



SCOTTISH EXECUTIVE

Executive Secretariat
Local Government Finance

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Finance Circular No. 3/2001

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The Chief Executive
Scottish Local Authorities

Date: 18 May 2001

Dear Chief Executive

REVISED LOCAL GOVERNMENT FINANCE SETTLEMENTS: 2001-02 TO 2003-04

1. Following an announcement by Jack McConnell, Minister for Education, on 14 February, additional resources of £67.4m/£55.8m/£169.5m are being made available to local authorities to honour the Scottish Executive's commitment to fund the implications of McCrone in full. The additional resources will supplement the provision already made for McCrone in the local government settlement which was approved by the Scottish Parliament on 7 February.
2. A second Local Government Finance Order reflecting the additional money is being laid before the Scottish Parliament, and the money will be paid to councils as part of their weekly Revenue Support Grant payments once Parliamentary approval is given.
3. This Circular updates the information on AEF aggregate totals and distribution provided in Finance Circular 13/2000, and Christie Smith's subsequent letter of 19 January, and provides details of the revised Scottish Executive revenue allocations for each local authority for the next 3 years.
4. Revised Green Book pages, which were e-mailed to you on 23 March, are also attached for reference.
5. A separate copy of this circular has been sent by e-mail to your Director of Finance and to Norie Williamson at CoSLA.
6. Enquiries regarding this Circular should be addressed to Mr Colin Cummins (0131 244 7004) or Mr Martin Bolt (0131 244 7006).

Yours sincerely

NIKKI BROWN

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ALL SCOTLAND AGGREGATE TOTALS

	2001-02	2002-03	£ million 2003-04
Total Aggregate External Finance¹	6,048.791	6,361.642	6,717.542
% increase over previous year	7.4%	5.2%	5.6%
<i>less</i> Undistributed Excellence Fund	31.874	45.974	51.874
<i>less</i> Undistributed INSET (SEN) Specific Grant	0.000	3.500	3.500
<i>plus</i> Police Loan Charge Specific Grant	13.108	13.503	14.077
Distributable Aggregate External Finance¹	6,030.025	6,325.671	6,676.245
% increase over previous year	7.6%	4.9%	5.5%

¹excludes Community Care transfer from DSS

Breakdown of Specific Grants

Police	399.665	417.731	430.395
Civil Protection grant for the Police	0.574	0.574	0.574
Supported Employment	4.348	4.348	4.348
In-Service Training of Teachers (SEN)	5.386	7.386	7.386
Gaelic	2.834	2.834	2.834
Housing Benefit and Council Tax Benefit Administration	17.482	18.482	19.482
Mental Illness	13.300	13.300	13.300
Social Work Training	2.200	2.200	2.200
Excellence Fund Core Programme ²	125.600	124.000	125.000
Excellence Fund Special Programme ²	30.959	27.959	25.559
Total Specific Grants	602.348	618.814	631.078

² The distribution of the presently unallocated amounts in the Excellence Fund of £31.874/£45.974/£51.874 million is being considered by the Scottish Executive Education Department. Enquiries on the Excellence Fund should be referred to Peter Allan, 0131 244 0942.

Loan and Leasing Charges	825.000	862.000	916.000
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EXPLANATORY NOTES TO AEF DISTRIBUTION

The calculations are set out in the table at Annex 3. Column numbers are consistent throughout the separate sections for mainland and islands authorities. Columns 1 to 8 relate to the distributions for 2001-02, 2002-03 and 2003-04. Columns 9 to 11 are relevant to 2001-02 only.

1. Column 1 of the table is the estimated service expenditure of each authority. This column includes Special Islands Needs Allowance.
2. Column 2 contains allocations of loan charge support. Capital from current revenue continues to be excluded. The figures were calculated as described in Annex 7.
3. Column 3 contains an assessment of the expenditure on housing and council tax benefits of each authority, net of DSS subsidy. The figures provide for a proportion of 5.5% of housing and council tax benefit (0.5% relates to incentive area spending) to be met by authorities.
4. Column 4 is the assessment of the floor adjustments for each authority. The figures were calculated as shown in Annex 5.
5. Column 5 is the total of columns 1 to 4. That is, it is Total Estimated Expenditure (TEE).
6. Column 6 is the estimated number of Band D equivalent properties as at September 2000 on which council tax will be levied.
7. Column 7 represents the portion of adjusted TEE which is not supported through AEF. This amount is distributed among authorities in proportion to their share of the national council tax base. This is achieved by a formula:

$$(\text{Total adjusted TEE less total AEF}) \times \frac{\text{band D equivalent properties in authority}}{\text{total band D equivalent properties}}$$

8. Column 8 is the difference between columns 5 and 7 being the total amount of AEF. The total of column 8 is AEF of £6,030.025m in 2001-02, (i.e. the total of £6,048.791, less undistributed Excellence Fund Special Programme and SEN specific grant, £31.874m, plus the amount of specific grant on police loan charges, £13.108m, which are supported by grant but are accounted for outside AEF). AEF for 2002-03 and 2003-04 is £6,325.671m and £6,676.245m respectively.
9. Column 9 shows the amount of specific grants (excluding Police CPS, but including Police specific grant loan charges) for 2001-02. A number of specific grants (e.g. police) are paid directly to joint boards. In these cases, for AEF distribution purposes only, the estimated amount for each force or brigade has been broken down on the same basis as is used for the relevant GAEs. Distribution to constituent council level of common police services and police specific grant loan charges as used in the calculation of Police Specific grant for 2001-02, has been based on advice from treasurers of the Police Boards.
10. Column 10 shows the amount of Distributable NDRI. This has been distributed amongst authorities in proportion to 1999 mid-year population estimates.



11. Column 11 distributes RSG, being the remainder of AEF after deductions for Specific Grants and NDRI.

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AEF 2001-02	(1) Estimated Service Expenditure	(2) Loan Charges Support 2001-02 including PPP LPFS	Housing and Council Tax Benefit (residual subsidy)	(4) Floor Adjustment 2001-02	(5) Total Estimated Expenditure (Cols.1 to 4)	(6) Band D Properties as at September 2000	(7) Deduction for TEE not supported by AEF ((Tot Col 5- Tot Col 8) * Col 6/Tot Col 6) 0.00070	(8) Total AEF (Col 5-7)	(9) Specific Grants	(10) NDRI	(11) RSG (Col 8-9-10)
	£M	£M	£M	£M	£M		£M	£M	£M	£M	£M
Aberdeen City	240.083	30.494	2.349	-0.702	272.224	83,826	58.354	213.869	25.142	64.550	124.177
Aberdeenshire	269.401	25.021	1.554	-0.768	295.208	86,632	60.308	234.900	20.971	69.039	144.890
Angus	134.519	9.826	1.300	-0.387	145.258	39,009	27.156	118.103	11.490	33.342	73.271
Argyll & Bute	121.371	25.485	1.145	-0.396	147.605	36,953	25.725	121.880	9.930	27.237	84.713
Clackmannanshire	58.935	5.711	0.836	-0.176	65.306	16,576	11.539	53.767	4.930	14.731	34.106
Dumfries & Galloway	190.760	22.914	1.836	-0.576	214.934	54,948	38.251	176.682	17.003	44.561	115.118
Dundee City	197.212	24.023	3.514	-0.621	224.128	46,959	32.690	191.437	20.274	43.842	127.321
East Ayrshire	150.785	14.033	1.800	-0.456	166.162	38,654	26.908	139.253	13.998	36.711	88.544
East Dunbartonshire	127.580	11.440	0.767	-0.351	139.436	45,925	31.970	107.465	10.057	33.600	63.808
East Lothian	102.818	12.667	1.079	-0.299	116.265	35,973	25.042	91.223	9.151	27.450	54.622
East Renfrewshire	105.405	9.869	0.659	-0.286	115.647	38,821	27.025	88.622	8.277	27.101	53.244
Edinburgh, City of	502.108	82.364	6.261	-1.504	589.229	188,408	131.158	458.071	55.268	137.116	265.687
Eilean Siar	58.498	19.685	0.351	3.750	82.284	8,994	6.261	76.023	4.192	8.366	63.465
Falkirk	168.678	23.371	2.184	-0.494	193.739	49,122	34.196	159.543	15.343	43.823	100.377
Fife	426.543	34.801	5.196	-1.243	465.297	123,205	85.768	379.529	35.721	105.999	237.809
Glasgow City	851.607	158.615	16.995	10.602	1037.819	204,795	142.566	895.253	100.370	185.602	609.281
Highland	286.409	41.813	2.487	-0.894	329.815	80,195	55.827	273.989	26.871	63.320	183.798
Inverclyde	111.754	13.769	1.605	-0.352	126.776	27,875	19.405	107.371	11.204	25.859	70.308
Midlothian	97.595	11.687	1.036	-0.295	110.023	28,720	19.993	90.030	8.951	24.794	56.285
Moray	103.451	13.780	0.990	-0.316	117.905	29,383	20.454	97.450	8.736	25.865	62.849
North Ayrshire	173.961	18.158	2.231	-0.528	193.822	47,061	32.761	161.061	14.641	42.318	104.102
North Lanarkshire	401.850	39.002	5.891	-1.227	445.516	101,478	70.642	374.873	35.496	99.546	239.831
Orkney	40.004	7.527	0.184	0.133	47.848	6,793	4.729	43.119	2.341	5.949	34.829
Perth & Kinross	159.951	16.352	1.348	-0.451	177.200	54,719	38.092	139.107	14.083	40.685	84.339
Renfrewshire	215.369	24.655	3.005	0.264	243.293	64,907	45.184	198.109	19.923	53.798	124.388
Scottish Borders	136.267	17.502	1.310	-0.414	154.665	40,724	28.349	126.316	12.522	32.297	81.497
Shetland	51.622	14.778	0.157	0.772	67.329	7,341	5.110	62.219	2.606	6.903	52.710
South Ayrshire	137.683	12.299	1.452	-0.392	151.042	44,875	31.239	119.803	11.372	34.680	73.751
South Lanarkshire	370.130	37.940	4.786	-1.109	411.747	105,075	73.147	338.601	31.020	93.347	214.234
Stirling	106.402	14.217	0.945	-0.318	121.246	33,274	23.163	98.083	9.213	25.711	63.159
West Dunbartonshire	131.681	13.230	1.999	-0.406	146.504	32,647	22.726	123.778	14.188	28.831	80.759
West Lothian	186.942	17.972	2.327	-0.558	206.683	51,983	36.188	170.496	17.064	46.953	106.479
Scotland	6,417.375	825.000	79.579	0.000	7321.954	1,855,850	1,291.929	6030.025	602.348	1553.926	3,873.751

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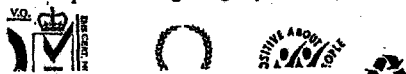


AEF 2002-03	(1) Estimated Service Expenditure	(2) Loan Charges Support 2002-03 including PPP LPFS	(3) Housing and Council Tax Benefit (residual subsidy)	(4) Floor Adjustment 2002-03	(5) Total Estimated Expenditure (Cols.1 to 4)	(6) Band D Properties forecast	(7) Deduction for TEE not supported by AEF ((Tot Col 5-Tot Col 8) Col 6/Tot Col 6) 0.00074	(8) Total AEF (Col 5-7)
	£M	£M	£M	£M	£M		£M	£M
Aberdeen City	253.585	31.473	2.423	-0.446	287.035	84,093	62.078	224.957
Aberdeenshire	283.434	27.049	1.603	-0.486	311.600	87,423	64.536	247.064
Angus	141.891	10.238	1.341	-0.246	153.224	39,161	28.909	124.315
Argyll & Bute	127.316	26.910	1.181	-0.251	155.156	37,088	27.378	127.778
Clackmannanshire	61.967	6.468	0.862	-0.113	69.184	16,661	12.299	56.885
Dumfries & Galloway	201.292	24.051	1.894	-0.366	226.871	55,153	40.714	186.157
Dundee City	207.234	24.822	3.624	-0.393	235.287	46,863	34.594	200.693
East Ayrshire	158.454	14.722	1.856	-0.289	174.743	38,687	28.559	146.185
East Dunbartonshire	134.368	12.940	0.791	-0.224	147.875	46,161	34.076	113.798
East Lothian	108.844	13.125	1.113	-0.190	122.892	36,301	26.798	96.095
East Renfrewshire	111.135	10.865	0.679	-0.182	122.497	39,139	28.893	93.604
Edinburgh, City of	533.426	84.516	6.457	-0.957	623.442	190,043	140.290	483.151
Eilean Siar	60.840	20.161	0.362	4.313	85.676	9,038	6.672	79.004
Falkirk	177.925	24.245	2.253	-0.315	204.108	49,417	36.480	167.628
Fife	447.344	39.024	5.359	-0.785	490.942	123,976	91.519	399.423
Glasgow City	895.504	164.447	17.528	4.292	1081.771	205,991	152.063	929.708
Highland	301.919	45.140	2.565	-0.568	349.056	80,826	59.666	289.390
Inverclyde	117.222	14.653	1.655	-0.223	133.307	27,801	20.523	112.784
Midlothian	102.868	10.080	1.068	0.695	114.711	28,882	21.321	93.390
Moray	109.284	12.568	1.021	-0.007	122.866	29,540	21.807	101.060
North Ayrshire	182.574	18.784	2.301	-0.333	203.326	47,412	35.000	168.326
North Lanarkshire	422.887	40.737	6.076	-0.778	468.922	102,161	75.416	393.506
Orkney	41.728	7.864	0.190	0.075	49.857	6,844	5.052	44.805
Perth & Kinross	168.446	16.754	1.390	-0.285	186.305	55,128	40.696	145.610
Renfrewshire	227.514	25.971	3.099	-0.411	256.173	65,253	48.170	208.003
Scottish Borders	144.137	18.310	1.352	-0.264	163.535	40,937	30.220	133.315
Shetland	54.169	15.297	0.162	0.501	70.129	7,390	5.455	64.674
South Ayrshire	145.279	12.870	1.498	-0.249	159.398	45,070	33.271	126.127
South Lanarkshire	389.352	39.371	4.937	-0.701	432.959	105,629	77.976	354.984
Stirling	112.103	15.274	0.974	-0.202	128.149	33,519	24.744	103.405
West Dunbartonshire	138.081	13.820	2.062	-0.256	153.707	32,718	24.153	129.554
West Lothian	197.683	19.451	2.400	-0.355	219.179	52,677	38.886	180.293
Scotland	6,759.807	862.000	82.076	0.000	7703.883	1,866,982	1,378.212	6325.671

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AEF 2003-04	(1) Estimated Service Expenditure	(2) Loan Charges Support 2003-04 including PPP LPFS	(3) Housing and Council Tax Benefit (residual subsidy)	(4) Floor Adjustment 2003-04	(5) Total Estimated Expenditure (Cols.1 to 4)	(6) Ban Properties forecast	(7) Deduction for TEE not supported by AEF (Tot Col 5-Tot Col 8) Col 6/Tot Col 6)	(8) Total AEF (Col 5-7)
	£M	£M	£M	£M	£M		£M	
Aberdeen City	267.301	32.648	2.523	-0.065	302.407	84,388	65.967	236.440
Aberdeenshire	299.373	28.786	1.669	0.193	330.021	88,223	68.964	261.056
Angus	149.927	11.728	1.397	-0.271	162.781	39,335	30.748	132.033
Argyll & Bute	133.634	28.955	1.230	-0.277	163.542	37,260	29.126	134.415
Clackmannanshire	65.625	7.243	0.898	-0.125	73.641	16,744	13.089	60.552
Dumfries & Galloway	213.271	25.337	1.972	-0.405	240.175	55,335	43.256	196.919
Dundee City	217.907	25.936	3.775	-0.433	247.185	46,774	36.563	210.621
East Ayrshire	167.441	15.786	1.933	-0.319	184.841	38,703	30.254	154.587
East Dunbartonshire	141.897	14.497	0.824	-0.247	156.971	46,397	36.269	120.702
East Lothian	115.806	13.914	1.159	-0.211	130.668	36,635	28.638	102.030
East Renfrewshire	118.125	11.678	0.708	-0.201	130.310	39,470	30.854	99.456
Edinburgh, City of	564.535	90.962	6.725	-0.572	661.650	191,825	149.951	511.699
Eilean Siar	63.228	21.100	0.377	4.887	89.592	9,085	7.102	82.490
Falkirk	189.167	25.431	2.346	-0.350	216.594	49,723	38.869	177.725
Fife	472.404	42.741	5.581	-0.865	519.861	124,736	97.507	422.354
Glasgow City	943.539	171.891	18.255	1.988	1135.673	207,323	162.066	973.608
Highland	318.225	48.210	2.671	-0.625	368.481	81,484	63.696	304.784
Inverclyde	123.282	15.761	1.724	-0.246	140.521	27,711	21.662	118.859
Midlothian	108.823	13.111	1.113	0.693	123.740	29,054	22.712	101.030
Moray	115.911	13.459	1.063	-0.219	130.214	29,675	23.197	107.017
North Ayrshire	193.170	19.878	2.396	-0.367	215.077	47,716	37.300	177.777
North Lanarkshire	447.820	42.331	6.327	-0.857	495.621	102,765	80.332	415.289
Orkney	43.536	8.349	0.197	0.210	52.292	6,885	5.382	46.910
Perth & Kinross	178.085	17.514	1.448	-0.314	196.733	55,528	43.407	153.327
Renfrewshire	241.967	27.655	3.228	-0.456	272.394	65,522	51.219	221.175
Scottish Borders	152.854	19.545	1.408	-0.293	173.514	41,115	32.140	141.374
Shetland	56.679	16.087	0.169	0.522	73.457	7,446	5.821	67.636
South Ayrshire	153.702	13.477	1.560	-0.274	168.465	45,260	35.380	133.085
South Lanarkshire	411.339	40.086	5.141	0.396	456.962	106,122	82.956	374.005
Stirling	119.106	16.097	1.015	-0.223	135.995	33,822	26.439	109.557
West Dunbartonshire	145.511	14.544	2.148	-0.282	161.921	32,787	25.630	136.291
West Lothian	209.767	21.263	2.499	-0.391	233.138	53,340	41.696	191.442
Scotland	7,142.956	916.000	85.479	0.000	8144.435	1,878,188	1,468.190	6676.245



5. In 2001-02, the transitional adjustments will start to be phased out with the aim that by 2004-05 all ratepayers will be paying their true rates bills. This year, therefore, transitional relief will be restricted to 75% in real terms of that awarded last year.

6. A supply of the leaflet "Non-Domestic Rates Transitional Arrangements: 2001-02" providing details of the transitional scheme for 2001-02 has been sent to all councils. It supplements the information provided in the Scottish Executive's pamphlet "Non-Domestic Rates – Revaluation 2000 Transitional Arrangements". Both are available on the Scottish Executive's website on www.scotland.gov.uk under "Publications".

7. The Regulations also provide for a reduced poundage of 45.0p to apply to all properties falling within transitional relief with a rateable value of £10,000 or less. This is intended to provide a reduction in the rates payable by small businesses during 2001-02. Part IV of the Regulations gives effect to this provision for properties with a rateable value of £10,000 or less which fall outwith the transitional relief arrangements.

8. The Regulations also carry forward the existing provisions for the treatment of property which is formed as a result of splits, merger or reorganisation during the year 2001-02 and provisions in respect of changes in rateable values during the year.

9. Additional copies of this Circular are enclosed for Directors of Finance and Heads of Revenue Sections. Copies of the Regulations will become available shortly from the Stationery Office Bookstore website (www.hms.o.gov.uk).

10. Any enquiries about this Circular should be directed to me at Area 3-J at the above address.

Yours faithfully

Hilary Tristram

HILARY TRISTRAM



SCOTTISH EXECUTIVE

Executive Secretariat
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Finance Circular No 2/2001

The Chief Executives
Scottish Local Authorities

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Your ref:

Our ref: ZCB 4/2/2001

Date: 4 April 2001

Dear Sir/Madam

THE VALUATION FOR RATING (PLANT AND MACHINERY)(SCOTLAND) AMENDMENT REGULATIONS 2001 THE NON-DOMESTIC RATES (LEVYING)(SCOTLAND) REGULATIONS 2001

1. I am directed by Ministers to draw to your attention that the above Statutory Instruments have been made. They came into force on 1 April 2001 and have effect from that date.
2. The Valuation for Rating (Plant And Machinery)(Scotland) Amendment Regulations 2001 exempt from rating plant and machinery belonging to all combined heat and power (CHP) plants. The Regulations amend the Valuation for Rating (Plant and Machinery)(Scotland) Regulations 2000 which specify for Scotland the plant and machinery to be assumed from 1 April 2000 to be part of lands and heritages for the purposes of valuation for non-domestic rating.
3. The Regulations implement a recommendation of the advisory Committee established in 1996 under the chairmanship of Derek Wood CBE, QC (the "2nd Wood Committee") to examine the treatment of plant and machinery in those industries subject to prescribed assessment, essentially the utilities which were, or are still in part, in public ownership. The Committee made a number of recommendations. Principal among these was the introduction of a "tools of the trade" exemption for electricity generation plant and machinery used in the power industry. It was also recommended that a similar exemption should be extended to plant and machinery belonging to all combined heat and power (CHP) plants. It is to this latter exemption that the Regulations give effect. The Regulations ensure the continued harmonisation of rating and valuation practice between England and Scotland.
4. The Non-Domestic Rates (Levyng) (Scotland) Regulations 2001 roll forward the policy behind the current Regulations. In the first year following Revaluation (2000-01) real increases and decreases in bills were limited to a set percentage. The real increase in bills of small businesses (those with a rateable value of £10,000 or less) was limited to 5% and for all other subjects the limit on increases was 7.5%. For all properties subject to transitional arrangements decreases were limited to 5% in the first year.