

Action from Special Moray Council on 07/11/2022	
Agenda Item No:	5
Report Title	Audited Annual Accounts 1 April 2021 to 31 March 2022
Responsible Officer:	Lorraine Paisey
Information Sought:	Response:
A workshop/briefing be provided in relation to the funding distribution methodology for Local Authorities.	Briefing below and annex emailed to EMs from Caroline O'Connor on 18/11/22.

MEMBERS' BRIEFING ON GENERAL REVENUE GRANT

Overview

An analysis of the process is described on SG website – link below – this briefing summarises the main points and puts a Moray slant on some items.

<https://www.gov.scot/publications/funding-local-government-scotland-2022-23/pages/1/>

Scottish Government decide how much money they are allocating to local government as part of their budget setting process. In 2022/23 this was £11,907 million revenue and £685 million capital. This briefing considers the distribution of revenue funding.

Not all of the funding is allocated at the beginning of the financial year, with funding associated with specific initiatives identified at an aggregate level and removed from the initial distribution, typically where distribution is dependent on statistical returns later in the year.

The bulk of that funding is distributed as General Revenue Grant (GRG). The amount to be distributed to each individual authority is built up as described below.

Step 1 – Total Estimated Expenditure (TEE)

There are 4 components to TEE. By far the largest in terms of quantum is entitled “Updated Service Provision”. How this is calculated will be described in more detail below. There is a second component – a balancing figure to bring the total to the amount to be distributed -entitled “Changes 2008/23” which for 2022/23 was distributed to individual authorities pro rata to the sum of two components (GAE+SINA – see below) of Updated Service Provision. The third component is funding for supported borrowing – historic borrowing pre dating the introduction of the Prudential Code – plus funding for PPP/PFI initiatives. These are all calculated on an individual authority basis. Those three elements are added together and the amount of grant which would be allocated to each authority calculated and compared

with grant funding for the previous financial year. As part of the budget setting process a “floor” – the Main Floor – is set each year.

The results of the Main Floor calculation are added to the first three components:
Updated Service Provision + Changes 2008/23 + Loans Charges / PPP/PFI support
+ Main Floor = Total Estimated Expenditure.

Further detail on these components is set out below.

Updated Service Provision

This consists of Grant Aided Expenditure (GAE), Special Islands Needs Allowance (SINA), Formerly Ring-Fenced Grants (FRFG) and previous years redeterminations of GRG (additional grant funding to enable specific new initiatives to take place). The main component of this is GAE, and this is therefore key to understanding the method of distribution of GRG.

GAE

GAE is a needs-based methodology for distributing funding based on objective measures. Total GAE is split over 76 sub-service areas – eg primary school teachers, services for home based elderly, roads maintenance. It is described as the client group approach as it seeks to distribute funding based on measures of the “clients” expected to benefit from services – eg number of primary school children, number of people over 65 – and on other statistical measures appropriate to the sub-service areas – eg kilometres of road. In addition to these, other measures - referred to as indicators - which are expected to have an impact on variations in cost from one local authority area to another are taken into account: examples would be population dispersion (a measure of rurality) and deprivation.

GAE isn't a budget figure. It is simply a method of allocating SG funding. Once all the individual allocations have been made they are added together to give a total GAE for each local authority. Redeterminations are generally calculated using similar statistical methods to allocate funds and there has been a move in recent years to add the amount of redetermination into a relevant GAE line rather than retain as a separate component in the settlement.

The basis for allocations are tested periodically to ensure that the expected relationship between indicators and demand for or cost of service still pertains. In 2022/23 29% GAE was distributed on pupil numbers, 20% on other population indicators, usually subsets of the population, 18% on deprivation. Only 1% was distributed on rurality indicators.

FRFG

This is funding which prior to 2007/08 was distributed as ring fenced funding – ie restricted to specific purposes –but which has since then been included as part of GRG.

The Main Floor

Because funding allocations are based on a variety of measures which change over time, the amount of funding which an individual council can expect to receive as a

proportion of total Scottish local authority funding will also vary. In order to smooth the impact of movement in these statistical measures, SG uses a modifying calculation – known as the Main Floor. Prior to 2010/11, the Main Floor was used as a tool to ensure that every council had at least a certain percentage increase in their SG grant funding; post 2010/11 the Floor is used to ensure that no local authority's grant funding is reduced below a certain percentage: that percentage is the Floor. An iterative process of reallocation of the initial calculation of grant is carried out until no reduction in allocation is less than the Floor. The number of Councils who benefit from this varies considerably each year. However, there are some which consistently benefit and some – of which Moray is one – which consistently lose out.

Step 2 – calculation of grant

An assumed contribution from Council Tax is calculated, based on information supplied by local authorities annually on their Council Tax base. The same level of notional Council Tax is used for each local authority – in 2022/23 this was £913, lower than the lowest Band D equivalent any Scottish local authority levied in 2021/22 (but no allowance is made for non-collection either). This is deducted from TEE. Any grant funding to be paid as Specific Grant is also deducted. This gives the amount of general grant funding deemed to be required by each local authority. An estimate of Non Domestic Rates Income (NDRI) to be collected locally is made, based on local authority returns. This is deducted as being deemed to have been collected and retained locally. During the year, as updated returns on NDRI are made, adjustments are made to the payments of GRG from SG to ensure that total grant funding remains that calculated as being due.

The final potential adjustment is the 85% Floor. Total revenue funding plus assumed Council Tax receipts are compared to the Scottish average, and any Council receiving less than 85% per capita of the Scottish average will be topped up to 85%. Only Edinburgh City and Aberdeen City have benefited from the 85% Floor.

Individual Revenue Allocations for 2022-23

ANNEX B

	Expenditure					Funding						
	1	2	3	4	5	6	7	8	9	10	11	13
£million	Updated Service Provision	2008-23 Changes	Loan Charges/ PPP/ LPFS	Main Floor	Total Estimated Expenditure	Assumed Council Tax contribution	Total Ring-fenced Grants	Non Domestic Rates	General Revenue Funding	Total	85% floor	Revised Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	473.290	18.816	17.891	-6.589	503.408	93.626	28.831	268.557	112.394	409.782	0.000	409.782
Aberdeenshire	600.349	23.971	18.838	-8.607	634.552	113.278	33.562	138.786	348.927	521.274	0.000	521.274
Angus	274.637	10.891	11.249	-3.376	293.401	44.383	15.010	26.160	207.848	249.018	0.000	249.018
Argyll & Bute	233.874	9.332	9.037	15.850	268.093	39.931	12.186	33.179	182.797	228.162	0.000	228.162
Clackmannanshire	127.361	5.053	4.595	-1.828	135.180	19.572	8.045	18.065	89.498	115.608	0.000	115.608
Dumfries & Galloway	377.333	14.950	15.126	-3.287	404.122	59.603	18.545	51.388	274.586	344.519	0.000	344.519
Dundee City	378.345	14.994	5.762	3.124	402.225	47.795	23.184	35.496	295.750	354.430	0.000	354.430
East Ayrshire	307.647	12.192	9.710	-4.582	324.967	42.949	18.810	23.226	239.982	282.018	0.000	282.018
East Dunbartonshire	267.820	10.674	3.961	-3.700	278.755	51.034	12.364	17.675	197.682	227.721	0.000	227.721
East Lothian	250.833	9.982	3.684	-3.451	261.047	47.700	13.605	28.686	171.056	213.347	0.000	213.347
East Renfrewshire	242.671	9.681	9.020	-3.271	258.102	43.756	9.951	9.574	194.821	214.346	0.000	214.346
Edinburgh, City of	1,055.373	41.960	23.165	9.231	1,129.729	224.483	56.739	249.861	598.646	905.246	10.116	915.362
Eilean Siar	87.893	3.520	6.824	17.984	116.221	9.602	4.346	8.149	94.124	106.619	0.000	106.619
Falkirk	374.492	14.853	19.163	-5.415	403.094	59.717	23.131	80.433	239.813	343.377	0.000	343.377
Fife	887.593	35.166	30.245	-13.035	939.969	141.061	52.847	179.675	566.386	798.908	0.000	798.908
Glasgow City	1,554.519	61.583	36.258	42.849	1,695.208	217.525	100.324	296.203	1,081.156	1,477.683	0.000	1,477.683
Highland	593.564	23.612	30.254	-2.212	645.218	98.460	32.673	141.565	372.520	546.758	0.000	546.758
Inverclyde	203.972	8.076	9.993	2.258	224.299	27.699	11.315	15.906	169.379	196.600	0.000	196.600
Midlothian	224.607	8.948	6.337	-3.088	236.804	37.780	14.835	24.895	159.294	199.024	0.000	199.024
Moray	218.589	8.683	8.194	-3.253	232.212	34.745	12.020	54.575	130.872	197.467	0.000	197.467
North Ayrshire	352.420	13.950	5.730	8.084	380.183	50.154	20.057	37.745	272.228	330.029	0.000	330.029
North Lanarkshire	840.898	33.418	9.853	-12.171	871.998	117.725	49.382	111.737	593.154	754.273	0.000	754.273
Orkney Islands	86.682	3.510	5.605	-1.330	94.467	8.243	15.527	12.954	57.743	86.224	0.000	86.224
Perth & Kinross	353.975	14.074	11.853	-4.793	375.109	66.803	17.194	46.141	244.970	308.306	0.000	308.306
Renfrewshire	435.674	17.310	7.705	-6.131	454.558	71.555	25.589	108.076	249.338	383.003	0.000	383.003