

Briefing for MSPs

Draft Scottish Budget & Local Government Settlement 24/25



The following briefing sets out for MSPs COSLA's response to the draft Scottish Budget and Local Government Settlement for 2024-25.

Overview of the Local Government Settlement for 2024-25



The Local Government Settlement 2024-25 was published on the 19 December and contains **£13,245.1m revenue funding** and **£638m capital funding**. In addition, Scottish Government has "set aside" **£144m** revenue to fund a council tax freeze. The total size of the Settlement is therefore presented by Scottish Government as **£14,027m**.

Scottish Parliament Information Centre (SPICe) [reports](#) this as a real-terms increase of 5% when comparing this year's figure to the 2023-2024 Local Government Settlement, as published in February 2023. However this ignores the additional funding required for pay and Scottish Government policy commitments in 23-24 and 24-25 which were already known and therefore expected.

The Institute of Fiscal Studies (IFS) [published a report on Scottish tax policy and revenue](#) as outlined in the 2024/25 Budget. When commenting on the funding provided to Local Government, IFS clearly states that the "increase by 7.9% in cash terms ... **gives a seriously misleading picture**", as the Scottish Government has ignored the impact of a capital to revenue switch in 2024/25, and do not acknowledge the "series of new burdens" faced by councils in 2024/25.

IFS estimate the funding available to councils will increase "by just **3.5% in cash terms (1.8% in real terms)** next year".

For all these commitments to be honoured, the revenue settlement needed to be at least **£13,307.8m**.

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Budget Reality



Following the publication of the Scottish Budget on 19 December, COSLA issued a [Budget Reality](#) document on the 21 December providing an overview of the draft Local Government Settlement.

The key messages are:

- The Scottish Budget, as it stands, cuts the Local Government core revenue budget by **£62.7 million**
- The Scottish Budget, as it stands, cuts the Local Government core capital budget by **£54.9 million**
- The Scottish Government has **not** provided a fully funded council tax freeze

Local Government is facing a **real-terms cut** given significant cuts to both core revenue and capital budgets, and **no additional funding to address inflation**. This will have serious detrimental effects in progressing towards a just transition to net zero strategies, given 82% of all emissions are within the scope of influence of Local Authorities.

COSLA Leaders have been clear that the draft Local Government Settlement is not sufficient to keep current services running and councils will be forced, once again, to make tough decision to ensure budgets are balanced. Councils have been using reserves to bridge funding gaps and to fund vital services, which is not financially sustainable.

Impact of Local Government Core Revenue Cuts



A **£62.7m cut** to the core revenue budget will have a far-reaching and severe implications on our communities as it provides no funding to address the increased demand for services, increased operational costs due to inflation, nor any funding to support pay awards in 2024-25.

Lack of funding for pay deals in successive Settlements exacerbates current workforce pressures in the system linked to rising absences, recruitment issues and high turnover. As Local Government employees do not feel valued, this increases the chances of industrial action and will lead to inevitable service cuts as the funding will need to come out of other council budgets.

Significant cuts requires councils to prioritise statutory services which impacts on anti-poverty services such as leisure, culture and community centres. This poses a real threat to essential local services and the Local Government workforce.

Impact of Local Government Core Capital Cuts



The **£54.9m** cut to core capital budget shows that Local Government has been disproportionately impacted by capital cuts, when compared to other public bodies.

Scottish Government has prioritised capital funding to the following public services from 23/24 to 24/25:

- **Prison: +72%**
- **Fire: +31%**
- **Courts: +28%**
- **Police: +13%**
- **NHS: +11%**
- **Local Government: -4%** (*once LG capital is adjusted for the £120.6m that was previously in the Settlement to support the pay deal*)

There has also been a significant cut to the **Affordable Housing Supply Programme** by 30% (£196.1m) – equating to a 37% reduction since 2022-23.

This is despite numerous councils declaring a ‘housing emergency’ last year and a recent report estimating that there are 250,000 people throughout Scotland waiting for a social home. This cut will negatively impact individuals, communities and the economy.

Local Government has received no additional funding to address the costs of managing and mitigating buildings affected by **RAAC**. The cut to capital budget makes maintenance and mitigation for this and other issues more challenging.

The Scottish Budget does not reflect the substantial investment required to achieve any significant progress towards a just transition to a net zero economy. Cuts have been made to the **regeneration capital grant fund (RCGF)** and the **vacant and derelict land improvement programme (VDLIP)**. This undermines work to regenerate communities, tackle inequalities and to reduce carbon emissions.

Council Tax Freeze



The Scottish Government has set aside **£144m** stating this will ‘fully fund’ a council tax freeze – this would only provide the income equivalent to a 5% rise which would not cover the full cost of some councils who were likely to increase their council tax up to 10%.

However, given that Local Government’s core revenue budget was **cut by £62.7m** from the outset, this **only leaves £81.3m** in compensation for a council tax freeze. As a result, Local Government is faced with the reality that the funding offered for a council tax freeze only equates to a **2.8%** rise.

Verity House Agreement



The Scottish Budget does not provide any scope for Local Government to undertake any necessary prevention work or provide adequate or sustainable funding to make meaningful reform to the three shared priorities laid out in the Verity House Agreement. These include:

- tackling poverty (especially child poverty)
- supporting a just transition to net zero
- providing sustainable public services

Baselining of Funding

As part the [Verity House Agreement](#), a commitment was made to the removal of ring-fencing or directed funding as well as increasing funding flexibility for Local Government. As part of this settlement, £951m has been baselined - significantly, this included the Specific Grant for Early Learning and Childcare (£521.9m). While we welcome this move, very little of this baselining provides any flexibility at all for Local Government to do things differently and focus more effectively on outcomes, as Local Government is still required to deliver all the existing policies such as 1140 hours.

Delivering a single year budget

In the Scottish Government's medium term financial plan, there was an intention to deliver a multi-year settlement, yet a single year budget was delivered. Single year settlements do not enable councils to deliver long term, sustainable financial plans and do not provide councils with enough financial security to renew contracts. This impacts on councils' ability to commission third and independent sector services as many of the grants are non-statutory and will likely be considered for cuts first.

Read further information on COSLA's Budget Lobbying activity [here](#)

Contact COSLA officers at: localgovfinance@cosla.gov.uk



COSLA
info@cosla.gov.uk
www.cosla.gov.uk