Technical note: Recovery Grant

The Recovery Grant allocates funding to local authorities with a greater share of 'need' than share of 'resource' where:

- 'Need' is based on deprivation and population
- 'Resource' is based on council tax base

An allocation is made for upper tier services and lower tier services based on these variables. Where a council is responsible for both upper and lower tier services, the amounts are summed together.

London boroughs, metropolitan districts, unitary authorities, shire counties and shire districts are in scope of the Recovery Grant.

This technical note provides information on the methodology for allocating £600m of funding via the new Recovery Grant, this is divided into four key steps:

1. Need formula
2. Resource formula
3. Grant formula
4. Allocations

1. Need formula

The need formula is calculated as follows:

$$Need\ total\ _{LA} = Need\ total_{LA}^{Upper\ tier} + Need\ total_{LA}^{Lower\ tier}$$

Where:

$$Need\ total_{LA}^{Upper\ tier} = \left(Upper\ tier\ need\ weight * (IMD\ _{LA} * population\ _{LA})\right)$$

$$Need\ total_{LA}^{Lower\ tier} = \left(Lower\ tier\ need\ weight * (IMD\ _{LA} * population\ _{LA})\right)$$

Where:

Upper tier need weight	is the total shire county net current expenditure as a proportion of total net current expenditure for shire counties and shire districts, as published in the local authority revenue outturn service expenditure summary 2022 to 2023.[1] Education, fire and rescue services, police services and public health are excluded from this calculation.
Lower tier need weight	is the total shire district net current expenditure as a proportion of total net current expenditure for shire counties and shire districts, as published in the local authority revenue outturn service expenditure summary 2022 to 2023.

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[1] Local authority revenue expenditure and financing England: 2022 to 2023 individual local authority data – outturn:
Local authority revenue expenditure and financing England: 2022 to 2023 individual local authority data - outturn - GOV.UK

Education, fire and rescue services, police services and public health are excluded from this calculation.

IMD_{LA} is the 2019 Indices of Multiple Deprivation (IMD) Average Score. IMD average scores for local authorities that have restructured since the IMD was last published in 2019 are derived by constructing a new weighted average score using IMD scores and population figures for Lower Layer Super Output Areas (LSOAs), as published in IMD File 7. [2]

$Population_{LA}$ is the mid-2023 population estimate, as published by the Office for National Statistics.[3]

Need shares are then calculated by dividing each local authority's need total by the sum of need totals for all local authorities in scope of the grant:

$$Need\ share_{LA} = \frac{Need\ total_{LA}}{\sum Need\ total_{LA}}$$

2. Resource formula

The resource formula is calculated as follows:

$$Resource\ total_{LA} = Resource\ total_{LA}^{Upper\ tier} + Resource\ total_{LA}^{Lower\ tier}$$

Where:

$$Resource\ total_{LA}^{Upper\ tier} = (Upper\ tier\ resource\ weight * taxbase_{LA})$$

$$Resource\ total_{LA}^{Lower\ tier} = (Lower\ tier\ resource\ weight * taxbase_{LA})$$

Where:

$Upper\ tier\ resource\ weight$ is the average shire county band D level divided by the average shire area band D level, as published in the Council Tax levels set by local authorities in England 2024 to 2025. [4]

$Lower\ tier\ resource\ weight$ is the average shire district band D level divided by the average shire area band D level, as published in the Council Tax levels set by local authorities in England 2024 to 2025.

$Taxbase_{LA}$ is tax base after allowance for council tax support, as published in Council Taxbase 2024.[5]

[2] English indices of deprivation 2019: English indices of deprivation 2019 - GOV.UK

[3] Population estimates for England and Wales: mid-2023: Population estimates for England and Wales - Office for National Statistics

[4] Council Tax levels set by local authorities in England 2024 to 2025: Council Tax levels set by local authorities in England 2024 to 2025 - GOV.UK

[5] Council Taxbase 2024, Line 33: Council Taxbase 2024 in England - GOV.UK

Resource shares are then calculated by dividing each local authority's resource total by the sum of resource totals for all local authorities in scope of the grant:

$$Resource\ share\ _{LA} = \frac{Resource\ total\ _{LA}}{\sum Resource\ total\ _{LA}}$$

3. Grant formula

If,

$$Need\ share\ _{LA} > Resource\ share\ _{LA}$$

Then,

$$Pre-scaled\ grant\ share\ _{LA} = Need\ share\ _{LA} - Resource\ share\ _{LA}$$

In cases where,

$$Need\ share\ _{LA} < Resource\ share\ _{LA}$$

Then,

$$Pre-scaled\ grant\ share\ _{LA} = 0$$

Grant shares are then calculated by dividing each local authority's pre-scaled grant share by the sum of pre-scaled grant shares for all local authorities in scope of the grant:

$$Grant\ share\ _{LA} = \frac{Pre-scaled\ grant\ share\ _{LA}}{\sum Pre-scaled\ grant\ share\ _{LA}}$$

4. Allocations

Grant shares are multiplied by the £600m quantum to derive initial allocations. Following this, caps and de minimis constraints are applied to initial allocations to derive final allocations:

- Any local authority with an initial allocation greater than 3% of its Core Spending Power in 2024/25 will have its allocation capped at 3% of its Core Spending Power in 2024/25.[6] This cap is applied first.
- The quantum remaining after imposing the cap is then redistributed to all local authorities below the cap, in line with their original grant share. The process of redistribution is repeated until the full quantum has been allocated.
- There is a de minimis grant level of £10,000. Any local authority with an allocation of less than £10,000 after the cap has been applied will not get a final allocation.

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[6] Final local government finance settlement: England, 2024 to 2025: Final local government finance settlement: England, 2024 to 2025 - GOV.UK

- The quantum remaining after imposing the de minimis is then redistributed to all local authorities remaining within the limits, in line with their original grant share.

Worked example 1: Single tier authority

Consider a single tier local authority with a population of 500,000, an IMD average score of 40, taxbase after allowance for council tax support of 150,000 and Core Spending Power of £700,000,000. Figures have been rounded for the purpose of this illustrative example.

1. Need formula

The upper and lower tier need components are calculated using need tier weightings, IMD and population:

$$Need\ total_{LA}^{Upper\ tier} = \left(0.83 * (40 * 500,000)\right) = 16,600,000$$

$$Need\ total_{LA}^{Lower\ tier} = \left(0.17 * (40 * 500,000)\right) = 3,400,000$$

Given this single tier local authority is responsible for both upper and lower tier services, the need total is the sum of the upper and lower tier components:

$$Need\ total_{LA} = 16,600,000 + 3,400,000 = 20,000,000$$

The need share is calculated by dividing the need total for this local authority by the sum of need totals for all local authorities in scope of the grant.

$$Need\ share_{LA} = \frac{20,000,000}{\sum Need\ total_{LA}} = 0.016$$

2. Resource formula

The upper and lower tier resource components are calculated using resource tier weightings and taxbase after allowance for council tax support:

$$Resource\ total_{LA}^{Upper\ tier} = (0.89 * 150,000) = 133,500$$

$$Resource\ total_{LA}^{Lower\ tier} = (0.11 * 150,000) = 16,500$$

The resource total is the sum of the upper and lower tier components:

$$Resource\ total_{LA} = 133,500 + 16,500 = 150,000$$

The resource share is calculated by dividing the resource total for this local authority by the sum of resource totals for all local authorities in scope of the grant:

$$Resource\ share_{LA} = \frac{150,000}{\sum Resource\ total_{LA}} = 0.008$$

3. Grant formula

Given,

$$Need\ share_{LA} > Resource\ share_{LA}$$

The size of the grant is determined by deducting resource share from need share:

$$Pre-scaled\ grant\ share_{LA} = 0.016 - 0.008 = 0.008$$

The grant share is calculated by dividing the pre-scaled grant share for this local authority by the sum of pre-scaled grant shares for all local authorities in scope of the grant:

$$Grant\ share_{LA} = \frac{0.008}{\sum Pre-scaled\ grant\ share_{LA}} = 0.04$$

4. Allocation

The grant share is multiplied by the quantum to calculate an initial allocation:

$$Initial\ allocation_{LA} = 0.04 * 600,000,000 = 24,000,000$$

Given the initial allocation exceeds 3% of this local authority's Core Spending Power (£21,000,000), the local authority's allocation is capped at £21,000,000. The remaining quantum after imposing this cap is redistributed to other local authorities within the cap and de minimis limits.

Worked example 2: Lower tier authority

Consider a shire district with a population of 100,000, an IMD average score of 15, taxbase after allowance for council tax support of 30,000 and Core Spending Power of £10,000,000. Figures have been rounded for the purpose of this illustrative example.

1. Need formula

The upper and lower tier need components are calculated using tier weightings, IMD and population. As this is a shire district, the upper tier need total will be 0.

$$Need\ total_{LA}^{Upper\ tier} = 0$$

$$Need\ total_{LA}^{Lower\ tier} = \left(0.17 * (15 * 100,000)\right) = 255,000$$

The need total is the sum of the upper and lower tier components:

$$Need\ total_{LA} = 0 + 255,000 = 255,000$$

The need share is calculated by dividing the need total for this local authority by the sum of need totals for all local authorities in scope of the grant.

$$Need\ share_{LA} = \frac{255,000}{\sum Need\ total_{LA}} = 0.00020$$

2. Resource formula

The upper and lower tier resource components are calculated using tier weightings and taxbase after allowance for council tax support. As a shire district, the upper tier resource total for this local authority will be 0.

$$Resource\ total_{LA}^{Upper\ tier} = 0$$

$$Resource\ total_{LA}^{Lower\ tier} = (0.11 * 30{,}000) = 3{,}300$$

The resource total is the sum of the upper and lower tier components:

$$Resource\ total_{LA} = 0 + 3{,}300 = 3{,}300$$

The resource share is calculated by dividing the resource total for this local authority by the sum of resource totals for all local authorities in scope of the grant:

$$Resource\ share_{LA} = \frac{3{,}300}{\sum Resource\ total_{LA}} = 0.00017$$

3. Grant formula

Given,

$$Need\ share_{LA} > Resource\ share_{LA}$$

The size of the grant is determined by deducting resource share from need share:

$$Pre - scaled\ grant\ share_{LA} = 0.00020 - 0.00017 = 0.00003$$

The grant share is calculated by dividing the pre-scaled grant share for this local authority by the sum of pre-scaled grant shares for all local authorities in scope of the grant:

$$Grant\ share_{LA} = \frac{0.00003}{\sum Pre - scaled\ grant\ share_{LA}} = 0.0001$$

4. Allocation

The grant share is multiplied by the quantum:

$$Initial\ allocation_{LA} = 0.0001 * 600{,}000{,}000 = 60{,}000$$

Given the initial allocation is below 3% of this local authority's Core Spending Power (£300,000), the local authority will have its initial allocation increased following redistribution of the quantum after imposing the cap and de minimis constraints.