
Report To:	Policy & Resources Committee	Date:	26 March 2024
Report By:	Chief Financial Officer	Report No:	FIN/20/24/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	2024/26 Revenue Budget Update		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to update the Committee regarding the latest position of the 2024/26 Revenue Budget and to seek decisions as required.

1.3 Council Tax notices for 2024/25 were issued in the middle of March. In addition, there has been correspondence followed up by a meeting on 8 March between the Deputy First Minister (DFM) and the Council Leader. This has been followed up by meetings between the Chief Financial Officer, Cosla Officials and relevant Scottish Government Officials which resulted in a letter being received from the DFM on 16 March. The full correspondence trail is attached as appendix 2.

1.4 The report outlines an amended 2024/26 Budget proposal, how applying a one-off Council Tax credit would be handled and any resultant financial implications. In financial terms there is a small reduction in the use of reserves in 2025/26 arising from the revised 2024/26 Budget proposal. However, the savings and use of reserves remain as approved on 29 February and the 2024/26 Budget remains balanced.

1.5 The report seeks delegated authority for the Chief Financial Officer to process the proposed Council tax credit on the basis that the one-off Scottish Government funding in 2024/25 is in line with the estimated value of the credit. Finally, the report confirms that the Full Council will require to approve the reversal of the 2024/25 Council Tax increase prior to considering any increase in 2025/26.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee note the developments around the 2024/26 Budget since 29 February and the contents of the letter dated 16 March from the Deputy First Minister and subsequent exchange of letters.

2.2 It is recommended that the Committee grant delegated authority to the Chief Financial Officer to process a one-off credit to relevant 2024/25 Council Tax accounts to offset the financial impact of the 8.2% Council Tax increase once the Council's share of the £62.7million is confirmed and on the basis that this is in line with the share estimated by the Chief Financial Officer and the Scottish Government.

- 2.3 It is recommended that the Committee supports in principle the proposal to reverse the 2024/25 Council Tax increase prior to considering the level of Council Tax in 2025/26 noting that this will require formal approval from the Full Council no later than February 2025.
- 2.4 It is recommended that the Committee approves the revised 2024/26 Budget Proposal in Appendix 3 including the planned 7.0% increase in Council Tax in 2025/26.
- 2.5 It is recommended that the Committee note the Scottish Government's commitment that, subject to approval by the Council of recommendations 2.2 and 2.3, from 2025/26 the Council will receive a baselined share of the £210million funding linked by the Scottish Government to freezing the 2024/25 Council Tax.

Alan Puckrin
Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 The Council approved the 2024/26 Revenue Budget and 2024/28 Capital Programme plus the level of Band D Council Tax for 2024/25 at a meeting of the Council held on 29 February 2024. The approved level of Band D Council Tax for 2024/25 being £1547.01, an increase of 8.2%.
- 3.2 The approved 2024/26 Revenue Budget proposal and the subsequent General Fund Budget monitoring presentation are shown as appendix 1a and appendix 1b.
- 3.3 To ensure that Council Tax notices were issued in sufficient time to process the 1 April direct debit, (to be taken on 2 April due to the 1 April being Easter Monday), processing of the Council Tax notices began after the meeting with the Council Tax notices issued from 15 March.

3.4 Subsequent Developments

On 7 March the Deputy First Minister (DFM) wrote to Cosla's president confirming that the £62.7m increased funding which was dependant on the Chancellor's Spring Budget on the 6 March, would be made available but only to those Council's which froze their Council Tax in 2024/25. The letter also confirmed that there was no confirmation of extra funding relating to increased Teacher Employer Pension Contributions but that it is expected this will be announced later in the year.

- 3.5 Following unanimous agreement at a Cosla Leaders meeting, Cosla had already raised strong concerns over the linking of the £62.7million to the Council Tax Freeze and confirmed that all councils should receive their share of this funding. In addition, the DFM was advised that linking the £62.7million to freezing Council Tax was a significant breach of the Verity House Agreement. Whilst the distribution of the £62.7m is yet to be agreed, estimates by officers backed up by figures from the Scottish Government are that this equates to around £971,000 for the Council.
- 3.6 It is expected that the formal decision-making process around the distribution of the £62.7million will be taken by Cosla Leaders late April and as such delegated authority is sought for the Chief Financial Officer to process the proposed Council Tax credit in May subject to the share of the £62.7million being in line with the officer estimate in 3.5 above.
- 3.7 There has been an exchange of correspondence between the Council Leader and the DFM since 1 March in addition to a meeting between the DFM and Council Leader on 8 March following which the Chief Financial Officer engaged with Scottish Government officials and Cosla officials to develop an offer potentially acceptable to both parties.
- 3.8 The political letters and officer discussions resulted in a letter from the DFM dated 16 March (appendix 2g). The letter confirmed that the funding available for the Council in 2024/25 is "£2.9million", which is marginally higher than the £2.842million estimated by Officers. The letter also advised that the Council would need to reset the 2025/26 Council Tax planning assumption to make the 2023/24 level of Council Tax the baseline before agreeing any increase in Council Tax in 2025/26. The Council Leader's response and final letter from the DFM are attached at 2(h) and 2(i).

4.0 PROPOSALS

- 4.1 The proposal from the DFM is that the one-off Council Tax credit in 2024/25 would be funded by a one-off Scottish Government grant and that the Council needs to formally reverse the 2024/25 8.2% Council Tax increase prior to arriving at any increase in Council Tax in 2025/26.

- 4.2 The one-off credit to relevant 2024/25 Council Tax accounts would be administered in the same manner as the one-off £150 Cost of Living Council Tax credit in 2022/23. Both impact around 30,000 households and are of a not dis-similar value. A snapshot of the Council Tax billing file will be taken, and relevant households rebilled with the credit applied and new reduced instalment payments advised. A letter explaining the reason for the new bill will also be enclosed. Subject to Committee approval it would be envisaged that this exercise is concluded before the end of May. The reduction in estimated Council Tax income in 2024/25 would effectively be funded via a one-off grant from the Scottish Government.
- 4.3 Any decisions relating to the level of Council Tax require to be taken by the Full Council at the appropriate time, however it is important that this Committee understands the impact on the approved 2024/26 Budget of reversing the 2024/25 Council Tax increase included in the DFM letter of 16 March.
- 4.4 Appendix 3 shows a balanced 2024/26 Budget using the 7.0% Council Tax increase assumption approved by the Committee in September 2023. This would result in a 7.0% increase in Council Tax over 2024/26 as against a cumulative 14.7% increase approved on 29 February. This would use marginally fewer reserves in 2025/26 and therefore reduce the medium term estimated funding gap from £13.8million to £13.7million.
- 4.5 Based on the Council agreeing to reverse the 2024/25 Council Tax increase prior to approving any Council Tax increase in 2025/26, then the Council will receive its share of the £210million made conditional by the Scottish Government on not increasing Council Tax in 2024/25. The Council's estimated share of the £210 million is £2.842million.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendations are agreed:

SUBJECT	YES	NO
Financial	x	
Legal/Risk	x	
Human Resources		x
Strategic (Partnership Plan/Council Plan)		x
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing	x	
Environmental & Sustainability		x
Data Protection		x

5.2 Finance

Whilst this budget process and the subsequent developments / discussions have been unprecedented, the net result on the 2024/26 Budget position approved on 29 February, if the Committee/Council agree to the proposals in this report, is negligible with reduced Council Tax income being effectively offset by increased Scottish Government grant.

There will be some relatively minor one-off costs associated with sending updated Council Tax bills to around 30,000 properties added to which officers will modify the usual debt recovery processes to make allowances for any confusion which Council Taxpayers may have. This in turn may have a marginal impact on in-year collection levels in 2024/25.

The 7.0% increase in Council Tax in 2025/26 is a provisional figure and the Council could decide to increase/decrease this depending on several currently unknown factors including the 2025/26 Local Government settlement, 2024/25 pay awards and other pressures/opportunities.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Council Tax	Income	2024/25	£2.870m		Impact of one-off rebate
Revenue Grant	Special	2024/25	(£2.870m)		Estimated SG funding for rebate.
Finance Services	Overheads	2024/25	£10k		Costs associated with re-billing.
Reserves	General Fund	2025/26	(£150k)		Reduced planned use of reserves in 2025/26

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Council Tax	Income	2025/26	(£178k)		Net increase in Council Tax to balance the 2025/26 Budget
Council Tax	Income	2025/26	£2.870m		Reversal of 2024/25 Council Tax increase
General Revenue Grant	Income	2025/26	(£2.842m)		Council's estimated share of £210m funding

5.3 Legal/Risk

The proposed credit in 2024/25 will use the same process and rationale as the £150 cost of living payment applied to 2022/23 Council Tax accounts. Reversing the 2024/25 Council Tax increase before agreeing any increase in 2025/26 will require approval by the Full Council no later than the approval date of the level of 2025/26 Council Tax.

The risk of there being a potential reduction in Scottish Government funding in 2025/26 and /or a cap/freeze on levels of Council Tax in 2025/26 remain the same as reported on 29 February. The Council and Committee will continue to be updated of any developments.

5.4 Human Resources

There are no HR implications arising from this report.

5.5 Strategic

As the net Budget and investment proposals remain unchanged, there are no strategic implications arising.

5.6 Equalities, Fairer Scotland Duty & Children/Young People

(a) Equalities

This report has been considered under the Corporate Equalities Impact Assessment (EqIA) process with the following outcome:

X	YES – Assessed as relevant and an EqIA is required and can be accessed via the following link: Equality Impact Assessments 2024 - Inverclyde Council
	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, assessed as not relevant and no EqIA is required. Provide any other relevant reasons why an EqIA is not necessary/screening statement.

6.0 CONSULTATION

6.1 The Chief Executive and Interim Head of Legal & Democratic Services have been consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

7.1 None.

29.2.24 Approved Budget

Balanced 2024/26 Budget based on a 8.2% Increase in Council Tax in 24/25 and 6.0% in 25/26

	2024/25 <u>£000</u>	2025/26 <u>£000</u>
Gap per Appendix 5 of 29.2.24 Report	2544	3035
Add back prior years use of reserves	3000	2628
Proposal Approved - 29.2.24 Council:		
Savings	-46	-403
Council Tax increase- 24/25 & 25/26	-2870	-2272 Note 1
Planned use of Reserves	-2628	-2988
Funding Gap	<u>0</u>	<u>0</u>

Notes

1. Based on 96.5% collection rate

14.3.24

APPROVED REVENUE BUDGET 2024/26

	2024/25 Budget	2024/25 Savings Approved to Feb 2024	2024/25 Adjustments	2024/25 Budget	2025/26 Savings Approved to Feb 2024	2025/26 Adjustments	2025/26 Budget
OBJECTIVE SUMMARY							
Chief Executive Services	11,344,670	(58,000)	77,000	11,363,670	(5,000)	(7,000)	11,351,670
Environment, Regeneration & Resources Directorate	21,928,240	(129,000)	61,000	21,860,240	(210,000)	40,000	21,690,240
Education, Communities & Organisational Development Directorate	102,588,770	(294,000)	7,549,000	109,843,770	(233,000)		109,610,770
Health & Social Care Partnership Directorate	68,156,280	(5,400)	5,563,000	73,713,880	(5,400)		73,708,480
Directorate Sub-Total	204,017,960	(486,400)	13,250,000	216,781,560	(453,400)	33,000	216,361,160
Miscellaneous	14,914,050	(1,548,600)	7,660,000	21,025,450	(497,600)	5,000,000	25,527,850
Loan Charges	17,001,990	(410,000)		16,591,990	(500,000)	100,000	16,191,990
Saving Approved yet to be Allocated	(100,000)	(120,000)	(33,000)	(253,000)	-		(253,000)
Workstream Savings Approved	-	(1,330,000)		(1,330,000)	(1,550,000)		(2,880,000)
Service Concession Flexibility	(1,650,000)			(1,650,000)	-		(1,650,000)
Total Expenditure	234,184,000	(3,895,000)	20,877,000	251,166,000	(3,001,000)	5,133,000	253,298,000
Financed By:							
General Revenue Grant/ Non Domestic Rates	(190,219,000)		(17,883,000)	(208,102,000)	-	500,000	(207,602,000)
General Revenue Grant Teachers Hold Back	(655,000)		(1,464,000)	(2,119,000)	-		(2,119,000)
Council Tax	(35,327,000)	(2,990,000)		(38,317,000)	(2,272,000)		(40,589,000)
Contribution from General Fund Reserve	(2,000,000)	(628,000)		(2,628,000)	(360,000)	-	(2,988,000)
Net Expenditure	5,983,000	(7,513,000)	1,530,000	-	(5,633,000)	5,633,000	-

Councillor Stephen McCabe
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Inverclyde
 council

Leader of the Council

Shona Robison MSP
 Deputy First Minister and Cabinet Secretary for
 Finance
 Scottish Government

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 Your Ref:
 Date: 1 March 2024

BY EMAIL: dfmcsf@gov.scot

Dear Shona

Council Tax Freeze

As you will no doubt be aware, last night Inverclyde Councillors exercised our democratic right to increase Council Tax. I am sure you will fully respect that decision.

Recognising however the First Minister's desire for a national council tax freeze, I am writing to offer you a compromise agreement.

In your letter of 27 February to Stuart McMillan MSP you stated that around £2.9m, subject of course to additional funding being received by the Scottish Government from the UK Government, was available to the Council to support a Council Tax freeze. This sum obviously remains unallocated. If you were prepared to make this funding available on a recurring basis, baselined into the local government settlement for 2024/25 and beyond, I would be prepared to recommend to the Council that we use the funding for 2024/25 to provide Inverclyde households with a one-off rebate on their Council Tax charge for 2024/25, which would mean that Inverclyde residents would receive a freeze in their Council Tax for 2024/25 in line with the First Minister's national policy priority.

This, I believe, offers a win-win-win for all concerned. The Scottish Government gets its national Council Tax freeze; Inverclyde households benefit from a local Council Tax freeze; and the Council receives the benefit of a stronger Council Tax base. I hope you will be prepared to accept this compromise in the spirit it is offered.

I have taken the liberty of copying this letter to the President and Vice President of COSLA and the Resources Spokesperson, as well as to Councillor Elizabeth Robertson, Leader of the Council's SNP Group.

I look forward to hearing from you. A prompt response would be greatly appreciated so that we can make the necessary arrangements for the rebate to be made.

Kind regards

Yours sincerely

Councillor Stephen McCabe
 Leader of the Council



Deputy First Minister and Cabinet Secretary for
Finance
Shona Robison MSP



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Councillor Stephen McCabe
Leader
Inverclyde Council

By Email: stephen.mccabe@inverclyde.gov.uk

Copy to: COSLA President, Cllr Shona Morrison
COSLA Vice President, Cllr Steven Heddle
sasha@cosla.gov.uk

3 March 2024

Dear Councillor McCabe,

Thank you for your letter regarding the council tax freeze and the decision of the Inverclyde Council Labour Administration to increase the council tax in your area by 8.2% in 2024/25.

It is welcome that you are now open to supporting a freeze in the council tax. Although I understand that you rejected a proposal on 29 February to accept a freeze subject to additional consequentials from the UK Government's spring budget being confirmed next week, as per the actions of Orkney Islands Council.

I also understand that your council officials advised at your meeting of 29 February that your final decision on the level of council tax in Inverclyde did not have to be set until 11 March.

I would invite you to formally revisit your decision of 29 February to increase the council tax by bringing a fresh proposal to your Council, prior to 11 March, to implement the freeze.

In doing so I can confirm, as has already been set out in my recent communications to COSLA, that I am committed to baselining in future years both the £147 million provided for freezing the Council Tax and the additional £62.7 million of funding, which is subject to the UK Spring Budget, for those councils which freeze their Council Tax in 2024-25.

This would be a solution that will involve far less administrative burden for the council than having to manage the distribution of a rebate, and a far simpler solution for residents than having to wait to be handed back money they had paid.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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The advantage of implementing a freeze, rather than applying “a one-off rebate on their Council Tax charge for 2024/25”, would also be that residents in Inverclyde would not then be faced with an effective 14.2% increase in their council tax in 2025/26. In addition it would not then be fair to other councils who have accepted the funding on the basis of a freeze, if one council were to receive the funding on a recurring basis in exchange for a one-off rebate while nevertheless setting increases in the underlying council tax rates across the next two years.

I would be happy to have further discussions on these matters at the earliest opportunity and would encourage the council to reconsider their budget proposals, even if that requires an emergency council budget following the UK Spring Budget, or recrediting households through other means for next year and resetting your Council Tax Bands accordingly in future years.

Yours sincerely,

SHONA ROBISON

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Leader of the Council

Shona Robison MSP
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 Your Ref:
 Date: 4 March 2024

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Dear Shona

Council Tax Freeze

I thank you for your letter of 3 March in response to my letter of 1 March 2024 regarding the above.

It is disappointing that you have decided to reject my eminently reasonable compromise on Council Tax. It is even more disappointing that you are seeking to interfere in the internal decision making of Inverclyde Council. You clearly have not read the statement issued by COSLA on 23 February:

“COUNCIL LEADERS URGE SCOTTISH GOVERNMENT TO RESPECT LOCAL DEMOCRACY

Scotland’s Council Leaders today (Friday) said that any interference in the democratic decision making of Councils by Scottish Government Ministers is disrespectful.

Commenting following the meeting COSLA Resources Spokesperson Councillor Katie Hagmann said: “Council Leaders were absolutely clear today that it is not appropriate for Scottish Government Ministers to interfere in the democratic decision making of Councils.

“Leaders also reaffirmed in the strongest possible terms the principle that it should be for individual Local Authorities to set their own level of Council Tax without sanction or financial detriment imposed by Scottish Government.

“Leaders were clear that given the financial situation in which councils find themselves as a result of the proposed Scottish Budget, recurring penalties in relation to setting council tax levels should not be applied.

“I have been asked to seek confirmation from Scottish Government that there will be no further Council Tax freezes for the remainder of this Parliament.”

/...



2.

Shona Robison MSP

4 March 2024

In my 17 years as a Council Leader, I have worked with three previous Cabinet Secretaries for Finance: John Swinney, Derek Mackay and Kate Forbes. None of them sought to interfere in the democratic decision making process in Councils in the way you are. Is the next step if we don't comply with your instructions to send in Commissioners to take over the running of the Council?

For the avoidance of doubt, I will not be asking the Council to revisit the decisions we made on 29 February. These decisions were not only supported by the Labour Administration but also by two respected Independent Councillors. I appreciate that it suits your political narrative not to mention the two Independents. A third Independent Councillor was highly critical at the meeting of the Scottish Government's threat to withhold funding from Councils who increased Council Tax.

I would take issue with your analysis of the impact of proposed one-off Council Tax discount. The vast majority of Council Taxpayers pay in instalments, so they would not be significantly impacted by a short delay in processing a discount. The sooner you agree the sooner we can process the discount.

Your claim that Inverclyde residents would face an effective 14.2% increase in Council Tax in 2025/26 is also misleading. The proposed 6% increase in 2025/26 is a planning assumption and is based on the prudent assumption that you will continue to cut our Scottish Government grant each year by not providing us with inflationary uplifts and our grant will reduce in cash terms due to our falling population.

You will be aware that the like for like cut in our funding for 2024/25 was over £2m (almost half being our share of the £62.7m cut to the core that COSLA has identified) and you have offered us £1.9m of this back if we freeze the Council Tax. So, you can see that even if we receive an additional £1m from the £62.7m that may come from the UK Government, the net compensation for the Council Tax freeze would only be £0.9m, equivalent to a Council Tax rise of 2.57%.

With the recurring benefit of the £2.9m you have available for Inverclyde we would be able to reduce our planning assumption for 2025/26 significantly below 6%.

The budget proposed by your SNP colleagues on the Council would require a 9.15% Council Tax increase in 2025/26 to close a £3.2m budget deficit, after the one-off use of £3m of reserves. Without these reserves the Council Tax increase would require to be 17.73% to balance the budget to avoid any further cuts to services and jobs.

You will no doubt know that prior to the First Minister's announcement at the SNP Conference in October the Inverclyde SNP Group fully supported the Council's planning assumption of Council Tax rises of 7% in both 2024/25 and 2025/26. Indeed, leading SNP Councillors indicated publicly they would support even higher rises in Council Tax as their priority was to protect jobs and services.

As you will be aware, those Councils who have frozen Council Tax in 2024/25, many after use of significant one-off reserves, are planning significant increases in 2025/26 and beyond. I know of one Council that has a planning assumption of a 10% increase in 2025/26 and 5% increases thereafter. Most of these Councils are also implementing more cuts in 2024/25 than we have approved in Inverclyde.

3.

Shona Robison MSP

4 March 2024

Without Council Tax rises significantly above inflation in the years ahead Scotland's Councils are heading for bankruptcy. This is likely to happen on your watch. History will not judge your stewardship of the nation's finances kindly.

Regarding the fairness argument for other Councils, each of these Councils had the opportunity to increase Council Tax and chose voluntarily to freeze it. I fully respect their democratic right to do so. We should not be punished for taking a more prudent approach.

It would be wholly unjust if you were to refuse to allocate Inverclyde, and any other Council who exercised their democratic right to increase Council Tax, our share of the £147.3m you have available for Councils.

I would remind you that this money is generated by a combination of Scottish and UK taxes (business rates, income tax, landfill tax, land and buildings transactions tax, national insurance, VAT, corporation tax, fuel duty, etc). Inverclyde residents and businesses pay our fair share of these taxes, and we should receive our fair share of this funding.

Turning to the additional £62.7m, which is dependent on the UK Spring Budget, I would remind you of the letter you received from COSLA's Presidential Team and Resources Spokesperson on 26 February:

"We are writing in response to your letter of 23 February wherein you confirmed the Scottish Government position that the additional £62.7m funding proposed in your letter of 21 February is contingent on a council tax freeze by local authorities in Scotland. For the avoidance of any doubt, while the letter expresses a view on the compatibility of an increase in council tax and the additional funding being made available to the island authorities, we do not understand that funding to be contingent on a council tax freeze.

This decision marks a significant departure from the offer presented by you at our meeting on 21 February – namely, that the funding of £17.7m and £45m in consequential is being provided to restore the cut in the GRG and is not contingent on any local authority agreeing to freeze the Council Tax. We would highlight that this clarification came too late for councils which were setting budgets on and prior to 23 February.

Scotland's 32 Council Leaders considered your letter at our meeting on 23 February and agreed unanimously to the following position.

We, as COSLA Leaders, are clear that it is for individual Local Authorities to set their own level of Council Tax without sanction or financial detriment imposed by Scottish Government. The decision that additional funding, which would support better outcomes for everyone in our communities, should be held back on the basis that the democratic decision making of Councils is not in line with a commitment to a Council Tax Freeze by Scottish Government Ministers is not appropriate and **continues to be a significant breach of the Verity House Agreement**. Additionally, it is not consistent with the statement of the First Minister that councils which do not implement a freeze will not be sanctioned."

4.

Shona Robison MSP

4 March 2024

I would therefore ask you to reconsider your decision to make a share of this funding, which is of course subject to the UK Spring Budget, conditional on a Council Tax freeze. This would be wholly unjustified. You should be aware that Inverclyde and Argyll and Bute Councils are meeting COSLA this week to discuss the options available to challenge this matter.

I would therefore ask you to reconsider the proposal I made in my letter of 29 February.

As I said, this offers a win-win-win for all concerned. The Scottish Government gets its national Council Tax freeze; Inverclyde households benefit from a local Council Tax freeze; and the Council receives the benefit of a stronger Council Tax base.

If you were to refuse my offer again the only reasonable conclusion that could be drawn is that a nationwide freeze in Council Tax is not the national priority the First Minister said it was and that punishing Councils that dared to exercise their democratic rights is more important. You should also explain how you intend to spend the £2.9m that has been allocated to Inverclyde.

Finally, may I respectfully point out that the approved Council Tax rise of 8.2% in Inverclyde for 2024/25 and the planning assumption of 6% for 2025/26 are both lower than the 8.8% rises in Scottish Water Charges you have sanctioned in each of these years. You will know that these rises will disproportionately impact on the lowest income households who have to pay a minimum of 65% of water charges while the same households will not pay any more in Council Tax in the next two years as they are in receipt of Council Tax Reduction.

I have again taken the liberty of copying this letter to the President and Vice President of COSLA and the Resources Spokesperson.

I look forward to hearing from you.

Kind regards

Yours sincerely

Councillor Stephen McCabe
Leader of the Council

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Leader of the Council

Shona Robison MSP
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Our Ref: SMcC/sc
Your Ref:
Date: 8 ~~10~~ March 2024

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Dear Shona

Council Tax Freeze

Thank you for taking time to meet with me this morning to discuss the above.

It is very disappointing that you continue to disrespect the democratic decision my Council took on 29 February to raise Council Tax in 2024/25. It is also disappointing that you have rejected the eminently reasonable compromise proposal that I put forward. It seems clear that achieving a national Council Tax freeze is less important than trying to bend all 32 Councils to the First Minister's will.

It remains the case however that the Scottish Government retains £2.9m that should rightly be allocated to Inverclyde Council for the benefit of our community for the reasons stated in my letter of 4 March.

As you know our share of the £147.3m Council Tax freeze grant is approximately £1.9m. Given that you are not prepared to provide us with this funding as a contribution to a Council Tax discount for residents in 2024/25 can I request that you consider the following potential uses of this funding:

1. Health and Social Care Services – the Inverclyde Integrated Joint Board is currently consulting on options to close a £5.2m funding gap over the next two years. This will involve some very difficult decisions around services provided by the Inverclyde Health and Social Care Partnership. An allocation of some or all the £1.9m would go some way to reducing the extent of the cuts that will be required to balance the IJB Budget.
2. Job Losses – you will be aware that following the recent announcement by the BT Group that they are to close their EE Call Centre in Greenock with 450 jobs transferring to Glasgow, Inverclyde is facing a jobs crisis. The loss of the EE jobs would bring the total job losses in the last 18 months to around 1,200, which would be the equivalent of around 12,000 jobs for Glasgow. Back in August last year the Inverclyde Task Force submitted a bid for £70m to your Government for a range of projects designed to support the local economy. To date we have received no funding from the Government. Again, an allocation of funding for this purpose would be a beneficial use of the £1.9m you have set aside for Inverclyde.

Turning now to the separate allocation of £62.7m, I fully support the COSLA position that a share of this funding should be allocated to all Councils and not just those who freeze Council Tax. As you know COSLA considers that withholding a share of this money from any Council that increases Council Tax in 2024/25 would be a fundamental breach of the Verity House Agreement. I would therefore ask you to reconsider your position on this matter.

I have taken the liberty of copying this letter to the President and Vice President of COSLA and the Resources Spokesperson.

I look forward to hearing from you.

Kind regards

Yours sincerely

Councillor Stephen McCabe
Leader of the Council

Deputy First Minister and Cabinet Secretary for
Finance
Shona Robison MSP



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Cllr Stephen McCabe
Leader
Inverclyde Council

Copy to: COSLA President, Cllr Shona Morrison
COSLA Vice President, Cllr Steven Heddle

9 March 2024

Dear Cllr McCabe,

Thank you for our meeting yesterday and your subsequent correspondence regarding the Council Tax freeze.

On Thursday I wrote to all council leaders confirming my intention that, despite the disappointing Spring Budget, £62.7 million of additional funding will be available to Local Authorities to secure a council tax freeze across the country – and this will be baselined in future years to offer funding certainty.

Inverclyde's share of that funding, worth £2.9 million remains available to the council should it implement the freeze.

As we discussed, it appears that your proposal is not one to deliver a council tax freeze, as 30 authorities have done, but instead to increase your council tax base by 8.2%. Any proposal that leaves the 8.2% increase in place simply does not provide the benefit to the people of Inverclyde that the funding we have made available is intended to deliver.

The £2.9 million made available by Scottish Government would fully compensate the council for the revenues raised by an 8.2% increase. The funding available to support public services in Inverclyde in 2024/25 is therefore the same whether the council accepts the funding from the Scottish Government and freezes rates or increases rates by 8.2%. The only difference between the two decisions being the burden falling on households locally; to consciously visit that burden on households is objectively irrational.

A one-off rebate as you suggest would deliver no benefit to households beyond 2024/25. In addition the compound increase that would then be visited on households in 2025/26 would be expected to be 14.7%, assuming that the council administration follows through on its plans for a 6% increase in 2025/26.

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As bills have yet to issue in Inverclyde, my preference remains for the freeze to be reflected prior to them being issued. You have made it clear that you have no intention of revisiting the Labour administration decision. I therefore offered an alternative compromise which would see the council apply a rebate in 2024/25, and for that rebate to be given effect in 2025/26 and beyond by an adjustment to the Band D charge prior to any inflationary increase being applied.

I have set out an illustration in an annex to this letter of what that would mean for households in Inverclyde and it is clear that your proposal has detrimental impact, not only in 2025/26, but also in all subsequent years as that 8.2% increase would be hardwired into future bills through higher Band D charges. This analysis explicitly highlights that your proposals are not fair to households in Inverclyde or to other councils who have worked constructively with Scottish Government to ensure at least 97% of the population will benefit from a freeze.

Whilst I am frustrated with the outcome of yesterday's meeting, it appears that you remain determined to having council tax payers pay the price despite funding being available that would render this totally unnecessary. Should you or your council wish to reconsider the matter further, our offer remains on the table.

SHONA ROBISON

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ANNEX – ILLUSTRATIVE IMPACT OF COMPROMISES PROPOSALS ON HOUSEHOLDS IN INVERCLYDE

Inverclyde Proposal - One-off rebate				
Financial Year	Average Band D Charge	Annual Change	Effective Band D Liability with rebate	Annual Change
2023-24	£1,429.77		£1,429.77	
2024-25	£1,547.01	8.2%	£1,429.77	0.0%
2025-26 (assuming 6%)*	£1,639.93	6.0%	£1,639.93	14.7%

Council Tax Freeze Proposal - Fully funded by Scottish Government				
Financial Year	Average Band D Charge	Annual Change	Effective Band D Liability	Annual Change
2023-24	£1,429.77		£1,429.77	
2024-25	£1,429.77	0.0%	£1,429.77	0.0%
2025-26 (assuming 6% as proposed by the council)*	£1,515.56	6.0%	£1,515.56	6.0%

Alternative Rebate Proposal - Fully funded by Scottish Government				
Financial Year	Average Band D Charge	Annual Change	Effective Band D Liability with rebate	Annual Change
2023-24	£1,429.77		£1,429.77	
2024-25	£1,547.01	8.2%	£1,429.77	0.0%
2025-26#	£1,515.56	-2.0%	£1,515.56	6.0%

* Irrespective of the % applied, the principle applies and the one-off nature of the rebate ensures higher bills for households going forward

Assuming the council aimed reach the equivalent level of its proposed 6% increase for 2025/26, as proposed by the council, while respecting the 2024/25 freeze)

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Leader of the Council

Shona Robison MSP
Deputy First Minister and Cabinet Secretary for
Finance
Scottish Government

Direct Line: 01475 712727
Email: stephen.mccabe@inverclyde.gov.uk
Our Ref: SMcC/sc
Your Ref:
Date: 9 March 2024

BY EMAIL: dfmcsf@gov.scot

Dear Deputy First Minister

Council Tax Freeze

Thank you for your letter of earlier today regarding the above.

I have to say that to accuse a Council Leader, his Administration and two highly respected Independent Councillors of making an "irrational" decision on Council Tax when setting our budget on 29 February is astonishing and unworthy of the office you hold.

If anyone is acting irrationally it is you and the First Minister.

You have consistently argued that you are raising additional funding from income tax to protect public services in Scotland, a policy that I personally support, and have criticised the UK Government for cutting National Insurance in the Autumn Statement and the Spring Budget rather than investing in public services, again a criticism I would endorse.

You have also sanctioned an 8.8% increase in Scottish Water Charges in 2024/25, despite having the power to ask the Board of Scottish Water to either freeze charges or moderate the increase.

Yet you continue to believe that a regressive freeze in Council Tax in 2024/25, at the expense of cuts to local services and jobs, will significantly help low income households to deal with the cost of living crisis. That is simply not the case.

In Inverclyde up to 28% of households would not pay anymore under an 8.2% Council Tax rise as they are either exempt from Council Tax or in receipt of Council Tax Reduction. The average weekly increase for those households who pay full Council Tax would less than £2.

Forty-six per cent of Inverclyde households are in band A and their weekly increase is £1.50. Sixteen per cent of households are in band B and their weekly increase is £1.75. Ten per cent of households are band C and their weekly increase is £2.00. So, 72 per cent of Inverclyde households who pay full Council Tax will pay £2 or less a week extra.

Another 9 per cent of households are in band D and their weekly increase is £2.25. Ten per cent of households are in band E and their weekly increase is £2.96. Five per cent of households are in band F and their weekly increase is £3.66. Four per cent of households are in band G and their weekly increase is £4.42. Finally, less than 1 per cent of households are in band H and their weekly increase is £5.52.

I take great personal exception to your charge of acting irrationally.

I began my local government career with Inverclyde District Council in 1986 as a trainee accountant. I left the Council in 1991 to move into the housing association sector where I spent 25 years as a finance manager. I was elected to Inverclyde District Council in 1992 and served for four years until local government reorganisation in 1996. In 1999 I was elected to Inverclyde Council for the first time and was re-elected in 2003, 2007, 2012, 2017 and 2022. In 2003 I was appointed Leader of the Opposition and proposed Council budgets and Council Tax resolutions in 2004, 2005, 2006 and 2007. In 2007 I was elected Leader of the Council for the first time, and I have held this position since apart from a six month break between February and August 2011.

During my time as Council Leader, I have successfully moved 17 budgets and Council Tax resolutions. I am arguably the most experienced Council Leader in Scotland when it comes to local government finance and budget setting.

In all my time as a Councillor I have never before been accused of acting irrationally.

When my Administration and our two Independent colleagues voted for an 8.2% increase in Council Tax on 29 February, we did it full in the knowledge that the funding package on offer from the Scottish Government could ultimately amount to around £2.9m. However, we believed, and still do, that your promise to baseline this funding is unlikely to be honoured in full given your Government's track record of baselining funding and then cutting the baseline. We also believed, and still do, that increasing the Council Tax base of the Council is crucial to our longer term sustainability as a Council.

We also believed, and still do, that an 8.2% increase in Council Tax is affordable for Inverclyde residents based on the figures I have set out above. As I appointed out to you when we met, Council Tax in Inverclyde increased by an average of 1.1% a year between 2008 and 2023. The 8.2% increase for 2024 has increased this average to 1.5%, significantly below the average rate of inflation over the last 17 years.

Council Tax is not a utility bill. It is a tax that funds vital public services. Unlike income tax however the tax take does not automatically increase as incomes increase. Annual increases need to be applied to ensure that the same level of service can be funded from one year to the next.

Inverclyde residents in work, on benefits and in receipt of state and occupational pensions have generally seen their incomes rise in the past 12 months. It is not unreasonable or irrational to ask them to pay a small amount extra each week to protect local services.

Unless Council Tax is consistently increased over the coming years Councils will need to make huge cuts in services and jobs. If anything is irrational, it is to believe that the same level of services can be maintained with a real terms' reduction in income from both Government grant and Council Tax.

In your calculation of additional grant related to the Council Tax freeze you have included Inverclyde's indicative share of the extra £62.7m confirmed following the UK Spring Budget. You are aware that COSLA's view is that all Councils should receive a share of this funding irrespective of the democratic decision they take on Council Tax. Therefore, the actual compensation for the Council Tax freeze is our share of the £147.3m, which is £1.871m, equivalent to a Council Tax rise of 5.3%. Our Council Tax rise of 8.2% will raise £2.870m.

In my letter of 1 March, I did indicate that I would be prepared to recommend to the Council that we use of our share of the £62.7m, which you have indicated is around £1m (subject of course to recommendations from the Settlement and Distribution Group to Leaders and Ministers), to top up the Council Tax discount in 2024/25 to effectively freeze Council Tax for that year.

That offer remains on the table provided you allocate us our share of the £147.3m as well. This could either be on a one off basis or on a recurring basis.

The benefit of having our share of the £147.3m on a recurring basis is that it would allow us to revisit our planning assumption of a Council Tax increase of 6% in 2025/26. As I indicated previously in

writing, and at our meeting, I believe we could reduce this figure significantly, and perhaps to as low as 1.8%.

Using your illustration for the band D Council Tax, the 8.2% increase we have applied for 2024/25 brings this to £1,547.01 per annum, an increase of £117.24 per annum or £2.25 a week. A further increase of 1.8% in 2025/26 would bring the annual band D Council Tax to £1,574.86. By comparison if we had implemented a freeze in 2024/25 (which we haven't) and increased Council Tax by 6% in 2025/26 the band D Council Tax would be £1,515.56, a difference of £59.30 per annum or £1.14 a week.

Of course, the above example of a freeze and a 6% increase in 2025/26 is purely illustrative. I have already made you aware of the fact that one Council's planning assumption for 2025/26 is a Council Tax rise of 10% following a freeze in 2024/25. If we had frozen Council Tax in 2024/25 (which we haven't) and increased it by 10% in 2025/26 the band D Council Tax would rise to £1,572.75, just £2.11 a year, or 4 pence a week, less than the 8.2% and 1.8% example I illustrated above. Your own SNP Group on the Council had previously proposed a freeze in 2024/25 and a 12% increase in 2025/26 during our pre-budget negotiations.

If I am not being impertinent, can I respectfully suggest that some people may consider it irrational for you to reject my eminently reasonable compromise, and therefore your ability to deliver the First Minister's national priority of a national Council Tax freeze, for the sake of 4 pence a week.

I hope the forgoing analysis shows that my Administration and our Independent colleagues are willing to reach a compromise position that would be win-win-win for all parties.

If you are prepared to reach a compromise on this basis, I would be happy for my officials to engage with your officials with a view to drafting a written agreement.

I note that you have not specifically responded to the request in my previous letter (wrongly dated 10 March) that you consider providing us with our share of the £147.3m to help with the financial challenges facing our Integrated Joint Board and the significant jobs losses we have recently experienced in Inverclyde. I am presuming the answer is no but it would be helpful if you could formally confirm this.

I have once again taken the liberty of copying this letter to the President and Vice President of COSLA and the Resources Spokesperson.

I look forward to hearing from you.

Kind regards

Yours sincerely

Councillor Stephen McCabe
Leader of the Council

Deputy First Minister and Cabinet Secretary for Finance
Leas Phrìomh Mhinistear agus Rùnaire a' Chaibineit
airson Ionmhas
Shona Robison MSP
Seòna Robastan BPA



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Cllr Stephen McCabe
Leader
Inverclyde Council

Copy to: COSLA President, Cllr Shona Morrison
COSLA Vice President, Cllr Steven Heddle

16 March 2024

Dear Cllr McCabe,

Thank you for your further correspondence dated 9 March regarding the Council Tax freeze.

In our discussions, it was pointed out to you that the £2.9 million made available by Scottish Government would fully compensate the council for the revenues raised by an 8.2% increase. Your proposal would not deliver a Council Tax freeze as 30 local authorities have done. It would merely delay the impact of the burden being placed on Inverclyde households by increasing the Council Tax base by 8.2%.

I understand that you do not believe it is possible to reissue bills and that you believe that the effect of a freeze could be delivered by a rebate in 2024-25. However, we would need to be assured that the council would reset your planning assumptions for 2025-26 to begin from the 2023-24 baseline, and not incorporate to the starting baseline the 8.2% increase which has been added to bills for 2024-25.

Further decisions for 2025-26 and beyond would be a matter for the council, but recurring Scottish Government funding would depend on assurance that the effect of a freeze on both the in-year impact in 2024-25, and the starting point in 2025-26, would be felt by households.

The offer to Inverclyde is precisely the same offer made to every other council, and which has been accepted by 30 Councils. That offer remains open to you.

SHONA ROBISON

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Shona Robison MSP
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Our Ref: SMcC/sc
Your Ref:
Date: 19 March 2024

Copy to: COSLA President, Cllr Shona Morrison and COSLA Vice President, Cllr Steven Heddle

Dear Deputy First Minister

Council Tax Freeze

Thank you for your letter of 16 March.

It is deeply frustrating that your Government continues to insist that the Council can only have access to the £2.9m of taxpayers' funds set aside for Inverclyde if we agree to implement a Council Tax freeze. Contrary to what you claim, this is a regressive tax policy that doesn't benefit the lowest income households.

It is also undemocratic and a clear breach of the Verity House Agreement.

As each day passes the impact of the Council Tax freeze on local government services and jobs across Scotland, including on education and social care, becomes more evident. The £210m you have set aside for the freeze would have been better spent on protecting these services and jobs. As I mentioned in previous correspondence, our Integrated Joint Board for Health and Social Care is facing a £5.2m budget gap over the next two years and we could have provided them with additional financial support if we had unrestricted use of our £2.9m.

It is clear however that you will not allow the people of Inverclyde to benefit from the £2.9m of funding unless the Council agrees to the terms of your letter of 16 March.

I can advise therefore that reluctantly, and subject to you providing written confirmation that our share of the £147.3m Council Tax freeze grant and the additional £62.7m negotiated by COSLA is not less than the total of £2.9m you have repeatedly stated, I will recommend to the Policy and Resources Committee at the next available opportunity that we make a one-off credit to Council Taxpayers to fully mitigate the impact of the 8.2% increase in Council Tax approved for 2024/25.

I will also recommend to the Committee an amended planning assumption for the 2025/26 provisional budget based on the 2023/24 Council Tax baseline being the start point.

/...



2.

19 March 2024

Shona Robison MSP

With regards to actual budget decisions that will be required by February 2025, I will be prepared to recommend to the Council that the band D Council Tax, and thereby all bands, is reset to its 2023/24 level before any uplift for 2025/26 is applied. This is subject to the following conditions:

1. Confirmation from the Scottish Government at that time that our share of the £147.3m will be baselined for 2025/26 onwards;
2. Confirmation from the Scottish Government at that time that our share of the £62.7m will be baselined for 2025/26 onwards; and
3. Confirmation from the Scottish Government at that time that there will be no nationally imposed Council Tax freeze or cap for 2025/26.

Once I have written confirmation on the £2.9m for 2024/25 I will progress the necessary approvals.

I look forward to hearing from you.

Yours sincerely

Councillor Stephen McCabe
Leader of the Council

Deputy First Minister and Cabinet Secretary for Finance
Leas Phrìomh Mhinistear agus Rùnaire a' Chaibineit
airson Ionmhas

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Seòna Robastan BPA



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Cllr Stephen McCabe
Leader
Inverclyde Council

Copy to: COSLA President, Cllr Shona Morrison
COSLA Vice President, Cllr Steven Heddle

20 March 2024

Dear Cllr McCabe,

Thank you for your further correspondence dated 19 March regarding the Council Tax freeze.

I am grateful for your confirmation that you will take steps to freeze Council Tax for the residents of Inverclyde by inviting the Council's Policy and Resources Committee to agree a one-off refund equivalent to the 8.2% increase in Council Tax – enabling Inverclyde's resident to effectively have their annual Council Tax liabilities frozen.

I also welcome the confirmation that you will recommend to the Policy and Resources Committee an amendment to your planning assumptions for Inverclyde Council's 2025-26 provisional budget.

In order to provide the financial underpinnings for these recommendations, I can reconfirm the position sent to COSLA Leaders that your share of the £147.3m Council Tax freeze grant and the additional £62.7m will be £2.9m. You will understand that the final figure for each council will be confirmed by the Settlement and Distribution Group, and I note that their next scheduled meeting will be on 17 April.

Our decisions related to the 2025/26 budget will, of course, be taken through the normal budget planning processes for the Scottish Government. One of the vital foundations for this work is the outcome of the UK Government's Autumn Statement. No date has been announced for the Autumn Statement and clearly the prospect of a UK General Election this year may have an influence on the timing for the statement.

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I look forward to Inverclyde Council's confirmation that it will now be freezing the Council Tax in 2024/25.

Your sincerely,

SHONA ROBISON

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Revised Budget Proposal2024/26 Budget - One-off credit 24/25 & 7.0% increase plus SG Recurring Funding from 25/26

	2024/25 <u>£000</u>	2025/26 <u>£000</u>
Gap per Appendix 5 of 29.2.24 Report	2544	3035
Add back prior years use of reserves	3000	2628
Savings approved 29.2.24	-46	-403
Council Tax Impacts in 24/25		
One-off 8.2% increase 24/25	-2870	2870 Note 1
One off credit 24/25	2870	-2870 Note 1
Proposed use of Reserves	-2628	-2838 Note 2
One off Freeze Grant from SG	-2870	2870 Note 3
Baselined SG Grants from 25/26	0	-2842 Note 4
Indicative Council Tax increase 25/26	0	-2450 Note 5
Funding Gap	<u>0</u>	<u>0</u>

Notes

1. Illustrates no net increase in Council tax income from 24/25 decision
2. See revised Reserves Appendix
3. Not baselined in 25/26 as funding one-off credit
4. Estimated baselined share of the £147.3 & £62.7m
5. Increase of 7.0% in 25/26 to match approved Budget Strategy

Use of Available Reserves- Revised Budget March 2024

	<u>£m</u>	
Balance available - Appendix 7 29.2.24 Report	1.250	
Reduced Reserves required for the 24/26 Revenue Budget	0.534	Appendix 3a
Defer savings impact to 2028/29	-0.875	Note 1
Remaining balance	<u>0.909</u>	

Note 1

Made up of £500k top up to the Anti-Poverty EMR, £300k top up to Employability EMR and £75k into a Community Grants EMR to delay impact of all three to 2028/29

18/3/24

2025/28 Budget Gap - March 2024 Revised Budget

	<u>2025/26</u> £m	<u>2026/27</u> £m	<u>2027/28</u> £m	<u>2025/28</u> £m
Block Grant Increase	(2.8)	0.0	0.0	(2.8)
Continuing Impact of Depopulation	0.5	0.6	0.6	1.7
Inflation - Pay	3.5	4.0	3.4	10.9
- Non-Pay	1.0	1.0	1.0	3.0
Pressures				
- General Pressures	0.5	0.5	0.5	1.5
- Prudential Borrowing	0.1	0.1	0.1	0.3
Savings/Council Tax Approved	(2.6)	0.0	0.0	(2.6)
Reduced Use of Reserves	(0.2)	1.0	0.9	1.7
Funding Gap	<u>-</u>	<u>7.2</u>	<u>6.5</u>	<u>13.7</u>

a/ £2.8m from Reserves used in 2025/26 and is negated over 2026/29.

b/ Reduced impact of depopulation assumes 0.3% Floor for 2025/28

c/ Pay & Non-Pay inflation and Pressures excludes HSCP

d/ Assumes no new Prudential Borrowing above that already contained in the Loans Charges Model.

e/ Includes no Council Tax increase after 2025/26. (3% annual increase would raise £1.05 million per year)

f/ The movement in Block Grant excludes hypothecated funding increases as these are ring fenced for specific purposes

<u>Key Assumptions</u>	<u>2025/26</u> %	<u>2026/27</u> %	<u>2027/28</u> %
GRG/NDRI Cash Movement	0.0	0.0	0.0
Pay Inflation	3.0	3.0	2.5