

The Funding of Local Government in Scotland, 2023-24

published: 2 March 2023



Scottish Government
Riaghaltas na h-Alba
gov.scot

An Official Statistics
publication for Scotland



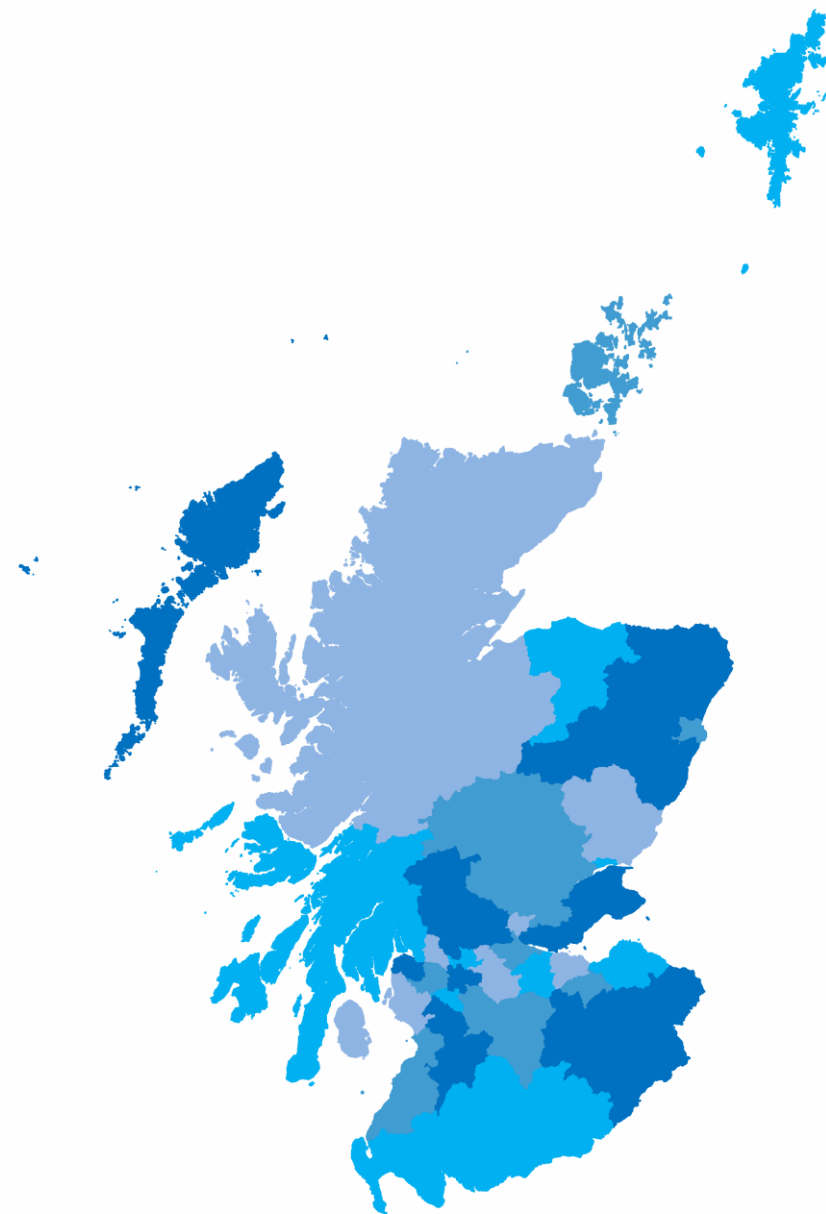
The Funding of Local Government in Scotland, 2023-24

Introduction

There are 32 Local Authority councils in Scotland. Each council is responsible for a range of services, such as schools, housing, social work, street lighting, road maintenance, refuse collection, elections, and planning.

Councils in Scotland spent about £23 billion in 2021-22. This was mainly funded from four sources: Scottish Government grant, service income, Non-domestic Rates, and Council Tax.

The Scottish Government seeks to distribute its funding fairly between councils. It does this by agreeing the method of distribution with the Convention of Scottish Local Authorities (COSLA) and councils. This publication describes the calculations used for 2023-24.



Where do councils get their funding from?

In 2021-22 councils spent about £23 billion, that's £4,300 per person in Scotland. They raised this mainly from four sources of income.

Service Income is income that councils receive directly linked to services they provide. It is treated separately and can only be used for the stated purpose, so this income is not considered in this publication. That leaves £14 billion of general funding.

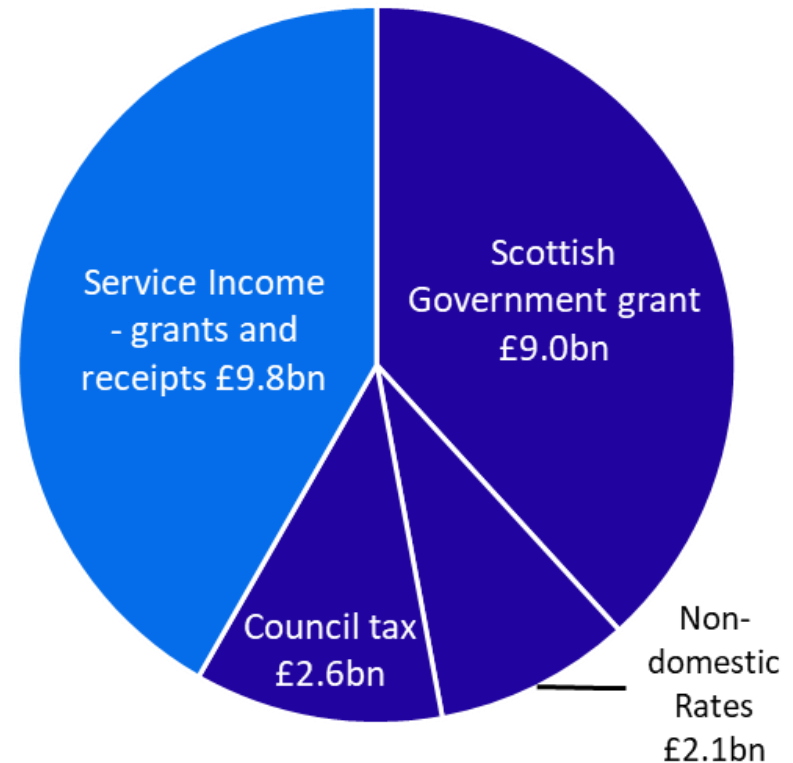
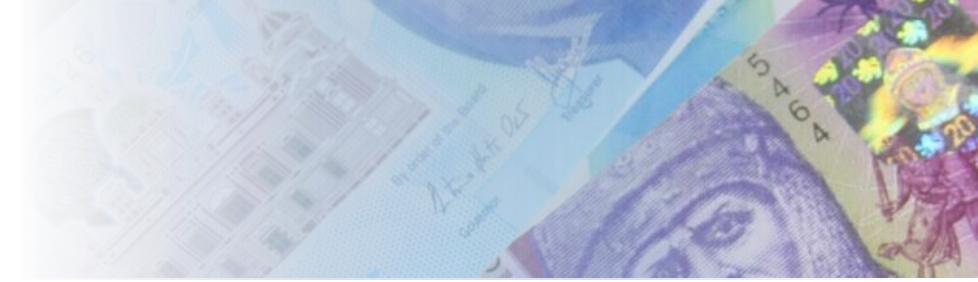
The largest share of general funding was Scottish Government grant, which in 2021-22 was £9.0 billion, or 66 per cent of general funding.

Non-domestic Rates, paid mainly by businesses, raised £2.0 billion, or 15 per cent of general funding.

Council Tax raised £2.6 billion, or 19 per cent of councils' general funding.

Total council
spend 2021-22

£23
billion



A complete analysis of Local Government spend is published in [Scottish Local Government Finance Statistics](#). The figures in that publication are in more precise technical categories and so may appear to be different from those published here. However, the two sets of figures are consistent.

How did we calculate how much Scottish Government grant each council should receive?

For 2023-24, councils will receive £14.5 billion of general funding. So, considering just this general funding:

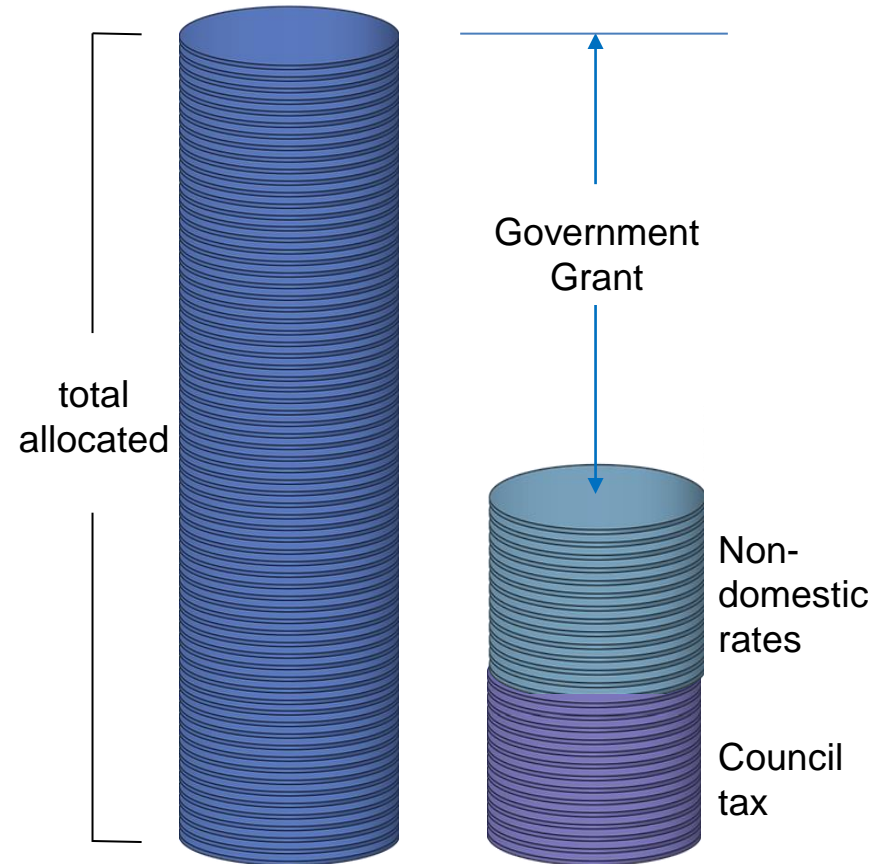
1. We calculated each council's fair share of the £14.5 billion of available funding.
2. Then we subtracted how much income we estimate each will receive from Council Tax and Non-domestic Rates.
3. Then the remainder was given as grant, mainly General Revenue Grant.

So if a council's fair share was £400 million, and they would receive £70 million from Council Tax and £90 million from Non-domestic Rates, then we gave £240 million as Government Grant.

$$(400 - 70 - 90 = 240)$$

General Funding of
councils in
2023-24

£14.5
billion

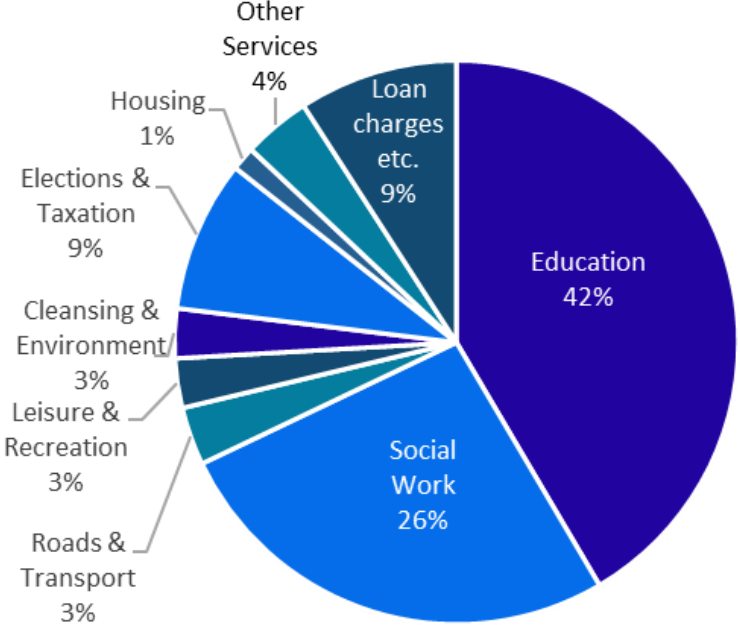


How did we calculate each council's fair share of the available funding?

The first part of the process was to calculate each council's fair share of the £14.5 billion. To do this each service area was considered separately. For 2023-24 there were 151 such areas considered.

For example, within Education there were 32 different areas considered, ranging from childcare through to adult education. They varied in size, from the £1.2 billion pot for secondary school teaching, to the £0.5 million pot for Further Education travel responsibilities in some areas. In most cases, those totals are just kept constant each year.

You can see a full list of the 151 areas, together with their allocations, in the Local Government Finance Green Book, which is an Annex to this publication. The Green Book is available online at www.gov.scot/publications/scottish-local-government-finance-green-book-2023-24/



It is very important to note that the amounts in each service area are not spending targets. They are simply a way of dividing up the £14.5 billion so that each service area is considered.

Councils make spending decisions based on local needs. They are generally not expected to spend the amounts distributed on each service.

The actual amounts spent by councils in each service area are therefore different from the above chart.

Number of different service areas considered

151

What information was used to calculate the allocations?

Each service area had a different funding formula. So, for example

- The formula for street lighting distributed £60 million. It was shared out in proportion to the total length of roads in urban areas within each council.
- The formula for Planning & Economic Development distributed £98 million. It was shared out partly in proportion to population, and partly in proportion to deprivation levels, with an extra allocation for island populations.

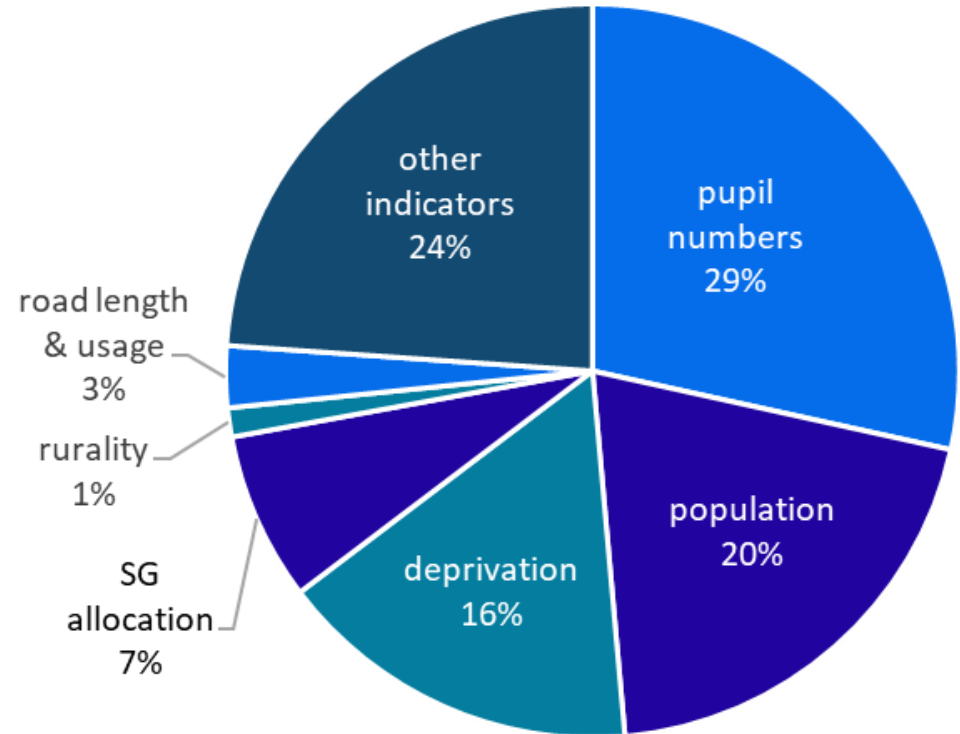
The formulae used the latest data and often took account of deprivation or rurality. Island populations were usually also given a 12 per cent uplift because of their additional costs.

Sometimes councils were given a fixed amount each as part of the formula. In a few cases funding was decided on the basis of bids for funding.

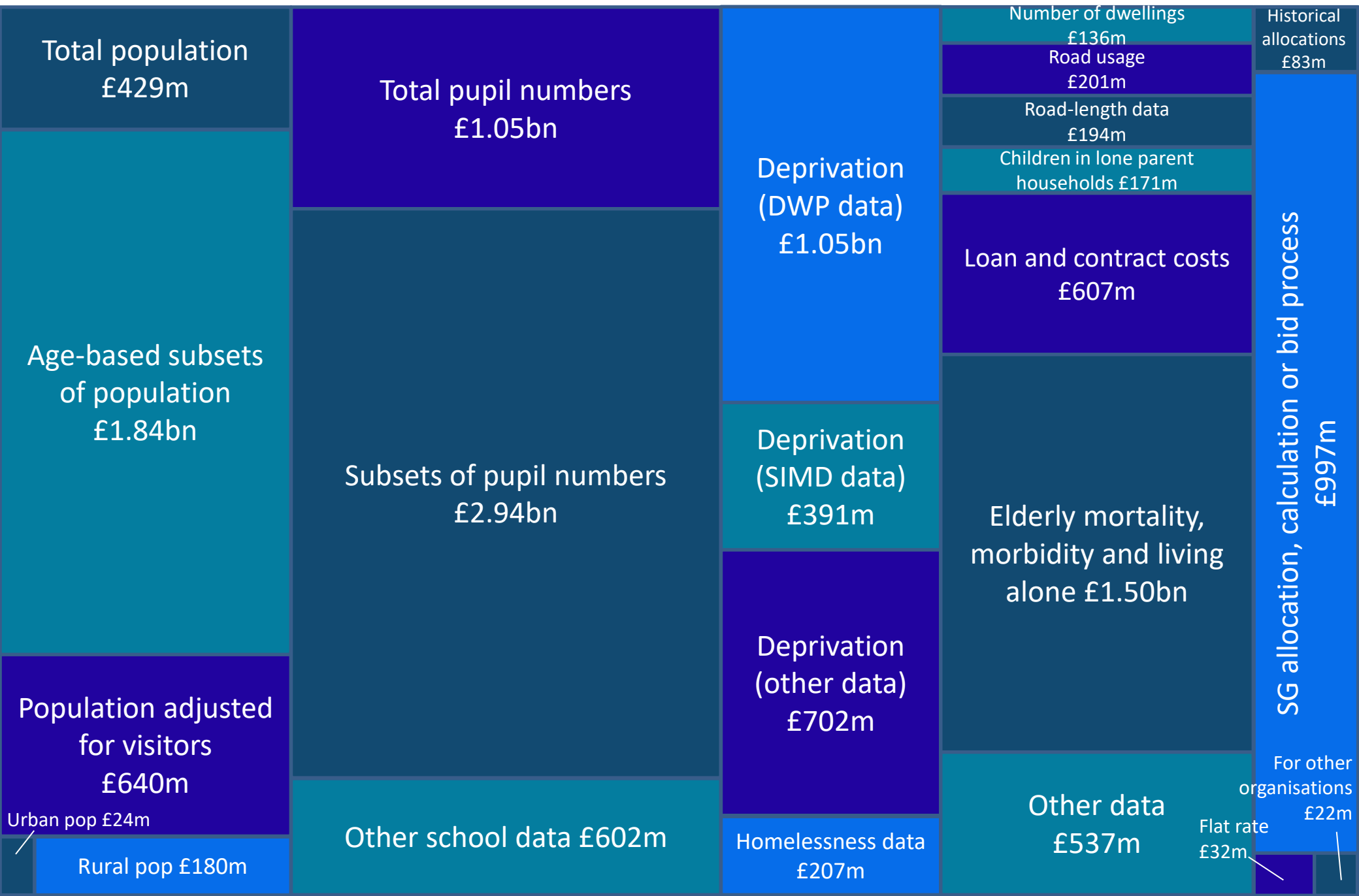
How much of the formula was distributed based on population or pupil numbers

49%

Summary showing how much is allocated based on the 125 different indicators used in the funding formula



Summary of the data used to distribute the 2023-24 settlement

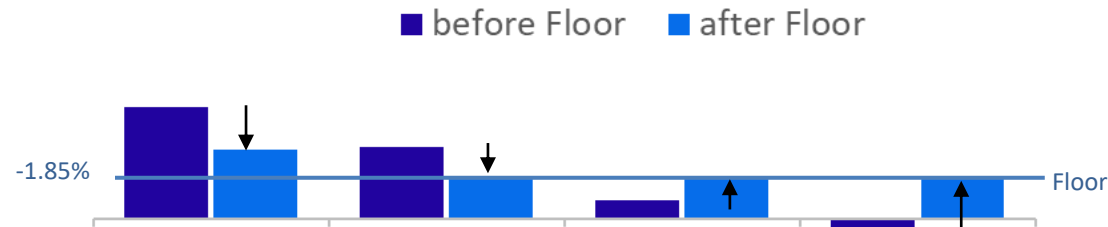


How were councils protected against large changes in their allocation?

After we had used the funding formula to calculate each council's share, we compared the allocations with the previous year. Naturally some councils received a larger percentage increase than others. We then set a lower limit on the percentage change that they were allowed. The limit is called 'the Floor'.

To do this, first we worked out the average percentage change, comparing all but a few areas of the formula. We then set the Floor slightly below that average. It meant that in 2023-24 councils were allowed, at worst, a 1.85 per cent increase in their regular funding.

Where the funding formula had given councils an increase greater than the Floor, they pay into a pool. This pool is then distributed to the other councils to bring them up to the Floor.



The funding formula gave some councils larger increases. They pay into the pool, so their allocation is reduced; but it doesn't go below the Floor

The funding formula gave some councils less than the Floor. So they receive additional allocation from the pool to bring them up to the Floor

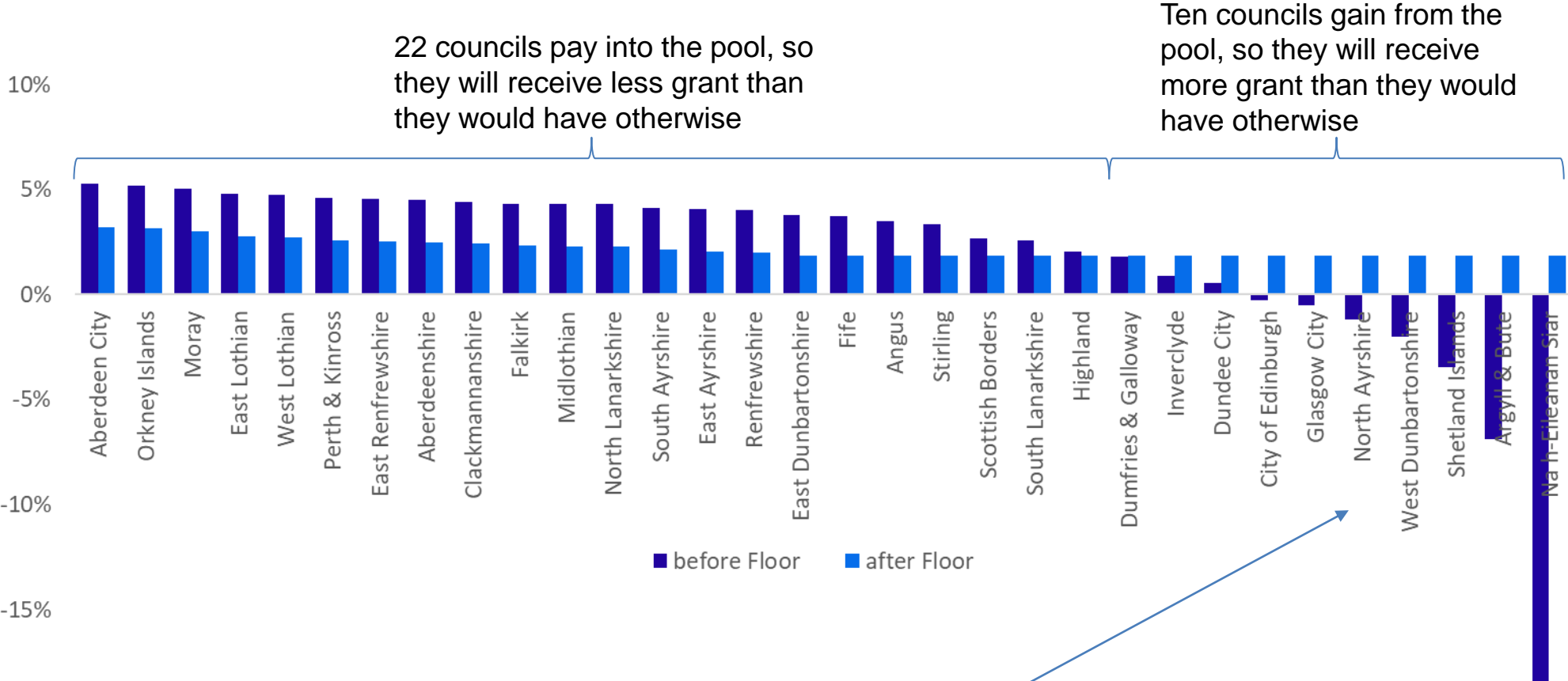
Number of councils who will receive additional funding from 'the Floor'

10

For 2023-24 the funding formula gave an additional £111 million to certain councils, compared to if everyone had just received the same percentage increase. Once we had applied the Floor, they kept £10 million of it.

Who will receive extra support from the Floor in 2023-24?

This chart shows what each council's change in allocation would have been, and what it is after we had set the Floor.



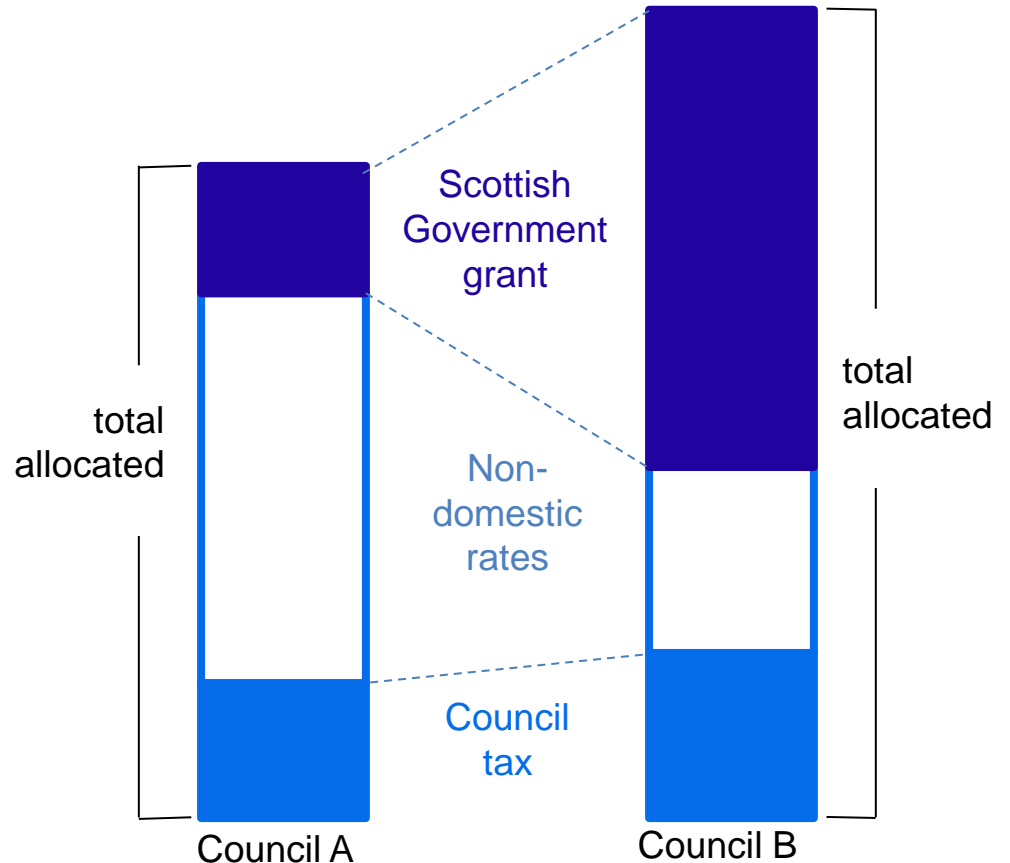
Each council actually received at least a 1% increase due to the formula. But when we calculate the percentage change between this year and last year, we also include last year's Floor payments. This means that, before the Floor this year, there are these large reductions. So the Floor is not just protecting against changes due to the funding formula, but is also protecting allocations that have historically been higher than the funding formula currently gives.

So why will some councils get more Scottish Government Grant than others?

We have seen that the distribution of the £14.5 billion was based on an agreed funding formula, and then adjusted by the Floor.

The next step is to subtract the funding that we forecast they will receive from Council Tax and Non-domestic Rates. The amount each council can raise from these mainly depends on the size of their population and the number of businesses. So really it is only the Scottish Government grant that can be adjusted to ensure that each council receives its calculated fair share of the total funding.

The Scottish Government grant therefore works as a balancing item, providing the remainder of the needed funding. This may mean one council receives a lot more actual grant than another.



In the above example, Council A's share of the available funding is less than Council B's. It also receives much more from Non-domestic Rates raised in its area. So Council A needs to receive a lot less Scottish Government grant.

How did we estimate how much Council Tax each council would receive?

The Scottish Government then estimated how much it would assume each council might raise from Council Tax.

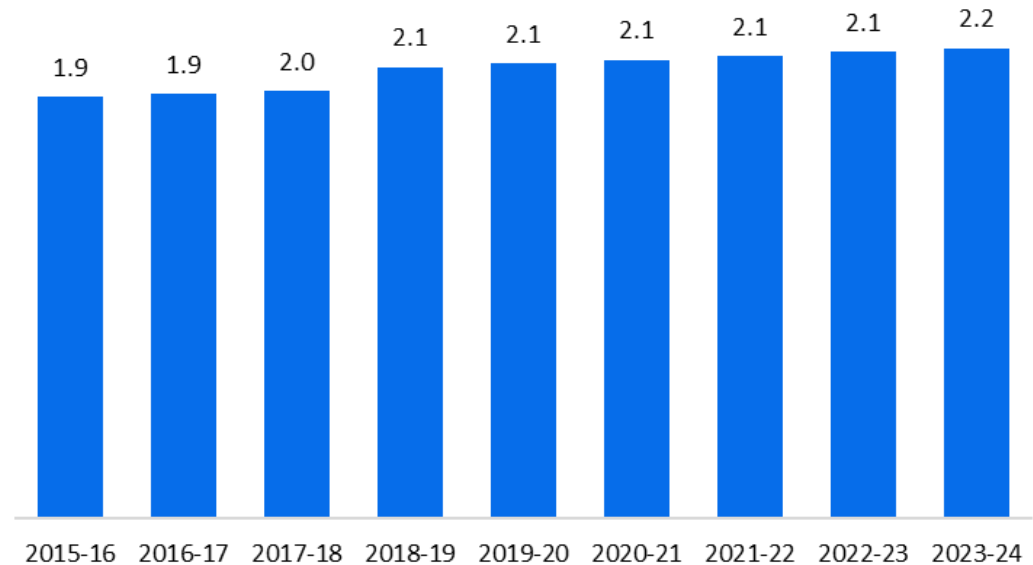
Councils collect Council Tax based on an historical valuation of houses, with houses placed into one of eight bands, A to H. The number of houses in each band determines how much each council can raise.

In 2022-23, Council Tax for a Band D property in different councils varied between £1,206 and £1,443. But, to calculate how much we assume they will raise, we assume that they all charge the same amount; for 2023-24 this was £911. This means that they all raise more income than we assume. We also assumed that there would be an increase in the total number of houses. We did not assume any Council Tax rise in 2023-24.

Revenue raised from Council Tax in 2021-22

£2.6 billion

Assumed income from Council Tax, £ billions (the actual amount raised is higher)



All councils set higher Council Tax rates than those assumed in our calculations. They can spend the extra on providing services.

Council Tax rates were frozen between 2008-09 and 2016-17, and again for 2021-22.

Councils may increase their rates for 2023-24.

How did we estimate the amount of Non-domestic Rates each council would receive?

The Scottish Fiscal Commission then forecast how much each council would collect from Non-domestic Rates.

Non-domestic Rates are charged on all businesses and other organisations that use properties. Their properties are valued and Rates are collected in proportion to their value. Some properties are exempt from Non-domestic Rates, or pay reduced amounts.

The Commission made assumptions, based on the latest data, about how many more or fewer properties there would be in 2023-24, and also took into account rates-relief.

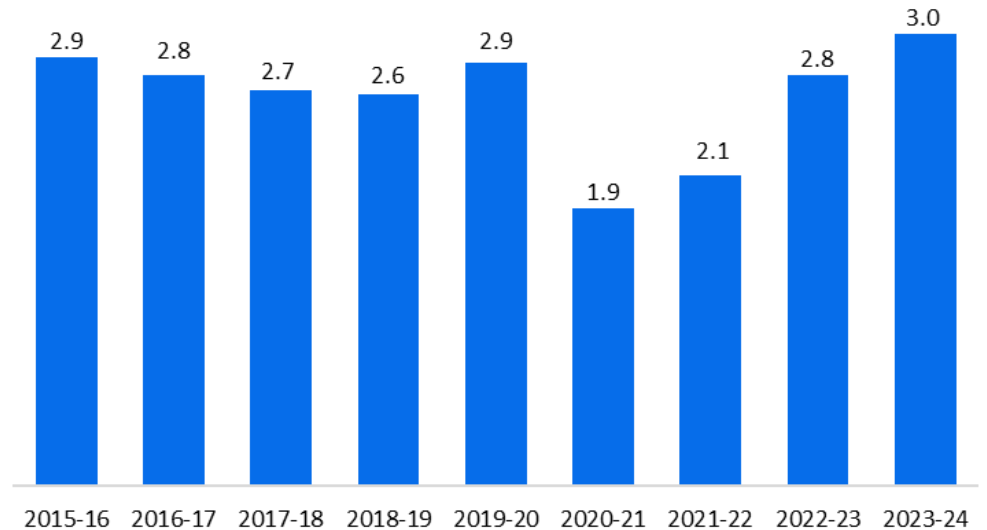
Unlike Council Tax, the level of Non-domestic Rates is set nationally by the Scottish Government.

Guaranteed revenue from Non-domestic Rates in 2023-24

£3.0 billion

Guaranteed income from Non-domestic Rates, £ billions

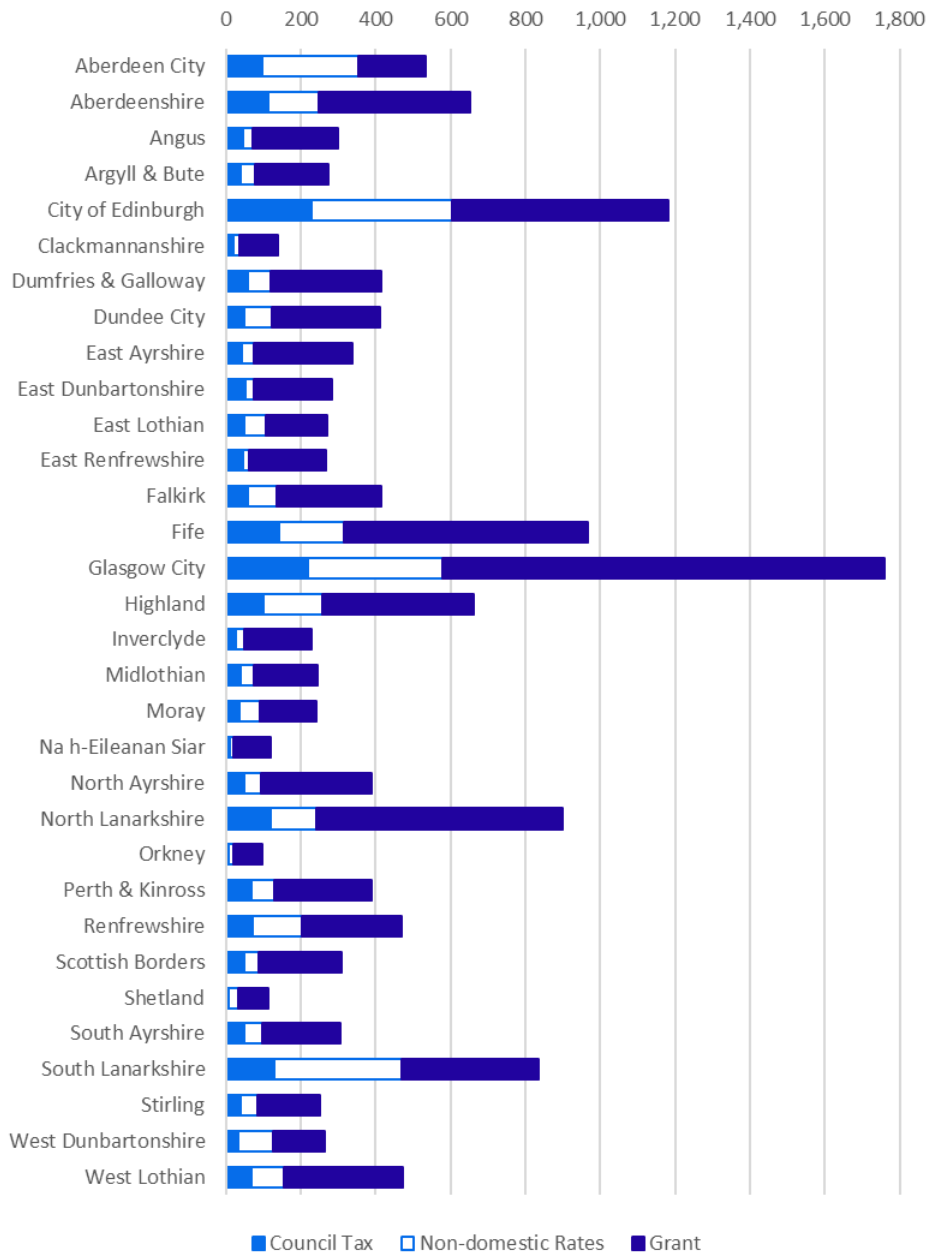
The 2020-21 figure was revised due to the pandemic



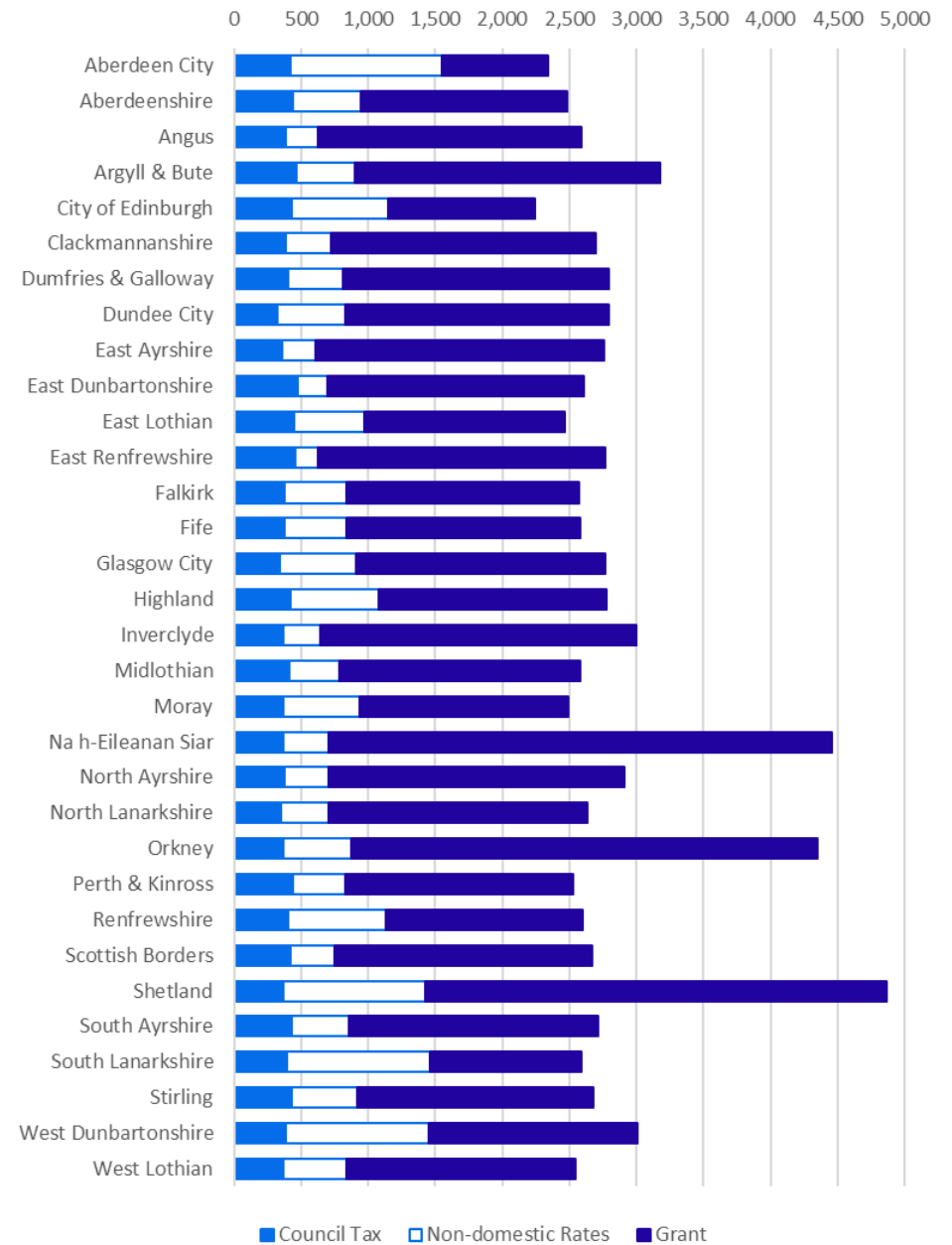
The amount actually collected differs from the forecast; sometimes it's more, sometimes it's less. To protect councils from these differences the Scottish Government guarantees the amount they will receive. The Scottish Government pays any shortfall, and keeps any extra collected, and then adjusts next year's guaranteed amounts accordingly.

How much will each council receive?

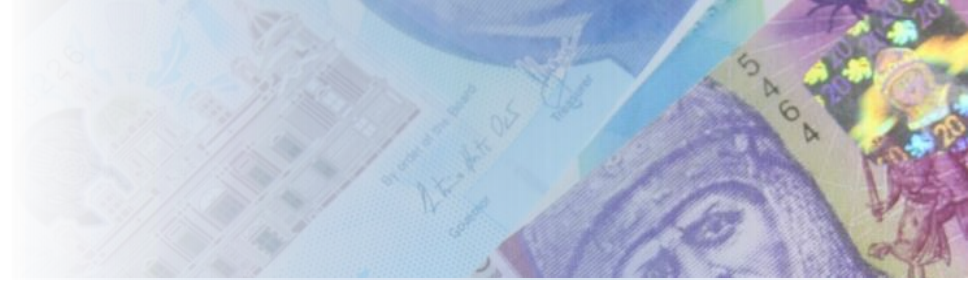
Allocations, £ millions



Allocations, £ per person



How are Capital Projects funded?



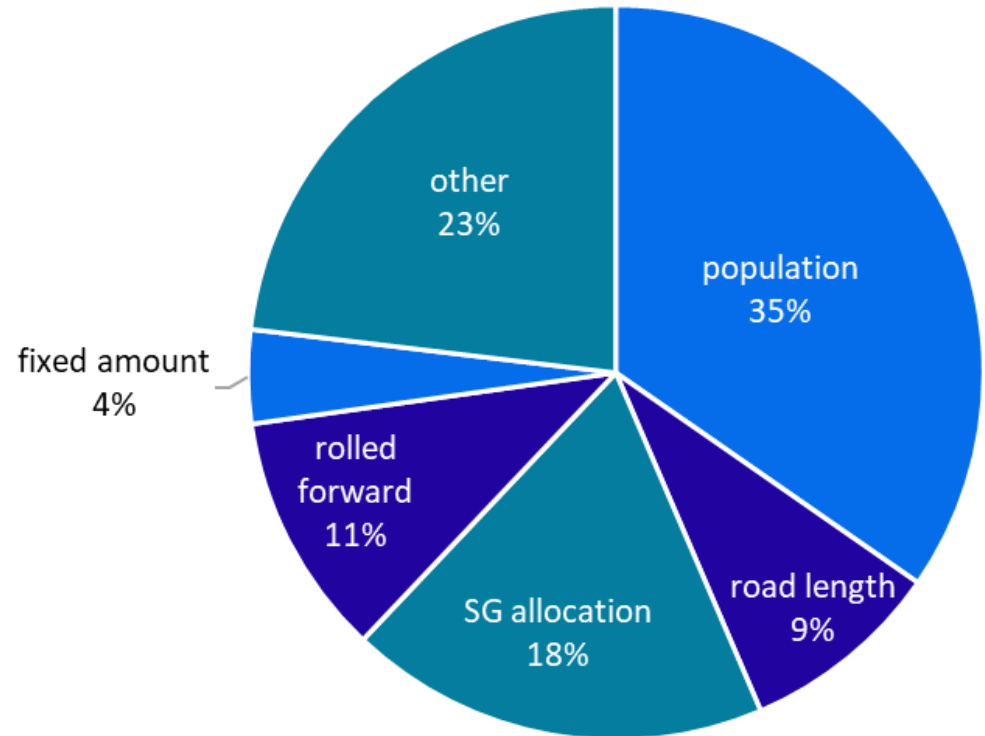
All of the funding referred to so far has been for day-to-day running costs, called 'revenue spend'. In addition to that, councils also spend on longer-term capital projects, such as flood defences, town centre renewal, and road building.

In the past this was funded by borrowing, with the Scottish Government providing a grant to fund interest and repayments. But now the Scottish Government provides a Capital Grant to fund capital projects.

The Capital Grant is also distributed by means of a funding formula, based largely on population and road-length. Some funding is ring-fenced for specific projects such as flood defence.

Capital funding cannot be used on day-to-day running costs, but councils can use some of their revenue funding to pay for capital projects.

Summary of the different indicators used in the formulae



Total Capital Grant
provided in 2023-24

£829
million

The Funding of Local Government in Scotland 2023-24

Data sources and more information

[The Green Book](#)

Annex providing a breakdown of the allocation funding formula.

[Other Publications](#)

The Scottish Government produces a series of publications relating to Local Government spend and income sources.

[Finance Circulars](#)

Financial advice and guidance provided to local government.

ISBN: 978-1-80525-564-2

[Data Tables](#)

The data used to create the charts in this publication are available online in the accompanying spreadsheet.

Contact

Mal Cooke, tel: 0300 244 2069
email: gaestatistics@gov.scot

Crown Copyright

You may use or re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. See:

www.nationalarchives.gov.uk/doc/open-government-licence/



© Crown copyright 2023



This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-80525-564-2 (web only)

Published by The Scottish Government, March 2023

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1223882 (03/23)