

Local Government 24-25 Finance: Council Funding Allocations

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Introduction

This briefing looks at local government finances, focusing on the provisional funding allocations to Scottish councils for 2024/25 and the overall context of a serious crisis and the need for council tax reform. Major cuts in services are underway once again, with more looming. The deeply unfair council tax freeze adds to the problems. Our members know that warnings they have made through UNISON over many years about the desperate state of local government funding are now confirmed regularly in budget figures and key reports.

Local government settlement 2024/5

COSLA had said last month's draft budget needed to include a minimum £14,377 million for local government just to stand still. This was made up of £13,445m (3/23 Local Government Finance Circular revenue funding total of £12,650m, plus £795m in policy commitments) plus £632m for inflation at 4.7% and £300m for the council tax freeze.

The SPICe January briefing on the draft budget shows it delivering total 24/25 revenue funding of £13,027m, up from £12,404m.

While the Scottish Government says this is a real terms 5% rise, that figure is disputed by COSLA, as is council tax freeze funding – see next page. The total for capital settlements is a real terms fall of 24% to £627.48m, but partly that is due to £126m for pay deals switched from the capital to revenue budget. The Scottish Government has been strongly criticised for an overall 27% cut to the affordable housing budget and SPICe points out the challenges for councils meeting priority net zero targets without greater capital funding.

Accounts Commission warning

The Accounts Commission said in its *Local Government in Scotland: Financial Bulletin 2022/23* that the financial outlook for councils is "extremely challenging" as they face "unprecedented financial and service demand pressures which present real risks for the future".

It said councils and the Scottish Government should speed up progress on the overdue Verity House Agreement plan to develop a fiscal framework for local government. Improvements through the VHA, including multi-year settlements where feasible to support strategic planning and investment, would "enhance the clarity and certainty of budgets for councils in future years".

The report noted that in 2022/3, despite councils receiving increased funding and income in cash terms, due to high inflation the real terms figure from all sources was down on the previous year by £619m (2.8%) to £21.3 billion. In 2023/4, councils said the funding gap they faced was £725m, up sharply on the £476m gap anticipated in 2022/3.

KEY POINTS:

- **Scottish Government provisional funding allocations have been published, as local government finances face unprecedented pressures**
- **The Scottish Government says the revenue funding total of £13,027m for local government is a real terms 5% rise – disputed by COSLA**
- **The £144m for the council tax freeze is claimed to be on the basis of a 5% increase, but COSLA says cuts to core funding mean they are receiving the equivalent of a 2.8% council tax rise.**
- **Communities deserve better than further major cuts to vital local services.**

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Table 3: Local Government revenue settlements 2023-24 and 2024-25 Real terms (2023-24 prices) (£m)

Local Government (Revenue)	2023-24 Budget document	2024-25 Budget document	Real change (£m)	Real change %
General Revenue Grant	7,133.9	8,265.3	+1,131.4	+15.9%
Non-Domestic Rates	3,047.0	3,017.4	-29.6	-1.0%
Specific (ring-fenced) Resource Grants	752.1	234.86	-517.2	-68.8%
Revenue within other portfolios	1,471.8	1,509.1	+37.3	+2.5%
Total revenue settlement	12,404.8	13,026.6	621.8	+5.0%

Source: SPICe Briefing Scottish Budget 2024/5, Jan 2024

Disputed figures - including on council tax freeze

The Scottish Government says that local government will receive a total of £13.9 billion, including £144m for the council tax freeze. The full funding package includes £6m for expanding free school meals, £242 million for teacher pay rises, £230 million to deliver the payment of £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts, and more than £266 million for local government pay deals.

Council leaders said the £144m is not the promised full funding for the council tax freeze. The Fraser of Allander Institute estimated the cost at £330m for a 5% council tax rise, including the cost of compensation for the lost income from not increasing rates in the higher council tax bands. COSLA also disputes the Scottish Government's argument it is providing a 5% increase in real terms. COSLA says its analysis shows a cash cut to core funding of £62.7m, meaning that it views the £144m as only supporting the equivalent of a 2.8% council tax rise, not the claimed 5% rise, while some councils had been considering a rise of 10%. It also notes that considerable funds no longer ring fenced still effectively cannot be switched to other funding, but are counted as part of the increased funding.

As UNISON Scottish Secretary Lilian Macer said on BBC Radio Scotland last month, "the council tax freeze is fully funded in the way the Titanic was unsinkable."

Provisional funding allocations to each council

Full details of the provisional funding allocations to every council for the coming financial year were published in the Scottish Government's 'Local government finance circular 8/2023: settlement for 2024 to 2025'. This provides a range of financial figures for each local authority and shows changes for 2008-24.

Conclusion

UNISON is deeply concerned for the future of local government. Funding must be increased in the final budget. We need urgent action from the Scottish Government and councils, including replacing the council tax with a fair property tax. We do not believe politicians' talk about supposedly building back better from the pandemic should result in the current major threat to core council services. Councillors will be delivering corrosive council cuts not quality services and priorities like tackling poverty. We need to protect services and jobs.

Action for branches: Specific details in Circular 8/23 on key funding for your council will be useful in discussions/campaigns on local budget decisions. Look out for future briefings on council funding/replacing the council tax. Keep us updated, via your regional organiser, on local council budget pressures, proposed cuts and your campaigns to defend services and protect jobs.

Additional reading

- **Local government finance circular on revenue and capital funding allocations 2024/5**
<https://www.gov.scot/publication/s/local-government-finance-circular-8-2023-settlement-for-2024-to-2025/>
Figures for each council
<https://www.gov.scot/news/gbp-14-billion-for-councils/>
- **Accounts Commission Loc Gov Financial Bulletin 22/23**
https://www.audit-scotland.gov.uk/uploads/docs/report/2024/nr_240116_local_government_finance.pdf
- **COSLA Budget Reality 24/25**
<https://www.cosla.gov.uk/news/2023/cosla-releases-updated-budget-reality-document.-following-scottish-budget-announcement>
- **SPICE Briefing on draft Scottish Budget 24/25**
<https://bprcdn.parliament.scot/publicshed/2024/1/4/d19ce079-c10b-4a0f-b526-448852face3e/24-01.pdf>
- **UNISON budget reaction**
<https://unison-scotland.org/scottish-budget-does-not-go-far-enough-to-protect-scotlands-vital-public-services/>
- **Why UNISON opposes a council tax freeze**
<https://unison-scotland.org/briefing-134-why-unison-opposes-a-council-tax-freeze/>



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