

## **EAST AYRSHIRE COUNCIL**

### **SPECIAL POLICY AND RESOURCES COMMITTEE – 11 JANUARY 2001**

#### **LOCAL GOVERNMENT FINANCE SETTLEMENT 2001/02**

##### **Report by the Director of Finance**

## **1 PURPOSE**

- 1.1** To advise of the proposals of the Scottish Executive for the distribution among local authorities of Aggregate External Finance (AEF).

## **2 BACKGROUND**

- 2.1** Proposals for distribution of central government funds for the next three years have been made by the Scottish Executive. This report sets out the effect for the Council.

## **3 LOCAL GOVERNMENT FINANCE SETTLEMENT**

### **3.1 Revenue Grant Distribution**

The distribution of grant among councils for 2001/02 is based on the existing distribution formula. For years 2 and 3 of the settlement the formula has been updated for projected population changes.

### **3.2 Non-Domestic Rate Poundage**

The Council receives its Non-Domestic Rate income through the AEF mechanism. The Scottish Executive has announced that the Scottish Non-Domestic Rate poundage for 2001/02 will provisionally be set at 47.0p. This compares with the 2000/01 poundages of 45.3p for properties with rateable values under £10,000 and 45.8p for properties with rateable values of £10,000 or more.

### 3.3 Aggregate External Finance (AEF)

The Scottish Executive has now published proposals for the distribution among local authorities of Aggregate External Finance (AEF). These proposals will form the basis for consultation with CoSLA at the meeting with the Scottish Executive which is scheduled for 11 January 2001.

AEF is made up of three elements – Revenue Support Grant, Non-Domestic Rates Income (NDRI) and Specific Grants.

The proposed amounts allocated to this authority for 2001/02 together with comparative figures for 2000/01 are shown below.

	2000/01 £M	2001/02 £M	Difference £M	Difference %
Revenue Support Grant/NDRI	118.9	122.5	3.6	3.0
<u>Specific Grants</u>				
Police	8.2	8.5	0.3	3.7
Excellence Fund	4.2	4.5	0.3	7.1
Other Specific Grants	1.0	1.0	0.0	0.0
Provision for McCrone	0.0	1.1	1.1	-
<b>TOTAL</b>	<b>132.3</b>	<b>137.6</b>	<b>5.3</b>	<b>4.0</b>

The settlement includes an element which is intended to meet part of the costs that may arise as a consequence of the implementation of the recommendations contained in the McCrone Report on Teacher's Pay and Conditions of Service. The eventual costs are dependant on the outcome of discussions and negotiations currently underway. The Executive have indicated that they will fund the full cost of the agreed package provided the changes secured in teachers' conditions of service are sufficient to justify that cost. The value of £1.1m shown in the table is an estimate of the level of provision included in this council's grant.

The Scottish Executive have held back £30.9m of Excellence Funding for 2001/02, the distribution of which is being considered by the Scottish Executive Education Department.

The proposed grant allocations for 2002/03 and 2003/04 are shown below.

	2001/02 £m	2002/03 £m	Difference on 01/02 £m	2003/04 £m	Difference on 02/03 £m
Revenue Support Grant/NDRI	122.5	127.5	5.0	133.4	5.9
<u>Specific Grants</u>					
Police	8.5	8.9	0.4	9.3	0.4
Excellence Fund	4.5	4.4	(0.1)	4.4	0.0
Other Specific Grants	1.0	1.1	0.1	1.1	0.0
Provision for McCrone	1.1	2.9	1.8	2.3	(0.6)
<b>TOTAL</b>	<b>137.6</b>	<b>144.8</b>	<b>7.2</b>	<b>150.5</b>	<b>5.7</b>

### **3.4 Expenditure Guideline**

The system of Expenditure Guidelines has been discontinued. As before however capping powers are held in reserve and may be used by the Scottish Executive if it is considered that a council is budgeting for excessive increases in spending. Councils will however be required to publish firm council tax figures for all three years and will require to justify any significant changes to these figures to their local electors and to Scottish Ministers. There are indications that the Scottish Executive have assumed that the average council tax increase will be 5% per annum.

### **3.5 Council Tax Benefit Subsidy Limitation**

As for 2000/01, a Council Tax Benefit Subsidy limitation will again apply. Where a council increases its council tax by more than 5% or £50 and the result is above the Scottish Average, benefit subsidy will be reduced.

## **4 RECOMMENDATION**

It is recommended that Members note the contents of this report.

Alex McPhee  
**Director of Finance**

AMcP/DMW  
15 December 1999

## **BACKGROUND PAPERS**

Scottish Executive Finance Circular 13/2000 – Local Government Finance  
Settlements: 2001-02, 2002-03 & 2003-04

Any person wishing to inspect the background paper listed above should contact Alex McPhee, Director of Finance on 01563 576300.

**AGENDA**