



Local Government Finance: How Council Funding Distribution Decisions Are Made

July 2023



COSLA

The distribution of Local Government funding in Scotland is done on a needs-basis and uses a variety of needs-based indicators such as population and levels of deprivation. This underpins the allocation of the Local Government Settlement, from Scottish Government, to Scotland's thirty-two local councils.

Decisions on how funding should be distributed are a joint process. The Scottish Government and Local Government work together to assess the validity and robustness of indicators, the data that sits behind them, and whether proposals developed by the Scottish Government will ensure that the funding goes where it is needed in Scotland (SDG).

Role, Remit and Membership



.....

To oversee this process, a Settlement and Distribution Group (SDG) was established in 2011 and is a joint officer group between COSLA, Local Government and the Scottish Government, established to make professional officer recommendations to COSLA Leaders and Scottish Government Ministers, based on agreed principles:

- There is a presumption that funds should be distributed **on the basis of need**;
- Consider distribution items on a **principled basis** and not from an individual Council perspective;
- Consider the stability of the funding system.

SDG, made up of a representative sample of 12 Directors of Finance on behalf of Local Government, meets on a regular basis and considers all matters relating to the Local Government Settlement and distribution-related issues linked to Scottish Government policy delivery.

Papers are circulated to all 32 Directors of Finance a week prior to the meeting for comment. Comments are collated by COSLA officers, circulated to SDG members, and key issues from these comments are raised with the Scottish Government in advance of the meeting. These comments are then discussed at a Local Government Pre-Meeting where an agreed position is reached by the SDG Directors of Finance.

At the main meeting, chaired on a rotating basis between COSLA and the Scottish Government, the Group comes to a decision about what should be recommended to COSLA Leaders, based on the guiding principles, comments from Local Government officers, and input from Scottish Government civil servants. This position is then presented to COSLA Leaders at the end of each month.

The SDG's remit was re-affirmed in 2021 and commits to:

- a. adopting a strategic role in considering settlement and distribution issues for both capital and revenue;
- b. consider any issues that could impact on the stability of the settlement and feed into the checking of local government prior to publication; and
- c. remit any detailed technical issues on methodology to the Data Issues Working Group (a technical advisory group which supports the work of the SDG).

As part of SDG, Directors of Finance act on a principled basis, consider the stability of the funding system, and make decisions in consideration of the impact on the whole of Local Government.

Policy Process Flow Chart



See below



