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Graham,

Thank you for your correspondence dated 10 January 2019, regarding Moray Council's response to the 2019-20 Local Government Finance Settlement.

Firstly, I would like to reaffirm my appreciation of the significant progress that has been made since you took office and I am grateful for the immediate action that is being taken to address the problems inherited from the previous administrations.

I do not underestimate the financial challenges you are facing, along with the rest of the public sector, and recognise and sympathise with the additional challenges you have to contend with as a minority administration.

I note in particular the findings from the Moray Council 2017-18 Annual Audit Report from Audit Scotland that the medium term financial pressures, along with the immediate challenge to balance your 2019-20 budget, are also significant. I will look to the council to agree a transformation programme and medium and long term financial plans to deliver financial sustainability and, in so doing, work on a cross party basis to get support for those decisions.

Empowering your officials to bring forward ambitious proposals and implementation of that transformational programme will be key to your success. To support you, I would suggest you might look for some independent input to evaluate the ambition and sustainability of your programme from councils who have already implemented such measures to improve their financial sustainability, examples include Aberdeen, Shetland and Inverclyde.

I would also like you to note that after removing the Health uplift the Scottish Government fiscal resource block grant funding goes down by £340 million or 1.3% in real terms next year.

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Despite this cut we have continued to ensure our partners in local government receive a fair funding settlement. In 2019-20 we are delivering a funding package of £11.1 billion for local authorities, a real terms increase of over £210 million for essential public services in Scotland.

The facts are that the Scottish Government 2019-20 Budget has provided local government with an additional £197.5 million resource funding for day to day services and an increase of £207.6 million capital funding in 2019-20. As well as this funding increase, Councils have the flexibility to increase council tax by up to 3%. Taken together, this will mean Councils have access to an additional £485.1 million (4.5%) in 2019-20 compared with the current year.

This funding package includes an additional £235 million to deliver on our commitment for the expansion of Early Learning and Childcare entitlement and £160 million for investment in social care. This is real funding to support real day to day core services. To selectively exclude it presents a distorted picture of the resources available to local councils.

Turning now to your comments on the main funding floor, as you are aware the purpose of the floor is to provide a degree of stability for all local authorities where the alignment of funding with need results in a lower than average change in the year-to-year funding. As part of our ongoing commitment to continually review the funding formula, a sub group of the jointly attended Settlement Distribution Group (SDG) has undertaken a full review of the main floor and I note that you have acknowledged the improvements that have been made.

The local government needs based funding formula, which is discussed and agreed with COSLA, takes into account a number of factors such as population and deprivation, as well as road length and number of school pupils.

The Scottish Government is always open to suggestions to improve the funding formula, however any proposals must come through COSLA in the first instance and I note that you are pursuing this alongside your request for a further review of the main funding floor with COSLA directly.

I hope you find this information helpful.


DEREK MACKAY

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