



SCOTTISH EXECUTIVE

Finance and Central Services Department
Local Government Finance & Performance Division

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Finance Circular No 10/2002

The Chief Executive
Scottish Local Authorities

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Your ref:
Our ref:

4 December 2002

Dear Chief Executive

LOCAL GOVERNMENT FINANCE SETTLEMENTS: 2003-04, 2004-05 & 2005-06

- A. RENEWAL OF LOCAL GOVERNMENT FINANCE**
- B. GRANT DISTRIBUTION SYSTEM**
- C. NON-DOMESTIC RATE 2003-04**
- D. CAPITAL ALLOCATIONS**

1. This Circular provides details of the provisional Scottish Executive revenue and capital allocations for each local authority for the next 3 years.

2. These proposals have been sent to COSLA today and will form the basis for consultation between Scottish Ministers and the Convention ahead of the Local Government Finance Order 2003 being debated by the Scottish Parliament.

3. The Annexes to this Circular are:

- Annex 1: All Scotland aggregate totals;
- Annex 2: Spending Review 2002;
- Annex 3: Calculation of grant distribution and notes;
- Annex 4: Calculation of the minimum grant increase floor;
- Annex 5: Estimated payments to each local authority from specific grants;
- Annex 6: Single capital allocations and notes;
- Annex 7: Loan Charges methodology and support for approved PPP projects;
- Annex 8: Non-Domestic Rates 2003-04 Distributable Amount

PART A - RENEWAL OF LOCAL GOVERNMENT FINANCE

1. In 2000, Scottish Ministers and COSLA elected members agreed an agenda for renewing the system of local government finance in Scotland. They agreed shared priorities for certainty, stability and simplification. Consultation with local authorities has confirmed that the current 3 year settlement has enabled them to better plan their budgets and service improvements. This settlement again provides local authorities with the stability of 3 year funding allocations.
2. The Spending Review 2002 announcement on 12 September set out the aggregate totals for Scottish Executive support to local government between 2003-04 and 2005-06 (see Annex 1) and the policy outcomes that the additional Spending Review allocations are aimed at supporting. These are summarised at Annex 2.
3. This circular provides each local authority with continued firm revenue and capital support for the next 3 years (see Annexes 3 and 6). The allocations are not expected to be subject to redistribution during the 3 year settlement period, although there will be scope to make adjustments for transfers out of or into the grant totals, for example to reflect new policy initiatives for which additional financial provision is being made. The 3 year revenue allocations will once again provide councils with the certainty to plan their budgets and council tax figures. As for the current 3 year settlement, in response to the allocation of firm 3-year grant figures it is expected that councils will again publish 3 year council tax levels – actuals for 2003-04 and indicative for 2004-05 and 2005-06.
4. As confirmed by Ministers during their meeting with COSLA elected members on **5 November 2003**, the **Council Tax Benefit (CTB) subsidy limitation arrangements have been abolished** and will not apply from 2003-04, although Ministers expect that councils will continue to show restraint in setting their budgets and council tax levels.

PART B - REVENUE GRANT DISTRIBUTION

5. Ministers agreed with COSLA that the distribution for 2003-04 should remain as calculated for No. 2 Order 2002 (Circular 7 2002 gives details) except for any additional resources (Quality of Life etc.) or transfers of responsibility (e.g. Public Service Ombudsman). For years 2 and 3 of the settlement, Ministers and COSLA elected members agreed that the existing formula should be retained, updated to take account of the consideration of the joint COSLA/Scottish Executive 3-Year Settlement Working Group. A notional 2003-04 distribution was calculated using updated data – e.g. from the 2001 population Census; September 2002 school pupil rolls, road lengths and budget/expenditure information. Secondary indicator quantums were also re-based. As for the current 3 year settlement, the notional 2003-04 distribution was used as the basis for distribution for years 2 and 3, but using population projections for school age children and older age groups. These arrangements continue to base the 3 year allocations on the existing needs-based formula.
6. Details of the distribution methodology for the notional 2003-04 and actual 2004-05 and 2005-06 allocations will be sent in electronic format to all Directors of Finance in the next few weeks, including details of the GAE service and sub-service split and distribution data.
7. Annex 3 sets out the distribution of AEF between authorities. The calculations outlined there were broadly as follows: Estimated Service Expenditure (ESE) includes an element of Special Islands Needs Allowance (see paragraph 8). To the assessments of ESE were added resources for Quality of Life initiatives (see Annex 2), allowances for loan and leasing charges; the net costs of housing and council tax benefits rebates and the floor adjustment (see paragraph 9). This produces a

figure for Total Estimated Expenditure (TEE) for each authority. AEF totalling £7,283.902 million was then distributed to produce a uniform difference between TEE and AEF per Band D equivalent property across Scotland. **Annex 3** also shows the allocation of the 3 elements of AEF for each authority.

8. The SINA payments are contained within ESE and were frozen at 2001-02 levels for Eilean Siar and Shetland but uplifted for the other 4 authorities as calculated through the formula agreed following the review of SINA in 2000.

9. To ensure that all councils continue to benefit from the increases in grant arising from the Spending Review, a "guarantee" or "floor" is incorporated within the settlement calculation, providing a minimum guaranteed grant increase for each council for each year. The level of the minimum increase has been set with reference to the aggregate increase in distributable grant. The "floor" has been set at 4.0% for 2004-05 and 3.4% for 2005-06 and the calculation is detailed at **Annex 4**.

10. **Annex 5** gives a breakdown of individual councils' shares of specific grants as used in the calculation of RSG.

PART C - NON-DOMESTIC RATES 2003-04

11. The Minister for Finance and Public Services has also confirmed today the decision to freeze the national rate poundage for 2003-04 at the current level of **47.8p**. The Minister also confirmed the level of the supplement to be levied on larger businesses and rate payers to fund the small business rate relief scheme. The supplement has been set at **0.6p**.

12. Scottish Ministers have decided that the Distributable Amount of NDRI for 2003-04 will be £1,804.423 million. The balance of Distributable AEF comprises (a) an estimated total of £607.180 million for specific grants (including Police Loan Charges specific grant) and (b) RSG for the year of £4,872.299 million.

13. The Distributable Amount of NDRI incorporates a forecast of net income from non-domestic rates in 2003-04. It draws on councils' estimates of the amounts they will contribute to the pool from NDRI in 2002-03. Included in the calculation are: gross income; expected losses from appeals; the expected in-year cost of the transitional relief scheme; estimated expenditure on mandatory and other reliefs as well as write-offs and provisions for bad debts. Adjustments are also made for amounts carried over from previous years. Annex 8 shows how the Distributable Amount was calculated.

PART D - CAPITAL ALLOCATIONS

14. Subject to the necessary legislative provisions being in place, Scottish Ministers have confirmed that the existing system of controls on local authority capital spending will be replaced from 1 April 2004 with a new prudential system. This will allow local authorities to set the level of capital borrowing that they consider they can afford, within prudent indicators. Annex 6 reconfirms the single (formula) capital allocations for 2003-04 announced in Finance Circular 13/2000, although it should be noted that £50 million of these will now be allocated as specific capital grants.

15. Revenue grant will continue to be available to support the costs of local authority loan charges on borrowing for capital investment. Annex 6 includes notional capital allocations for 2004-05 and 2005-06 used in calculating each authority's share of loan charges support. Under the

prudential system these notional allocations would not have any control on authorities' actual level of capital investment. A methodological note on the calculation of revenue support for local authorities' loan and leasing charges for servicing relevant debt and level playing field support for approved PPP projects is provided at Annex 7.

Conclusion and Contacts

16. A separate copy of this Circular has been sent by e-mail to your Director of Finance and to Norie Williamson at COSLA.

17. Enquiries relating to this Circular should be addressed to the following:

General queries (settlement totals)
Hilary Pearce 0131 244 7950

General queries (Grant distribution, floor, NDRI, capital allocations)
Colin Cummins 0131 244 7004

Yours sincerely



CHRISTIE SMITH
Head of Local Government Finance & Performance Division

ALL SCOTLAND AGGREGATE TOTALS

	2003-04	2004-05	£ million 2005-06
Total Aggregate External Finance¹	7,315.317	7667.131	7,970.501
% increase over previous year	8.8%	4.8%	4.0%
<i>less</i> Undistributed NPAF	5.000	5.000	5.000
<i>less</i> Undistributed loan charges	2.266	0.000	0.000
<i>less</i> Undistributed Youth Crime	0.000	3.000	5.000
<i>less</i> Undistributed Care Home Fees	37.000	37.000	37.000
<i>less</i> Undistributed INSET (SEN) Specific Grant	1.226	1.226	1.226
<i>plus</i> Police Loan Charge Specific Grant	14.077	14.077	14.077
Distributable Aggregate External Finance¹	7,283.902	7,634.982	7,936.352
% increase over previous year	8.5%	4.8%	3.9%

¹excludes Better Neighbourhood Services Fund (£40/40/40) and new Schools PPP support (£5/10/100)

Breakdown of Specific Grants

Police	452.529	477.844	508.108
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)	7.160	7.160	7.160
Gaelic	2.834	2.834	2.834
Housing Benefit and Council Tax Benefit Administration	19.483	19.483	19.483
Mental Illness	14.000	14.000	14.000
Social Work Training	2.200	5.500	5.500
National Priorities Action Fund ²	109.052	117.077	121.416
Total Specific Grants	612.180	648.820	683.423

² The distribution of the presently unallocated amounts in the National Priorities Action Fund (NPAF) of £5.000/£5.000/£5.000 million is being considered by the Scottish Executive Education Department. Enquiries on the NPAF should be referred to Peter Allan, 0131 244 0942.

Loan and Leasing Charges	913.734	916.000	926.000
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SPENDING REVIEW 2002 - MINISTERIAL POLICY ANNOUNCEMENTS

1. The Scottish Executive's Spending Review announcement on 12 September acknowledged the vital role of local government in providing services on which people rely (education, social work, etc.), but also services and facilities that improve the quality of life of their local communities. By far the largest proportion of the funding provided through the main local government settlement, including the additional Spending Review allocations, is not ring-fenced or hypothecated. It is for each local authority to establish its spending and investment priorities from its total allocations.

2. This Annex and the attached table provide a summary of the policy initiatives that have been recognised in setting the aggregate local government revenue grant allocation totals. Excluding specific grants, these are not ring-fenced allocations. This annex is aimed only at assisting councils in understanding how the settlement totals have been constructed.

Police & Fire

3. The existing arrangements for funding police services will be maintained, with police grant supporting 51% of local authority expenditure on policing. The 3 year settlement provides additional resources to maintain the existing record levels of police officers and meet projected increases in pension costs. A number of elements of existing 100% grant funding to forces, for additional police numbers, DNA Testing and the National Intelligence Model, have been transferred to Police GAE. Support for policing of ports has been transferred from GAE to 100% grant funding outwith the settlement. The settlement also includes allowance towards pay, pension and operating costs for the fire services.

Community Care

4. The settlement totals include provision of £24/24/24m towards the costs of increased care home fees, following from the recommendations of the joint National Review Group. As for the interim arrangements in 2002-03, these resources have been distributed based on information from councils on the numbers of residents in long-stay residential care. Further provision of £37/37/37m is held back within undistributed AEF pending final agreement on arrangements for implementing the National Review Group's recommendations.

5. Provision of £143/147/153m has been included towards the costs of free personal and nursing care for older people, including for the costs of lost charging income, service enhancement and additional service demand.

6. Allowance for existing Preserved Rights cases will reduce by £0-1.4/-5.4m, in line with the reduction in numbers of this group.

7. Provisional allowance of £0/6.4/12.3m is included to uplift the £23.1m built into the baseline for 2003/04 to meet the additional costs of funding residents who have entered care homes since April 2002 and no longer receive the Residential Allowance. These additional resources are subject to further adjustment, as part of the proposed ending of Residential Allowance for all remaining residents from October 2003 and the associated transfer of resources from the Department of Work and Pensions, which is yet to be finalised.

8. Allowance of £1.2/12.5/13m is included for local authorities' additional responsibilities for the provision of community-based mental health services and training for Mental Health Officers arising from the Mental Health Bill. Provision of £0/2/2m for local authorities' capital costs, as set out in the Financial Memorandum to the Bill, is held outwith the settlement pending decisions on the appropriate allocation method. As already announced by the Minister for Health and Community Care, the Mental Illness Specific Grant will increase by £1/1/1m from 2003-04.

8. Additional provision of £0/3.3/3.3m has been made available through the Social Work Training Specific Grant.

Education & Young People

9. The joint McCrone Implementation Group agreed the allocation of resources for the implementation of the *Modernising the Teaching Profession* agreement to 2003-04. Additional provision from SR2002 of £0/98/154.9m is included within the settlement totals for teachers' pay, additional teaching staff to cover teaching hours and for the implementation of the Chartered Teachers programme. Alongside resources already included within the current settlement, additional provision of £11.2/9.5/8.5m has been held within the central Education Department (ED) budget towards the costs of funding placements for probationers. Provision of £15m p.a. for Continuing Professional Development will also continue to be held within the central ED budget.

10. Additional provision of £10/10/10m has been made available through the main teaching GAEs towards the costs of implementing the Discipline Taskforce Report. In addition to the resources already included within the settlement and provided through the Inclusion element of the National Priorities Action Fund, additional allocations of £0/8/8m have been made available within general grant from SR2002 to assist councils in improving education access for pupils with disabilities.

11. As agreed following the joint review during 2001-02, the Excellence Fund core and special programmes have been replaced with the National Priorities Action Fund programmes. Total provision through the Fund will be £109/117/121m (of which £5/5/5m remains undistributed). As recommended by the review, £64m of former Excellence Fund resources for classroom assistants, reducing class sizes and early intervention will transfer to unencumbered general grant from 2003-04 – using the existing 2002-03 distributions.

12. As indicated in 'Building a Better Scotland', additional provision of £4.1/16/31m through the Sure Start initiative and £2.5/13/23.9m through the Childcare Strategy are available to support additional early years intervention and as part of the wider cross-cutting initiative for improving public health. Allowance of £0/5/5m has also been made available for Youth Work, in particular for community education initiatives. Provision of £0.03/0.05/0.08m is included for the costs to local authorities of training and the revised fee structure for safeguarders within the children's hearing system.

13. Additional provision of £0/3/5m for Youth Crime has been held back in undistributed AEF pending further discussions between the Scottish Executive and local government. Provision of £5/10/100m for level playing field support for approved Schools PPP projects has also been held back outwith AEF and will be allocated each year as agreements are signed off and start dates are confirmed.

Transport

14. Additional allowance of £10/10/10m is included to ensure equal access to concessionary travel fares for men and women from age 60 from 2003-04. As agreed by Ministers and COSLA, separate provision of up to £10/10/10m is held back within the central Transport budget pending the outcome of interim research into the operation of the national concessionary fares scheme.

Environment

15. Additional provision of £4/4/2.5m has been included to assist councils with waste management and with the costs of disposing of fridges.

Access to the Countryside

16. In addition to the existing provision within the settlement, allowance of £0/0.9/1.6m has been provided from SR2002 to assist local authorities with their proposed duties under the Land Reform Bill for the creation and maintenance of core path networks for walking, horse-riding and cycling and powers to manage access to the countryside in their areas. As agreed by the joint 3 Year Settlement Group, the total provision of £7.4/8.1m for Access will be allocated through the Remainder of Leisure and Recreation GAE from 2004-05, rather than the existing Parks & Open Spaces GAE distribution.

Quality of Life

17. 'Building a Better Scotland' confirmed the allocation of an additional £180m (£50/60/70m) over the next 3 years for local quality of life initiatives, including for improving the local environment, tackling graffiti and vandalism and improving services for young people. The allocation of these resources is based on each council's share of Estimated Service Expenditure. Separate guidance is being issued to all councils clarifying the themes that these resources are intended to support and the timescale for councils submitting their indicative spending plans for these resources.

Pay, Prices, Etc.

18. General allowances for pay and prices (excluding teachers, police officers and fire fighters) and increased National Insurance contributions (excluding £6m for police and £1.3m for the fire service) have been allocated across all service headings (except specific grants). Allowance of £0/2.5/2.5m has been made available for increased Best Value audit and reporting requirements arising from provisions within the current Local Government in Scotland Bill.

19. From October 2002, the responsibilities of the former Local Government Ombudsman transferred to the new Public Sector Ombudsman. Audit Scotland will no longer collect the annual levy from councils to fund the Local Government Ombudsman and resources of £0.624m p.a. have been transferred out of RSG/AEF towards the central costs of funding the new Ombudsman.

Other Funds

20. Outwith the settlement allocations set out in this circular strategic revenue and capital funding will be provided for a number of policy initiatives, including:

- Strategic Waste Fund, to support improvements in local waste management services – guidance on the allocation of the Fund has been issued to all councils;
- Additional support for deprived communities, through the Better Neighbourhoods Fund – for which councils have been advised of their 2003-04 allocations; and,
- The Children’s Change Fund, to encourage better integrated services for vulnerable children – for which councils have already been advised of their 2003-04 allocations.

SR2002: ADDITIONAL LOCAL GOVERNMENT ALLOCATIONS

	2003-04	2004-05	2005-06
	£m	£m	£m
Health & Community Care			
Care Home Fees	24.000	24.000	24.000
Preserved Rights	0.000	-1.400	-5.400
Residential Allowance	0.000	6.400	12.300
Older People's Services/FPC	0.000	4.000	10.000
Mental Health Bill	1.200	12.500	13.000
Mental Illness Specific Grant	1.000	1.000	1.000
Education & Young People			
Modernising Teaching Profession	0.000	98.000	154.900
Surestart	4.130	16.000	31.000
Childcare Strategy	2.500	13.000	23.900
Youth Work	0.000	5.000	5.000
Children's Panel	0.030	0.050	0.080
Education Disability	0.000	8.000	8.000
Social Work Training	0.000	3.300	3.300
Discipline	10.000	10.000	10.000
National Priorities Action Fund (Specific Grant)	-1.600	8.002	10.716
Environment			
Access to Countryside	0.000	0.900	1.600
Waste Management/Disposal of Fridges	4.000	4.000	2.500
Transport			
Concessionary Fares	10.000	10.000	10.000
Justice			
Police (51% Specific Grant)	43.307	92.506	152.107
Fire	9.000	24.000	38.000
Other			
General Pay & Inflation, etc.	0.000	105.100	217.100
Loan Charges	0.000	0.000	10.000
National Insurance Contributions	32.900	34.000	35.000
Best Value	0.000	2.500	2.500
Transfer to Public Sector Ombudsman	-0.624	-0.624	-0.624
Undistributed AEF			
	2003-04	2004-05	2005-06
	£m	£m	£m
Care Home Fees	37.000	37.000	37.000
Youth Crime	0.000	3.000	5.000
INSET Grant	1.226	1.226	1.226
Schools PPP	5.000	10.000	100.000

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 2003-04, 2004-05 and 2005-06. Columns 9 to 11 are relevant to 2003-04 only.

1. Column 1 of the table is the estimated service expenditure of each authority. This column includes Special Islands Needs Allowance.
2. Column 1b of the table is each authority's share of the Quality of Life funds. The distribution is based on each authority's share of ESE.
3. 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.
4. 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.
5. Column 4 is the assessment of the floor adjustments for each authority. The figures were calculated as shown in Annex 5.
6. Column 5 is the total of columns 1 to 4. It is the Total Estimated Expenditure (TEE).
7. Column 6 is the estimated number of Band D equivalent properties as at September 2002 on which council tax will be levied.
8. 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:

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

9. Column 8 is the difference between columns 5 and 7 being the total amount of AEF. The total of column 8 is AEF of £7,283.902m in 2003-04, (i.e. the total of £7,315.317m, less NPAF, loan charges, youth crime, care home fees and INSET specific grant, totalling £45.492m, plus the amount of specific grant on police loan charges, £14.077m, which are supported by grant but are accounted for outside AEF). AEF for 2004-05 and 2005-06 is £7,634.982m and £7,936.352m respectively.
10. Column 9 shows the amount of specific grants (excluding Police CPS, but including Police specific grant loan charges) for 2003-04. 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 2003-04, has been based on advice from treasurers of the Police Boards.

11. Column 10 shows the amount of Distributable NDRI. This has been distributed amongst authorities in proportion to 2001 mid-year population estimates.
12. Column 11 distributes RSG, being the remainder of AEF after deductions for Specific Grants and NDRI.

AEF 2003-04	(1) Estimated Service Expenditure 2003-04	(1b) Quality of Life	(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) Band D Properties forecast	(7) Deduction for TEE not supported by AEF ((Tot Col 5-Tot Col 8) * Col 6/Tot Col 6) 0.00078	(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	£m	£m
Aberdeen City	289.171	1.877	32.648	2.523	-0.065	326.154	84,388	65.967	260.187	25.120	75.506	159.561
Aberdeenshire	325.393	2.112	28.989	1.669	0.193	358.356	88,223	68.964	289.392	20.944	80.861	187.587
Angus	164.436	1.067	11.162	1.397	-0.271	177.791	39,335	30.748	147.043	11.694	38.613	96.736
Argyll & Bute	146.730	0.952	29.139	1.230	-0.277	177.774	37,260	29.126	148.648	11.040	32.531	105.077
Clackmannanshire	69.898	0.454	7.335	0.898	-0.125	78.460	16,744	13.089	65.371	4.867	17.128	43.376
Dumfries & Galloway	230.329	1.495	25.337	1.972	-0.405	258.728	55,335	43.256	215.473	17.240	52.655	145.578
Dundee City	234.769	1.524	26.068	3.775	-0.433	265.703	46,774	36.564	229.140	20.485	51.829	156.826
East Ayrshire	180.044	1.169	15.666	1.933	-0.319	198.493	38,703	30.254	168.239	13.383	42.868	111.988
East Dunbartonshire	152.531	0.990	14.377	0.824	-0.247	168.475	46,397	36.269	132.206	9.333	38.571	84.302
East Lothian	126.560	0.822	13.914	1.159	-0.211	142.244	36,635	28.638	113.606	9.172	32.132	72.302
East Renfrewshire	127.464	0.827	11.718	0.708	-0.201	140.516	39,470	30.854	109.662	7.166	31.858	70.638
Edinburgh, City of	614.282	3.987	90.512	6.725	-0.572	714.934	191,825	149.951	564.983	56.686	159.990	348.307
Eilean Siar	66.327	0.431	21.100	0.377	4.887	93.122	9,085	7.102	86.020	4.415	9.424	72.181
Falkirk	203.387	1.320	25.431	2.346	-0.350	232.134	49,723	38.869	193.265	15.179	51.761	126.325
Fife	510.092	3.311	42.446	5.581	-0.865	560.565	124,736	97.507	463.058	35.756	124.626	302.676
Glasgow City	1,005.437	6.526	171.211	18.255	1.988	1203.417	207,323	162.066	1,041.352	102.662	206.200	732.490
Highland	345.113	2.240	48.210	2.671	-0.625	397.609	81,484	63.697	333.912	27.698	74.440	231.774
Inverclyde	133.367	0.866	15.667	1.724	-0.246	151.378	27,711	21.662	129.716	11.301	29.983	88.432
Midlothian	116.545	0.757	13.111	1.113	0.693	132.219	29,054	22.712	109.507	8.609	28.843	72.055
Moray	125.768	0.816	13.459	1.063	-0.219	140.887	29,675	23.197	117.690	8.981	30.999	77.710
North Ayrshire	208.691	1.355	19.730	2.396	-0.367	231.805	47,716	37.300	194.505	14.521	48.394	131.590
North Lanarkshire	478.043	3.103	41.973	6.327	-0.857	528.589	102,765	80.332	448.257	35.816	114.439	298.002
Orkney	45.564	0.296	8.592	0.197	0.210	54.859	6,885	5.382	49.477	2.307	6.848	40.322
Perth & Kinross	197.240	1.280	17.666	1.448	-0.314	217.320	55,528	43.407	173.913	14.023	48.084	111.806
Renfrewshire	260.726	1.692	27.460	3.228	-0.456	292.650	65,522	51.219	241.431	20.092	61.588	159.751
Scottish Borders	166.856	1.083	19.545	1.408	-0.293	188.599	41,115	32.140	156.459	12.965	38.107	105.387
Shetland	59.239	0.385	16.087	0.169	0.522	76.402	7,446	5.821	70.581	3.019	7.825	59.737
South Ayrshire	167.091	1.085	13.376	1.560	-0.274	182.838	45,260	35.380	147.458	11.080	39.964	96.414
South Lanarkshire	443.539	2.879	39.751	5.141	0.396	491.706	106,122	82.956	408.750	31.281	107.727	269.742
Stirling	129.457	0.840	16.097	1.015	-0.223	147.186	33,822	26.439	120.747	9.379	30.714	80.654
West Dunbartonshire	154.979	1.006	14.694	2.148	-0.282	172.545	32,787	25.630	146.915	14.155	33.251	99.509
West Lothian	223.811	1.453	21.263	2.499	-0.391	248.635	53,340	41.696	206.939	16.811	56.664	133.464
Scotland	7,702.879	50.000	913.734	85.479	0.000	8,752.092	1,878,188	1,468.190	7,283.902	607.180	1,804.423	4,872.299

AEF 2004-05	(1) Estimated Service Expenditure	(1b) Quality of Life	(2) Loan Charges Support 2004-05 including PPP LPFS	(3) Housing and Council Tax Benefit (residual subsidy)	(4) Floor Adjustment 2004-05	(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) 0.00082	(8) Total AEF (Col 5-7)
	£m	£m	£m	£m	£m	£m		£m	£m
Aberdeen City	301.636	2.228	31.971	2.880	1.325	340.040	84,834	69.445	270.595
Aberdeenshire	345.172	2.549	30.177	1.947	-1.302	378.543	90,529	74.107	304.436
Angus	172.558	1.274	11.640	1.570	-0.661	186.381	39,819	32.596	153.785
Argyll & Bute	156.712	1.157	29.667	1.388	-0.671	188.253	37,412	30.625	157.628
Clackmannanshire	72.982	0.539	6.747	0.947	0.626	81.841	16,926	13.855	67.986
Dumfries & Galloway	243.881	1.801	25.879	2.247	-0.970	272.838	55,842	45.712	227.126
Dundee City	244.615	1.807	26.126	4.056	0.460	277.064	47,460	38.851	238.213
East Ayrshire	190.038	1.403	15.555	2.357	-0.757	208.596	39,582	32.402	176.195
East Dunbartonshire	162.346	1.199	13.890	0.926	-0.600	177.761	46,452	38.026	139.735
East Lothian	134.971	0.997	13.957	1.176	-0.516	150.585	37,257	30.499	120.086
East Renfrewshire	137.072	1.012	11.867	0.800	-0.500	150.251	39,716	32.512	117.740
Edinburgh, City of	646.186	4.772	92.182	7.195	-2.240	748.095	193,857	158.691	589.405
Eilean Siar	68.278	0.504	21.327	0.378	6.416	96.903	9,091	7.442	89.460
Falkirk	217.361	1.605	26.181	2.420	-0.843	246.724	51,220	41.928	204.796
Fife	543.401	4.013	43.311	5.714	-2.092	594.347	126,676	103.697	490.651
Glasgow City	1,044.363	7.713	167.068	19.709	13.241	1252.094	207,317	169.709	1,082.384
High land	365.920	2.702	48.471	2.948	-1.494	418.547	82,793	67.774	350.774
Inverclyde	139.808	1.033	15.711	1.894	-0.474	157.972	28,183	23.071	134.901
Midlothian	124.749	0.921	13.619	1.156	-0.485	139.960	29,251	23.945	116.015
Moray	134.284	0.992	13.863	0.983	-0.533	149.589	30,112	24.650	124.939
North Ayrshire	218.641	1.615	19.676	2.758	-0.870	241.820	47,925	39.232	202.589
North Lanarkshire	502.200	3.709	41.884	6.573	-1.475	552.891	105,930	86.714	466.177
Orkney	48.160	0.356	9.073	0.212	-0.223	57.578	6,970	5.706	51.872
Perth & Kinross	210.051	1.551	18.078	1.578	-0.786	230.472	56,299	46.086	184.386
Renfrewshire	273.312	2.018	27.914	3.590	-1.081	305.753	65,807	53.869	251.884
Scottish Borders	176.480	1.303	19.649	1.546	-0.704	198.274	42,004	34.384	163.890
Shetland	61.645	0.455	16.108	0.180	1.137	79.525	7,478	6.122	73.404
South Ayrshire	174.304	1.287	13.450	1.837	-0.087	190.791	45,734	37.438	153.353
South Lanarkshire	470.675	3.476	39.430	5.708	-1.841	517.448	108,229	88.596	428.852
Stirling	138.278	1.021	16.538	1.097	-0.543	156.391	34,779	28.470	127.921
West Dunbartonshire	162.619	1.201	14.267	2.433	-0.517	180.003	33,246	27.215	152.788
West Lothian	241.639	1.785	20.724	2.598	-0.941	265.805	54,714	44.789	221.016
Scotland	8,124.339	60.000	916.000	92.800	0.000	9,193.139	1,903,446	1,558.157	7,634.982

AEF 2005-06	(1) Estimated Service Expenditure	(1b) Quality of Life	(2) Loan Charges Support 2005-06 including PPP LPFS	(3) Housing and Council Tax Benefit (residual subsidy)	(4) Floor Adjustment 2005-06	(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) 0.00086	(8) Total AEF (Col 5-7)
	£m	£m	£m	£m	£m	£m		£m	£m
Aberdeen City	315.096	2.597	31.970	3.020	0.282	352.965	85,183	73.171	279.795
Aberdeenshire	360.353	2.970	30.115	2.042	-1.208	394.272	91,472	78.573	315.700
Angus	180.090	1.484	13.871	1.647	-0.616	196.476	40,004	34.362	162.114
Argyll & Bute	162.811	1.342	30.287	1.456	-0.621	195.275	37,605	32.302	162.973
Clackmannanshire	76.168	0.628	6.910	0.993	0.255	84.954	17,062	14.656	70.298
Dumfries & Galloway	254.991	2.102	25.733	2.356	-0.903	284.279	56,127	48.212	236.067
Dundee City	254.459	2.098	26.161	4.254	-0.063	286.909	47,353	40.675	246.234
East Ayrshire	198.279	1.634	15.684	2.472	-0.704	217.365	39,720	34.118	183.247
East Dunbartonshire	169.552	1.398	14.232	0.971	-0.558	185.595	46,933	40.314	145.280
East Lothian	141.538	1.167	14.302	1.234	-0.482	157.759	37,785	32.457	125.302
East Renfrewshire	143.617	1.184	12.123	0.839	-0.467	157.296	40,257	34.580	122.716
Edinburgh, City of	676.597	5.577	92.761	7.546	-2.328	780.153	196,245	168.570	611.583
Eilean Siar	70.341	0.580	21.498	0.396	7.543	100.358	9,145	7.856	92.502
Falkirk	228.042	1.880	26.412	2.539	-0.788	258.085	51,655	44.371	213.714
Fife	569.729	4.696	44.816	5.994	-1.960	623.275	127,788	109.767	513.508
Glasgow City	1,090.012	8.985	165.342	20.672	13.443	1298.454	209,315	179.797	1,118.657
Highland	381.227	3.142	49.189	3.092	-1.386	435.264	83,518	71.740	363.524
Inverclyde	145.634	1.200	16.205	1.986	-0.539	164.486	28,243	24.260	140.227
Midlothian	130.569	1.076	13.722	1.213	-0.452	146.128	29,595	25.421	120.706
Moray	140.415	1.157	14.025	1.031	-0.497	156.131	30,252	25.986	130.146
North Ayrshire	228.172	1.881	20.183	2.893	-0.810	252.319	48,328	41.513	210.806
North Lanarkshire	526.889	4.343	42.984	6.894	-1.873	579.237	106,935	91.855	487.381
Orkney	49.955	0.412	9.182	0.222	-0.091	59.680	7,037	6.044	53.636
Perth & Kinross	219.805	1.812	18.427	1.655	-0.734	240.965	56,741	48.739	192.225
Renfrewshire	286.240	2.359	28.735	3.765	-1.011	320.088	66,208	56.871	263.217
Scottish Borders	184.920	1.524	19.434	1.621	-0.655	206.844	42,366	36.391	170.452
Shetland	63.853	0.526	16.258	0.189	1.545	82.371	7,534	6.471	75.900
South Ayrshire	181.945	1.500	13.563	1.927	-0.610	198.325	45,974	39.491	158.834
South Lanarkshire	492.299	4.058	40.419	5.987	-1.719	541.044	109,091	93.707	447.337
Stirling	144.986	1.195	16.562	1.150	-0.506	163.387	35,264	30.291	133.096
West Dunbartonshire	170.026	1.402	14.406	2.552	-0.611	187.775	33,418	28.706	159.069
West Lothian	253.420	2.089	20.490	2.725	-0.877	277.847	55,578	47.741	230.106
Scotland	8,492.029	70.000	926.000	97.333	0.000	9,585.362	1,919,731	1,649.010	7,936.352

FLOOR CALCULATION

ANNEX 4

	2004-05					2005-06					
	Revenue Grant (without floor)	Increase without floor	contribution to floor	Revenue Grant with floor	Year on year % increase	Revenue Grant (without floor)	Increase without floor	contribution to floor	Revenue Grant with floor	Year on year % increase	
	£M	%	£M	4.0%		£M	%	£M	3.4%		
East Renfrewshire	116.940	7.92	-0.500	116.440	7.45	Fife	511.787	5.10	-1.960	509.828	4.69
West Lothian	220.040	7.32	-0.941	219.099	6.87	North Lanarkshire	488.995	4.95	-1.873	487.122	4.55
Falkirk	196.999	6.70	-0.843	196.156	6.25	Falkirk	205.861	4.95	-0.788	205.073	4.55
Moray	124.493	6.67	-0.533	123.960	6.21	Renfrewshire	264.079	4.90	-1.011	263.068	4.50
Argyll & Bute	156.933	6.55	-0.671	156.262	6.10	East Lothian	125.784	4.74	-0.482	125.302	4.34
Perth & Kinross	183.767	6.53	-0.786	182.981	6.07	South Lanarkshire	448.833	4.71	-1.719	447.115	4.31
Stirling	126.874	6.48	-0.543	126.331	6.02	Perth & Kinross	191.554	4.69	-0.734	190.820	4.28
Fife	489.063	6.39	-2.092	486.971	5.94	East Renfrewshire	121.882	4.67	-0.467	121.416	4.27
East Lothian	120.603	6.16	-0.516	120.087	5.70	Moray	129.664	4.60	-0.497	129.168	4.20
East Dunbartonshire	140.277	6.15	-0.600	139.677	5.70	Midlothian	118.042	4.56	-0.452	117.590	4.15
Midlothian	113.384	6.06	-0.485	112.899	5.60	West Lothian	229.068	4.55	-0.877	228.190	4.15
Dumfries & Galloway	226.826	5.89	-0.970	225.856	5.44	Angus	160.747	4.53	-0.616	160.132	4.13
Aberdeenshire	304.338	5.68	-1.302	303.036	5.22	West Dunbartonshire	159.568	4.51	-0.611	158.957	4.11
Highland	349.318	5.55	-1.494	347.824	5.09	Stirling	132.012	4.50	-0.506	131.506	4.10
South Lanarkshire	430.470	5.37	-1.841	428.629	4.92	North Ayrshire	211.511	4.46	-0.810	210.701	4.06
Orkney	52.095	5.29	-0.223	51.872	4.84	East Ayrshire	183.853	4.40	-0.704	183.149	4.00
Scottish Borders	164.594	5.20	-0.704	163.890	4.75	Scottish Borders	171.108	4.40	-0.655	170.452	4.00
East Ayrshire	176.854	5.18	-0.757	176.098	4.73	East Dunbartonshire	145.781	4.37	-0.558	145.222	3.97
Angus	154.447	5.04	-0.661	153.786	4.59	Dumfries & Galloway	235.700	4.36	-0.903	234.798	3.96
Renfrewshire	252.816	4.78	-1.081	251.735	4.33	Inverclyde	140.680	4.35	-0.539	140.141	3.95
North Ayrshire	203.354	4.61	-0.870	202.484	4.16	Edinburgh, City of	607.968	4.20	-2.328	605.639	3.80
Edinburgh, City of	585.701	4.40	-2.240	583.461	4.00	Aberdeenshire	315.508	4.12	-1.208	314.300	3.72
Inverclyde	135.289	4.37	-0.474	134.815	4.00	Highland	361.960	4.06	-1.386	360.574	3.67
West Dunbartonshire	153.193	4.35	-0.517	152.676	4.00	South Ayrshire	159.365	3.97	-0.610	158.755	3.58
North Lanarkshire	467.392	4.33	-1.475	465.917	4.00	Argyll & Bute	162.228	3.82	-0.621	161.607	3.42
South Ayrshire	153.361	4.06	-0.087	153.274	4.00	Orkney	53.726	3.57	-0.091	53.636	3.40
						Dundee City	243.977	3.43	-0.063	243.914	3.40
Dundee City	235.433	3.80	0.460	235.894	4.00						
Aberdeen City	269.270	3.49	1.325	270.595	4.00	Aberdeen City	279.513	3.30	0.282	279.795	3.40
Clackmannanshire	67.360	3.04	0.626	67.986	4.00	Clackmannanshire	70.043	3.03	0.255	70.298	3.40
Glasgow City	1053.591	2.71	13.241	1066.832	4.00	Glasgow City	1089.661	2.14	13.443	1103.104	3.40
Shetland	72.267	2.39	1.137	73.404	4.00	Shetland	74.355	1.30	1.545	75.900	3.40
Eilean Siar	83.045	-3.46	6.416	89.460	4.00	Eilean Siar	84.959	-5.03	7.543	92.502	3.40
Scotland	7580.386	4.82	0.00	7580.386	4.82	Scotland	7879.773	3.95	0.00	7879.773	3.95

Note 1 : Figures for 2004-05 and 2005-05 show increases excluding LPFS. Note 2 : LPFS will reduce % increases as it is excluded from Floor calculation

2003-04 SPECIFIC GRANTS (revised)

	Police	Civil Protection	Supported Employment	Council Tax Benefit Admin	In-Service Training	Gaelic	Mental Illness	Social Work Training	Housing Benefit Admin	National Priorities Action Fund
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Aberdeen City	19,099	59	380	296	259	102	708	90	309	3,818
Aberdeenshire	14,246	44	145	203	334	4	578	75	206	5,109
Angus	8,462	13	0	155	142	24	321	47	175	2,356
Argyll & Bute	7,955	4	5	142	127	246	312	41	150	2,059
Clackmannanshire	3,301	9	13	98	93	11	111	20	101	1,111
Dumfries & Galloway	12,676	55	140	224	217	0	374	55	248	3,251
Dundee City	15,745	25	500	381	186	0	342	74	470	2,762
East Ayrshire	9,700	6	15	248	182	108	321	51	247	2,506
East Dunbartonshire	6,249	3	0	108	160	36	164	31	86	2,496
East Lothian	6,617	4	84	123	100	0	223	35	124	1,863
East Renfrewshire	4,646	3	13	88	127	25	57	27	80	2,100
Edinburgh, City of	46,219	31	400	695	447	130	1,345	206	816	6,397
Eilean Siar	2,135	4	51	52	84	800	164	25	27	1,073
Falkirk	10,803	28	220	257	254	4	367	59	252	2,937
Fife	25,301	55	840	597	489	0	893	135	603	6,843
Glasgow City	84,070	50	490	1,915	861	189	2,775	373	2,223	9,716
Highland	19,636	44	420	313	280	643	598	79	305	5,379
Inverclyde	8,592	5	30	196	131	68	193	41	202	1,843
Midlothian	6,113	4	55	117	99	0	266	26	125	1,804
Moray	6,425	20	80	101	121	0	160	30	105	1,939
North Ayrshire	10,361	6	25	287	209	20	197	59	292	3,064
North Lanarkshire	25,969	15	140	718	495	172	563	128	662	6,954
Orkney	1,316	3	10	23	91	0	133	20	22	690
Perth & Kinross	10,474	17	0	151	162	36	272	51	180	2,681
Renfrewshire	14,989	8	12	358	255	14	375	73	396	3,612
Scottish Borders	9,749	6	122	146	105	4	311	43	179	2,301
Shetland	1,738	4	30	21	70	0	165	20	17	954
South Ayrshire	7,696	4	35	192	154	0	301	46	194	2,458
South Lanarkshire	21,895	13	0	649	446	123	750	114	549	6,741
Stirling	6,791	18	30	118	142	75	207	33	112	1,853
West Dunbartonshire	11,065	6	20	256	146	0	251	43	255	2,114
West Lothian	12,497	8	44	258	192	0	204	51	287	3,269
Scotland	452,529	574	4,348	9,485	7,160	2,834	14,000	2,200	9,998	104,052

2004-05 SPECIFIC GRANTS

	Police	Civil Protection	Supported Employment	Council Tax Benefit Admin	In-Service Training	Gaelic	Mental Illness	Social Work Training	Housing Benefit Admin	National Priorities Action Fund
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Aberdeen City	20,512	59	380	296	259	102	708	220	309	4,184
Aberdeenshire	15,292	44	145	203	334	4	578	181	206	5,618
Angus	8,833	13	0	155	142	24	321	131	175	2,432
Argyll & Bute	8,391	4	5	142	127	246	312	110	150	2,076
Clackmannanshire	3,461	9	13	98	93	11	111	55	101	1,036
Dumfries & Galloway	13,420	55	140	224	217	0	374	130	248	3,421
Dundee City	16,436	25	500	381	186	0	342	180	470	2,913
East Ayrshire	10,232	6	15	248	182	108	321	124	247	2,621
East Dunbartonshire	6,592	3	0	108	160	36	164	59	86	2,605
East Lothian	6,985	4	84	123	100	0	223	110	124	2,034
East Renfrewshire	4,901	3	13	88	127	25	57	55	80	2,257
Edinburgh, City of	48,792	31	400	695	447	130	1,345	495	816	7,092
Eilean Siar	2,231	4	51	52	84	800	164	56	27	948
Falkirk	11,326	28	220	257	254	4	367	165	252	3,210
Fife	27,063	55	840	597	489	0	893	330	603	7,542
Glasgow City	88,685	50	490	1,915	861	189	2,775	935	2,223	10,883
Highland	20,521	44	420	313	280	643	598	220	305	5,806
Inverclyde	9,064	5	30	196	131	68	193	110	202	1,868
Midlothian	6,459	4	55	117	99	0	266	57	125	1,919
Moray	6,903	20	80	101	121	0	160	58	105	1,964
North Ayrshire	10,930	6	25	287	209	20	197	165	292	3,347
North Lanarkshire	27,395	15	140	718	495	172	563	330	662	7,733
Orkney	1,375	3	10	23	91	0	133	55	22	646
Perth & Kinross	10,933	17	0	151	162	36	272	124	180	2,897
Renfrewshire	15,812	8	12	358	255	14	375	180	396	3,972
Scottish Borders	10,284	6	122	146	105	4	311	110	179	2,460
Shetland	1,816	4	30	21	70	0	165	55	17	821
South Ayrshire	8,119	4	35	192	154	0	301	130	194	2,679
South Lanarkshire	23,097	13	0	649	446	123	750	275	549	7,360
Stirling	7,120	18	30	118	142	75	207	61	112	1,970
West Dunbartonshire	11,672	6	20	256	146	0	251	110	255	2,275
West Lothian	13,191	8	44	258	192	0	204	124	287	3,490
Scotland	477,844	574	4,348	9,485	7,160	2,834	14,000	5,500	9,998	112,077

2005-06 SPECIFIC GRANTS

	Police	Civil Protection	Supported Employment	Council Tax Benefit Admin	In-Service Training	Gaelic	Mental Illness	Social Work Training	Housing Benefit Admin	National Priorities Action Fund
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Aberdeen City	21,704	59	380	296	259	102	708	220	309	4,184
Aberdeenshire	16,175	44	145	203	334	4	578	181	206	5,896
Angus	9,339	13	0	155	142	24	321	131	175	2,557
Argyll & Bute	8,962	4	5	142	127	246	312	110	150	2,177
Clackmannanshire	3,635	9	13	98	93	11	111	55	101	1,093
Dumfries & Galloway	14,301	55	140	224	217	0	374	130	248	3,590
Dundee City	17,378	25	500	381	186	0	342	180	470	3,069
East Ayrshire	10,929	6	15	248	182	108	321	124	247	2,765
East Dunbartonshire	7,041	3	0	108	160	36	164	59	86	2,752
East Lothian	7,400	4	84	123	100	0	223	110	124	2,034
East Renfrewshire	5,235	3	13	88	127	25	57	55	80	2,379
Edinburgh, City of	51,696	31	400	695	447	130	1,345	495	816	7,471
Eilean Siar	2,305	4	51	52	84	800	164	56	27	980
Falkirk	11,894	28	220	257	254	4	367	165	252	3,210
Fife	29,537	55	840	597	489	0	893	330	603	7,946
Glasgow City	94,722	50	490	1,915	861	189	2,775	935	2,223	11,473
Highland	21,196	44	420	313	280	643	598	220	305	5,806
Inverclyde	9,681	5	30	196	131	68	193	110	202	1,969
Midlothian	6,850	4	55	117	99	0	266	57	125	2,017
Moray	7,308	20	80	101	121	0	160	58	105	2,067
North Ayrshire	11,674	6	25	287	209	20	197	165	292	3,347
North Lanarkshire	29,259	15	140	718	495	172	563	330	662	8,132
Orkney	1,420	3	10	23	91	0	133	55	22	670
Perth & Kinross	11,559	17	0	151	162	36	272	124	180	3,037
Renfrewshire	16,888	8	12	358	255	14	375	180	396	4,180
Scottish Borders	10,888	6	122	146	105	4	311	110	179	2,579
Shetland	1,876	4	30	21	70	0	165	55	17	850
South Ayrshire	8,671	4	35	192	154	0	301	130	194	2,679
South Lanarkshire	24,669	13	0	649	446	123	750	275	549	7,360
Stirling	7,477	18	30	118	142	75	207	61	112	2,067
West Dunbartonshire	12,467	6	20	256	146	0	251	110	255	2,392
West Lothian	13,975	8	44	258	192	0	204	124	287	3,685
Scotland	508,108	574	4,348	9,485	7,160	2,834	14,000	5,500	9,998	116,416

SUPPORT FOR CAPITAL EXPENDITURE 2003-06

1. 'Building a Better Scotland' set out provisional allocations for general local authority non-housing capital investment from 2003-04 to 2005-06, including confirming the transfer of £110/120/120m for non-HRA housing (private sector housing) and the Public Transport Fund from capital allocations to direct capital grants.

2. Provisions within the current Local Government in Scotland Bill allow for the establishment of the new prudential system for local authority capital expenditure from 2004-05. For **2003-04**, the Single (Formula) Allocations for each local authority will be as set out in Finance Circular 13/2000. This will include allocations under the new £50m Private Housing Capital Grant (Non-HRA Housing). Announcements on the allocation of resources for other specific policy areas will be made by the relevant Ministers.

3. For 2004-05 and 2005-06, under the prudential system, there will no longer be capital allocations. From 2004-05 it is proposed that the remaining hypothecated capital allocations for specific policy areas should transfer from borrowing consent to direct capital grant. Details of the grant arrangements will be confirmed in due course. As agreed with COSLA, it is proposed that the existing capital formula should be used to establish notional capital allocations for 2004-05 and 2005-06. These notional allocations have been used to calculate the distribution of loan charges support between local authorities. As for the current 3 years settlement, a floor has been applied against the 2003-04 allocations. Taking account of the transfer out of allowance for the Non-HRA grant, the floor has been set at -19%.

4. The table below shows the allocations and grants for 2003-04, proposed grant totals and notional formula allocations for 2004-05 and 2005-06.

	£ million		
	2003-04	2004-05	2005-06
Scottish Executive support for local authority capital	506.2		
Police*	26.4	31.4	31.4
Fire*	23.6	23.6	23.6
Flood Prevention/Coastal Protection*	11.8	14.2	14.2
Air Quality*	0.3	0.3	0.3
Land Decontamination*	5.0	5.0	5.0
Strathclyde PTA*	11.0	11.0	11.0
Tay Bridge*	2.3	2.3	2.3
Piers & Harbours**	2.0	2.0	2.0
Public Transport Fund**	60.0	60.0	60.0
Non-HRA (Private Housing Grant)**	50.0	60.0	60.0
Other**	0.0	50.0	50.0
 Single Formula Allocation#	 303.8	 303.8	 303.8

*Capital Grants from 2004-05

**Capital Grants from 2003-04

#Single allocation figure for 2003-04 excludes non-HRA grant. Single allocation figures for 2004-05 and 2005-06 are notional

5. In practice, under the new prudential system councils will have the power to decide how much to spend and borrow for investment in capital infrastructure. Councils' plans will be subject to scrutiny by external auditors and councils will have to demonstrate that their plans are prudent and provide value for money for local taxpayers. Support for local authority borrowing for capital investment will continue to be provided through loan charges, alongside revenue support for approved PPP projects.

6. The attached table shows the actual single formula allocations for each council for 2003-04 and the notional capital allocations for each council for 2004-05 and 2005-06 used to calculate the distribution of loan charges support.

SINGLE FORMULA ALLOCATIONS

	Actual 2003-04 £000	Notional 2004-05 £000	Notional 2005-06 £000
Aberdeen City	10,718	10,061	10,061
Aberdeenshire	11,833	10,477	10,477
Angus	6,991	5,642	5,642
Argyll & Bute	13,799	11,137	11,137
Clackmannanshire	3,861	3,116	3,116
Dumfries & Galloway	11,547	9,560	9,560
Dundee City	9,413	7,832	7,832
East Ayrshire	7,053	5,994	5,994
East Dunbartonshire	6,405	5,563	5,563
East Lothian	6,131	5,211	5,211
East Renfrewshire	5,759	4,648	4,648
Edinburgh, City of	24,444	25,089	25,089
Eilean Siar	12,921	10,428	10,428
Falkirk	8,597	7,267	7,267
Fife	18,902	15,766	15,766
Glasgow City	39,769	39,906	39,906
Highland	23,160	18,692	18,692
Inverclyde	8,351	6,740	6,740
Midlothian	5,080	4,609	4,609
Moray	5,930	4,786	4,786
North Ayrshire	10,434	8,421	8,421
North Lanarkshire	17,331	15,748	15,748
Orkney	4,944	3,990	3,990
Perth & Kinross	10,137	8,181	8,181
Renfrewshire	10,868	9,602	9,602
Scottish Borders	9,376	7,567	7,567
South Ayrshire	6,452	5,529	5,529
South Lanarkshire	17,710	14,941	14,941
Stirling	6,409	5,354	5,354
West Dunbartonshire	5,887	5,018	5,018
West Lothian	8,260	6,923	6,923
Scotland Total	348,470	303,800	303,800

N.B. The notional allocations for 2004-05 and 2005-06 have been used in the calculation of loan charges support.

METHODOLOGY NOTE : LOAN AND LEASING CHARGES CALCULATION FOR 2003-04, 2004-05 AND 2005-06

1. LOAN CHARGES ON LOCAL AUTHORITY DEBT

1.1 Loan Charges are designed to support the interest payments on Local Authority debt, principal repayments and loans fund expenses. Loan charges amounts are calculated for:

- i) actual relevant service debt incurred by councils prior to 31 March 1999
- ii) estimated relevant service debt incurred by councils since 31 March 1999
- iii) actual debt incurred by the police and fire services and the Strathclyde Passenger Transport Authority

1.2 For each category of debt the main components of loan charges are calculated as follows:

2003-04

Loan Charges support for 2003-04 is as stated in Finance Circular 8/2001.

2004-05 and 2005-06

Loan charges for 2004-05 and 2005-06 are calculated (using a rebased 2003-04) as follows:

Interest Payments: A Scottish average pool interest rate is applied to the average debt. For 2004-04 and 2005-06, the interest rate is 6.47%.

Principal Repayments: For category i) redemptions are as reported. For categories ii) and iii) an average redemption rate is applied to average debt during the period. For ii) the rate is the average all-councils redemption rate for 2001-02. For iii) the rate used for each board is that board's average redemption rate for 1999-00 to 2001-02.

Loans Fund Expenses: An expenses rate is applied to average debt in the period. For 2004-05 to 2005-06, the expenses rate is 0.069%.

1.3 In addition, Orkney Islands Council and Shetland Islands Council receive a notional element of loan charges to support their debt free (or previously debt free) status.

2. LOAN CHARGES FOR PUBLIC PRIVATE PARTNERSHIP PROJECTS

2.1 In addition to the loan and leasing charges detailed above, loan charges are given to provide a 'level playing field' for Public private partnership projects (PPPs). The methodology for this is described in detail in Finance Circular 16/1997. Level Playing Field Support amounts to £51.789m in 2003-04, £54.596m in 2004-05 and £56.579m 2005-06. Provision for Level Playing Field Support for Education PPP projects announced in June 2002 has been held back pending confirmation of start dates.

3. TOTAL LOAN AND LEASING CHARGES

3.1 Total loan charges are the sum of loan charges on Local Authority debt (including notional amounts for Orkney and Shetland), total calculated loan charges amounts are as follows:

- 2004-05 £823.169m
- 2005-06 £869.421m

3.2 These calculated totals are then scaled upwards so that when LPFS is added the totals are equal to early estimates built into the settlement calculations. The scaled totals including LPFS are shown below:

- 2004-05 £916m
- 2005-06 £926m

2003-04 DISTRIBUTABLE AMOUNT
NDRI Balance Sheet to 31.3.02

	£m	£m	£m	£m	£m
1	Balance b.f. 31.3.02 as per DA calc 02/03				138.702
	Less: Downward recalc 2001-02 post DA calc				1.960
	** Less: Diff between 00-01 Notified post DA calc				2.259
2	Closing Balance				134.483
<hr/>					
	Final Balance b.f. 31.3.01				
3	Opening Balance				134.483
4	Add: PCA Prov Cont Amnt 2002/03			1739.567	
5	Less: Dist Amnt 2002/03			1718.104	
				<u>21.463</u>	
6	Reconciliation of 2001-02				155.946
7	Add: Notified Amnt 2001/02		1671.815		
8	Less Prov Cont Amnt 2001/02		1667.548 *		
9			<u>4.267</u>		
10	Reconciliation of 2000-01				160.213
11	Add: Audited Amnt 2000/01		1576.703		
12	Less: Notified Amnt 2000/01		1576.404 **		
13			<u>0.299</u>		
14	Closing Balance 2002-03				160.512
	<i>* Prov cont amnt figure used in last year's DA calc less downward recalc</i>				
	<i>** Used mid-year figure for Inverclyde last year as notified was not available, adjusted above.</i>				
<hr/>					
15	Balance b.f. 31.3 02				160.512
16	Opening Balance				160.512
17	Add: estimated Prov Cont. Amnt 2003-04		1673.000		
18	Add: Mid Yr Estimate 2002/03	1710.478			
19	Less: Prov Cont Amnt 2002/03	1739.567			
20	Add/less Est. reconciliation of 2001/02	<u>-29.089</u>			
21	Estimated movement on Pool 2003-04				1643.911
<hr/>					
22	Estimated movement on Pool 2003-04				1643.911
23	Net Balance on 02/03 Pool inc. b/fd @ 31/3/02				1804.423
24	Less: Distributable Amount for 2003/04				-1804.423
25	Estimated balance at 31.3.04				0.000
<hr/>					