***Changes to legislation:** There are currently no known outstanding effects for the Local Government (Scotland) Act 1975, SCHEDULE 2. (See end of Document for details)*

SCHEDULES

SCHEDULE 2

Section 12.

AMENDMENT OF PROVISIONS OF LOCAL GOVERNMENT (SCOTLAND) ACT 1966 RELATING TO RATE SUPPORT GRANTS

Modifications etc. (not altering text)

C1 The text of Sch. 2 is in the form in which it was originally enacted: it was not reproduced in Statutes in Force and does not reflect any amendments or repeals which may have been made prior to 1.2.1991.

1 For section 2 (rate support grants), there shall be substituted the following section—

"**2 Rate support grants.**

(1) Subject to the provisions of this Part of this Act, the Secretary of State shall, for each year, make grants to the local authorities in Scotland in accordance with this section ; and any grants made in pursuance of this subsection shall be known as "rate support grants".

(2) For the purpose of fixing the estimated aggregate amount of the rate suuport grants for any year the Secretary of State shall determine—

(a) the aggregate amount which he estimates is to be available for the payment out of moneys provided by Parliament of grants (other than housing subsidies) to local authorities in respect of their relevant expenditure for that year ; and

(b) the portion of that amount which the Secretary of State estimates will be allocated ot grants in respect of such services as the Secretary of State may determine ;

and the amount remaining after deducting that portion from the aggregate amount aforesaid shall, subject to section 4 of this Act, be the estimated aggregate amount of the rate support grants for that year.

(3) Before determining the amount and the portion mentioned in paragraphs (a) and (b) of subsection (2) above, the Secretary of State shall consult with such associations of local authorities as appear to him to be concerned and shall take into consideration—

(a) the latest information available to him as to the rate of relevant expenditure ;

(b) any probable fluctuation in the demand for services giving rise to relevant expenditure so far as the fluctuation is attributable to circumstances prevaling in Scotland as a whole which are not under the control of local authorities ;

(c) the need for developing those services and the extent to which, having regard to general economic conditions, it is reasonable to develop those services ; and

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(d) the current level of prices, costs and remuneration and any future variation in that level which in the opinion of the Secretary of State will result from decisions which appear to him to be final and which will have the effect of increasing or decreasing any particular prices, costs or remuneration.

(4) After consultation with such associations of local authorities as appear to the Secretary of State to be concerned, the estimated aggregate amount of the rate support grants for any year shall be divided by the Secretary of State into three parts (to be known respectively as "the needs element", "the resources element" and "the domestic element") and the amounts of the needs element and the domestic element and the estimated amount of the resources element shall be as such as may be prescribed ; and the provisions of Schedule 1 to this Act shall, subject to sections 4 and 5 of this Act, have effect with respect to the determination of the amounts payable to any local authority inrespect of those elements for any year and with respect to the other matters there mentioned.

(5) Payments inrespect of elements of rate support grants shall be made to any local authority at such times as the Secretary of State may, with the consent of the Treasury, determine and shall be made in aid of the revenues of the authority generally.

(6) Subject to subsection (7) below, the Secretary of State may—

(a) defray any expenditure incurred in any year in the provision of services for local authorities by any body specified in regulations made by the Secretary of State ; and

(b) deduct from the aggregate amount of the needs element for that year such amount, not exceeding the total of the expenditure so defrayed, as appears to him to be appropriate.

(7) Before exercising his powers under subsection (6) above, the Secretary of State shall consult with such associations of local authorities as appear to him to be concerned.

(8) In this section—

"housing subsidies" means such grants to local authorities out of moneys provided by Parliament for housing as may be determined by the Secretary of State to be housing subsidies for the purposes of this section ;

"relevant expenditure", in relation to any year, means the sum of the following amounts as estimated by the Secretary of State—

(a) the amount of the expenditure for that year falling to be paid out of the rates of a local authority, and

(b) an amount equal to the amount receivable by the local authority for that year as grants (within the meaning of section 2(2)(a) of this Act) and as payments under Part V of the Local Government Act 1948,

reduced by the amount estimated as aforesaid, in whole or in part, of such payments relating to housing and of such payments of other descriptions falling to be made for that year as the Secretary of State may determine.".

2 In section 3(1) (rate support grant orders), for the words "The aggregate" there shall be substituted the words " The estimated aggregate ".

3 For section 4 (variation of orders, etc.), there shall be substituted the following section—

"**4 Variation of orders.**

(1) If it appears to the Secretary of State that, after the time whent he amount mentioned in section 2(2)(a) of this Act was determined for any year, the relevant expenditure of local authorities for that year has been or is likely to be substantially increased by reason of—

(a) an increase which has taken place in the level of prices, costs or remuneration, or

(b) the coming into operation of a provision of an enactment passed after this Act,

and that no account was taken of that increase or, as the case may be, the effect of that provision when the amount mentioned as aforesaid was so determined, he may at any time redetermine for that year the amount and portion mentioned in section 2(2)(a) and (b) of this Act and, by an order made in the like manner and subject to the like provisions as a rate support grant order, may increase the amount fixed by the relevant rate support grant order as the estimated aggregate amount of the rate support grants and any element of the grants for that year.

(2) The provisions of sections 2 and 3 of this Act relating to consultation and to a report of the considerations leading to a determination under the said section 2 shall apply to a redetermination under this section as they apply to a determination under that section ; and the Secretary of State may, if he considers it practicable, incorporate an order under this section in a rate support grant order.

(3) In redetermining under this section the amount and portion mentioned in section 2(2)(a) and (b) of this Act, the Secretary of State—

(a) shall take into account not only the effect of the increase referred to in paragraph (a) of subsection (1) above or, as the case may be, the provision referred to in paragraph (b) of thats ubsection, but also any future variation in the level of prices and remuneration current at the time of the redetermination which in his opinion will result from any decisions as are referred to in section 2(3)(d) of this Act, and

(b) except in the case of a change resulting from the coming into operation of any enactment passed after this Act, shall take no account of any change, as compared with the situation at the time that amount and that portion were determined for the purposes of the relevant rate support grant order, in the demand for services giving rise tor elevant expenditure, in the need for developing those services or in the extent to which those services have been developed.

(4) An order made under subsection (1) above inrespect of any year shall specify the actual (and not the estimated) aggregate amount of the resources element for that year.

(5) If, in the case where the Secretary of State proposes to make an order under subsection (1) above in respect of any year, it appears to him that, apart from any provision made by virtue of this subsection, the effect of the order and

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of any other order under subsection (1) above which he considers likely to be made in respect of that year would be that the ratio between the actual aggregate amount of the resources element for that year and the aggregate amount of the needs element for that year would be significantly different from the ratio (in this subsection referred to as "the expected ratio") between the estimated aggregate amount of the resources element for that year, as fixed by the relevant rate support grant order, and the aggregate amount of the needs element, as so fixed, he may in the order undersubsection (1) above—

(a) specify as the aggregate amount of the resources element for that year such amount as, in his estimation, will secure that (taking account of the effect of any further orders likely to be made under subsection (1) above in respect of that year) the ratio which the amount so specified will bear to the aggregate amount of the needs element for that year will be the expected ration ; and

(b) in order to secure that the total amount paid in respect of the resources element to local authorities entitled to payments inrespect of that element does not exceed the amount specified as mentioned in paragraph (a) above, make provision varying the amount payable to each such authority inrespect of that element.

(6) Without prejudice to subsection (5) above, an order made under subsection (1) above with respect to any year may, as respectd that year, vary the matters prescribed by the relevant rate support grant order.

(7) In this section "relevant expenditure" has the same meaning as in section 2 of this Act.".

4 In section 7(1) (reduction of rates on dwellings by reference to the domestic element), after the words "that year" there shall be inserted the words " for their area ".

5 In Part I of Schedule 1 (the needs element)—

(a) after paragraph 1 there shall be inserted the following paragraph—

"2 (1) Nowithstanding the provisions of paragraph 1 above, the Secretary of State may, as respects any year, make provision for the apportionment of a prescrribed part of the needs element among authorities incurring extraordinary expenses, by reference to so much of the estimated extraordinary expenses of each such authority as he may determine to be appropriate to be taken into account for the purposes of this paragraph.

(2) In this paragraph "extraordinary expenses" means expenses of such categories and for such purposes as the Secretary of State, after consultation with such associations of local authorities asappear to him to be concerned, may determine should be supported by an apportionment under this paragraph ; and in detrmining the amount of the estimated extraordinary expenses of an authority to betaken into account for any year, the Secretary of State—

(a) shall have regard to the expected income of that authority for that year ; and

(b) may have regard to the extent by which the extraordinary expenses for a previous year exceeded or fell short of the estimated extraordinary expenses of the authority for that year." ;

(b) inparagraph 3, for the words "the foregoing paragraphs" there shall be substituted the words " paragraph 1 above " and at the end there shall be added the words " or of a prescribed amount of the needs element to such classess of authorities or to any such authority as may be prescribed. ".

6 For Part II of Schedule 1 there shall be substituted the following Part—

"PART II

THE RESOURCES ELEMENT

1 No payment in respect of the resurces element shall be made to a local authority for any year unless in that year the product of a rate of one penny in the pound for the authority's area is less than the standard penny rate product for the area.

2 Subject to any provision made by virtue of section 4(5) of this Act and to paragraph 3 below, the amount of the resources element payable to a local authority for any year shall be the product of—

(a) the number of pence in the pound of the regional, general or district rate, as the case may be or, where the Secretary of State is of the opinion that the local authority have fixed an unnecessarily high rate, such lesser number of pence in the pound of that rate as the Secretary of State considers appropriate, and

(b) the difference between the rate products mentioned in paragraph 1 above.

3 (1) If, after the amount of the resources element payable to a local authority for any year has been determined under paragraph 2 above—

(a) the rateable values of lands and heritages in the authority's area are reduced with effect from a date on or before that which is relevant for determining the product of a rate of one penny in the pound for the authority's area for that year ; and

(b) the effect of the reduction is to produce a reduction in the said product which is of such a magnitude that, expressed as a percentage of the initially ascertained figure, it exceeds such percentage as may be specified for the purposes of this paragraph in regulations made by the Secretary of State ; and

(c) the authority by notice in writing request the Secretary of State to give a direction under this paragraph ;

the Secretary of State shall direct that the amount of the resources element payable to the authority for that year shall be recalculated in accordance with the following provisions of this paragraph and a further payment on account of that element shall be made to the local authority accordingly.

(2) Where sub-paragraph (1) above applies—

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(a) the product of a rate of one penny in the pound for the local authority's area for the year concerned shall be recalculated by treating the intially ascertained figure as reduced by the amount of the excess referred to in sub-paragraph (1)(b) above ;

(b) subject to any provisions made by virtue of section 4(5) of this Act, paragraph 2 above shall have effect accordingly for the prupsoes of determining the amount which, on the basis of that recalculation, would have been payable to the authority for that year.

(3) The further payment referred to in sub-paragraph (1) above shall be an amount equal to the differnce between the amount previously paid to the authority for the year concerned on account of the resources element and the amount determined as mentioned in sub-paragraph (2)(b) above.

(4) In this paragraph "the intially ascertained firgure", in relation to any year, means the product of a rate of one penny in the pound ascertained for the purposes of paragraph 2 above.

(5) The provisions of this paragraph shall have effect notwithstanding that the actual aggregate amount of the resources element for the year concerned may have been specified in an order under section 4(1) of this Act, and if any amount has been so specified it shall be treated as having been increased to such amount as may be necessary to provide for any further payment made to a local authority under this paragraph.".

7 In paragraph 1 of Part III of Schedule 1 (the domestic element), at the end there shall be added the words " and different amounts in the pound may be so prescribed for the raeas of different rating authorities ".

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