
NORTH AYRSHIRE COUNCIL

9 October 2024

North Ayrshire Council

Title: Medium-Term Financial Outlook 2025/26 to 2027/28

Purpose: To outline the significant financial challenges facing the Council and examine the likely financial position of the Council's General Fund in the medium-term, and to commence a programme of engagement with communities. The feedback from which will help inform the development of budget proposals for consideration at the Council's Budget meeting in February 2025.

Recommendation: That Council considers the Medium-Term Financial Outlook 2025/26 to 2027/28, notes the scale of the financial challenges facing the Council over this period and notes the range of areas included within a planned programme of engagement with communities. Following the period of engagement, considers the feedback from communities and brings forward proposals to set a balanced budget for 2025/26 and beyond.

1. Executive Summary

- 1.1 Local authorities continue to operate in a very challenging and uncertain environment with public sector funding not keeping pace with the increasing costs and demand for services. In this climate it is important that Councils take a long-term view whilst also recognising areas of significant short-term pressure impacted through periods of high inflation. The Council's Long-Term Financial Outlook is the cornerstone of the Council's strategic financial framework and establishes a sound basis for the development of the Medium-Term Financial Outlook and subsequent annual budgets, helping the Council address the challenges it faces and align resources to key priorities.
- 1.2. The Long-Term Financial Outlook 2024/25 to 2033/34 was presented to Council on 13 December 2023 and identified an estimated funding shortfall of £127m over this period which the Council requires to address. This included anticipated pressures in relation to the Health and Social Care Partnership (HSCP) and was based on best estimates at that time with sensitivity analyses highlighting the implications of changes to the underlying assumptions.
- 1.3. The Medium-Term Financial Outlook for the period 2025/26 to 2027/28 draws on similar data and projections to that contained in the Long-Term Financial Outlook, however the financial projections have been updated for this period based on more recent cost analysis and funding metrics. This has identified a structural funding gap

of £46.7m which must be addressed as part of the Council's Medium-Term Financial Plan.

- 1.4 The scale of this challenge will inevitably have an impact on the range and level of services delivered by the Council, and this will require to be managed within the context of its statutory and regulatory responsibilities. Before the Council considers the range of budget proposals and the level of Council tax for 2025/26, it is necessary to undertake an extensive programme of engagement and consultation with communities, that firstly sets out the scale of the financial challenge facing the Council but, importantly, seeks feedback across a range of areas of Council services. This feedback will play a vital role in informing the Council of the views from North Ayrshire communities and any anticipated impacts from the budget proposals, including any equality impacts and those which could proportionately have a greater impact on the island communities. This feedback will be considered as part of the development the Council's Medium-Term Financial Plan. It is planned that following this period of engagement, the feedback will also be shared with community groups in advance of the Council setting its budget in February 2025.
- 1.5 To help address the financial challenges, the Council will continue to progress the sustainable change and transformation programme at scale and pace over the short, medium and longer term, and for this activity to be incorporated in the Council's Medium-Term Financial Plan and aligned to the key priorities set out within the Council Plan 2023-2028.
- 1.6 The Council via COSLA will continue to engage with Scottish Government on local government funding. The Scottish Government has still to publish its updated Medium-Term Financial Strategy, however, prior to the launch of the Scottish Government's Programme for Government on 4 September 2024, the Cabinet Secretary for Finance announced cuts to the Scottish Government budget of £500million across a range of portfolios. This is, in part, as a consequence of funding a proportion of public sector pay increases. This further re-enforces the challenging financial landscape faced by Councils. Within this context it is vital that Councils consider the use of all available powers e.g. in areas such as Council tax premium for second homes, devolved non-domestic rates empty property relief thresholds and the tourist visitor levy. It is also important that Councils continue to lobby Scottish Government for maximum financial flexibility across all policy areas, in particular, funding for health and social care and education.
- 1.7 Elected members will continue to receive briefings on the progress of the Medium-Term Financial Plan and officers will continue to develop proposals to address the budget gaps.

2. Background

Long-Term Financial Outlook (LTFO)

- 2.1 The Council's revised Long-Term Financial Outlook 2024/25 to 2033/34 was approved on 13 December 2023 and identified an estimated funding shortfall of £127m over this period which the Council requires to address. This included anticipated pressures in relation to the Health and Social Care Partnership (HSCP) and was based on best

estimates at that time with sensitivity analyses highlighting the implications of changes to the underlying assumptions. The report included a range of information, including:

- The strategic financial framework;
- Local issues for North Ayrshire including our current and anticipated demographic and health profiles, employment and levels of deprivation and the impact these will have on the Council's income and cost base;
- Global and national economic performance;
- Factors affecting Scottish Government funding and funding for Local Government;
- The financial outlook for North Ayrshire including funding and expenditure requirements;
- A review of the Council's balance sheet including assets, debt, future liabilities and reserves; and
- The strategic response required by the Council to ensure future financial sustainability.

The Medium-Term Financial Outlook

- 2.2 The Medium-Term Financial Outlook for the period 2025/26 to 2027/28 draws on the same data and projections as the Long-Term Financial Outlook, however, brings into sharper focus the short and medium-term impacts from recent key global, UK and national events, all of which contribute to an extremely challenging financial landscape for citizens, communities, and local government finance.

Economic Outlook

- 2.3 Funding for public services is linked to the performance of global and national economies and through the volatility in financial markets. UK Government fiscal policy and Bank of England Monetary policy decisions have a significant influence on local government finance whether it is through the level of Block grant available to Scotland, or the purchasing power associated with this funding within the context of inflation and the level of interest rates.
- 2.4 Although inflation has started to fall, households will continue to experience pressures on disposable income. Public sector pay in Scotland over the last year, however, was higher than in the UK as a whole (6.5%). As a result, a public sector pay increase of the same percentage terms in Scotland as has been seen in England would not be fully covered by its - population share related - Barnett consequential's.

Inflation

- 2.5 The Consumer Price Index (CPI) measure of inflation rose by 2.2% in the 12 months to August 2024. This is unchanged from July 2024 and significantly below the peak of 11.1% in October 2022. It remains slightly above the Bank of England (BoE) target of 2%. Latest forecasts project Inflation will increase further to around 2.5% by the end of

the year before falling again through 2025. Moving forward this should have the effect of stabilising costs across various commodities and importantly, where contracts are linked to inflation indices, this should minimise any increases.

Public Sector Pay

- 2.6 Employee costs represent around 50% of the Council's gross expenditure budget. Inflationary pressure in this area represents the most significant pressure that will be faced by the Council over the medium and long-term. Pay awards have been agreed with most unions across the SJC and the SNCT. The current SJC pay offer (3.6% or £0.67, whichever is worth more at each SJC Spinal Column Point, which has an overall value of 4.27%) has been accepted by both UNITE and GMB unions, however, the offer has been rejected by the UNISON union. Within the SNCT negotiations the EIS have accepted a 4.27% pay offer, with effect from August 2024 to the end of July 2025.
- 2.7 In terms of funding, it is important to note that, as things currently stand, Councils require to fund 3.2% of the pay increase for 2024/25. This is more than the original planning assumption of 3% and represents an additional cost pressure that will require to be managed by the Council. The planning assumption across the medium and long-term is for the Council funding element for pay awards to remain at a 3% increase each year. Future pay negotiations will continue to be influenced by the level of inflation and the trade union commitment to progress towards a minimum pay level of £15 per hour for staff. The latter having further significant financial implications for Councils.
- 2.8 The previously notified changes to the Scottish Public Agency pension contribution rates from 23% to 26% from 1st April 2024, costing an estimated additional £2million per annum for the Council, had assumed full funding from the Scottish Government through UK Government Barnett consequential. At this time the level of allocation to North Ayrshire Council is still not known. This continues to present a risk to the Council should the funding not match the cost.

Interest Rates

- 2.9 The Bank of England (BoE) Monetary Policy Committee met on 19 September 2024 and voted to maintain the bank base rate at 5.00%. This is the same level from the previous meeting on 1 August 2024 and a 0.25% reduction from the 5.25% rate prevalent through most of the previous year. It is projected that the base interest rate may reduce further towards the end of 2024 and into 2025, however, this will very much depend on inflation being at or around the 2% BoE target. From a Council borrowing perspective, through the Public Works Loans Board, the rates available are linked to the performance of government bond yields (Gilts). Current projections indicate that bond yields will fall slightly, leading to a reduced cost of borrowing. The landscape, however, remains quite uncertain. Any reduction in the cost of borrowing would help alleviate some of the pressures in delivering the capital programme.

The Scottish Landscape

- 2.10 The Scottish Government has yet to publish its updated Medium-Term Financial Strategy, however, prior to the launch of the Scottish Government's Programme for

Government on 4 September 2024, the Cabinet Secretary for Finance announced cuts to the Scottish Government budget of £500million across a range of portfolios. This is, in part, as a consequence of funding a proportion of public sector pay increases in respect of 2024/25. This further re-enforces the challenging financial landscape faced by Councils.

2.11 The Scottish Government Programme for Government reaffirmed the 4 main priority areas of:

- Eradicating child poverty
- Growing the economy
- Tackling the climate emergency, and
- Improving public services

2.12 The Scottish Government continues to state its commitment to the Verity House Agreement and to work more closely with local government to deliver shared priorities for communities.

2.13 It is anticipated the Scottish Government will update its Medium-Term Financial Strategy after the UK Government Spending Review in March 2025. Before this the UK Government will deliver its Autumn Budget on 30 October 2024. With the new UK Government announcing a deficit in public finances of £22Billion and following earlier announcements on policy areas like winter fuel payments for the elderly, as well as the need for UK Government department efficiencies, it is unclear at this time the extent of any impact this position will have on the Block Grant funding for Scotland for 2025/26. The Scottish Government has confirmed that the Scottish Budget for 2025/26 is due to be published on the 4 December 2024, alongside the latest Tax Strategy, with the Local Government settlement due on the 12 December 2024. The pupil / teacher census data is due to be published on the 10 December 2024.

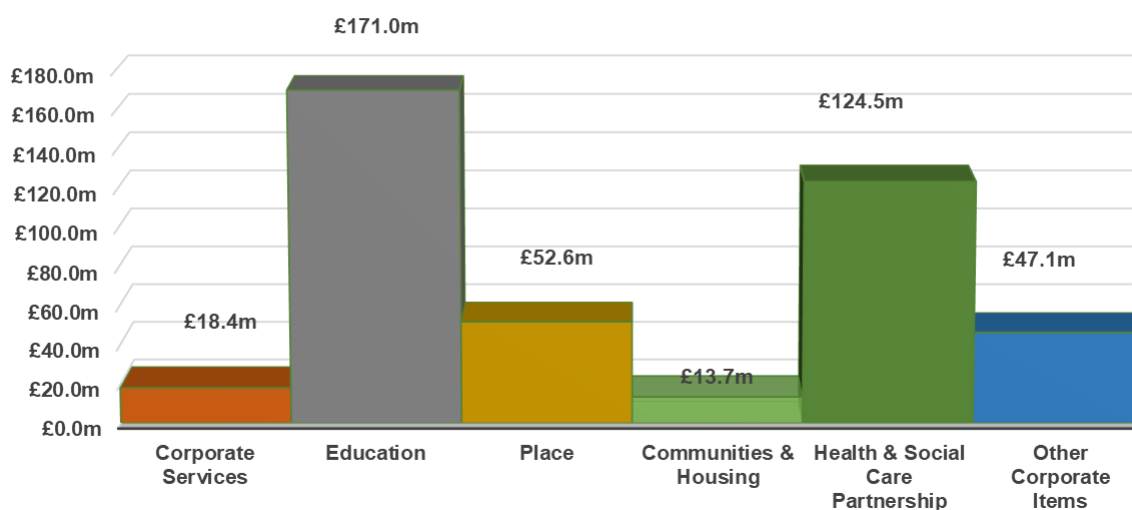
2.14 Within this context, current indicators point to a continuation of a very challenging fiscal landscape for Councils. Linked to discussions as part of the Verity House Agreement, Councils must look to maximise any financial flexibility they have, in particular, it is vital that Councils consider use of all the available legislative powers they have e.g. in areas such as Council tax premium for second homes, devolved non-domestic rates empty property relief thresholds, the tourist visitor levy, decriminalised parking enforcement and charges for services. It is also important that Councils continue to lobby Scottish Government for maximum financial flexibility across all policy areas, in particular, funding for health and social care and teachers. Careful consideration is required in the use of these powers in the context of setting a balanced budget that minimises cuts to vital services, impacting on communities and outcomes, whilst seeking to manage affordable Council Tax increases.

Financial Outlook for North Ayrshire Council

Allocation of Resources

2.15 The Chart below summarises the allocation of resources for 2024/25 approved at Council in February 2024, with around 50% of gross expenditure relating to employee costs;

Annual Net GF Budget 2024/25 - £427.268m



2.16 It is recognised that in the last number of years, the level of influenceable budget not linked to Scottish Government requirements or statutory contractual commitments, be it through the Health and Social Care Partnership or large elements of the Education budget, has greatly reduced. This continues to place a disproportionate level of pressure on the other Council budgets. This is unsustainable within the context of trying to deliver effective services to communities.

Medium-Term Financial Pressures and Planning Assumptions

2.17 Following an assessment of cost pressures and anticipated income levels, the next 3 years forecasts continue to be subject to a degree of volatility, albeit there has been a welcome reduction in the level of general inflation. However, work to review the General Services Capital Programme continues to be impacted by a high level of construction cost volatility. When set within the context of the current planning assumptions around funding, this has resulted in a projected medium-term funding gap of £46.7m (including the HSCP) and £28.5m (excluding the HSCP) over the next 3 years. The scale of this gap will present major challenges to the Council in delivering balanced budgets. Areas of significant pressures identified within the Medium-Term financial Outlook include:

Workforce costs

2.18 As noted in sections 2.6 to 2.7 the pay award for 2024/25 has still to be fully agreed across all bargaining groups. The current planning assumption across the medium and long-term is for the Council funding element of pay awards to remain at a 3% increase each year. Future pay negotiations will be influenced by the ongoing level of inflation and the trade union commitment to progress towards a minimum pay level of £15 per hour for staff. The latter having significant financial implications for public sector finance.

Staff Group	2025/26 Planning Assumption	2026/27 Planning Assumption	2027/28 Planning Assumption
Teachers	3% from Aug	3%	3%
Other Staff	3%	3%	3%

2.19 There is a planned decrease to Strathclyde Pension Fund contribution rates from 19.3% to 6.5% for 2025/26 before increasing to 17.5% from 2026/27. The planning assumption made across the medium-term is to assume the recurring contribution rate at 17.5% as this represents the revised structural rate for the Council. It is recognised however, that a non-recurring pension rebate will occur across 2025/26. To achieve financial sustainability and avoid a cliff edge pressure in 2026/27, the Council requires to fully address the structural budget gap faced in 2025/26. By doing this an opportunity for non-recurring strategic investment will arise in 2025/26. It is strongly recommended that any use of non-recurring investment is considered on an invest to save basis.

Other Inflationary Costs

- 2.20 Inflationary cost increases have been included in forecasts for major utilities (electricity and gas), fuel, food and those contractual commitments with increases linked to inflation indices. In respect of utilities, cost forecasts are based on rates secured via Procurement Scotland from the advance purchases and from available price indices applied to the balance of expected energy need across each of the years.
- 2.21 Major contracts linked to inflation indices include PPP contracts and waste contracts. Cost impacts based on inflation forecasts over the next 3 years have been included in the budget model. In addition to this an allowance has been made to cover other major contractual increases e.g. Strathclyde Passenger for Transport and to meet legislative requirements.
- 2.22 The Council makes no additional financial provision for general inflation. It is recognised that due to the previous high levels of inflation this continues to place further significant strain on operational budgets across the Council. The implications of this will include a reduced level of purchasing power for a range of materials and commodities and re-phasing of programmes / activities to operate within existing resources on an annual basis. Further, the financial position for 2024/25 across both the Council's General fund activities and the HSCP is projecting in-year overspends. Some of the main areas of overspend include waste services and teachers cover costs linked to higher than anticipated levels of staff absence, and the cost of children's external residential care, linked to the current number of children in care within this high cost setting. It is noted that both the recovery from the period of the pandemic and the subsequent years of high inflation has eroded the spending power within the available budgets. Directors continue to try and manage these pressures within existing budgets, however, this position continues to present risks to the Council's finances. It is important that elected members are kept fully informed of any impacts.

2.23 Although interest rates have fallen by 0.25% when compared with last year and further reductions are anticipated through 2024, the cost of borrowing is projected to remain high. This, along with high levels of construction cost volatility continues to place a significant burden on the affordability of the 10-year capital programme, especially within the context of several major capital projects reaching critical phases of planning and construction. This will require additional revenue investment across the medium-term to fund delivery of the Council's ambitious capital programme.

Local Government Funding and Anticipated Budget Gap

2.24 Single year settlements have been a feature of Scottish Government budget setting since 2015/16. This approach continues to create a high level of uncertainty around future funding levels and can impede progress in delivering sustainable change. This, alongside the complex interaction of block allocations from the UK Treasury, Scottish Government fiscal policy, priorities and commitments and the complexities of the distribution formulae, makes it difficult to forecast future grant funding levels. The publication of the SG Spending Review in May 2022 and the updated SG Medium-Term Financial Strategy in May 2023 provides an indication of the level of overall financial resource. This sets out a broadly "flat cash" funding position for local government. Prior to the launch of the Scottish Government's Programme for Government on 4 September 2024, the Cabinet Secretary for Finance announced further cuts to the Scottish Government budget of £500million across a range of portfolios.

2.25 Within this funding context and with a predicted decline in overall population for North Ayrshire it is both reasonable and prudent to assume that the level of future budget settlements will remain very challenging. The MTFO forecast includes a flat cash funding projection over the duration of the next 3 years followed by further funding reductions as the impact of the declining North Ayrshire population demographic relative to the national trends reduces the proportionate share of national resources based on an overall quantum of flat cash across the period. It is recognised that there is a risk that funding for the next 3 years could be less than flat cash and protection from the "Floor adjustment" maybe affected further as the population shifts proportionately more to the east of the country.

2.26 The Medium-Term Financial Plan includes a planning assumption of a 5% increase in Council tax for 2025/26. Although inflation through the CPI measure currently sits at 2.2% to August 2024, the 2024/25 Budget was supported with a Council tax freeze. Further, the scale of the budget gap facing the Council in 2025/26 is significant i.e. £13.2m (excluding the HSCP). For 2026/27 and 2027/28 Council tax has been projected at a 3% increase for each year.

2.27 Since 2017/18 the Council has used over £23m of reserves to support recurring expenditure. A further review of all reserves will be carried out as part of the Medium-Term Financial Plan. The Council meeting of 1 March 2023 approved the use of reserves, generated from Service Concession flexibility, to support the Budget programme over the medium-term. Due to the scale of the budget gaps forecast this funding will be an essential element to deliver balanced budgets over the medium-term. This approach will provide only temporary mitigation and will require to run in parallel with the delivery of more sustainable measures in reducing the Council's cost base. Approved reserves to support the Budget are included in the undernoted table.

Reserves	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
	£5.0m	£4.0m	£3.5m	£1.8m

2.28 A summary of the anticipated remaining funding gap of the Council (after assuming 5%,3%,3% increase on Council tax for 2025/26 to 2027/28 and including the HSCP) over the next three years is provided in the table below. This does not incorporate any planned use of reserves noted in the table above. Further work continues to refine the underlying assumptions. Options to address this position are being progressed and will be presented to Council in February 2025. It is recognised that the scale of the financial challenge facing the Council is significant and this will require a range of measures to address.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
General Fund Funding Gap	£13.2m	£7.4m	£7.9m	£28.5m
HSCP Pressures (including pay)	£5.4m	£6.4m	£6.4m	£18.2m
Total	£18.6m	£13.8m	£14.3m	£46.7m

Sensitivity Analysis

2.29 Given the uncertainty that underpins the assumptions, sensitivity analysis has been carried out on the key components. A +/-1% movement on these is noted below:

- Scottish Government Grant £3.5m;
- Council Tax Funding £0.64m;
- Payroll incl. HSCP £2.9m

Reserves Strategy

2.30 The Council's usable reserves are classified as either earmarked or unearmarked. The Council's current unearmarked reserves, i.e., those set aside to allow the Council to manage any unanticipated events, currently total £8.445m, equivalent to 2% of General Fund net budgeted expenditure. This represents the lowest end of recommended best practice of between 2% and 4%. In addition to unearmarked reserves, earmarked reserves have been established to meet a range of known commitments, including the Council's Investment fund and Recovery and Renewal Investment programme, and it is anticipated that these will reduce significantly over the next few years, as projects and initiatives are delivered.

- 2.31 The level of Council reserves requires to be maintained at the right level to ensure the Council's future financial stability. These are kept under review and considered annually on the setting of the Council's Budget.
- 2.32 The Council also maintains statutory reserves in the form of an Insurance fund and Capital Fund. The Insurance Fund is maintained to meet the cost of future insurance liabilities, while the current Capital Fund is earmarked to support the Council's Capital Investment programme and any capital financing requirements.

Health and Social Care Partnership (HSCP)

- 2.33 The Integration Scheme sets out the Integrated Joint Board's (IJB) responsibility for financial planning and management of the HSCP's resources. The IJB has an implicit statutory obligation to set a balanced budget.
- 2.34 Information on anticipated pressures and proposed savings options are shared with North Ayrshire Council to inform the allocation of resources delegated to the IJB. The level of contribution to the HSCP is based on an anticipated "flat cash" planning assumption where the HSCP address budget pressures through the delivery of equivalent savings and with the use of any available reserves. The allocation of resources will also continue to be influenced by any requirements set out in the local government finance settlement. The HSCP have identified financial pressures of £5.4m in 2025/26 and £18.2m over the next 3 years.
- 2.35 The HSCP currently hold unearmarked reserves of £0.357m. The position reported at Cabinet on 27 August 2024 indicated that the HSCP project an overspend position of £6.555m for 2024/25, with identified recovery actions of £3.412m, leaving a net projected overspend of £3.143m. A Finance Working Group has been established to address this position and to identify further recovery actions.
- 2.36 The current financial position of the HSCP presents a significant risk to the financial sustainability of the Council. The Integration Scheme states If the recovery plan is not successful the Parties (the Council and NHS Ayrshire and Arran) will consider making interim funds available based on the agreed percentage contribution for joint responsibilities, with repayment in future years on the basis of a revised recovery plan agreed by the Parties and Integration Joint Board. It is recognised that the Council's capacity to make any interim funds available in such an event is limited, due to the current level of Council reserves and the anticipated levels of future funding and pressures.

The Council's Approach

- 2.37 The Council's approach, as set out in the Long-Term Financial Outlook, will continue to be influenced by the priorities set out in the Council Plan 2023-28. The Council's key priorities are defined as:
- Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing, and resilience for local people.

- Communities and Local Democracy – we will have active, inclusive, and resilient communities.
- Climate Change
- A Sustainable Council – a Community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities.

2.38 The Council will require to prioritise available funding in accordance with its statutory and regulatory duties and aligned with these key priorities. This will also require to be supported by the delivery of change and Transformation at scale and pace. In this regard progress continues to be made across a number of areas including renewable energy investment, property rationalisation programmes, commercial property development, digital and a review of waste services. All of which will contribute towards addressing the Budget gaps across the medium-term. It is also recognised that in order to deliver larger scale savings over the medium and longer-term, wider reform requires to be considered, including exploring areas of shared service delivery on a regional basis.

2.39 The Council should also continue to consider areas of financial flexibility from the statutory powers it already has and any further powers that could arise through progression of the Verity House Agreement. Within this context it is vital that Councils consider use of all available powers e.g. in areas such as Council tax premium for second homes, devolved non-domestic rates empty property relief thresholds and the tourist visitor levy, as well as charging for services in line with the Councils charging policy. It is also important that Councils also continue to lobby Scottish Government (via COSLA) for maximum financial flexibility across all policy areas budgets, in particular, funding for health and social care and education. At the time of writing the position regarding maintaining teacher numbers remains unchanged, in so far as no further discussions have taken place with the Scottish Government. This remains a live issue with COSLA and unless more flexibility is afforded in this area, will continue to present a financial risk to the Council in not maintaining the number set.

2.40 As noted in section 2.19 of the report, 2025/26 represents the final year of the reduced employer pension contribution rate of 6.5% in respect of the Strathclyde pension fund. From 2026/27 the rate will rise to 17.5% and remain at this level on a recurring basis. To progress towards financial sustainability and avoid a cliff edge pressure in 2026/27, the Council requires to fully address the structural budget gap faced in 2025/26. By doing this an opportunity for non-recurring strategic investment will arise in 2025/26. It is strongly recommended that any use of non-recurring investment is considered on an invest to save basis. Further, it is also recognised that the practice of replacing areas of proposed recurring financial savings with a non-recurring funding source, simply compounds the level of budget gap in the subsequent year. In view of the current financial landscape, it is strongly recommended that this practice does not continue beyond the plans already agreed.

2.41 It is important to carefully plan and manage the impact of any change on the workforce. The Council continues to develop Workforce Plans that will support the scale of change and transformation the Council requires to deliver and will ensure that appropriate engagement with staff and trade unions continues throughout this process.

Community Engagement Programme

- 2.42 The scale of the financial challenge, especially for 2025/26, will inevitably have an impact on the range and level of services delivered by the Council, and this will require to be managed within the context of its statutory and regulatory responsibilities. Before the Council considers the range of budget proposals to address this gap and the level of Council tax for 2025/26, it is appropriate to firstly undertake an extensive programme of engagement and, where appropriate, consultation with communities. Through this approach it is intended to make clear to communities the scale of the financial challenges facing the Council and to seek feedback across a range of areas of Council budget options. This feedback will play an important role in informing the Council of the views from communities and any anticipated impacts from the budget proposals, including any equality impacts and those which could proportionately have a greater impact on the island communities. This feedback will be considered as part of the ongoing development the Council's Medium-Term Financial Plan.
- 2.43 Included within appendix 1 of the report is an outline of the specific areas of budget engagement where feedback is sought from North Ayrshire communities. The programme of community engagement will run from 10 October 2024 to 21 November 2024 and will include a range of on-line support materials, an on-line survey aligned to the specific areas outlined in appendix 1, available for all citizens to complete, and a programme of community conversations across a number of representative community and stakeholder groups. This process will also be supported by specific consultations across some areas. An outline of the representative groups is included within appendix 2 of the report. The timescale of engagement will allow feedback to be collated, then shared with elected members and communities, and considered in advance of the Council setting its Budget in February 2025. Members are asked to note this programme of engagement which will commence from 10 October 2024.

Capital Investment Programme

- 2.44 The General Services Capital Investment Programme 2024/25 to 2033/34 was approved at Council on 28 February 2024. The review currently being undertaken as part of the 2025/26 Budget will continue to focus on the deliverability and affordability of the current programme, when considering the additional cost pressures, mainly through high levels of construction inflation and contractor claims. The financing of the capital programme through borrowing continues to be affected by high levels of rates of government bond yields (Gilts) which links directly to the rates available through the Public Works Loans Board (PWLB). Although forecasts indicate that the borrowing rates associated Gilts may reduce further, this landscape remains uncertain. Across 2024/25 and 2025/26 the loans fund budget has increased by over £11m to help address the affordability challenges within the programme. This position will continue to be monitored and consideration will be given to further financial provision being incorporated in the medium-term financial plan, recognising however, that this will place further strain on the Council's revenue budget.
- 2.45 As well as the additional costs being incurred in the capital programme, it is also recognised that, from the impact of inflation across the last couple of years, the purchasing power of lifecycle investments has been impacted. This affects capital investments in roads, property, vehicles, ICT and other infrastructure. The 2024/25 Budget included additional investment in these areas to address the impact of

inflation, however, to continue to operate within available financial resources, even by sustaining the level of budgeted investment, could result in further real term reductions across these areas. This position will continue to be reviewed as part of the 2025/26 Budget.

- 2.46 In view of the current financial landscape, opportunities for areas of new capital investment which are not supported by funding, will be extremely limited and will require a robust business case to support any new investment proposal.
- 2.47 In terms of funding the capital programme, further prudent assessments will be undertaken around the level and timing of capital receipts, the anticipated level of Scottish Government capital grant, the anticipated funding profiles associated with the Ayrshire Growth Deal and how the use of the Council's loans fund reserve and capital fund will support the programme across the 10 years.
- 2.48 The anticipated revenue implications of the Capital Investment Programme have been reflected in both the Medium and Long-Term Financial Outlook.

Progress and Next Steps

- 2.49 In advance of the presentation of the Medium-Term Financial Outlook report, briefings for staff, trade unions and elected members have been carried out.
- 2.50 Officers continue to progress the Medium-Term Financial Plan for 2025/26 to 2027/28 and develop options to address the significant budget gap covering this period. The Scottish Budget for 2025/26 is due to be published on the 4 December 2024, It is anticipated that the settlement will present an acute financial challenge to the Council which will require elected members to consider difficult choices. This process will be supported through feedback from citizens and communities as part of the Council's programme of community engagement and consultation. This feedback will help inform the Council of community views and anticipated impacts that require to be considered for the various budget proposals in advance of setting the Budget in February 2025.
- 2.51 Discussions continue with the Integration Joint Board to support a partnership approach to development of the Health and Social Care Partnership's budget. The newly formed Finance Working Group has been set up to develop a recovery plan that addresses the current pressures faced by the IJB. It is recognised that this position continues to present a risk to the financial sustainability of the Council.

3. Proposals

- 3.1 That Council considers the Medium-Term Financial Outlook 2025/26 to 2027/28, notes the scale of the financial challenges facing the Council over this period and notes the range of areas included within a planned programme of engagement with communities. Following the period of engagement, considers the feedback from communities and brings forward proposals to set a balanced budget for 2025/26 and beyond.

4. Implications/Socio-economic Duty

Financial

- 4.1 The anticipated funding gap over the period 2025/26 to 2027/28, based on current assumptions, is £46.7m, including the HSCP and £28.5m excluding the HSCP. Council will require to set a balanced budget for 2025/26 and future years.

Human Resources

- 4.2 It is anticipated that delivery of savings will impact on the Council's future workforce. The Council has established corporate and service workforce plans which include active management of the size of its permanent workforce; vacancy management, review of temporary contracts, re-deployment and voluntary early release. Regular communication with the workforce and trade unions will continue.

Legal

- 4.3 It is a statutory requirement for the Council to set a balanced budget and appropriate level of Council Tax to support this. Development of a balanced budget is contingent on identification and subsequent delivery of significant transformation and savings alongside management of risk and pressures, particularly those of a demand led nature. Chief Officers will require to provide assurance that plans are in place to secure delivery of proposed savings and deliver services within the final financial envelope.

Equality/Socio-economic

- 4.4 Equality Impact Assessments will be carried out for all options presented to Council to assist Council's in making decisions on the bridging of the funding gap.

Environmental and Sustainability

- 4.5 This is a key priority for the Council. Significant levels of investment are already in place through the Capital programme and Council Investment funds. Moving forward this will continue to be a key area where available investment will be prioritised in order to progress the Council towards achieving net zero.

Key Priorities

- 4.6 In addressing the financial challenge which the Council faces it will seek to minimise the impact this has on delivering its key priorities within the context of the Council Plan 2023-28.

Community Wealth Building

- 4.7 All capital and revenue investment will be considered within the context of the Council's Community Wealth Building Strategy.

5. Consultation

- 5.1 The report includes details of the Council's planned programme of engagement and consultation. This programme will include citizens, community and stakeholder groups. Details are included in appendix 2 of the report. The feedback from this programme of engagement will be considered as part of the development of the Council's Medium-Term Financial Plan for 2025/26 to 2027/28.

Mark Boyd
Head of Service (Finance)

For further information please contact **Mark Boyd, Head of Finance**, on **01294 324560** .

Background Papers

None

Appendix 1

Outline Draft Budget Proposals 2025/26 to 2027/28

Areas of Engagement with Communities to seek feedback and assess impacts:

Directorate	Budget Proposal	Budget Engagement - Consultation	2025/26 Saving £	2026/27 Saving £	Total Saving £
Communities and Housing	<p>KA Leisure will carry out a review of its services and consider the following areas;:</p> <p>This proposal is to review the current usage of facilities and associated costs and develop proposals for optimisation of opening hours and service provision on a site by site basis. The proposal also involves a full review of the current pricing structure (including hire pricing, e.g. swimming, ice and pitch hire). Any proposed rise in pricing structure will be mitigated for those facing financial difficulties through the ongoing delivery of programmes such as Access Plus, offering reduced costs for those on low incomes and specific benefits, and Active North Ayrshire, a physical activity on referral programme for people living with long term conditions.</p>	Budget Engagement	£0.305m	£0.325m	£0.630m
Communities and Housing	<p>Public Libraries- Retention of all locality hub libraries and Cumbrae Library;</p> <p>This proposal is to retain the following libraries:</p> <p>North Coast and Cumbrae Millport, Largs, West Kilbride</p> <p>Three Towns Ardrossan, Stevenston</p> <p>Arran Brodick and Mobile library</p> <p>Kilwinning</p>	Budget Engagement and Consultation	£0.160m	£0.140m	£0.300m

	<p>Kilwinning Irvine Irvine Garnock Valley Kilbirnie</p> <p>The proposal will involve the closure of the following six branch libraries – Skelmorlie, Fairlie, Dalry, Beith, Saltcoats and Dreghorn</p>				
Communities and Housing	<p>Closure of Arran Outdoor Education Centre: A number of options have been implemented to address the financial sustainability of Arran Outdoor Education Centre. However, the current net cost of running this facility is £298,000 per annum. The proposal is to cease the provision of an outdoor education service from the facility. Proposals for any alternative use of this facility, should a future decision to close be taken, can be gathered as part of the budget engagement activity, including any potential commercial opportunities.</p>	Budget Engagement and Consultation	£0.149m	£0.149m	£0.298m
Communities and Housing	<p>Review services at Eglinton park: This proposal is for the removal of the Countryside Rangers Service based at Eglinton Park. The current service includes engagement with schools, community groups and partners in relation to nature conservation, biodiversity, preservation, green health and nature-based learning. Eglinton Community Garden would be closed. Volunteering opportunities, including those related to maintenance of the park, would be impacted. Caretakers would be retained in the park to assist with day to day upkeep and a post retained to support events and activities.</p>	Budget Engagement	£0.076m	£0.022m	£0.098m
Place	Review the waste collection frequency for purple and blue bins:				

	<p>Currently the purple bins (glass, cans, plastics and cartons) and blue bins (paper, card and cardboard) are collected every 3 weeks. This is the same frequency as the grey bin (residual waste), with the brown bin (food and garden waste) collected every 2 weeks.</p> <p>Presentation rates for purple bins and blue bins are currently just over 60% of people putting these bins out for collection. This proposal will reduce the collection frequency for purple and blue bins to every 4 weeks, and will better reflect levels of demand</p>	Budget Engagement	£0	£0.300m	£0.300m
Place	<p>Apply an annual charge for collection of garden waste: In line with other local authorities across Scotland this proposal recognises that the collection and disposal of garden waste, unlike the other domestic waste streams, is not a statutory service. This proposal will ensure the ongoing viability and frequency of the garden waste collection service via the brown bin. Those citizens that do not sign up for the scheme will still have the facility at local Household Waste and Recycling Centres to use for disposal of garden waste which is free of charge. Citizens wishing to use their brown bin for solely food waste will not require to pay the proposed annual charge. The income projections are based on an annual £50 charge.</p>	Budget Engagement	£0.588m	£0.107m	£0.695m
Place	<p>Introduce charging for car parking at Council owned car parks: Following the successful introduction of Decriminalised Parking Enforcement (DPE) across North Ayrshire this proposal will introduce charging for car parking at Council owned car parks across North Ayrshire. The car parks include;</p> <p>In Irvine it is proposed to introduce parking charges in 3 town centre car parks at Kirkgate, West Road and East Road. It is also proposed to</p>	Budget Engagement and Consultation	£0.220m	£0.220m	£0.440m

	<p>introduce resident parking permits for residents of Hill Street affected by the introduction of the parking charges. It is proposed that the first permit would be free of charge, and it is suggested that an additional permit should incur an administration fee of £100. It is also proposed to introduce a small number (6 bays) of time limited free (30 mins) free parking at East Road Car Park to assist with short stops required to access local businesses in the town centre.</p> <p>In Kilwinning it is proposed to introduce car parking charges in 2 car parks, these being at Almswall Road and at Oxenward. It is proposed that resident parking permits are issued to the residents that are fronting and abutting Almswall Road car park and also the residential properties affected on Almswall Road. It is proposed that the first permit would be free of charge, and that any additional permit should incur an administration fee of £100. It is also proposed that there should be some time limited free patient parking (up to 60 minutes) on Almswall Road for up to 5 vehicles and time limited patient parking at Oxenward Surgery for 2 vehicles (up to 60 minutes). In addition, it is proposed some time limited free parking (up to 60 minutes) in Woodwynd West for up to 6 spaces and Oxenward (Boulevard) for to 2 vehicles to assist with short stops required to access local businesses in the town centre.</p> <p>In Saltcoats it is proposed to introduce car parking charges in Vernon Street, and Kirkgate. Residential parking permits are not considered necessary in any of the car parks.</p> <p>In Largs there is already car park charges in place at the Seafront Car Park and at Bellman's Close. It is proposed to introduce further parking charges in the car park at Gateside Street. It is proposed to introduce resident parking permits in the Gateside Street car park for residential properties in the immediate vicinity of the car park. It is proposed that the first permit would be free and that any additional permit should incur an administration fee of £100. In addition, it is proposed to introduce</p>				
--	--	--	--	--	--

	<p>time limited free parking in Fraser Street and Morris Street (up to 60 minutes) for visitors. This will remain unlimited to the residents of Fraser Street and Morris Street who have no access to off street parking.</p> <p>The proposed car parking tariffs are - Up to 1 hour - £1.50 2 hours - £2.00 4 hours - £3.50</p> <p>It is anticipated that through this proposal a more regular flow of car parking availability would be achieved at Council owned car parks and improve accessibility to town centres.</p>				
Place	<p>Review of Economic Development, Growth and Regeneration Services: The scope of the review will cover 4 key areas of the Service: Business Support and Development, Economic Policy, Growth & Investment and Regeneration including Active Travel and Transport. The total annual revenue budget for running the services is £3.932m, which is further supported by external funding from a range of sources.</p> <p>The activities across the teams have a range of service delivery priorities and funding and they are aligned to the priorities within the Council plan which include Wellbeing, Communities and Local Democracy and Climate Change. This includes delivery of the Ayrshire Growth Deal programme, Regeneration Delivery Plan action programme, Vacant and Derelict Land Strategy and implementation, Local Transport and Active Travel strategy and implementation, Economic Policy, North Ayrshire Islands Programme, support for local enterprise including Business Gateway, inward investment, and the delivery of externally funded programmes including the Shared Prosperity Fund.</p> <p>However, within the context of the financial challenges facing the Council it is recognised that economic development and regeneration activities</p>	Budget Engagement	£0.400m	£0.400m	£0.800m

	<p>are broadly of a non-statutory nature. We would welcome feedback from all stakeholders, recognising the broad nature of the services delivered, including community organisations, social enterprises and businesses. . In particular, if the level of investment in this area were to be reduced, what do you think the impact would be to the community within North Ayrshire including local community organisations, social enterprises and businesses?</p>				
Place	<p>Review of Waste Charges: The current cost of providing a Bulky Waste uplift service exceeds the level of income recovered from customers who use the service by around £113,000 per annum. In addition to this, following guidance from the Scottish Environment Protection Agency (SEPA), items of waste upholstered domestic seating that contain persistent organic pollutants (POPs) i.e. items that contain flame retardant covers and foams, require current arrangements to be changed for the collection, storage and disposal of such items. This will involve changes at Household Waste and Recycling Centres and separate collection arrangements for these items as part of the Bulky Waste Uplift service. To ensure compliance with the new guidance this will result in additional costs to the service through additional vehicles and waste operatives. Current charges for the Bulky Waste Uplift service are £27.78 for up to 5 bulky waste items and £5.55 for each additional item. To address the current level of subsidy and recognise the additional costs associated with the collection and disposal of items containing POPs, the new proposed charges are £55 for up to 5 items, with each additional item charged at £11. It is also proposed that any item of waste upholstered domestic seating that contains POPs e.g. sofas, armchairs, sofa-beds, futons etc. are charged at £45 per item.</p> <p>It is fully recognised that this proposal represents a significant increase on the current charges. This reflects the additional cost of running this service.</p>	Budget Engagement	£0 To cover additional costs	-	£0 To cover additional costs

	<p>Citizens can continue to access Household Waste and Recycling Centres to dispose of any household items free of charge.</p>				
<p>Education</p>	<p>Realign the level of teaching resource across North Ayrshire schools: North Ayrshire’s pupil:teacher ratio in 2023 was 12.3 pupils to each teacher. This is close to our lowest level on record, and is significantly below the figure ten years ago of 13.7. Our ratio is also significantly lower than the current national average pupil:teacher ratio of 13.2.</p> <p>The number of pupils across North Ayrshire over the last few years has been falling and is projected to fall further (both in absolute terms and relative to the position across many other parts of Scotland). This has impacted on North Ayrshire Council’s share of national funding through the annual revenue grant from Scottish Government. We have also experienced annual reductions in funding from the Scottish Government through the Attainment Scotland Fund, which amount to almost £3.3m less in 25/26 than we received in 22/23.</p> <p>With the ongoing fall in the pupil roll, we estimate that this proposal to reduce 50 teachers from August 2025 across mainstream primary and secondary schools would result in a pupil:teacher ratio of approximately 13.0 in 2025/26. This is still better than the current national average. In 2026/27 a further reduction of between 20 and 40 teachers is anticipated (the estimated cost savings relate to the lower end of this range), which would still avoid the pupil:teacher ratio exceeding the current national average (i.e. meaning that North Ayrshire Council would continue to have a more favourable number of teachers for the size of school roll than in many other parts of the country).</p>	<p>Budget Engagement</p>	<p>£1.969m</p>	<p>£2.018m</p>	<p>£3.988m</p>

	<p>The proposal is to improve the efficiency of class structures in mainstream primary schools and adjust the core formula which allocates teachers to secondary schools, based on the school roll. A review of the advanced higher delivery models will also contribute to this efficiency.</p> <p>In addition, we will explore the possibility to redeploy a small number of teachers to create a pool that can provide cover for maternity leave (max 10-20 FTE). At present, the Education cover budget is not sufficient to meet requirements, and this adjustment would reduce the pressures on that (thereby avoiding further savings being made to other services) while creating a pool of high-quality and experienced staff to provide such cover without any diminution to learning outcomes.</p>				
Education	<p>Review of Campus Police Officer Arrangements: There are currently eight police officers in operation across secondary schools within the North Ayrshire mainland. This initiative is funded 50% by North Ayrshire Council and 50% by Police Scotland. The total cost of the arrangement is approximately £380,000 annually, with the Council funding approximately £190,000. The proposal is to invite schools to use alternative funding streams (e.g. Pupil Equity Funding) to match-fund the NAC contribution if they wish to continue with this service in recognition of the value they accrue locally (i.e. so NAC would now fund 25% of the total costs and schools would fund a further 25%).</p>	Budget Engagement	£0.095m	-	£0.095m
Education	<p>Realign the level of Pupil Support Assistants in schools: Primary and secondary schools receive an allocation of Pupil Support Assistants (PSA's) who provide a range of support to children and young people to enable them to participate in education and learning. PSA's support their emotional and behavioural needs, literacy and numeracy development and health/disability needs.</p>	Budget Engagement	£0.160m	-	£0.160m

	<p>The allocation of PSA's is based on distribution of available budget across schools based on their school roll and level of social deprivation. This proposal is to remove £160k from the available budget which would result in an approximate reduction of 230hrs per week (8fte) of PSA resource. For context, the levels in 2023 equated to 13,500hrs per week. This was 800 hours per week higher than the 12,700 in 2022, despite a falling pupil roll. This review would help to realign that position.</p>				
Education	<p>Review of School Crossing Patrollers: The School Crossing Patrol budget of £250,699 supports 48 posts providing a school crossing service at locations throughout North Ayrshire.</p> <p>This is a non-statutory service. The maximum realisable saving (modelled here) would be to remove this service in its entirety and redeploy staff elsewhere within the council. A phased approach to delivering this saving would be to remove all current vacant posts, which would avoid the need to redeploy staff. We would then propose to remove all future vacant posts as they arise.</p>	Budget Engagement	£0.251m	-	£0.251m
Education	<p>Review of Provision of Area Inclusion Workers</p> <p>The Education Service has 20 full time equivalent (fte) Area Inclusion Workers (AIW) (8fte Secondary sector and 12fte Primary sector). AIW's develop links between families and schools in a targeted approach to support pupils to maintain their placement in a mainstream school setting and achieve their full potential. It is proposed the AIW FTE in the Primary sector is reduced by 6fte and the remaining 6fte AIW's are allocated to primary schools based on identified need.</p>	Budget Engagement	£0.139m	£0.087m	£0.226m

Education	<p>Facilities Management – Cleaning – Reduction in School/Early Years</p> <p>It may be possible to deliver a reduction of 10% across school / early years cleaning budgets.</p> <p>A calculation of m2 cleaned per hour will be carried out in the first instance to assess which sites have more hours per m2 than others. This will then be benchmarked with other local authorities and an agreed m2 per hour applied (taking account of equipment used and layouts etc).</p> <p>The service would work with school / early years communities to build on positive behaviours in educational establishments to reduce required cleaning.</p>	Budget Engagement	£0.230m	£0.115m	£0.345m
Education	<p>Redesign of Music Service</p> <p>Redesign of service provision within the Music Service to account for reduction in school rolls, whilst retaining our commitment to supporting authority-wide access to instrumental tuition across a broad range of instrumental categories. Estimated savings equate to 1 Full Time Equivalent post.</p>	Budget Engagement	£0.039	£0.024	£0.063
Education	<p>Review of Educational Psychology Service</p> <p>It is proposed that a review of the Educational Psychology Service is undertaken. Estimated savings equate to 1 Full Time Equivalent post.</p>	Budget Engagement	£0.064	-	£0.064
Corporate	<p>Apply a 100% Council Tax Premium on Second Homes:</p> <p>Following a Scottish Government Consultation, Councils now have the powers to vary the Council Tax charge for second homes from the current 100% charge to include a premium of up to a further 100% of the Council Tax charge.</p>	Budget Engagement and Consultation	£1.500m	-	£1.500m

	<p>The main policy intent behind these powers is to mitigate the negative impacts of second home ownership across our communities, including our island communities, through the promotion of a behavioural change across second homeowners which leads to a better balance between second homes and more permanently occupied homes. This could also help increase the supply in the private rented sector and benefit local economies with a shift in more housing occupancy throughout the year.</p> <p>Although modelling on the potential impacts of these behavioural changes will be required on an annual basis, it is currently anticipated that net additional recurring Council Tax income of up to £1.500m per annum will be realised from the implementation of a 100% premium on second homes from 1 April 2025. This is an important source of revenue for the Council to help maintain vital services against a backdrop of significant financial pressures.</p> <p>The island communities of Cumbrae and Arran have a high proportion of second home ownership. 30% of North Ayrshire second homes are located on Cumbrae (451), 39% on Arran (580) and 31% on the mainland (464 properties). This policy would be applied across all North Ayrshire and it is intended to have the same impact across the whole area, with regards to initiating a behavioural change that leads to more home occupancy when compared to the current threshold of a minimum of 25 days per year. It is recognised however that the impact of such a change could be proportionately greater across the island communities due to the much higher proportion of second homes compared to primary homes for permanent island residents. This proposal will be supported by the completion of Island Community Impact Assessments for both island communities.</p>				
Corporate	Review of Non-Domestic Rates – Empty Property Reliefs		£0.350m	-	£0.350m

	<p>Following changes to the legislation governing the administration of Non-Domestic Rates, Empty Property Relief is no longer a mandatory relief and local authorities can set their own policies for offering discretionary relief to empty properties. The current North Ayrshire policy for Empty Property Relief is as follows:</p> <ul style="list-style-type: none"> • Empty properties are eligible for 50% relief from non-domestic rates for the first 3 months in which they are empty, followed by a maximum 10% relief thereafter. • Empty industrial properties are eligible for 100% relief from non-domestic rates for the first 6 months in which they are empty, followed by a maximum 10% thereafter. <p>In certain circumstances empty properties may receive 100% relief from non-domestic rates for the entire period during which they are empty, this includes:</p> <ul style="list-style-type: none"> • All listed buildings; • properties with rateable values under £1,700; • properties owned by a trustee for sequestration, liquidation or executors; • where the company who owns the property has been wound up; • where the property cannot be occupied by law; • properties subject to a compulsory purchase order; and • where there are no buildings (empty ground). <p>At the beginning of the year over 400 properties in North Ayrshire were in receipt of empty property relief. The main policy intent around the use of discretionary non-domestic rates reliefs is to have a policy that is fair to the owner and recognises the circumstances around different types of property use, however, this should be balanced against the need to bring properties back into economic use within a reasonable timeframe, so as</p>	Budget Engagement			
--	---	-------------------	--	--	--

	<p>not to blight the landscape from long periods of unoccupancy. This proposal will consider a change to the policy of awarding 100% open ended relief to properties e.g. including those with listed building status and will also examine the current relief thresholds for properties. This would also generate further vital revenue to the Council.</p>				
Corporate	<p>Charge a Tourist Visitor Levy: The Visitor Levy (Scotland) Bill was passed on the 28 May 2024 by the Scottish Parliament. This gives legal powers to Local Authorities to introduce a Visitor Levy</p> <p>The Act also requires that the Council must publicly consult on any recommended Visitor levy scheme. The consultation must contain the following information for stakeholders to respond to:</p> <ul style="list-style-type: none"> • An outline of the proposed scheme; • Confirmation of instances where the Visitor Levy would not be payable; • The objectives of the scheme, and a proposal for how these will be measured; and • An impact assessment. <p>Following the consultation, the Council must then consider adjustments to the scheme and formally announce its intention to implement a Visitor Levy to the Scottish Government and the public. This announcement begins an 18-month implementation period, after which the Visitor Levy can be implemented.</p> <p>At this time the Council is currently awaiting further detailed guidance around the Visitor Levy scheme from the Scottish Government. When this is received, work on developing a draft scheme for North Ayrshire will commence. An important consideration in developing the scheme is</p>	Budget Engagement and Consultation	£0	£TBC	£TBC

	<p>that any revenue generated from the levy should exceed the cost of administration of the scheme. In simple terms, the revenue generated from a Visitor Levy needs to be 'enough to be worth it' in order to deliver a meaningful level of investment in North Ayrshire, but also be proportionate in terms of having no detrimental impact on the competitiveness of North Ayrshire's tourism offer.</p> <p>The levy would likely take the form of a % levy applied to visitor overnight accommodation stays up to a maximum number of overnight stays. The revenue generated, after deducting the cost of administration, could be used to invest in Council services and infrastructure to support the visitor economy. Although a draft scheme has still to be fully developed and this will be subject to further public consultation, some early feedback around the principles of such a scheme would be appreciated.</p>				
Corporate	<p>Shared Services on a Regional Basis: All Councils are facing significant financial challenges, with the funding for services not keeping pace with the cost of running services. It is recognised that individual local authorities could collaborate more and even consider delivering services on a regional basis e.g. across Ayrshire. This would require the 3 Ayrshire Councils to work together to consider and assess the areas of service delivery that could benefit from a shared service model, generating financial efficiencies through shared service operations and delivering agreed outcomes to each Ayrshire local authority. In the absence at this stage of any fully developed proposals, feedback is sought on the principle of sharing services on a regional basis.</p>	Budget Engagement	£0	£TBC	£TBC
Council Tax:	<p>Level of Increase in Council Tax: When agreeing the Budget each year the Council also sets the level of Council Tax for the year. This is a vital source of income for the Council</p>				

and accounts for around £65million, which equates to around 17% of the Council's total funding. In 2024/25 the Scottish Government provided additional funding to Councils to freeze the level of Council tax at 2023/24 levels.

The Council's main source of funding is from the Scottish Government annual revenue grant. This funding has not kept pace with the cost of running day to day Council services which was significantly impacted by high levels of inflation over the last couple of years. When the level of funding does not match the cost of running services, this requires the Council to make significant savings to balance the Budget. For 2025/26 the projected budget gap is over £16million. If Council tax were to increase by 5% in 2025/26 this would likely reduce the gap to approximately £13million. This still presents a significant challenge to the Council.

The more revenue that is generated from Council tax would help protect vital Council services, however, it is recognised that this places further pressure on households.

The Council's current planning assumption is for a 5% increase in Council tax for 2025/26. This would generate additional revenue of approximately £3.25million. The table below illustrates the likely additional revenue from each % rise in Council tax:

1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
£0.6	£1.3	£1.9	£2.6	£3.2	£3.9	£4.6	£5.2	£5.8	£6.5
m	m	m	m	m	m	m	m	m	m

What would an increase in Council tax mean? The table below sets out the annual Council tax bill based on increases from 1% to 10%:

Council Tax Band	Council Tax 24/25 £	1% Increase	2% Increase	3% Increase	4% Increase	5% Increase	6% Increase	7% Increase	8% Increase	9% Increase	10% Increase
A	968	978	987	997	1,007	1,016	1,026	1,036	1,046	1,055	1,065
B	1129	1,141	1,152	1,163	1,175	1,186	1,197	1,208	1,220	1,231	1,242
C	1291	1,304	1,317	1,329	1,342	1,355	1,368	1,381	1,394	1,407	1,420
D	1452	1,467	1,481	1,496	1,510	1,525	1,539	1,554	1,568	1,583	1,597
E	1908	1,927	1,946	1,965	1,984	2,003	2,022	2,041	2,061	2,080	2,099
F	2360	2,383	2,407	2,430	2,454	2,478	2,501	2,525	2,548	2,572	2,596
G	2844	2,872	2,901	2,929	2,957	2,986	3,014	3,043	3,071	3,100	3,128
H	3558	3,593	3,629	3,664	3,700	3,736	3,771	3,807	3,842	3,878	3,913

What level of increase would you be prepared to pay to help protect vital Council services? Please select one of the following:

No increase	
Less than 5% increase	
5% Increase	
6% Increase	
7% Increase	
8% Increase	
9% Increase	

10% Increase	
---------------------	--

Appendix 2 – Community Groups and Stakeholder Network

Group	Characteristic	Service holding conversation
New Scots	Ethnicity	Connected Communities
Young People including MSYPS, Youth Conference and Joint Cabinet	Age	Connected Communities and Education
Older People's Voice Network	Age	Connected Communities
Locality Networks	Place based/socio-economic (Fairer Scotland)	Connected Communities
North Ayrshire Federation of Community Organisations	Place based/Socio-economic (Fairer Scotland)	Connected Communities
Locality Based Groups eg Mens Shed, She Shed, LGBT Youth etc.	Place based/Socio-economic (Fairer Scotland Sex/Gender LGBT	Connected Communities
Fairer Food Network	Place based/Socio-economic (Fairer Scotland)	Connected Communities
Third Sector Chief Officers Group	All Consumer Duty	Connected Communities
ASN Young People	Age Long term conditions	Connected Communities
Champions Board	Care Experienced	Connected Communities
Arran Youth Foundation	Place based/Socio-Economic (Fairer Scotland) Island Proofing Age	Connected Communities
Long Covid Group	Long term conditions	Connected Communities
Healing Hands Bereavement Group	Socio-economic (Fairer Scotland) Consumer duty	Connected Communities
Primary Pupil Representatives	Age	Education
Parent Councils	Place based/Socio-economic (Fairer Scotland) Consumer Duty	Education
North Ayrshire Network of Registered Tenants Associations	Gypsy Travellers Place based/Socio-economic	Housing

North Ayrshire Inspection Panel	Place based/Socio-economic (Fairer Scotland) Consumer duty	Housing
Businesses	Place based Consumer duty	Economic Development, Growth and Regeneration
Preparing for Employment Parent Group	Socio-economic (Fairer Scotland) Sex/Gender	Economic Development, Growth and Regeneration
Equal Programme	Disability/Long term conditions	Economic Development, Growth and Regeneration
First Steps Group	Care experienced	Economic Development, Growth and Regeneration
Employee Disability Forum	Disability/Long term conditions	Democratic Services
Biodiversity Partnership and Climate Change Steering Group	Place based Consumer Duty Environmental Impact	Sustainability, Transport and Corporate Property
Arran Eco-savvy	Islands Place based/Socio-economic(Fairer Scotland) Environmental Impact	Sustainability, Transport and Corporate Property
Cumbræ Community Development Company	Islands Place based/Socio-economic(Fairer Scotland) Environmental Impact	Sustainability, Transport and Corporate Property
Alcohol and Drugs Partnership Hub and Conversation Cafes	Long term conditions Socio-economic (Fairer Scotland)	HSCP
Carers Gateway	Long term conditions Socio-economic (Fairer Scotland)	HSCP

In addition to conversations on the full range of proposals with the above groups, specific groups who will be impacted by particular proposals will be asked to respond to the specific question regarding that proposal. This will include users of KA Leisure services, users of Eglinton Park and school stakeholders. They will also be signposted to the full survey online.

Paper copies of the full survey will be made available at libraries and KA leisure facilities, as well as signposting to the online survey. Services will promote the online survey to the residents they are in contact with through their social media channels and other resources such as frontline TV screens.