM-006	Digital redesign of registration services	0.000	0.100	0.100
CM-007	Fully Digital Council Tax System	0.000	0.035	0.035
CM-008	Increased digital focus for customer contact & resolution	0.024	0.114	0.174
CM-009	Liquidlogic - Professional Portal	0.000	0.084	0.084
CM-010	Digital Repairs Centre	0.000	0.075	0.150
Communities & Neighbourhood				
CM-012	Future of Leisure	0.100	1.140	2.100
Children, Families & Justice				
CM-014	Consolidate Community Social Work Team into no wrong door & existing service delivery	0.304	0.304	0.304
CM-015	Review of approaches to adolescents	0.000	0.350	0.350
CM-018	Review of payments to Health	0.427	0.427	0.427
CM-019	Developing an Inhouse Children's Rights Service	0.200	0.200	0.200
CM-020	Review of taxi usage	0.100	0.100	0.100
Communities Directorate Wide				
CM-021	Commissioned Services & Voluntary Sector Grants	0.000	0.600	0.850
CM-022	Management & organisational savings across Directorate	0.108	0.108	0.528
Communities Total		1.483	4.007	5.970

**FIFE COUNCIL
GENERAL FUND REVENUE BUDGET 2025-28
BUDGET SAVINGS**

	2025-26 £m	2026-27 £m	2027-28 £m
<u>Finance & Corporate Services</u>			
Human Resources			
FC-002 Cost Saving	0.015	0.015	0.015
Business Technology Solutions			
FC-003 IT Contracts	0.122	0.195	0.195
Legal & Democratic Services			
FC-004 Increase Fee for S75 agreements	0.018	0.018	0.018
Finance & Corporate Services Directorate Wide			
FC-001 Staff Productivity	0.247	1.165	1.448
FC-005 Service redesign in line with the Digital Programme	0.000	0.109	0.726
Finance & Corporate Services Total	0.402	1.502	2.402
<u>Council-Wide Saving</u>			
CW-001 Efficiency Saving	4.000	4.000	4.000
Council-Wide Total	4.000	4.000	4.000
 Total Budget Savings	 7.137	 10.887	 13.796

**FIFE COUNCIL
GENERAL FUND REVENUE BUDGET 2025-28
BUDGET PRESSURES AND INVESTMENT**

	2025-26 £m	2026-27 £m	2027-28 £m
H&SC share of Settlement cash increase	4.410	4.410	4.410
H&SC Funding	5.500	0.000	0.000
Roads Maintenance	3.500	0.500	0.500
HRA NI pressure	0.449	0.449	0.449
Revenue Investment - 1-2-1 Devices	3.300	1.200	1.200
Financing for Capital Investment	0.308	7.300	7.300
Financing for Capital Investment - 1-2-1 Devices	0.000	1.200	1.200
Investment - Glenwood Regeneration	0.000	0.000	0.068
Burntisland Links Facility Replacement	0.150	0.000	0.000
Accessibility Investment (Dysart)	0.250	0.000	0.000
Welfare	0.430	0.000	0.000
FCCT	0.100	0.000	0.000
Total Budget Investment	18.397	15.059	15.127

20 February 2025

Agenda Item No. 4(a)

Capital Investment Plan 2025-35

Report by: Eileen Rowand, Executive Director, Finance & 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 capital plan for the period 2025 – 2035. The report consolidates information contained in correspondence which was shared with all political groups on 14th January 2025.

Recommendations

Council is asked to:-

- i) note the pressures on the capital plan since the last capital plan review;
- ii) note the clear relationship between the capital plan and the revenue budget;
- iii) note that the assumptions relating to future funding levels will be kept under review;
- iv) agree that the next biennial review of the capital plan will be carried out during 2026-27; and
- v) note the importance of assessing the prudential indicators to consider affordability and sustainability of the capital plan.

Resource Implications

This report details the resource implications for the Council that have to be considered in setting a revised Capital Investment Plan. Current economic conditions have meant that the affordability and sustainability of the previously approved plan is under significant strain. As a result, a revised capital investment plan will need to be agreed and the consequential impact on the revenue budget will need to be met in order for the plan to remain affordable.

Legal & Risk Implications

Potential risks to the Capital Investment Plan include continued impact of inflation on costs of construction, and the availability of funding streams for larger capital projects e.g.

Developers Contributions. There also remains a level of interest rate risk given that there is uncertainty involved in forecasting future rates.

The Council is required to agree a capital plan which meets the criteria set by the CIPFA Prudential Code 2021.

Impact Assessment

The Capital Investment Plan determines the in-principle allocation of capital resources to projects which are in line with the Council's priorities and statutory responsibilities. These projects have been group into investments under the headings "opportunities for all", "thriving places", "inclusive jobs and growth" and "maintaining our assets". For each future major capital project, a business case will be developed which will include full consideration of the impact assessment of the project. It will also consider how to mitigate any negative impact assessment. The impact assessment will include a review of data and a consultation where appropriate. Business cases will then be considered and approved by the Cabinet Committee.

Consultation

The investment strategy group has consulted with Services and Directorates on the information shared with all political groups in both December 2024 and January 2025.

1.0 Background

- 1.1 The CIPFA Prudential Code 2021 (the code) requires Councils to look at capital expenditure plans, investments and debt in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-run financial implications and potential risks. The objectives of the code are to ensure that Councils capital expenditure and investment plans are affordable and proportionate, all external borrowing is within prudent and sustainable levels and that treasury management decisions are taken in accordance with good professional practice.
- 1.2 The last review of the capital plan was approved by the council in June 2023 and since that time many capital projects have been delivered across Fife. Many more projects are currently in the delivery phase. However, many of the projects have been impacted by significant construction inflation and the cost to the Council of investing in existing assets has also been impacted.
- 1.3 The approved plan in June 2023 was based on funding assumptions relevant at that time. This more recent review uses current information from both the U.K. and Scottish Governments and takes account of current economic conditions and updated interest rate forecasts.

2.0 Capital Strategy

- 2.1 The Capital Strategy was approved in June 2023 and was refreshed and updated to take a whole organisation approach to reflect the aims and ambitions of the Council in this challenging economic climate. The Capital Strategy also sets out the interrelationship between the Treasury Strategy and Capital planning.
- 2.2 Since the strategy was last reviewed, economic and financial conditions have changed, and a refresh of the strategy has been considered. However, considering the scale of change impacting on the Capital Investment Plan, a full review of the strategy is now deemed necessary. This will take place over the coming year and will reflect changed external factors and will be in line with any changes to the Council's overall priorities and objectives. The aim will be to have an updated and agreed strategy in place before beginning the work to deliver the next biennial capital plan review.

3.0 Biennial Capital Plan Review

- 3.1 For many years the Council has retained the practice of a 10-year rolling capital programme that is reviewed every two years. This provides an effective framework for strategic planning and decision making to ensure capital expenditure plans are prudent, affordable, and sustainable in the longer term and this is in line with the requirements of the Prudential Code. It is important that a ten-year horizon is considered as the impact of significant borrowing in the early years of the plan, leads to increases in the cost of borrowing over the life of the plan and constrain future affordability of further investment. This long-term planning horizon allows informed decision making and the future affordability of the plan to be assessed and managed.
- 3.2 The current revision to the plan extends the Plan by a further 2 years to 2034-35 and re-assesses available funding resources and any changes to priorities. Although the Council's Capital Investment Plan includes all services, this report deals only with General Fund because affordability of HRA investment is assessed separately through the HRA capital plan review process and is supported by the modelling work carried out in the HRA Business Plan.
- 3.3 In the period since the Capital Investment Plan was last reviewed in June 2023, the level of financial risk has remained significant in terms of the cost of inflation, interest rate remaining higher than expected for longer than predicted and the availability of funding streams for larger capital projects e.g. Developers Contributions, also presents a degree of risk. In addition, the increase in National Insurance Contributions for employers and the increase in the National Living Wage will increase employment costs for suppliers which could result in higher costs being passed on through contractor's costs for capital projects.
- 3.4 The recent volatility in the financial markets increased interest rates to their highest level for more than a decade which in turn puts increased pressure on loan charges. To finance much of the capital expenditure Fife Council will need to borrow money.

Any new borrowing is likely to be at a much higher rate than in the past decade resulting in higher interest payments on this borrowing, in turn putting pressure on the revenue budget going forward.

- 3.5 The plan has been reviewed in line with the existing Capital Strategy. This means that investment in existing assets is maintained for the duration of the plan as well as incorporating some of the major investments required to deliver the Plan for Fife outcomes. The existing budgets for maintaining our existing assets are very 'front loaded' which leads to affordability concerns. The budgets for 2025-35 were remodelled to smooth the phasing each year and factor in a 2.5% annual increase for inflation. The overall budget remains the same over the 10 years of the plan. This information was shared with political groups back in December for consideration when assessing the capital plan.
- 3.6 In assessing the Capital Investment Plan, the projects already approved in the previous plan have been critically reviewed in terms of anticipated delivery dates and the impact of inflation. This led to a significant increase in costs creating pressure across the plan. In addition, a number of pressures were also identified, and these were shared with Group Leaders in December and led to a further increase. Over the intervening months, modelling work has been ongoing, including a zero-based approach which identified projects that had already started and should be included in any plan going forward and the categorisation of the remaining existing projects and new pressures to identify the most critical projects.
- 3.7 Following the modelling work, political groups were provided with a scenario that illustrated the relationship between the capital plan and the revenue impact, particularly the cost of borrowing. This scenario provided members with all of the detail required to propose a capital plan.
- 3.8 As noted above, the review of the current plan, additional pressures and the increased interest rates have all put pressure on the affordability of the capital plan. An increase in the loan charges budget within revenue will likely be required to ensure the capital plan remains balanced and affordable. This increase will be dependent on the capital plan proposed.

4.0 Projected Available Resources

- 4.1 There are a number of sources of funding which are applied to the Council's Capital Investment Plan. Estimating available resources for a 10-year period means that several assumptions have to be made based on the best information available.
- 4.2 Capital grant is received direct from the Scottish Government and the Council has certainty on the level of grant up to 2025-26. Beyond 2025-26 it is necessary to estimate future levels of capital grant and it has been assumed that funding will reduce and thereafter remain constant for the duration of the current plan. The terms of the award of capital grant dictate that these amounts must be applied to projects in the year of award and cannot be brought forward to earlier years. Any unspent grant should be repaid to the government, although in reality there is very little risk in this regard.

- 4.3 Capital receipts are used as part of the overall funding for the capital plan, capital receipts being income generated from the sale of assets. The ability of the council to generate receipts is kept under review and estimate of future capital receipts are built in to the funding assumptions.
- 4.4 Capital from current revenue (CFCR) can be used to fund the capital plan. CFCR is budgeted for within the revenue budget, the level of CFCR in the early years flows through from decisions made during the 2022 Review Process. The main reason for this is the use of the catch-up benefit from the change in accounting arrangements for Service Concessions.
- 4.5 Developer Contributions are assumed to provide significant funding for increased school capacity requirements and infrastructure projects within the plan. There is risk of uncertainty related to this assumption, and this will be carefully monitored over the life of the Plan.
- 4.6 Assumptions have also been reviewed around the level of inflation and contingency held within the plan. Inflationary increases are provided for at a project level where known. It would be prudent for members to build a degree of contingency into their proposals. However, if no overall provision for inflation and contingencies is provided within the capital plan then this increases the risk in this area. In the situation where no provision for either inflation or contingency is provided, the capital plan must be managed within the available resource. In other words, where pressures arise in future, they will need to be managed and financed within the available resource, for example, through value engineering of projects, or from de-committing alternative projects within the plan.
- 4.7 The balance of funding required to finance the capital plan needs to be borrowed and the ongoing cost of this borrowing must be met from the Council's revenue budget for loan charges. The cash limited revenue budget for Loan Charges is currently £49.463m. Any plan proposed by political groups must be fully funded and balanced and may result in a requirement to increase the loan charges budget. In order to do this, a compensating decision will be required to either increase council tax or accept savings proposals from other areas of the revenue budget. Members must be mindful of how much of the revenue budget we lock into loan charges as these commitments will last for decades into the future.
- 4.8 The loan charges budget will also be supplemented from the agreed funding model in relation to new schools which is based on revenue support from the Scottish Government linked to the full expenditure for the Dunfermline Learning Campus and Inverkeithing High School.

5.0 Prudential Indicators

- 5.1 The code requires councils to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability, and affordability.

- 5.2 To demonstrate that the Council has fulfilled these objectives, the code sets out a range of indicators that must be used and the factors which must be considered. The indicators were last approved alongside the Capital Investment Plan in June 2023.
- 5.3 Since then, the general trends of the indicators illustrate the rising level of debt the Council is incurring, due to the increasing level of capital investment. The level of borrowing in comparison to the Capital Financing Requirement is also increasing, meaning that we are now borrowing much closer to the requirement level compared to earlier years where the Council was in an under-borrowed position due to the level of reserves available.
- 5.4 Any proposed capital plan will require prudential indicators to be considered, to ensure the proposal is affordable and sustainable over the life of the plan. The Finance team will work with Political groups to provide prudential indicators reflecting any proposed capital investment plan.

6.0 Conclusions

- 6.1 There has been a significant increase in both expenditure and funding within the Capital Investment Plan since the time of the last review in June 2023. This is due to a number of factors, including but not limited to inflation, persistently higher interest rates as well as additional pressures. There are also risks in terms of the increase in National Insurance Contributions for employers as well as the increase to the National Living Wage, both of which could impact on the cost of some contracts.
- 6.2 There is a clear relationship between the capital plan and the revenue budget. It is likely that an increase to the loan charges budget in revenue will be required to sustain an affordable and balanced capital plan. This increase is dependent on the capital plan proposed.
- 6.3 The risk of committing a higher proportion of the budget to loans charges needs to be considered in the context of financial sustainability. The Executive Director of Finance will consider this aspect when reviewing budget motions and amendments.

List of Appendices

None

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FIFE COUNCIL MEETING

THURSDAY 20 FEBRUARY 2025

AGENDA ITEM NO. 4(b) – CAPITAL INVESTMENT PLAN 2025-35

ADMINISTRATION MOTION

“That the Council –

- i) note the pressures on the capital plan since the last capital plan review;
- ii) note the clear relationship between the capital plan and the revenue budget;
- iii) note that the assumptions relating to future funding levels will be kept under review;
- iv) agree that the next biennial review of the capital plan will be carried out during 2026-27;
- v) approve the Administration’s Capital Investment Plan for 2025-35 in line with the attached investment proposals; and
- vi) approve the Prudential Indicators 2025-28 which have been prepared to reflect the attached Capital Investment Plan.

Proposed by Councillor David Ross

Seconded by Councillor Altany Craik



Capital Investment Plan 2025-35

Proposed by the Administration

Contents

Page	Description
1 - 2	Capital Investment Plan 2025-35 Proposals
3	Prudential Indicators

FIFE COUNCIL
CAPITAL INVESTMENT PLAN 2025-35
GENERAL FUND

Capital Theme	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opportunities for All											
Building Fife's Future	4.083	17.179	14.864	7.674	7.313	0.600	1.384	-	-	-	53.097
Primary School Development	2.230	15.188	11.656	48.347	41.750	16.659	5.726	16.185	7.245	0.541	165.527
Secondary Schools West Fife	50.000	4.700	-	0.751	3.540	2.335	-	-	-	-	61.326
Nursery Refurbishment	1.300	-	-	-	-	-	-	-	-	-	1.300
Free School Meals Expansion	1.449	-	-	-	-	-	-	-	-	-	1.449
Primary Schools Structural Pressures	2.000	4.000	-	-	-	-	-	-	-	-	6.000
Re-provision of Care for Older People	3.609	8.204	7.892	-	-	-	-	-	-	-	19.705
Telehealth Care	0.175	-	-	-	-	-	-	-	-	-	0.175
Childrens Homes Reprovision	1.300	4.500	0.050	-	-	-	-	-	-	-	5.850
Total Opportunities for All	66.146	53.771	34.462	56.772	52.603	19.594	7.110	16.185	7.245	0.541	314.428
Thriving Places											
Sustainable Transport	4.000	0.600	0.092	-	-	-	-	-	-	-	4.692
Strategic Transport Intervention Programme Dunfermline	8.129	5.541	6.747	7.428	0.200	3.701	5.777	2.460	-	-	39.982
Strategic Transport Intervention Programme St Andrews	-	0.405	3.042	0.100	-	-	-	-	-	-	3.547
Strategic Transport Intervention Programme Glenrothes	0.800	1.900	-	-	-	-	-	-	-	1.900	4.600
Strategic Transport Intervention Programme Cupar	-	-	-	-	-	-	-	-	-	0.558	0.558
Leven Connectivity	3.954	-	-	-	-	-	-	-	-	-	3.954
Regeneration of Town Centres	1.340	0.560	0.708	0.303	-	-	-	-	-	-	2.912
Place Based Investment Programme	0.495	-	-	-	-	-	-	-	-	-	0.495
Countryside Programme	1.566	-	-	-	-	-	-	-	-	-	1.566
Sports and Golf Programme	1.751	1.900	-	-	-	-	-	-	-	-	3.651
Area Community Facilities	11.400	4.605	1.553	-	-	-	-	-	-	-	17.558
Area Capital Investment	0.370	-	-	-	-	-	-	-	-	-	0.370
Sport and Leisure Facilities	5.351	4.395	6.050	6.050	-	-	-	-	-	-	21.846
Fife Tourism Infrastructure Programme	0.200	-	-	-	-	-	-	-	-	-	0.200
	0.075	0.500	6.500	2.950	0.050	-	-	-	-	-	10.075
Total Thriving Places	39.431	20.406	24.691	16.831	0.250	3.701	5.777	2.460	-	2.458	116.004
Inclusive Growth and Jobs											
Regeneration - Other	1.500	1.500	-	-	-	-	-	-	-	-	3.000
Employment Land Site Servicing	-	0.323	2.684	-	-	-	-	-	-	-	3.007
Industrial Investment Programme	14.557	4.388	3.255	1.151	-	-	-	-	-	-	23.350
Site Servicing Programme	0.483	2.654	3.342	0.781	-	-	-	-	-	-	7.261
Total Inclusive Growth and Jobs	16.540	8.865	9.281	1.932	-	-	-	-	-	-	36.618
Maintaining Our Assets - Specific Programmes											
Structures Infrastructure Programme	2.883	5.819	5.836	3.359	0.030	-	-	-	-	-	17.928
Flooding Measures	2.130	3.525	8.482	5.124	0.295	-	-	-	-	-	19.556
Cafeteria Refurbishment	0.059	0.174	0.279	0.150	0.150	0.150	0.150	0.150	0.150	0.150	1.561
Pathway to Net Zero	3.356	-	-	-	-	-	-	-	-	-	3.356
Lanfill Sites Programme	1.600	-	-	-	-	-	-	-	-	-	1.600
Business Premises Refurbishment Programme	0.159	-	-	-	-	-	-	-	-	-	0.159
Recycling Centres	-	-	0.750	2.500	-	-	-	-	-	-	3.250
Business Techology Solutions	-	-	-	-	-	0.784	-	-	-	-	0.784
One to One Devices in Schools	12.675	1.260	1.260	1.150	4.141	4.780	2.371	2.371	2.262	2.223	34.493
Total Maintaining Our Assets - Specific Programmes	22.862	10.778	16.607	12.283	4.616	5.714	2.521	2.521	2.412	2.373	82.688
Maintaining Our Assets - Rolling Programmes											
Education Rolling Programme	2.950	3.025	3.100	3.177	3.256	3.338	3.422	3.507	3.594	3.685	33.054
Health and Social Care Adult Services Programme	0.139	0.142	0.146	0.149	0.153	0.157	0.161	0.165	0.169	0.173	1.554
Health and Social Care Residential/Day Care Programme	0.139	0.142	0.146	0.149	0.153	0.157	0.161	0.165	0.169	0.173	1.554
Roads Infrastructure Programme	9.342	9.538	9.739	8.445	8.656	8.872	9.094	9.322	9.554	9.793	92.355

FIFE COUNCIL
CAPITAL INVESTMENT PLAN 2025-35
GENERAL FUND

Capital Theme	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Traffic Management Programme	0.927	0.950	0.974	0.998	1.023	1.049	1.075	1.102	1.130	1.158	10.386
Streetlighting Programme	1.846	1.892	1.939	1.988	2.037	2.088	2.140	2.194	2.249	2.305	20.678
Climate Change Programme	0.459	0.471	0.482	0.495	0.507	0.520	0.533	0.546	0.560	0.574	5.147
Public Conveniences Programme	0.009	0.009	0.009	0.009	0.010	0.010	0.010	0.010	0.011	0.011	0.098
Vehicle Purchase Programme	6.957	7.044	7.132	3.723	3.816	3.912	4.009	4.110	4.212	4.318	49.233
Purchase of Bins Programme	0.182	0.187	0.191	0.196	0.201	0.206	0.211	0.216	0.222	0.227	2.039
Property Maintenance Programme	3.305	2.363	2.422	2.482	2.544	2.608	2.673	2.740	2.808	2.878	26.823
Crematoria and Cemeteries Programme	0.035	0.036	0.036	0.037	0.038	0.039	0.040	0.041	0.042	0.043	0.387
Assets, Transport & Envion Plant & Machinery Replacement Programme	0.147	0.151	0.155	0.159	0.163	0.167	0.171	0.175	0.179	0.184	1.651
Burial Provision	0.672	0.688	0.706	0.723	0.741	0.760	0.779	0.798	0.818	0.839	7.524
Recycling Centres Plant & Machinery Replacement Programme	0.095	0.098	0.100	0.103	0.105	0.108	0.111	0.113	0.116	0.119	1.068
Fife Resource Solutions Programme	0.927	0.950	0.974	0.998	1.023	1.049	1.075	1.102	1.130	1.158	10.386
Anaerobic Digestion Plant Rolling Programme	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	10.000
Contaminated Land Programme	0.043	0.044	0.046	0.047	0.048	0.049	0.050	0.052	0.053	0.054	0.486
Business Property Portfolio Programme	0.074	0.075	0.077	0.079	0.081	0.083	0.085	0.088	0.090	0.092	0.824
Libraries, Museums, Galleries and Theatre Programme	0.095	0.098	0.100	0.103	0.105	0.108	0.111	0.113	0.116	0.119	1.068
Communities Plant & Machinery Replacement Programme	0.428	0.227	0.227	0.028	0.029	0.029	0.030	0.031	0.032	0.032	1.093
Allotments Programme	0.061	0.062	0.064	0.065	0.067	0.069	0.070	0.072	0.074	0.076	0.680
Parks Development Programme	0.555	0.568	0.583	0.597	0.612	0.627	0.643	0.659	0.676	0.693	6.213
Disability Adaptations Programme	1.109	1.137	1.165	1.194	1.224	1.255	1.286	1.318	1.351	1.385	12.424
Looked After Children Programme	0.043	0.044	0.046	0.047	0.048	0.049	0.050	0.052	0.053	0.054	0.486
Business Technolgy Solutions Programme (Education)	0.927	0.950	0.974	0.998	1.023	1.049	1.075	1.102	1.130	1.158	10.386
Business Technolgy Solutions Programme (Corporate)	1.196	1.226	1.256	1.288	1.320	1.353	1.387	1.421	1.457	1.493	13.397
Total Maintaining Our Assets - Rolling Programmes	33.662	33.117	33.789	29.277	29.983	30.711	31.452	32.214	32.995	33.794	320.994
Other Items											
Inflation / Contingency Fund	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE	178.641	126.937	118.830	117.096	87.452	59.720	46.860	53.380	42.652	39.166	870.732
Developer Contributions	(9.147)	(13.391)	(16.718)	(44.449)	(35.700)	(39.816)	(13.791)	(22.039)	(13.161)	(5.312)	(213.524)
Scottish Government Specific Grant	(2.146)	-	-	-	-	-	-	-	-	-	(2.146)
Other Capital Grants	(0.400)	(0.945)	(0.340)	(0.125)	(0.050)	-	-	-	-	-	(1.860)
Lottery Funding	(0.091)	-	-	-	-	-	-	-	-	-	(0.091)
City Deal and Growth Deal Grants	(5.801)	(1.979)	-	-	-	-	-	-	-	-	(7.780)
Contributions	(3.993)	-	-	-	-	-	-	-	-	-	(3.993)
Capital From Current Revenue (CFCR)	(15.567)	(14.000)	-	-	-	-	-	-	-	-	(29.567)
TOTAL INCOME	(37.145)	(30.314)	(17.058)	(44.574)	(35.750)	(39.816)	(13.791)	(22.039)	(13.161)	(5.312)	(258.960)
NET EXPENDITURE	141.496	96.623	101.772	72.521	51.701	19.904	33.068	31.341	29.491	33.853	611.772
Funding											
Scottish Government General Capital Grant	(31.327)	(23.500)	(23.500)	(23.500)	(23.500)	(23.500)	(23.500)	(23.500)	(23.500)	(23.500)	(242.827)
Capital Receipts	(2.477)	(2.466)	(7.381)	(0.251)	(0.613)	(0.562)	(0.392)	(0.827)	(0.090)	(0.091)	(15.149)
Sale of Vehicles, Plant and Equipment	-	-	-	(0.159)	(0.482)	(0.267)	(0.129)	(0.288)	(0.224)	(0.449)	(1.998)
Cost of Sales	0.031	-	-	-	-	-	-	-	-	-	0.031
Borrowing from Loans Fund	(107.723)	(70.657)	(70.891)	(48.612)	(27.107)	4.425	(9.047)	(6.726)	(5.678)	(9.814)	(351.830)
TOTAL FUNDING	(141.496)	(96.623)	(101.772)	(72.521)	(51.701)	(19.904)	(33.068)	(31.341)	(29.491)	(33.853)	(611.772)

ACTUAL 2023-24	APPROVED 2024-25
£m	£m
153.167	173.727
88.906	143.228
242.073	316.955
£m	£m
49.791	54.477
32.665	37.554
82.455	92.031
£m	£m
968.749	1,038.338
135.327	140.178
1,104.077	1,178.516
5.14%	5.25%
24.14%	26.79%
£m	£m
831.339	909.401
437.174	522.878
1,268.513	1,432.279
1,173.131	1,316.420
1,528.856	1,691.865
1,456.053	1,611.300
£m	£m
1,173.131	1,316.420
1,268.513	1,432.279
(95.383)	(115.859)
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

ESTIMATE 2025-26	ESTIMATE 2026-27	ESTIMATE 2027-28
£m	£m	£m
178.641	126.937	118.830
156.300	119.025	94.778
334.941	245.962	213.608
£m	£m	£m
59.402	63.631	64.800
44.871	50.915	54.670
104.273	114.546	119.470
£m	£m	£m
1,137.709	1,149.740	1,162.484
152.084	159.443	167.052
1,289.793	1,309.183	1,329.536
5.22%	5.53%	5.57%
29.50%	31.93%	32.73%
£m	£m	£m
951.598	997.817	1,044.542
578.294	638.539	670.598
1,529.892	1,636.356	1,715.139
1,504.897	1,630.325	1,713.443
1,866.346	1,942.386	1,951.274
1,777.473	1,849.892	1,858.356
£m	£m	£m
1,504.897	1,630.325	1,713.443
1,529.892	1,636.356	1,715.139
(24.994)	(6.031)	(1.696)
100%	100%	100%
75%	75%	75%
0%	0%	0%

20 February 2025

Agenda Item No. 5(a)

Housing Revenue Account (HRA) Budget 2025-26

(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 2025-26. 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 2024.

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 £8.560m for 2025-26.
 - (b) The high level of risk the HRA is exposed to from potential future pressures.
2. Agrees a rent increase for 2025-26 and appropriate increase in charges for HRA and General Fund Housing Account services.
3. Balances the HRA budget for 2025-26 using options provided to members to close the budget gap.
4. Notes the level of current uncommitted HRA Reserves is £2.593m and that the revenue budget 2025-26 includes £0.251m to restore balances to £2.844m in line with the policy minimum.

Resource Implications

The budget gap for the HRA for 2025-26 is estimated at £8.560m. The size of the gap is a consequence of continued inflationary pressures and increasing costs of financing capital investment, coupled with below inflation rental increases over the last six years leading to costs increasing at a faster rate than the income to support those costs. Taking account of the rental increase options of 5%, 6% and 7% for 2025-26 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 pressure in the short to medium term and it is anticipated that further savings may need to be identified in addition to future rent increases to ensure the HRA remains sustainable and affordable. The scale of these will be linked with, and dependent on, the future ambition for increased capital investment and the associated cost of borrowing.

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.

A series of below inflation rent increases has exposed the HRA to an increasing level of financial risk due to costs rising at a higher rate than income. Lower than inflation rent increases brings increased financial pressure and risk to the HRA and can impact on the ability to afford to continue 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 meet 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 2025 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 of 2040 and depending on the standard adopted the cost could be comparable to the estimate costs of ESSH2 which was assessed at £325 million. There is also an additional backstop of 2045 to ensure all homes have a clean heat source. This is defined as a heating system that does not produce CO2 at source.

Impact Assessment

An EqIA and summary form has 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 modelling completed as part of the 2024 HRA Business Plan review.

1.0 Background

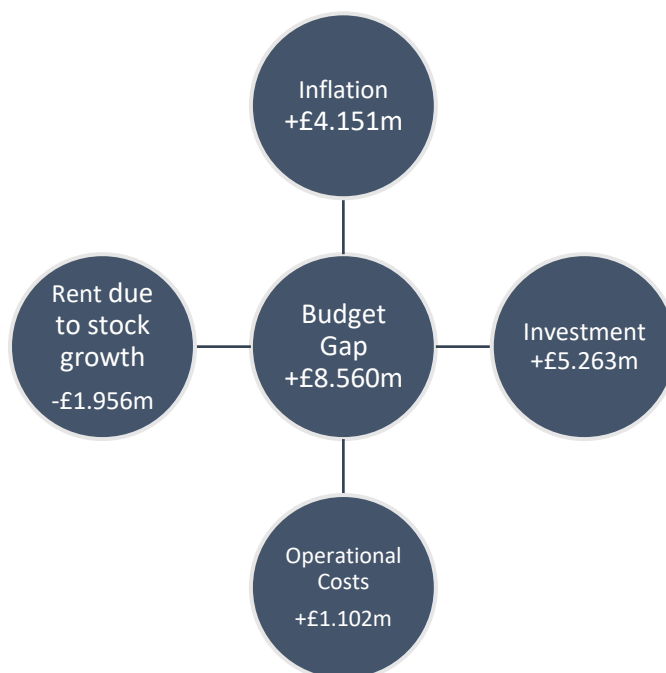
- 1.1 The Housing Revenue Account (HRA) provides the financial framework for the Council's role as housing landlord. The HRA is required by legislation to be a ring-fenced account used for the sole, or main, benefit of Council tenants. It is financed almost entirely by rents and other charges with no 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, increasing costs of borrowing, and consequent budget pressures. In presenting the HRA budget for 2025-26, 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 HRA revenue budget includes a £1.3m provision for tenant support funding in 2025-26. This fund will support tenants transitioning 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 2025-26

- 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 pay inflation, increasing stock figures, increasing cost of borrowing and other inflationary 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, ensuring adequate funds to repay housing debt and providing for new borrowing to fund new council housing and to maintain and improve existing housing stock.
- 2.2 The Consultative Budget report to Cabinet Committee on 5 December 2024 outlined an estimated budget gap of £7.635m for 2025-26. Since then, the capital investment plan has been reviewed and the medium-term and longer-term impact of investment on the HRA has been assessed. As a result, to ensure the financial sustainability of the HRA, the revenue impact of continued borrowing must be recognised. This has the impact of increasing the budget gap but mitigating some of the inherent risk. Updated assumptions since the December report include the following.
 - Increased pay award assumption from 2.5% to 3.0% for the next three years in line with the Scottish Government's public sector pay policy.

- Adjustments to the level of capital financing costs.
- Reinstate Rent and Fuel Poverty Fund budgets.
- Officer efficiencies to reduce; inflationary assumptions to flat cash in some areas of the budget, budget pressures on repairs and maintenance, and budget realignment in areas of underspend.

These factors combined, increase the 2025-26 budget gap to £8.560m. Overall, the budget gap includes the effect of inflation, maintaining investment and net increases to service delivery operational costs. These additional costs are partially offset by increased rent income due to stock growth. The chart below outlines composition of the budget gap.



- 2.3 It must also be noted that these are the current pressures estimated for 2025-26. 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 invests rental income into the HRA Capital Plan each year. This is comprised of both CFCR (Capital Funding from Current Revenue) and financing the cost of borrowing. The future trend for these budgets sees the cost of borrowing increasing over the medium term whilst the CFCR budget is forecast to reduce significantly over the same timeframe. This is not a sustainable trend and the investment requirements set out in para. 2.2 recognises this and builds in a degree of protection from risk. The budget gap assumes investment in line with the proposed capital plan which is reported elsewhere on this agenda.

3.0 Reserves

- 3.1 The HRA held opening reserves of £5.315m in 2024-25. The table below shows the current HRA Reserves position taking account of commitments and a small amount to restore balances to the policy minimum level, meaning the estimated uncommitted reserves are estimated to be £2.844m at the end of 2025-26:

OVERVIEW OF HRA RESERVES	APPROVAL STATUS	2024-25	2025-26
Opening Balance		5.315	2.593
Transitional Affordable Housing Programme Contribution	Committee Approval	(2.500)	-
24-25 Budget Gap Funded from Balances	Committee Approval	(0.222)	-
Restoration of Balances	Balances Policy		0.251
ESTIMATED UNCOMMITTED RESERVES		2.593	2.844

- 3.2 The current HRA policy is to maintain minimum reserves at the level of 2% of the mainstream annual rent income budget. The 2025-26 revenue budget includes £0.251m for restoration of balances to the minimum 2% level and therefore there is no plan to restore reserves beyond the policy minimum at this stage.
- 3.3 In terms of budget setting and given the uncommitted reserves position is forecast to be around the policy minimum, reserves must 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 or risks that occur. Use of reserves to address the budget gap for 2025-26 should be avoided. 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 in 2025 - 26 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)
	2025-26	2026-27	2027-28	
Indicative Budget Gap	8.560	9.736	8.362	26.658

- 4.2 Several scenarios have been modelled 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 2025-26 through to 2027-28 and the cumulative impact of each rental

option. This assumes that rental increases for 2026-28 are set at 3.5% (RPI +1%), pay inflation is 3% and general inflation is 2.5%. These assumptions are for planning purposes and it is recognised that the actual level of inflation can vary dependent on external factors which could influence the level of savings and rental income required in future years.

Rental Option Increase	Indicative Budget Gap Individual Year (£m)			Cumulative Impact (£m)
	2025-26	2026-27	2027-28	
5% Rental Increase	1.370	2.346	0.616	4.332
6% Rental Increase	(0.056)	0.868	(0.933)	(0.121)
7% Rental Increase	(1.495)	(0.610)	(2.482)	(4.587)

4.3 As can be seen from the table above, a rental increase of 5% would leave a remaining budget gap of £1.370m whereas 6% would close the budget gap in full for 2025-26 with scope for a small level of investment.

4.4 It is proposed that any resulting budget gap in 2025-26 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 will be considered elsewhere on the agenda of this meeting.

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	86.53	n/a
5.00%	90.86	4.33
6.00%	91.72	5.19
7.00%	92.59	6.06

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 2025, 7,099 (24%) Council households were claiming Housing Benefit, with an additional estimated 14,299 (48%) 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.

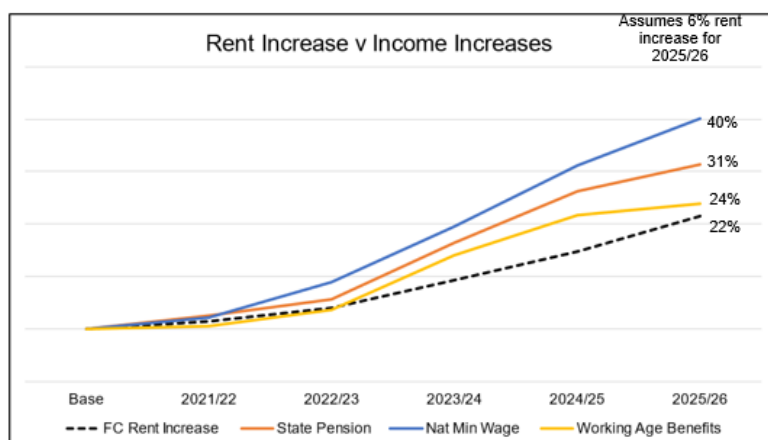
- 5.3 According to the above, approximately 72% of council tenants are supported through HB or UC to pay their rent. This represents income to the HRA received directly through benefits payments. A lower rent increase would therefore not benefit most tenants but would instead benefit HM Treasury and result in lost income to the HRA in both 2025-26 and all future years.
- 5.4 Based on the estimated uptake in benefits, it can be assumed that around 28% Council households will not claim benefits in 2024-25 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 £1.3m to tenants experiencing difficulty. It is also worth highlighting that collection rates of rent from current tenants in 2023/24 was higher than 100%.
- 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 £127.68 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 £90.86 to £92.58 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')	£127.68	Rent options affordable / below threshold
Two-person household with a full-time and part-time employee, both with lower quartile earnings	£187.32	Rent options affordable / below threshold
Single person household, in full-time employment with lower <u>decile</u> earnings	£104.49	Rent options affordable / below threshold

Source: Annual Survey of Hours and Earnings Oct 2024 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 Fife Council rents sit below Local Authority average, below peer Registered Social Landlord rents, and are below market rents.

- 5.9 Information is provided below which compares rental increases to income increases in the period from 2021/22 to 2025/25. This shows that rents have increased at a lower percentage rate than state pensions, working age benefits and national minimum wage levels over this period.



From 2021/22 to 2025/26 increases to national minimum wage, state pensions and working age benefits will have increased by 40%, 31% and 24% respectively over the period. Fife Council rents over the same period have increased by 22%

Arneil Johnston Business Plan review 2024

- 5.10 At the Fife Tenants Conference on 1st November 2024 informal consultation took place on rent options of 5%, 6% and 7%. 80% of the 41 tenants who voted at this event expressed a preference for a 6% rent increase. On the 5th of December 2024, 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 1,148 tenants responded to the survey. The survey was made available through “Down Your Street” magazine delivered to all tenants. In addition, for the first time the Citizen Space platform was used to facilitate digital responses, promoted through social media. This new digital approach has not led to a significant increase in tenant responses and there will be a review to consider actions to increase future engagement to encourage an uptake in tenant feedback. It is of note that 43% of respondents were aged 65yrs or older, and 7.6% aged under 35yrs. The review will explore options to reach a broad demographic for future consultation. 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 (50.96%)
2. New Council Houses (40.59%)
3. Additional Older Persons Housing (30.84%) & Home Energy Efficiency Works (30.84%)

- 5.11 The table below shows the results of the survey in relation to rent options. Most respondents (58.36%) expressed a preference for a rent option of 5%:

Rent Proposal	Total Number of Respondents	% of Respondents
Option 1: 5%	670	58.36%
Option 2: 6%	205	17.86%
Option 3: 7%	92	8.01%
Other/incomplete	181	15.77%
Total	1,148	100%

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

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 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 for any prolonged period of time, 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 assumed increase to income and the assumed 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 The RPI+1% for September 2024 is 3.7%, however, for the previous six financial years the annual rental increases have been below the September RPI+1% (in some cases significantly below) which has reduced the HRA's capacity to meet rising costs and

maintain a continued level of investment in new projects. The continued below inflation rental increases 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 36.1% in the 2024 Business Plan (as detailed in para 6.7). This reflects the HRA moving from a position of low risk to a position of high risk over a relatively short period of time.

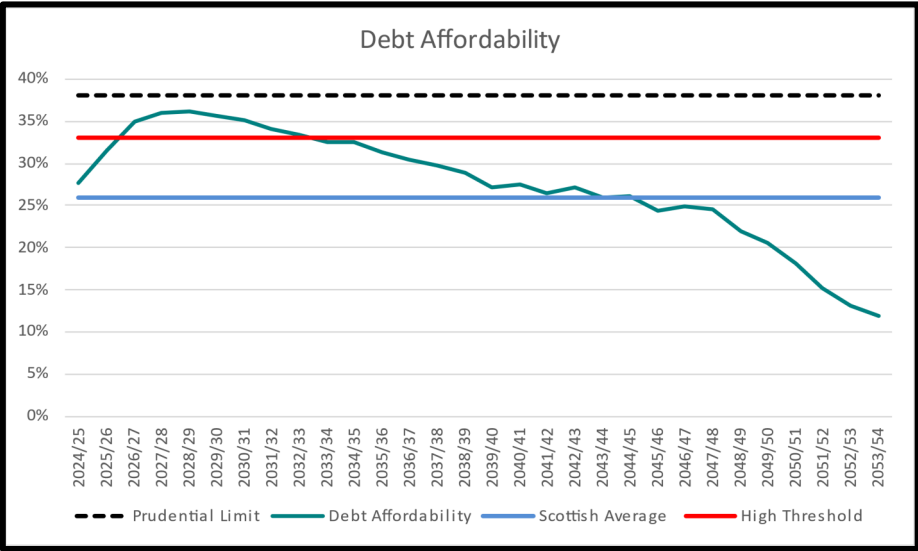
- 6.5 The table below shows the comparison between the rental increase approved for the past six financial years compared to the September RPI+1% rental strategy. This difference in the rental figures demonstrates the opportunity cost of income that is lost to the HRA per week for each affordable home 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
24-25	5.00%	9.90%	86.53	103.33	16.80

- 6.6 The 2024 HRA Business Plan tested the affordability of the baseline business plan which includes assumptions regarding financial pressures and future spend based on approved policies and investment only. The assumptions in the baseline plan include:

- Annual above inflation rental increases of 3.5% (RPI+1%) over the life of the 30-year plan, including 2025-26.
- Pay Inflation of 3% for 2025-26, 2026-27 and 2027-28 followed by 2.5% for all future years.
- General Inflation of 2.5% on all other budgets.
- An assumption that Bad Debts will be maintained at 1% and Void Rent Loss will reduce from 1.4% to 1% by 2025-26.
- The budget pressures outlined in para 2.2.
- Previously approved investment in 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 assumed in the baseline plan. The Service is preparing a detailed 10-year Asset Management Plan and this review will inform future investment requirements which may identify required commitments currently not accounted for.

6.7 Based on these assumptions the baseline business plan identifies that the HRA is exposed to a high level of risk with prudential borrowing peaking at 36.1% in 2028-29. However, whilst the graph looks more favourable beyond 2028-29, 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 2025-26 impact the affordability of the baseline business plan. The table below shows how the exposure to risk decreases as the proposed rental options for 2025-26 is increased.

Rental Increase Option for 25-26	Minimum Debt Affordability	Maximum Debt Affordability	Average Debt Affordability over 30 years
5%	9.6%	35.4%	25.9%
6%	8.3%	34.9%	24.8%
7%	7.3%	34.5%	23.9%

6.9 Further testing was carried out to test rent options that would remove the HRA baseline plan from a high-risk position. While many variations could be considered a rental increase of 6.5% per annum for 2025-26, 2026-27 and 2027-28 followed by 3.5% every year thereafter would be sufficient to move the HRA baseline plan into a medium risk position as shown in the table below.

Rent Increase Option for 25-26 to 27-28	Minimum Debt Affordability	Maximum Debt Affordability	Average Debt Affordability over 30 years
6.5%/6.5%/6.5%	4.1%	32.9%	20.4%

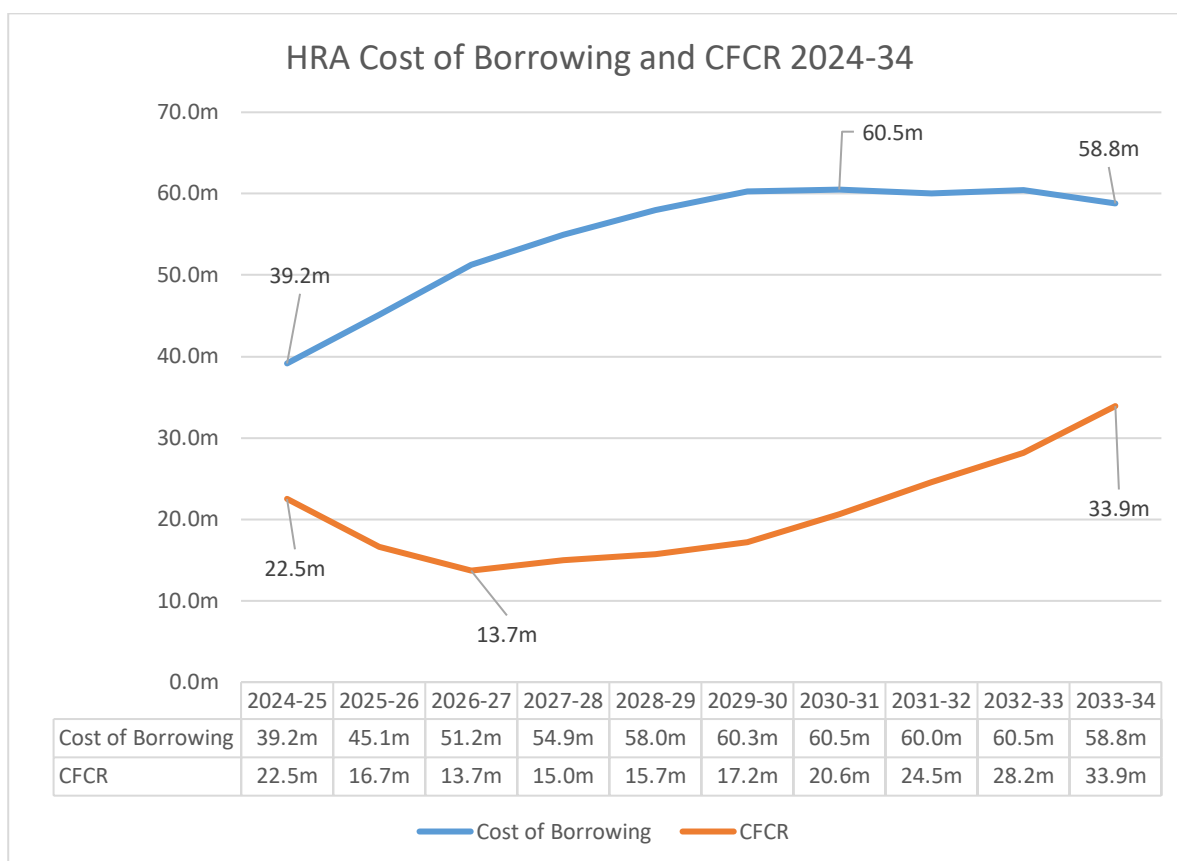
6.10 The lower the level of rental increase, the higher the HRA’s exposure to risk becomes, and in turn, reduces the capacity for the HRA to borrow to fund investment into future policy decisions. Decisions made now, relating to the level of rent increase, are critical to maintaining the ability to continue 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 between 5%-7% in 2025-26 would keep the baseline plan in a position of high risk assuming no further investment were to be considered.

- 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 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 2025-29 Revenue Implications

- 7.1 There is a clear link between the setting of the rental increase for 2025-26 and the affordability and sustainability of any future additional capital investment. The HRA Capital Investment Plan 2025-29 report will be considered elsewhere on this agenda, however, the revenue implications of agreeing that Capital Investment Plan has been considered in this section.
- 7.2 The HRA Capital Investment Plan 2025-29 report advises that to extend the Phase 4 Affordable Housing Programme to the end of March 2029 it would require additional investment of £86.785m with an additional borrowing requirement of £46.160m to deliver a further 336 affordable homes.
- 7.3 The report also advises that to extend the Property Acquisition Programme by a further year to March 2026 it would require investment of £4.810m with an additional borrowing requirement of £2.962m to support the purchase of a further 37 properties.
- 7.4 The affordability of the proposed additional investment and the revenue cost of borrowing and CFCR required to support the HRA Capital Plan has been tested internally for the period 2024-2034. It is important to recognise that the revenue funding to support capital expenditure is a mixture of borrowing costs and CFCR and that the overall revenue investment available to the HRA is influenced by rent income. The current projections for the cost of borrowing and CFCR are outlined in the graph below. The graph shows that the annual borrowing costs will increase significantly from a budgeted level of £39.153m in 2024-25 to £58.013m by 2028-29. As a result, the CFCR could reduce from a budgeted level of £22.499m in 2024-25 to £15.732m by 2028-29 due to the increased cost of borrowing.



It should be noted that the graph is for illustrative purposes only and is based on a 5% rental increase assumption for 2025-26 and does not assume any further investment in the affordable housing and property acquisition programmes beyond that stated above in para 7.2 and 7.3.

- 7.5 This is not a financially sustainable position and to ensure a degree of protection from interest rate risk, the revenue budget has an assumed gradual increase in financing costs built in to ensure that, over time, the CFCR position is restored, and the level of risk is managed.
- 7.6 The cost of borrowing as a percentage of net rental income forecasts indicate that the HRA prudential limit will peak at 35.34% in 2029-30. While within the HRA's prudential limit of 38% this means that the proposed HRA Capital Investment Plan will remain in a high risk position for the foreseeable future.

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 increasing the level of financial risk being sustained by the HRA. The budget gap is calculated after building in the revenue implications as a result of the proposed Capital Investment Plan contained in a report elsewhere on this agenda. A rental increase of 5% would leave a budget gap to be closed by reducing costs and options have been provided to do so, or a 6% increase would close the budget gap without further savings being required and would provide the capacity needed for that proposed investment. The Council needs to consider the budget position in 2025-26 and ensure a balanced financial position for the HRA.

- 8.2 The Council will continue to support council tenants in financial difficulty by deploying £1.3m of tenant support funding in 2025-26 including support to tenants transitioning 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 going forward and key influencers will be inflationary pressures, 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 2025-26

John Mills
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Appendix 1

Equality Impact Assessment Summary Report

Which Committee report does this IA relate to (specify meeting date)?
--

Fife Council 20 th February 2025

What are the main impacts on equality?

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.
--

The proposed increase in charges relating to the garden maintenance scheme are more likely to impact those who are pensioners, or younger tenants with certain disabilities.
--

If options are required to achieve a balanced HRA budget position, these will be impact assessed
--

In relation to a strategic decision, how will inequalities of outcome caused by economic disadvantage be reduced?
--

A rent affordability model based on the Living Rents criteria has been applied and for an average rent all rent increase options are considered affordable for those not in receipt of assistance through benefits.

Fife Council rents sit below local authority average, below peer Registered Social Landlord rents, and are below private sector levels, representing an affordable housing option.
--

Tenants currently receiving full or partial assistance through Housing Benefit (HB) or Universal Credit (UC) will not be directly affected by the proposed rent increase. This is because their benefit entitlements would be adjusted to reflect changes in housing costs, ensuring they remain financially supported as rents rise.

The rental increase will have a greater impact on tenants who are not currently claiming housing costs through housing benefit or universal credit and pay full rent. The HRA Budget incorporates a rent support fund which can support these tenants who pay rents without assistance and who face difficulties. The rent support fund also supports tenants transitioning from housing benefit to universal credit payments.
--

Wider fuel poverty support is incorporated within the HRA budget and available for tenants.

Tenants experiencing difficulties with rent payments are offered support in the provision of tenancy assistance, engagement from Housing Officers and our Revenues team to prevent escalation and manage rent debt, and onward referral to support from Partners including for specialist debt advice. Frontline teams have been trained to offer benefit maximisation advice and to offer first tier fuel poverty advice.
--

The proposed increase in charges relating to the garden maintenance scheme are more likely to impact those who are pensioners, or tenants with certain disabilities. Costs to tenants are kept at a minimum, with the service subsidised through the HRA.

What are the main recommendations to enhance or mitigate the impacts identified?

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.

If options are required to achieve a balanced HRA budget position, these will be impact assessed and any necessary mitigations actioned.

If there are no equality impacts on any of the protected characteristics, please explain.

See above – specific policy proposals will be impact-assessed through the planning and policy framework.

Further information is available from: Name / position / contact details:

John Mills, Head of Housing Services john.mills@fife.gov.uk

Appendix 2

Fife Council Tenant Rent Option Consultation 2025-26

1. Introduction

The Rent Consultation Survey for Fife Council tenants ran from December 2024 until the end of January 2025. 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 the new consultation platform, Citizen Space, 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 1148 Fife Council tenants participated and voted in the consultation survey. Graph 1 below highlights the votes cast with most of our tenants (58.36%) 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

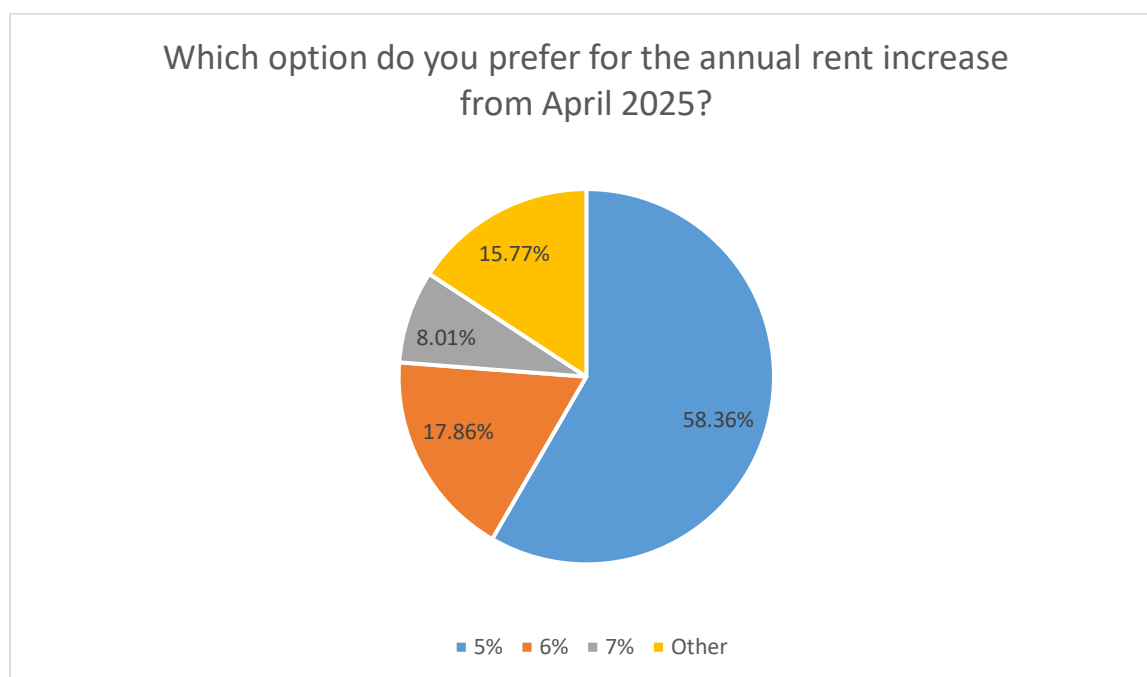


Table 1 – number of votes

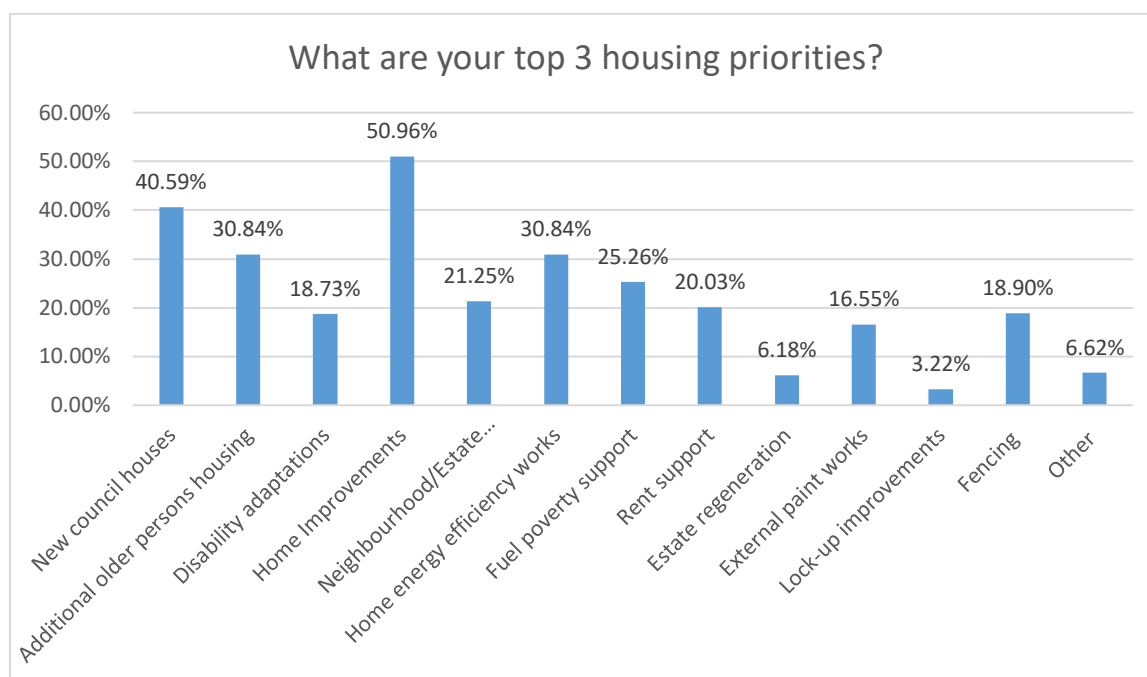
Rent Proposal	No of Respondents	% of Respondents
Option 1: 5%	670	58.36%
Option 2: 6%	205	17.86%
Option 3: 7%	92	8.01%
Other/incomplete	181	15.77%
Total	1148	100

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 (50.96%)
2. New Council Houses (40.49%)
3. Home Energy Efficiency Works (30.84%) & Additional Older Persons Housing (30.84%)

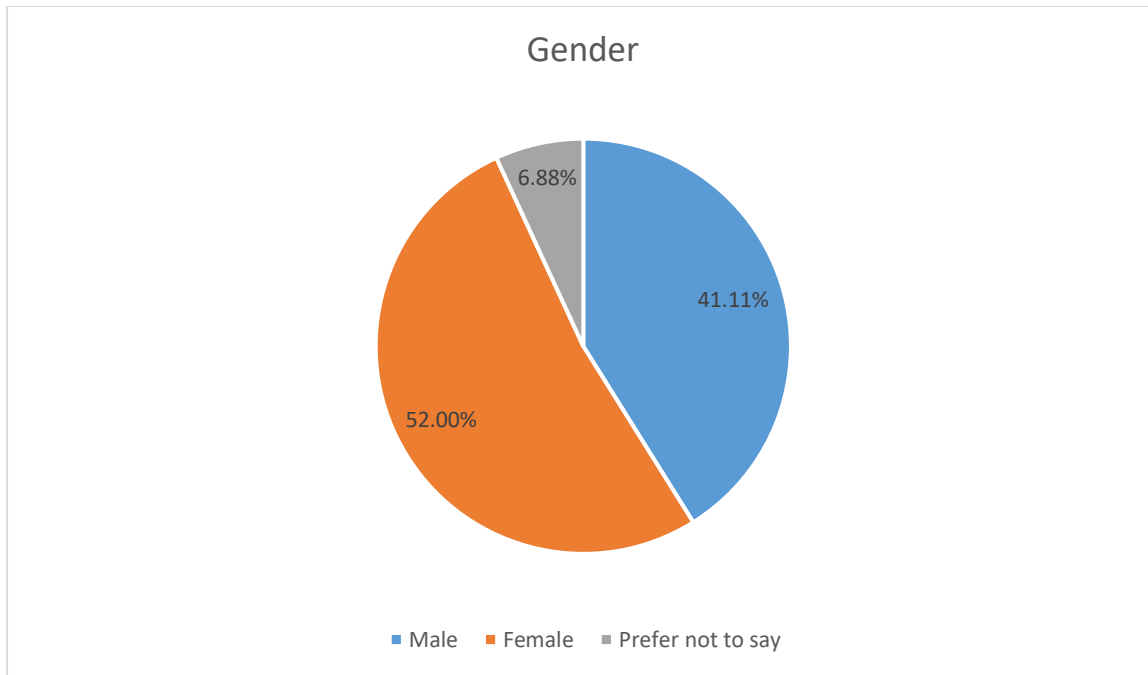
Graph 2 below indicates the breakdown of preferences for tenant service priorities.

Graph 2 – service priorities



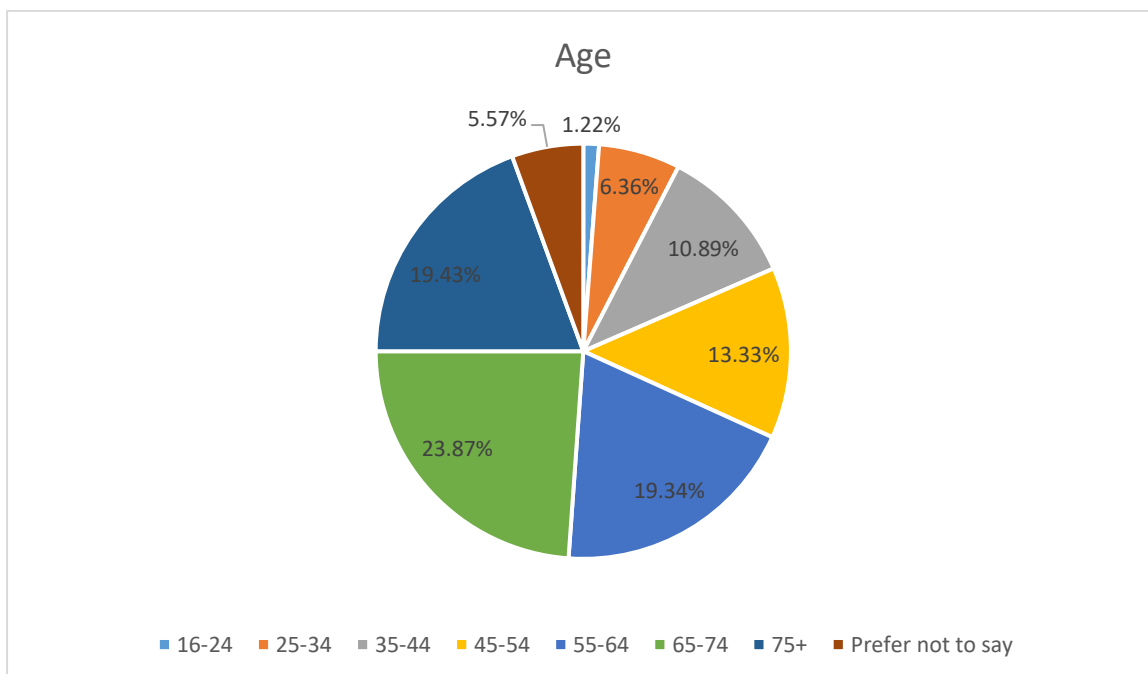
The gender breakdown of respondents is outlined in the graph 3, showing 52.00% of participants are female, 41.11% are male and 6.88% preferring not to indicate.

Graph 3 –gender breakdown



The age distribution of respondents is illustrated in graph 4 below. Broadly our voting response rate increase by age, with 62.64% of participants aged 55 years or over and 7.58% under 35 years.

Graph 4 – age profile of participants





FIFE COUNCIL MEETING

THURSDAY 20 FEBRUARY 2025

**AGENDA ITEM NO. 5(b) – HOUSING REVENUE ACCOUNT (HRA) BUDGET
2025-26**

MOTION ON BEHALF OF THE ADMINISTRATION

"That the Council: -

1. Approves the Housing Revenue Account (HRA) Budget 2025-26 report by the Head of Housing Services and the Head of Finance and agrees the following:
 - (a) Approves a rental increase of 6% for 2025-26 HRA rents and charges for 2025-26.
 - (b) Approves a rental increase of 6% on Homelessness Temporary Accommodation to keep rental increase on the General Fund Housing Account in line with increases on HRA rents and charges for 2025-26.
 - (c) Approves the terms of the Administration's HRA budget statement attached.

Proposed by Councillor Judy Hamilton

Seconded by Councillor Linda Erskine

FIFE COUNCIL
HRA REVENUE BUDGET 2025-26

	2025-26
	£m
Estimated Budget Gap in Year as per report by Executive Director Finance & Corporate Services	8.560
Investment/Financing Costs (CFCR) supporting Capital Investment	0.505
Revised Budget Gap	9.065
Proposed Savings	
Increased income generated by 6% Rental Increase	(8.616)
National Insurance funding contribution from General Fund	(0.449)
Revised Budget Gap	0.000

20 February 2025

Agenda Item No. 6(a)

Housing Revenue Account: Capital Investment Plan 2025-29

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

Wards Affected: All

Purpose

The report proposes a Housing Revenue Account (HRA) Capital Investment Plan 2025-29, aligned to council priorities for investment in component replacements, wider works and new affordable housing.

Recommendations

Members are asked to:-

1. approve the proposed investment of £210.739m over the four years 2025-2029 for Wider Works which maintains existing HRA Assets;
2. approve the proposed investment of £239.412m to extend the Affordable Housing Programme to March 2029 and the additional borrowing required to support this;
3. approve the proposed investment of £4.810m to extend the Property Acquisitions Programme to March 2026 and the additional borrowing required to support this; and
4. note the planned spend on the various areas of the HRA Capital Investment Plan 2025-29 as shown in Appendix 1.

Resource Implications

The resource requirements set out in this report have been modelled in the 2024 HRA Business Plan and reflected in the Housing Revenue Account (HRA) Budget 2025-26 to be approved by Fife Council in February 2025. Detailed affordability testing has been carried out by Council officers to review the level of financial risk the HRA currently faces. The 2024 HRA Business Plan has been completed and results fed back to Members at a workshop in early February 2025.

Legal & Risk Implications

Relevant legal requirements and risk implications have been considered. As noted in the Housing Revenue Account (HRA) Budget 2025-26, the HRA is currently exposed to a high level of financial risk. Given that both the Capital Investment Plan is intrinsically linked to the revenue account, the level of financial risk the HRA is exposed to is considered both here and further in the Housing Revenue Account (HRA) Budget 2025-26 report elsewhere on this agenda. The HRA will be impacted by several factors including, future rental increases and policy options, the level of

investment and the resulting cost of borrowing, cost pressure such as inflation and the HRA's ability to make efficiencies to offset pressures.

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 is due to be confirmed in 2025 and currently contains a range of options different from ESSH2. The HRA Capital Investment Plan presented to committee 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 Environmental Assessment was previously carried out using the Fife Environmental Assessment Tool (FEAT) for the delivery of the HRA Capital Plan 2023-2026. This FEAT assessment remains valid for the period up to 2029. No negative environmental impacts were assessed. A range of beneficial and mixed impacts were identified. There is a potential short-term impact due to construction process and activities. Long-term benefits resulting from the provision of high quality, energy efficient affordable homes result in lower carbon emissions and increased health and wellbeing of tenants.

Consultation

HRA investment proposals are subject to regular consultation with local Members and Area Housing Managers. Tenants are invited to review investment priorities through tenant surveys and through discussion with their representative Tenants and Residents Associations and Federations.

1.0 Introduction

- 1.1 The current Housing Revenue Account Capital Investment Plan 2024-27 was approved on 12 September 2024 by Cabinet Committee. This approved total investment over the three years of £389.671m with an overall borrowing requirement of up to £275.018m to fund this.
- 1.2 This report extends the overall proposed budget requirements for the next four years to deliver the HRA Capital Investment Plan including the component replacement, wider works and affordable housing programmes. The assumptions of the 30-year HRA Business Plan include these programmes to the extent that they are currently approved and their affordability is tested within that framework.
- 1.3 The Capital Plan presented incorporates the council's policy to continue to improve existing council house conditions in line with tenants' priorities, but also to continue with the Affordable Housing Programme and Property Acquisitions Programme to aim to meet growing housing needs in Fife.

2.0 HRA Current Financial Position

- 2.1 The Capital Investment Plan 2025-29 has been tested for affordability and financial sustainability. Prudential limits are used as a measure of debt affordability to assess the HRAs long-term level of exposure to financial risk. 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. The HRA Capital Investment Plan outlined in this paper has been tested for affordability and it is expected to see the prudential limit peak at 35% which is a high-risk position.
- 2.2 The affordability of the 30 Year HRA Business Plan is tested annually with updated testing carried out as required in year. The affordability of the plan will be impacted by several factors including future rental increases and policy options, investment costs including the cost of borrowing, cost pressures such as inflation and the HRA's ability to make efficiencies to offset pressures.
- 2.3 The proposed Capital Investment Plan 2025-29 allows the HRA to continue to deliver the capital projects outlined in this paper including options for additional investment in future years. The options being proposed include a review into continuing both the Affordable Housing Programme and Property Acquisitions programme into future years to allow for the continued delivery of new affordable homes in Fife.

3.0 Wider Works Programme 2025-29 – Existing Housing Stock

- 3.1 The existing HRA Capital Plan 2024-27 was approved by the Cabinet Committee in September 2024. The proposed updated HRA Capital Investment Plan includes £210.739m for maintaining and upgrading existing Housing Stock across a range of capital programmes. Delivery of all statutory, health and safety items remain a priority. Non-statutory components have been subject to review with several factors being considered. These include current condition, anticipated lifespan, repair and maintenance options and discussions with manufacturers on standardised interchangeable components.

Minor Works

- 3.2 There is £4.363m available for Minor Works which will allow for statutory projects to continue. Works funded from this budget include reinforcement and replacement of retaining walls, cracking to external staircases and minor structural repairs.

Policy Options

- 3.3 There is a total of £8.983m for Policy Options which will support the delivery of Energy Efficiency programmes and energy innovation which contributes to the Climate Fife Plan and addresses fuel poverty including improvements to Non-Traditional properties. The Energy Efficiency Scotland Area Based Scheme (EES: ABS) programme also improves energy efficiency in both council and owner-occupied stock. The HRA benefits from economy of scale by improving council properties at the same time as uptake by owners.
- 3.4 Although it was reported to Cabinet Committee in April 2023 that the EESSH 2 programme in its current form is unaffordable at an estimated total cost of £325m,

any energy efficiency projects that do go ahead will meet the current EESSH 2 standards. EESSH2 is being replaced by the Social Housing Net Zero Standard. The detail of which remains to be confirmed. There are a range of options currently under consideration with the highest proposed standard estimated to cost around £325m to deliver.

Regeneration / Estates Action

- 3.5 There is a total budget of £9.771m to deliver Regeneration, Estate Actions and Lock-Up Programmes. These programmes deliver works to existing housing estates and assets to modernise and improve estates for tenants and residents and the wider community.

Component Replacement

- 3.6 There is £154.389m available for Component Replacement Programmes. Roofs and roughcast are replaced under a responsive schedule of works when warranted by condition. Roof replacements is a specific focus for the HRA Capital Plan 2024-29, with increased investment in roof renewals planned for 2025-26. The suite of component replacement programmes ensures compliance with Energy Efficiency Standards for Social Housing (EESSH2) and other current and emerging legislation through the planned replacements of kitchens, bathrooms, boilers and other elements of the home to ensure they remain up to required standards for tenants.

Specific Needs / Sheltered Housing

- 3.7 There is a total of £18.374m available in the plan under Specific Needs and Sheltered Housing Properties which funds a range of projects. This includes projects to refurbish and improve standards at all Gypsy Traveller sites. Work is progressing well at Tavit Mill, Cupar. Further projects will be carried out at Heatherwood and Thortonwood during this period. These works will ensure Traveller Sites' accommodation meet the cultural requirements of tenants and meet current health and safety standards and can provide the accommodation required and desired by tenants. As part of the improvement works, Tavit Mill House will be fully converted into a community resource for the tenants of the site.
- 3.8 Improvements to Sheltered Housing properties will address the issues of modernising our stock. Some funding will be used to address accessibility issues, upgrade communal areas and facilities and assist with the installation of Technology Enabled Care provision across the stock. The aim is to create Sheltered Housing provision which is fit for 21st century living.
- 3.9 A Land Acquisitions budget of £2m is included for investment in land assets to continue to build the HRA land bank suitable for future new build programmes. The focus on acquiring Fife council owned land will continue to maximise the use of Fife Council assets.

Structural Works

- 3.10 There is a total budget of £5.236m within the plan for the delivery of structural repair and replacement works, ensuring the highest levels of safety in council housing. This includes works such as the upgrading of fire doors and replacement of lift systems in high rises.

Major Projects

- 3.11 There is a total budget of £9.623m for the delivery of specific projects for improvement and replacement works to assets which do not fall under the various headings above. This includes an ongoing extensive project at Swan and Memorial Courts, Methil to remove and replace external wall insulation, to modernise internal fire safety measures and upgrade heating, kitchens and bathrooms within the flats.

4.0 HRA Affordable Housing Investment Programme

- 4.1 The proposed HRA Capital Investment for 2025-29 includes £239.412m for Affordable Housing. This includes £152.627m of previously approved funding to complete Phase 3 and the Transitional Affordable Housing Programme (TAHP) as well as the first two years of Phase 4. Further investment is included in the proposed capital plan to extend the Phase 4 programme for a further three years to March 2029.
- 4.2 The continuation of the Phase 4 programme will aim to deliver an additional 336 council houses. Based on an estimated average cost of circa £258k per unit the proposal to develop an additional 336 units will require a total investment of £86.785m. This level of investment is based on a planning assumption that Scottish Government subsidy levels for 2025-29 remain at the current level for the duration of the planning period and that income from Second Homes Council Tax remains at current levels. To fund this level of additional investment the HRA borrowing requirement increases by up to a further £46.160m. The funding sources for the additional investment are summarised in the table below.

Phase 4 (years 3-5) Funding Strategy	£m
Total Estimated Cost – 336 units at circa £258k per unit	86.785
Financed By	
Additional Scottish Government Subsidy	36.765
Additional Second Homes Council Tax	3.860
Borrowing	46.160
Total Funding	86.785

- 4.3 Given the HRA Capital Investment Plan is intrinsically linked with the HRA Revenue budget, it is proposed that the HRA Capital Investment plan is reviewed biennially on a rolling basis and that the Investment Plan is agreed by the Council alongside the HRA revenue budget where at all possible.

5.0 HRA Property Acquisitions Programme

- 5.1 The existing 2024-25 capital plan includes a capital budget of £8.993m for the Property Acquisitions Programme. This is the remainder of the £16.5m approved by Cabinet Committee on 6 April 2023. The programme acquires properties to provide permanent affordable homes for tenants and other housing applicants in greatest need, including for homeless families. An underspend of £3.510m is currently forecast on this budget and is expected to carry forward into 2025-26.
- 5.2 It is anticipated that the Council will receive additional Scottish Government subsidy of £1.848m in 2025-26 to continue the Property Acquisitions programme for a further year. This subsidy will support the purchase of 37 properties assuming a subsidy of £50k per unit. Using an estimated average acquisition cost of £130k per unit which includes a provision to upgrade acquired properties to SHQS standards the total investment required to extend the programme a further year is £4.810m (37 units x £130k per unit).
- 5.3 To support the additional investment of £4.810m additional borrowing of up to £2.962m is required.

6.0 HRA Funding Strategy and Borrowing

- 6.1 The HRA Capital Investment Plan currently relies on borrowing to fund a large proportion of capital expenditure which is not funded from Scottish Government Subsidy, specific project grants or CFCR (Capital from Current Revenue). The cost of this borrowing must be met from the HRA's revenue budget for loan charges. The council will seek to maximise income from all other sources to maintain the affordability of the Capital Investment Plan.
- 6.2 The Capital Investment Plan outlined in this paper will require total borrowing of up to £308.783m across 2025-2029 which is equivalent to 67.9% of the total planned expenditure. The level of HRA capital borrowing required is based on current estimates and will be impacted by the level of income generated from all other sources. The level of borrowing required directly impacts HRA Revenue through the cost of the loan charges required to repay borrowing.
- 6.3 The revenue cost of borrowing that the HRA Revenue Account will be required to fund as a result of the proposed investment is estimated to increase from a budgeted level of £39.153m in the current year (2024-25) to £58.013m by 2028-29. If the current trend were allowed to continue, the CFCR could reduce from a budgeted level of £22.499m in 2024-25 to £15.732m by 2028-29 due to the increased cost of borrowing required from the Capital Investment Plan. This is not a financially sustainable position and to ensure a degree of protection from interest rate risk and diminishing CFCR, the revenue budget has an assumed gradual increase in financing costs built in to ensure that, over time, the CFCR position is restored, and the level of risk is managed.
- 6.4 In order for the HRA Revenue account to continue to afford the increasing cost of borrowing, an assessment of rental increases, pressures and potential mitigations will continue to form part of future HRA revenue and capital budgeting processes.

These factors are also reviewed as part of the HRA Revenue Budget 2025-26 report elsewhere on this agenda. It should be noted that the cost of borrowing estimates outlined in this paper do not include the impact of any potential future investment into the Affordable Housing Programme beyond March 2029 or the Property Acquisitions Programme beyond March 2026 or potential future pressures such as EESSH 2 and SHNZS.

7.0 Conclusions

- 7.1 The HRA Capital Plan 2025-29 includes a total investment of £454.961m which will improve existing assets and deliver new affordable housing and acquisitions in Fife.
- 7.2 Affordability Testing shows the HRA is currently in a high-risk position. The level of risk the HRA is exposed to will be considered further as part of the HRA Revenue Budget 2025-26 elsewhere on this agenda. These papers will consider and assess all current financial pressures faced by the HRA and the rental increases required in future years.

John Mills, Head of Housing
Elaine Muir, Head of Finance

List of Appendices

- 1. HRA Capital Investment Plan 2025-29

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FIFE COUNCIL
HOUSING REVENUE ACCOUNT
HRA PROPOSED CAPITAL INVESTMENT PLAN 2025-29

	2025-26	2026-27	2027-28	2028-29	2025-29 Total
	£m	£m	£m	£m	£m
Wider Works					
Minor Works	1.051	1.077	1.104	1.131	4.363
Policy Options	2.588	6.067	0.154	0.174	8.983
Regeneration/Estates Action	4.772	2.160	1.466	1.373	9.771
Component Replacement	38.675	37.634	38.692	39.388	154.389
Specific Needs / Sheltered Housing	6.939	6.755	2.311	2.369	18.374
Structural Works	1.261	1.292	1.325	1.358	5.236
Major Projects	5.266	2.500	0.780	1.077	9.623
Total Wider Works	60.552	57.485	45.832	46.870	210.739
Affordable Housing Programme	90.938	61.540	39.026	47.908	239.412
Property Acquisitions Programme	4.810	0.000	0.000	0.000	4.810
Total Capital Expenditure	156.300	119.025	84.858	94.778	454.961
Funding					
Scottish Govt Affordable Housing Subsidy	(17.278)	(17.278)	(17.278)	(17.278)	(69.112)
Scottish Govt Property Acquisitions Subsidy	(1.848)	0.000	0.000	0.000	(1.848)
Second Homes Council Tax	(8.285)	(1.930)	(1.930)	(1.930)	(14.075)
Other Income	(0.095)	(0.010)	0.000	0.000	(0.105)
CFCR / Borrowing from Loans Fund	(128.794)	(99.807)	(65.650)	(75.570)	(369.821)
Total Funding	(156.300)	(119.025)	(84.858)	(94.778)	(454.961)

Notes

1) CFCR and Borrowing funding split dependent on approved rental increase for 2025-26



FIFE COUNCIL MEETING

THURSDAY, 20 FEBRUARY 2025

**AGENDA ITEM NO. 6(b) – HOUSING REVENUE ACCOUNT (HRA) CAPITAL
INVESTMENT PLAN 2025-29**

ADMINISTRATION MOTION

"That the Council: -

1. Approves the Housing Revenue Account (HRA) Capital Plan 2025-29 and, in particular, agrees the following:-
 - (a) the proposed investment of £210.739m over the four years 2025-29 for Wider Works which maintains existing HRA assets;
 - (b) the proposed investment of £239.412m to extend the Affordable Housing Programme to March 2029 and the additional borrowing required to support this; and
 - (c) the proposed investment of £4.810m to extend the Property Acquisitions Programme to March 2026 and the additional borrowing required to support this.

Proposed by Councillor Judy Hamilton

Seconded by Councillor Linda Erskine