

SCOTTISH OFFICE

LOCAL GOVERNMENT FINANCE (SCOTLAND)

The Revenue Support Grant (Scotland) Order 1991

Report by the Secretary of State under
paragraph 2(3) of Schedule 4 to the
Abolition of Domestic Rates Etc (Scotland)
Act 1987, as amended

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Revenue Support Grants for Scotland for 1991–92

Introduction 1.1 Revenue support grants (“RSGs”) are made to local authorities in Scotland for the financial year 1991–92 in accordance with section 23(2) of and Schedule 4 to the Abolition of Domestic Rates Etc (Scotland) Act 1987 (“the 1987 Act”), as amended by paragraphs 28 and 29 of Schedule 6 to the Local Government and Housing Act 1989.

1.2 In accordance with paragraphs 1(1) and (2) of Schedule 4 to the 1987 Act, as so amended, the Secretary of State has made the Revenue Support Grant (Scotland) Order 1991 (“the 1991 Order”), specifying the local authorities to whom an RSG is payable for the financial year 1991–92 and determining the amount of the RSG payable to each such authority for that year. Before making the 1991 Order, the Secretary of State has consulted the Convention of Scottish Local Authorities and obtained the consent of the Treasury to the making of the Order.

1.3 The 1991 Order, together with this Report of the considerations which led to its provisions, are laid before the House of Commons in accordance with paragraph 2(3) of Schedule 4 to the 1987 Act, as so amended. That paragraph provides that the Order shall have no effect until it is approved by a Resolution of that House.

General 2.1 The Secretary of State has determined £2,692.6 million as being the amount available out of monies provided by Parliament for payment of RSGs to local authorities for 1991–92. How this amount has been arrived at is explained in paragraphs 3.1 to 3.6 below.

2.2 The amount available for payment of RSGs includes the sum of £15 million which is intended to continue at a reduced level for 1991–92 the safety netting arrangements which were made in 1990–91. This amount is apportioned among local authorities as shown in column 7 of Appendix D to this Report. The basis of this apportionment is explained in paragraphs 4.1 to 4.3 below.

2.3 To the remainder of the amount available for RSGs of £2,677.6 million, there is added £1,347.0 million, being the total of the estimate made by the Secretary of State of the amount of the non-domestic rate income (NDRI) which will be available to each local authority in the financial year 1991–92 from rates collected in that year, whether in respect of that year or in respect of any earlier financial year. These estimates are shown in column 9 of Appendix D to this report. They are based upon information from rating authorities as to the amount of the non-domestic rate income to be collected in the financial year 1990–91 and take account of the rate poundages prescribed for the financial year 1991–92 in the Non-Domestic Rate (Scotland) (No 2) Regulations 1991.

2.4 From the aggregate of the amounts of £2,677.6 million and £1,347.0 million, amounting to £4,024.6 million there is apportioned an amount totalling £752.1 million among all local authorities taking into account their relative grant aided expenditure (“GAE”). This amount is intended to equalise differences between the GAE of different local authorities according to the class of local authorities to which they belong. The purpose of this equalisation is to ensure that, so far as possible, local authorities of the same class should be able to determine the same personal community charge for 1991–92, provided that their planned expenditure is the same as the Secretary of State’s estimate of their GAE. The amount so apportioned among local

authorities is shown in column 4 of Appendix D to this Report. The basis of this apportionment is explained in paragraphs 5.1 to 5.7 below.

2.5 The sum remaining from the aggregate amount of £4,024.6 million amounting to £3,272.5 million is apportioned among all local authorities on a *per capita* basis in proportion to the number of personal community charge payers who are estimated by the Secretary of State to be resident in their area. The amount so apportioned to each local authority is shown in column 5 of Appendix D to this Report. The basis of this apportionment is explained in paragraphs 7.1 to 7.4 below.

2.6 The aggregate of the sums apportioned to each local authority

- (a) in columns 4 and 5 of Appendix D to this Report, rounded to the nearest £1,000, is shown in column 6 of that Appendix; and
- (b) in columns 6 and 7 of that Appendix is shown in column 8 of that Appendix.

2.7 The amount of RSG for 1991–92 payable to each local authority is the amount apportioned to each local authority in column 8 of Appendix D less the estimated amount of NDRI available to each local authority as shown in column 9 of that Appendix. These amounts are shown in column 10 of Appendix D and are the amounts which are determined in the Schedule to the 1991 Order.

**Amount available for RSGs
for 1991–92**

3.1 As mentioned in paragraph 2.1 above, the Secretary of State has determined £2,692.6 million as the amount available out of monies provided by Parliament for the payment of RSGs to local authorities for 1991–92. The following paragraphs explain how this figure has been arrived at.

3.2 The broad economic background to what is proposed for 1991–92 was set out in the Chancellor of the Exchequer's autumn statement on 8 November 1990 reporting the outcome of the Government's review of expenditure plans for 1991–92. The details of the Government's plans for public expenditure for the period 1991–92 to 1993–94 will be published in a White Paper.

3.3 Against this background, the Secretary of State has estimated total current expenditure of local authorities for 1991–92 at £5,447.3 million. This figure consists of the aggregate of

- (a) grant-aided expenditure of £4,792 million which is allocated among local authority services as shown in Appendix B to this Report. As last year, expenditure on central administration has been allocated to individual services; and
- (b) £655.3 million in respect of loan and leasing charges. This figure has been arrived at as described in paragraph 6.4 below.

3.4 The Secretary of State has estimated that £3,005.6 million will be available out of monies provided by Parliament for payment of grants (other than housing subsidies) to local authorities in respect of their total current expenditure for 1991–92.

3.5 Out of this amount of £3,005.6 million, the Secretary of State estimated that the sum of £313.0 million will be payable to local authorities as specific grants in respect of their expenditure on certain services. Provision is made for such grants only where the Secretary of State decides there are special factors which make it inappropriate to rely on general assistance through RSG and non-domestic rates. Details of the specific grants estimated for 1991–92 are given in Appendix A to this Report.

3.6 The remainder of £2,692.6 million constitutes the amount available for the payment of RSGs to local authorities for 1991–92.

**Grant to continue safety
netting for 1991–92**

4.1 In determining the RSG payable to local authorities for 1989–90, the Secretary of State provided an extra amount of grant to help community charge payers in local authority areas where he estimated that the amount of the personal community charge for 1989–90 would otherwise exceed £275 and the share of RSG for those areas would otherwise be less than their initial share of rate support grant for 1988–89. This extra

amount of grant for those local authority areas came from areas whose initial share of revenue support grant exceeded their share of rate support grant in 1988–89.

4.2 For 1990–91, The Secretary of State continued to supplement the grant of those local authorities which received extra grant in 1989–90. However, he covered the cost of this by providing an additional amount of £30 million as part of the amount available for the payment of RSGs for 1990–91 rather than, as last year, deducting it from the RSG which would otherwise have been payable to the other local authorities.

4.3 For 1991–92 the Secretary of State proposes that a sum of £15 million should be allocated to each local authority which benefited from the extra grant in 1990–91 to the extent of half of the sum by which they benefited in 1990–91 (as redetermined by the Revenue Support Grant Order 1990). The amounts so apportioned are shown in column 7 of Appendix D to this Report.

**Grant and NDRI support to
equalise Grant Aided
Expenditure**

5.1 As mentioned in paragraph 2.4 above, the Secretary of State has apportioned £752.1 million among all local authorities in order to equalise differences between the GAE of different local authorities according to the class of local authorities to which they belong. The amount so apportioned among local authorities is shown in column 4 of Appendix D to this Report. The following paragraphs explain how the Secretary of State has arrived at these apportionments.

5.2 The first step is for the Secretary of State to calculate each local authority's GAE for 1991–92. This is shown in column 1 of Appendix D to this Report. This calculation is done by apportioning the Secretary of State's estimate of the aggregate GAE of all local authorities for that year, which is set out in Appendix B to this Report, among each local authority according to their relative GAE. Paragraphs 6.1 to 6.6 below describe how each local authority's GAE has been assessed.

5.3 The second step is to divide the amount of each local authority's GAE by the number of personal community charge payers who are estimated by the Secretary of State to be resident in that authority's area so as to arrive at the amount of GAE per payer. For this purpose, the number of personal community charge payers has been estimated

- (a) by taking the number of such payers supplied by the community charge registration officers for each local authority area as at 1 July 1990. This excludes persons who are fully exempt from the personal community charge;
- (b) by making reductions to the extent to which persons who are partially exempt from the personal community charge will add to the amount of that charge; and
- (c) by making additions to the extent to which payments of the collective community charge will reduce the amount of the personal community charge.

No account is taken of the number of standard community charge payers in each local authority's area. The number of the personal community charge payers for each local authority area is shown in column 2 of Appendix D to this Report and the amount of each local authority's GAE per payer is shown in column 3 of that Appendix.

5.4 The third step is to calculate the amount of support required to be given to each local authority so as to equalise differences in GAE relative to the class of local authority to which it belongs. This is the amount shown in column 4 of Appendix D to the Report. The following paragraphs describe how this amount has been arrived at in the case of local authorities of different classes.

5.5 In the case of regional councils, the amount shown in column 4 of Appendix D has been arrived at by

- (a) ascertaining the regional council with the lowest figure of GAE per personal community charge payer;
- (b) ascertaining for each other regional council the amount by which its GAE per personal community charge payer exceeds that figure; and

- (c) multiplying the amount of that difference for any such regional council by the number of personal community charge payers of the area of that council.

5.6 In the case of district councils, there is a similar procedure as described in the above paragraph. A small sum of support is then transferred from those district councils to the relevant regional council in those areas referred to in paragraph 6.6(d) below where regional councils carry out services usually provided by district councils.

5.7 For islands councils, the amount is arrived at by

- (a) ascertaining for that council the amount by which their GAE per personal community charge payer exceeds the sum of the lowest of the GAE per personal community charge payer for regional councils and district councils; and
- (b) multiplying the amount of that difference for the islands council by the number of personal community charge payers for the area of that council and the product is the figure shown for that islands council in column 4 of Appendix D to this Report.

Assessment of Grant Aided Expenditure

6.1 The following paragraphs explain how the Secretary of State has estimated the GAE for support distribution purposes for each local authority for 1991–92. The results are shown in column 1 of Appendix D to this Report.

6.2 The first step is to apportion among local authorities the amount of £4,792.0 million which is shown in Appendix B to this Report as being the estimated GAE of all local authorities for 1991–92 in providing certain services. This amount, except for £61.181 million in respect of the urban programme, is apportioned to each local authority using the client group method. This method has been developed over a number of years by the Scottish Office in discussion with the Convention of Local Authorities and service specialists in individual local authorities. Appendix C to this Report provides more information about the client group method. Local authorities have been advised of the details of the amount so apportioned to each local authority for 1991–92. A copy of the relevant booklet sent to local authorities entitled “Grant-Aided Expenditure 1991–92” has been placed in the Library of the House of Commons.

6.3 The second step is to add to the amount so apportioned to each local authority an amount in respect of its loan and leasing charges for 1991–92.

6.4 As mentioned in paragraph 3.3(b) above, an amount of £655.3 million has been estimated for 1991–92 in respect of loan and leasing charges. This amount has been estimated on the following basis. Loan charges for 1991–92 have been estimated on the basis of estimates of capital debt outstanding, new borrowing for approved capital expenditure and redemptions of outstanding debt, all made on an individual local authority basis. Estimates of leasing charges, based on uprated historic figures are then added. Finally an average all Scotland rate of interest and an allowance for loans fund expenses are then applied.

6.5 The third step is to make certain adjustments to the aggregated estimate of GAE for each local authority. These adjustments are described in paragraphs 6.6 and 6.7 below. However, at the suggestion of local authorities, no account is taken of interest receipts on revenue balances.

6.6 The adjustments which are made to the aggregated amount are to take account of the following matters:

- (a) the small part of the cost of community charge rebates and housing benefits not met by central government subsidy;
- (b) the likely income of local authorities from specific grant;
- (c) expenditure on the urban programme not met by the specific grant payment;
- (d) the amount of expenditure to be incurred by the regional councils in Borders, Dumfries and Galloway and Highland on services undertaken elsewhere by district councils;

- (e) the additional needs arising from the special circumstances of Shetland, Orkney and Western Isles Islands Councils;
- (f) an estimate of the amount of discretionary reliefs on non-domestic rates (other than sports club relief).

RSG and NDRI support *per capita*

7.1 As mentioned in paragraph 2.5 above, the remainder of support amounting to £3,272.5 million is apportioned among all local authorities on a *per capita* basis in proportion to the number of personal community charge payers who are estimated by the Secretary of State to be registered in their area. The sum so apportioned to each local authority is shown in column 5 of Appendix D to this Report. The apportionment has been calculated in the following way.

7.2 Firstly, the Secretary of State has divided the sum of £3,272.5 million, by his estimate of the number of personal community charge payers who are resident in Scotland so as to arrive at a *per capita* amount. The Secretary of State's estimate of the number of personal community charge payers is the total of the figures shown in column 2 of Appendix D to this Report, namely 3,756,415. The basis upon which the figures shown in that column have been arrived at is explained in paragraph 5.3 above. This produces a *per capita* amount of £871.168.

7.3 Secondly, the Secretary of State has apportioned to each islands council a sum equal to the product of

- (a) the *per capita* amount of £871.168 and
- (b) his estimate of the number of personal community charge payers for their area, as shown in column 2 of Appendix D to this Report,

in order to arrive at the sum shown in column 5 of that Appendix.

7.4 Thirdly, the Secretary of State has determined that the part of the *per capita* amount appropriate to each regional council is £778.598 and for each district council it is £92.57. The Secretary of State has then apportioned to each regional and district council, the sum equal to the product of

- (a) the appropriate part of the *per capita* amount and
- (b) his estimate of the number of personal community charge payers for their area, as shown in column 2 of Appendix D to this Report,

in order to arrive at the sum shown in column 5 of that Appendix.

Appendix A

Grants 1991-92

	£m
Specific Grants	313.0
Revenue Support Grants	2,692.6

Breakdown of Specific Grants 1991-92

	£m
Police	233.6
Urban Programme	47.2
Civil Defence	3.6
Sheltered Employment	2.9
Hostels for Adult Offenders	0.7
In-service Training of Teachers	9.0
Gaelic	1.5
Housing Benefit Administration	12.4
Mental Illness	2.1
	<u>313.0</u>

Appendix B

Current Expenditure 1991–92

The following table shows the breakdown of current expenditure for 1991–92 as proposed by the Secretary of State.

	£m
Education, Libraries and Museums	2,511.074
Health and Personal Social Services	607.405
Law, Order and Protective Services	605.575
Roads and Transport	417.632
Environmental Services	596.329
Miscellaneous	11.619
Other Services	42.366
Total Grant Aided Expenditure	<u>4,792.000</u>
Loan and Leasing Charges	655.300
Government Supported Expenditure	<u>5,447.300</u>

Appendix C

Assessment of relative Grant Aided Expenditure: the client group approach

1. The total relative GAE for a local authority is the sum of the separate assessments for individual services. The total estimates of GAE for each authority are used by the Scottish Office as the basis for the distribution of the Revenue Support Grant.
2. The Client Group Approach takes into account variations in the demands for services and the costs of providing them to a similar standard and with a similar degree of efficiency. Those demand and cost factors which are outside the control of local authorities, which offer plausible explanations and which can be shown to be associated with inter-authority expenditure variation are then utilised in the formulae for calculating relative GAE.
3. The Client Group method of calculating relative GAEs consists of an allowance for a primary indicator and, where found to be justified, allowance for one or more secondary indicators. The primary indicator is considered to be the most significant single determinant of expenditure on a service (for example, the number of school pupils in relation to expenditure on school teaching staff).
4. Secondary indicators are factors which could plausibly affect either the demand for services or the unit cost of meeting that demand. They are selected after thorough discussions with local authorities and other service specialists. If the secondary indicator is highly correlated with inter-authority variations in expenditure and is agreed to be a plausible and consistent explanation of demand or cost variation in expenditure an allowance is made. The size of the allowance is derived mathematically from the relationship between past expenditure and the secondary indicator and results in some redistribution of relative GAE. For instance, grant aided expenditure for primary school teaching staff has been adjusted by a secondary indicator which takes account of the higher ratio of staff to pupils in rural areas.



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