

Scottish Local Government Financial Statistics 2014-15



A National Statistics publication for Scotland

PEOPLE, COMMUNITIES AND PLACES

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EXECUTIVE SUMMARY

Revenue Expenditure and Funding

Scottish local authorities reported an overall revenue surplus of £69.4 million (0.46% of gross revenue expenditure) at 31st March 2015, compared with an overall deficit of £54.8 million at 31st March 2014. Of this surplus, £52.3 million (0.36% of General Fund gross expenditure) was in the General Fund and £17.1 million (2.61% of HRA gross expenditure) was in the Housing Revenue Account (HRA).

Gross revenue expenditure on services was £15.2 billion in 2014-15 (up 1.3% on 2013-14). Of this, £0.66 billion (up 1.9% on 2013-14) of expenditure relates to the provision of housing through the Housing Revenue Account (HRA) and £14.57 billion (up 1.3% on 2013-14) relates to the General Fund.

Net revenue expenditure on services was £10.04 billion in 2014-15 (up 0.8% on 2013-14). The highest spending service in the General Fund is education which had net expenditure of £4.6 billion (44% of General Fund net revenue expenditure). Social Work is the next largest service with net expenditure of £3.1 billion (30%).

Total Finance costs (interest payments net of investment income) was £0.76 billion in 2014-15 (up 5.7% on 2013-14). Total statutory adjustments (which includes Revenue Contributions to Capital and statutory repayment of debt) was down 3.8% to £1.09 billion in 2014-15.

Total General Funding in 2014-15 was £11.92 billion. This is made up of Scottish Government General Revenue Grant £7.17 billion (60%), Non Domestic Rates Distributable Amount £2.65 billion (22%), Council tax £2.02 billion (17%), and other funding of £0.08 billion (1%).

Council Tax

- The average Band D Council Tax in Scotland was £1,149 in 2014-15.
- Council Tax income was £2.022 billion in 2014-15 (after Council Tax Reduction).

The total number of chargeable dwellings (i.e. the tax base) has increased slightly each year, rising from 2.377 million in September 2010 to 2.441 million in September 2015.

As a result of the Council Tax freeze, Council Tax levels have remained fixed since 2007-08 (except in Stirling where there was a slight drop in the Council Tax level in 2008-09 and 2012-13).

Non-domestic Rates

Non-domestic rates bills are calculated using the rateable value (RV) of a non-domestic property, multiplied by the poundage rate (47.1p in 2014-15) plus any relevant supplements (such as Large Business Supplement), less any rates reliefs.

- Non-domestic rate income collected increased from £2.367 billion in 2013-14 to £2.511 billion in 2014-15. This is due to the net effect of several factors such as the inflationary increase in the poundage rate, the impact of revaluation appeals, changes to rates relief schemes and other changes to the tax base (e.g. new or demolished properties).
- Non-domestic rates reliefs provided relief of £0.607 billion in 2014-15, up from £0.590 billion in 2013-14. Increases in Small Business Bonus Scheme and Charity relief were the main factors which contributed to the increased total.
- As at 1st April 2015, the non-domestic rate tax base comprised of 223,046 non-domestic properties on the Valuation Roll with a total rateable value of £6.719 billion.
- The non-domestic rates 'Distributable Amount' was £2.650 billion in 2014-15.

Capital Expenditure

Total capital expenditure was £2.40 billion in 2014-15 (£0.67 billion in the HRA and £1.73 billion in the General Fund), compared to £2.46 billion in 2013-14 – a fall of 2.5% or £0.06 billion. The majority of capital expenditure went on new construction, conversions and enhancements to existing buildings, this category accounted for around 80% of expenditure.

General Fund capital expenditure in 2014-15 was £1.73 billion (down 5.8% on 2013-14). The service with the highest capital expenditure was Education with £0.56 billion (32% of General Fund capital expenditure), which has increased by 7% since 2013-14. Roads and transport is the service area with the second highest capital expenditure with £0.43 billion (25% of General Fund capital expenditure), which is 6% lower than in 2013-14.

Reserves

On 1 April 2014 local authorities had total revenue reserves of £1.81 billion; over the course of the year this increased by £0.07 billion (3.6%) to stand at £1.88 billion on 31st March 2015. Capital reserves increased by £0.01 billion (1.9%), from £0.56 billion to £0.57 billion.

Assets

The total value of assets held by local authorities at 31st March 2015 was £39.4 billion. This is an increase of 1.4% (£0.05 billion) since 31st March 2014. The vast majority of the assets were operational assets (£38.0 billion, 96% of total assets), including £10.5 billion of council dwellings (27% of total assets) and £18.9 billion (48%) of other land and buildings.

Loans Fund Borrowing

The all Scotland value of Loans Fund advances outstanding at 31st March 2015 was £13.18 billion (of which £9.96 billion was General Fund and £3.22 billion was HRA). General Fund Loans Fund advances outstanding increased by £26.1 million (0.3%) between 1st April 2014 and 31st March 2015. HRA loans fund advances outstanding rose by £195 million (6.5%) between 1st April 2014 and 31st March 2015.

At 31st March 2015, the Scottish average General Fund loans fund advances outstanding was equal to £1,862 per person (down 0.1% on 31st March 2014) and the average HRA loans fund advances outstanding was equal to £10,138 per HRA dwelling (up 6.3% on 31st March 2014).

Local Government Pensions

Total Local Government Pension Scheme Fund income in 2014-15 was £5.4 billion. This is up 67% (£2.2 billion) on 2013-14, due to high investment income which can be highly variable. Contributions from employees and employers total £1.2 billion, an increase of £0.022 billion or 1.9% on 2013-14.

Local Government Pension Fund Expenditure in 2014-15 was £1.18 billion, an increase of £0.053 billion or 4.7%. The majority (94%) of this expenditure is on benefits, of which £0.239 billion was on lump sum payments and £0.877 billion was on pensions.

1 Local Government Revenue Expenditure and Funding

1.1 Total Revenue Expenditure and Funding

Note that Revenue Contributions to Capital (RCC) are now counted under statutory adjustments while previous publications will have counted RCC as service expenditure. The re-categorisation of RCC is more in line with how it is treated in authorities accounts and how readers will interpret the statistics.

Total Gross Revenue Expenditure on services by local government in Scotland in 2014-15 was £15.2 billion. Of this, £0.66 billion of expenditure was for the provision of housing through the Housing Revenue Account (HRA).

Table 1.1 summarises revenue income, expenditure, funding and balances for 2014-15. The largest single element of gross expenditure is operating costs (which includes property costs, supplies and services costs, transport and payments to agencies and other bodies) which account for £6.7 billion of expenditure. The second largest element was employee costs which account for £6.2 billion.

Transfer payments are those made to individuals for which no goods or services are received in return by the local authority. The majority of transfer payments are housing benefits which make up £1.8 billion of the total of £2.1 billion. An adjustment for Inter Account and Inter Authority Transfers is made to the gross expenditure to take account of transfers between local authorities and between different services within an authority and ensure that expenditure is not counted twice.

Net Revenue Expenditure on services, which is gross expenditure on services minus income for services, was £10.04 billion. Of this, £10.5 billion is in the General Fund, while Net Revenue Expenditure on Services for the HRA was -£0.46 billion, i.e. service income was greater than service expenditure. Note that the HRA has high levels of Revenue Contributions to Capital, statutory repayment of debt and interest payments, which are not counted as service expenditure.

After taking into account the surplus or deficit from Significant Trading Operations, Finance Costs, Statutory Adjustments and General Funding, authorities had an overall surplus of £69.4 million. This surplus is contributed to the reserves. After transfers to other reserves (e.g. repairs and renewals fund, insurance fund), General Fund reserves increased by £47.6 million to a total of £1.137 billion at the 31st March 2015 and HRA reserves increased by £13.7 million to £129.8 million.

HRA

The Housing Revenue Account (HRA) records income and expenditure relating to local authority housing stock. Whilst most other local authority services are funded through a combination of non-domestic rates, council tax income and Government grants, the HRA is a ring-fenced account, and expenditure is funded mainly by housing rents with some Government grant.

Trading Services

Trading Service Accounts cover the finances of local authority operated services that are commercial in nature. They are financed by the charges made by a local authority to the recipients of the services they provide.

The main trading services are local authority transport (buses, ferries and other Local Authority transport undertakings), fishery harbours and markets and other trading services (including airports, other harbours and bridges).

Table 1.1 – Revenue Expenditure, Income and Balances, 2014-15

£thousands

	General Fund Services ¹	Housing Revenue Account	Total
EXPENDITURE ON SERVICES			
Employee Costs	6,077,469	135,216	6,212,685
Operating Costs	6,225,530	472,644	6,698,174
Transfer Payments	2,103,011	3,849	2,106,860
Support Services	770,767	74,158	844,925
<i>Adjustment for Inter Account and Inter Authority Transfers</i>	<i>(603,996)</i>	<i>(30,036)</i>	<i>(634,032)</i>
Gross Expenditure on Services	14,572,781	655,831	15,228,612
INCOME SPECIFIC TO SERVICES			
Grants from Government Departments other than the Scottish Government	(1,920,813)	(2,386)	(1,923,199)
Scottish Government Ring-Fenced Revenue Grants	(4,296)	0	(4,296)
Scottish Government General Capital Grant used to fund grants to third parties	(55,929)	(813)	(56,742)
Other Grants Reimbursements and Contributions	(828,794)	(5,350)	(834,144)
Customer and Client Receipts	(1,258,896)	(1,112,210)	(2,371,106)
Total Income for Services	(4,068,728)	(1,120,759)	(5,189,487)
Net Revenue Expenditure on Services	10,504,053	(464,928)	10,039,125
(Surplus) / Deficit from Significant Trading Operations	(31,124)	0	(31,124)
FINANCING AND INVESTMENT			
Interest payable and similar charges	684,680	137,749	822,429
Interest receivable and similar income	(64,397)	(2,175)	(66,572)
Finance Costs (net of investment income)	620,283	135,574	755,857
STATUTORY ADJUSTMENTS			
Revenue Contribution to Capital Expenditure	93,198	191,161	284,359
Statutory repayment of debt	576,145	114,436	690,581
Other Statutory Adjustments	99,489	15,315	114,804
Total Statutory Adjustments	768,832	320,912	1,089,744
Total Amount to be Funded	11,862,044	(8,442)	11,853,602
GENERAL FUNDING			
General Revenue Funding	(7,166,590)		(7,166,590)
NDR1 Distributable Amount	(2,649,500)		(2,649,500)
Net income from Council Tax after Residual Adjustments	(2,022,214)		(2,022,214)
Other	(76,055)	(8,667)	(84,722)
Total Funding	(11,914,359)	(8,667)	(11,923,026)
(Surplus) or Deficit for the year	(52,315)	(17,109)	(69,424)
Reserves 1 April	(1,089,257)	(116,106)	(1,205,363)
(Surplus) or Deficit for the year	(52,315)	(17,109)	(69,424)
Transfers between General Fund and HRA	(879)	879	0
Transfers between Other Reserves	5,590	2,547	8,137
Change in Reserves	(47,604)	(13,683)	(61,287)
Reserves Balance Carried Forward 31st March	(1,136,861)	(129,789)	(1,266,650)

1. Includes trading services and non-HRA housing. For a breakdown of expenditure in these areas, refer to Table 1.2 and Annexes A & B

1.2 General Fund Revenue Expenditure and Income

Chart 1.1 provides a breakdown of General Fund net revenue expenditure by service. Education and social work account for almost three quarters of General Fund net revenue expenditure. The largest is Education with 44% of the total and net revenue expenditure of £4.61 billion. Of this, £1.78 billion was spent on primary education and £1.85 billion on secondary education with the remainder spent on pre-primary, special and community education. Excluding Police & Fire, Education's share of total net expenditure has stayed the same at around 44% over the six years to 2014-15.

Social work is the next largest service with net revenue expenditure of £3.11 billion (30% of total net expenditure). Data on social work expenditure is collected on the basis of client groups. Of the client groups identified in the Local Financial Returns (LFRs), older persons has the highest expenditure of £1.35 billion followed by children and families with £0.86 billion and adults with learning disabilities with £0.51 billion. A full breakdown of expenditure by sub-service is available in Annex A.

Chart 1.1: General Fund Net Revenue Expenditure on Services: 2014-15

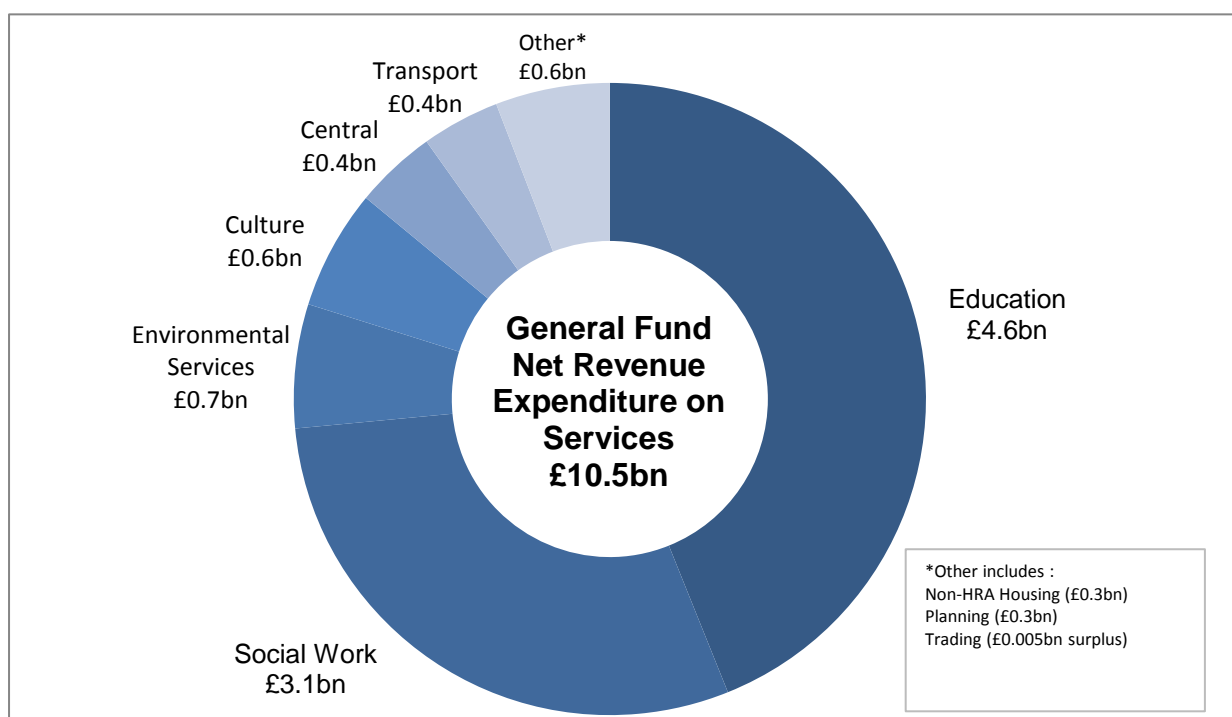


Table 1.2 breaks down revenue expenditure and income by service. The single largest income source shown in Table 1.2 are the grants received by local authorities from the Department of Work and Pensions to fund housing benefits. These grants were worth £1.66 billion in 2014-15 and are shown as part of income in non-HRA housing. Another significant source of income is customer and client receipts (including all charges to service users) which raised £1.26 billion across in the General Fund. Social work services also receive income from the NHS to provide services, the value of these payments in 2014-15 were £0.418 billion, up from £0.404 billion in 2013-14. A full breakdown of income by service can be found in Annex B.

Table 1.2 – Revenue Expenditure and Income, 2014-15

£thousands

	Gross Expenditure	Income	Net Expenditure	% of General Fund Services
Education	4,817,049	(205,151)	4,611,898	43.9%
Cultural and Related Services	737,186	(93,744)	643,442	6.1%
Social Work	3,944,344	(834,595)	3,109,749	29.6%
Roads and Transport	657,338	(237,743)	419,595	4.0%
Environmental Services	789,949	(124,300)	665,649	6.3%
Planning & Economic Development	461,580	(183,364)	278,216	2.6%
Central Services	657,019	(218,119)	438,900	4.2%
Non-HRA Housing	2,435,724	(2,093,723)	342,001	3.3%
Trading Services	72,592	(77,989)	(5,397)	-0.1%
General Fund Cost of Service¹	14,572,781	(4,068,728)	10,504,053	100.0%
Housing Revenue Account	655,831	(1,120,759)	(464,928)	
General Fund + HRA Cost of Service¹	15,228,612	(5,189,487)	10,039,125	

Source: Local Financial Returns – LFR 00

Table 1.3 – Net Revenue Expenditure by Service, 2010-11 to 2014-15

	<i>£millions</i>				
	2010-11	2011-12	2012-13	2013-14	2014-15
Education	4,648	4,538	4,571	4,578	4,612
Cultural & Related Services	635	613	609	614	643
Social Work	2,857	2,871	2,959	3,031	3,110
Roads & Transport	486	460	457	436	420
Environmental Services	658	646	644	659	666
Planning & Development Services	308	289	279	279	278
Central Services ^{1,2}	546	428	386	484	439
Non-HRA Housing	391	323	306	321	342
Trading Services	2	(13)	(4)	(2)	(5)
General Fund Net Expenditure (excluding Police & Fire ²)	10,531	10,156	10,208	10,400	10,504
Housing Revenue Account	(365)	(389)	(425)	(439)	(465)
General Fund + HRA Net Revenue Expenditure (excluding Police & Fire ²)	10,166	9,767	9,783	9,961	10,039
Police ¹	580	516	517		
Fire ¹	310	280	291		
Central Services (Police & Fire) ^{1,2}	7	(22)	(50)		
General Fund + HRA Net Revenue Expenditure	11,064	10,540	10,540	9,961	10,039

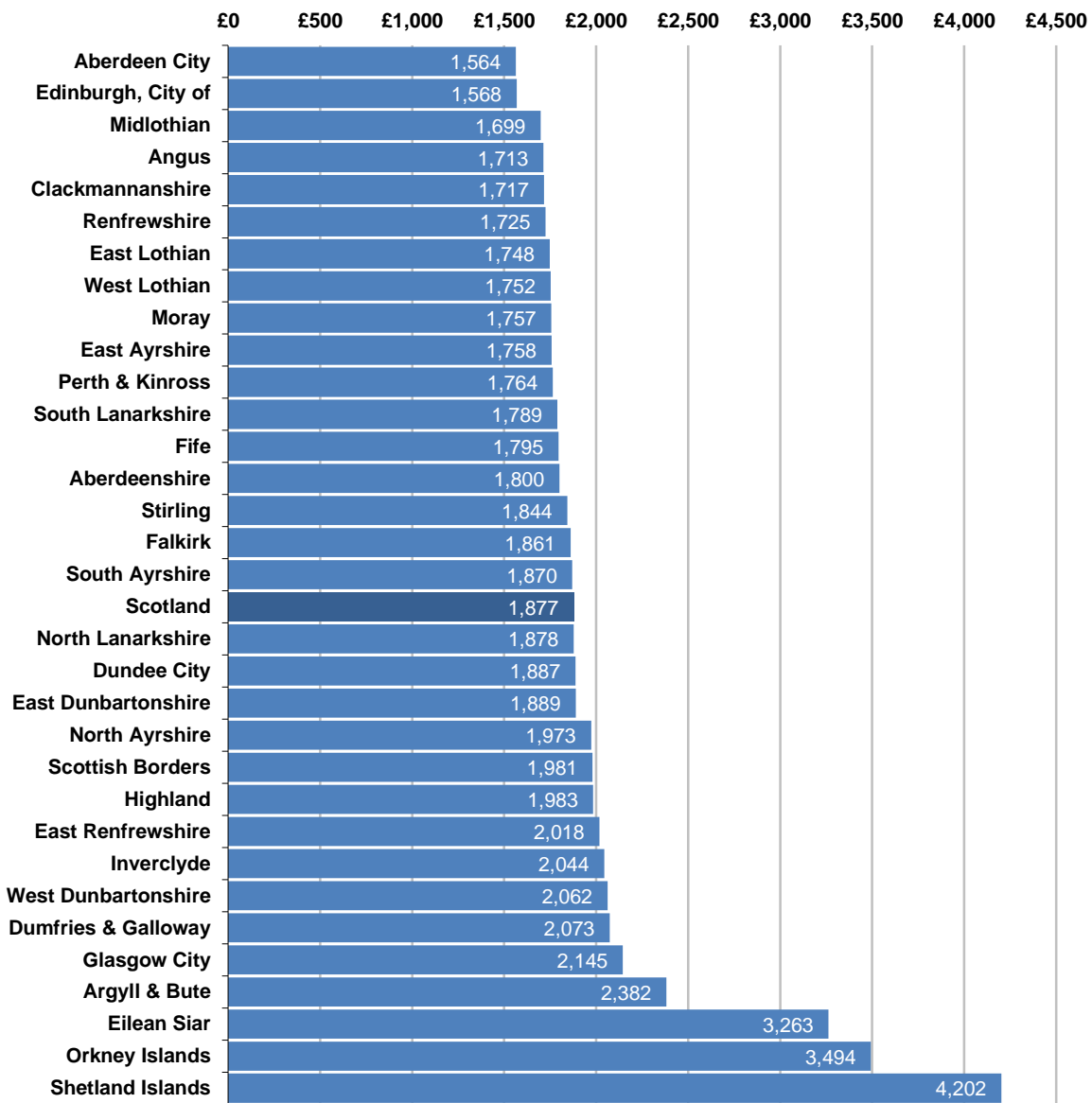
1. Following the Police and Fire Reform (Scotland) Act 2012 figures for 2013-14 may not be comparable with previous years. See section 5.2 for details.

2. Police and fire board net expenditure in central services has been separated from overall General Fund expenditure to allow for time series comparison.

Source: Local Financial Returns – LFR 00

Chart 1.2 shows net revenue expenditure on services per capita by local authority area. This includes expenditure by all local authority bodies in an area (i.e. including expenditure by councils, valuation boards, bridge authorities and regional transport partnerships). The chart shows that on average in Scotland local government spent £1,877 per person in 2014-15, up slightly from £1,870 in 2013-14.

Chart 1.2 – Net Revenue Expenditure on Services per Capita by Local Authority, 2014-15 (£)



Source: Local Financial Returns – LFR 00 and NRS Mid-Year Population Estimates (2014)

1.3 Revenue Expenditure Financing

Revenue expenditure by local authorities is funded by three main sources:

- Grants from Central Government
- Local Taxation (Council Tax and Non Domestic Rates)
- Sales, fees and charges for services (Customer and Client Receipts)

The main source of revenue income for local government is General Revenue Funding, (formerly referred to as the Revenue Support Grant). General Revenue Funding (GRF) is paid by the Scottish Government in support of local authorities' general net revenue expenditure.

Local taxation contributed almost £4.7 billion to the funding of local government in 2014-15 and further information on these taxes is set out in the following sections. General Revenue Funding and local taxation combined together are referred to as "revenue funding". Other income is mostly composed of grants and subsidies received from central government and other parts of the public sector.

Authorities can use Scottish Government Capital Grant to fund grants to third parties for capital projects. These grants can be funded from capital resources, but the asset that they create does not belong to the authority and the expenditure is therefore treated as revenue expenditure in the authorities accounts.

Table 1.4 – Revenue Income by Source, 2010-11 to 2014-15

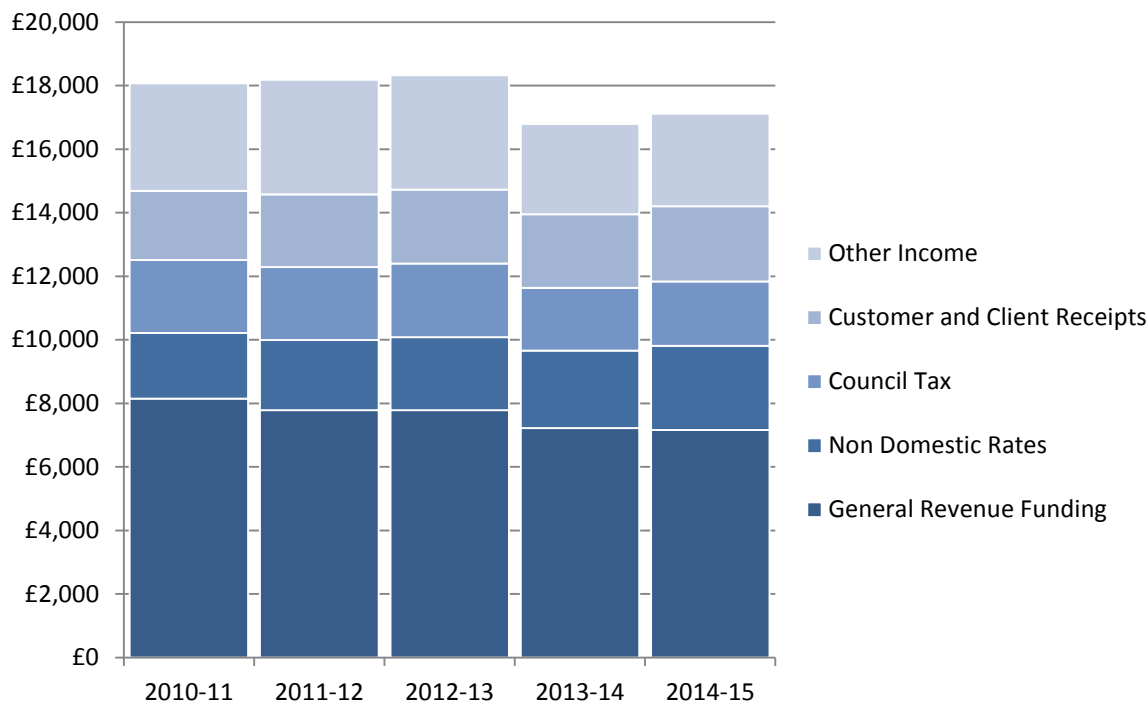
	<i>£millions</i>				
	2010-11	2011-12	2012-13	2013-14	2014-15
General Revenue Grant ¹	8,149	7,790	7,782	7,225	7,167
NDRI Distributable Amount	2,068	2,203	2,297	2,436	2,650
Council Tax ²	2,298	2,301	2,319	1,978	2,022
Customer and Client Receipts	2,172	2,287	2,330	2,317	2,371
SG Capital Grant used to fund grants to third parties	68	224	131	125	57
Other Income	3,317	3,382	3,461	2,708	2,846
Total revenue income	18,073	18,188	18,320	16,790	17,113

1. Figures for 2013-14 and later are not comparable with prior years due to changes to the way that Police and Fire are funded following the formation of Police Scotland and the Scottish Fire and Rescue Service. See section 5.2 for more details.

2. Pre-2013-14 Council Tax figures are not comparable with later years as Council Tax Reduction (CTR) was introduced from 1 April 2013 to replace Council Tax Benefit (CTB), which was abolished by the UK Government as part of its welfare reform programme. Due to differences in the administration of the two schemes, Council Tax figures before 2013-14 include CTB, whereas figures from 2013-14 onwards do not include CTR.

Source: Local Financial Returns (LFRs): LFR 00

Chart 1.3 – Revenue Income by Source, 2010-11 to 2014-15 (£ millions)



1. Figures for 2013-14 and later are not comparable with prior years due to changes to the way that Police and Fire are funded following the formation of Police Scotland and the Scottish Fire and Rescue Service. See section 5.2 for more details.

2. Pre-2013-14 Council Tax figures are not comparable with later years as Council Tax Reduction (CTR) was introduced from 1 April 2013 to replace Council Tax Benefit (CTB), which was abolished by the UK Government as part of its welfare reform programme. Due to differences in the administration of the two schemes, Council Tax figures before 2013-14 include CTB, whereas figures from 2013-14 onwards do not include CTR.

Source: Local Financial Returns (LFRs): LFR 00

1.4 Council Tax

In 2014-15, Council Tax bills were issued to around 2.4 million dwellings in Scotland. The amounts collected in 2014-15 raised a total of around £2 billion across all local authorities in Scotland.

Council Tax was introduced in Scotland on the 1st April 1993 to replace the Community Charge system. It is a tax system based on dwellings and is used as a source of funding in addition to that received from other sources (such as General Revenue Funding, Central Government Grants, ring-fenced revenue grants and other locally raised income).

There are three factors that determine the amount of Council Tax that a dwelling is liable for. These are:

1. **The market value of the dwelling as at the 1st April 1991.** Each dwelling is placed into one of eight bands from A to H, with Band A dwellings liable for the lowest rates of Council Tax and Band H attracting the highest.
2. **The Band D rate** which is set by the local authority, with other bands calculated as a ratio to Band D.
3. **A range of exemptions, discounts and reductions** that are available in certain circumstances, or in some cases an increase in Council Tax due to the application of a levy.

The valuation range and ratio for each band is given in Table 1.5.

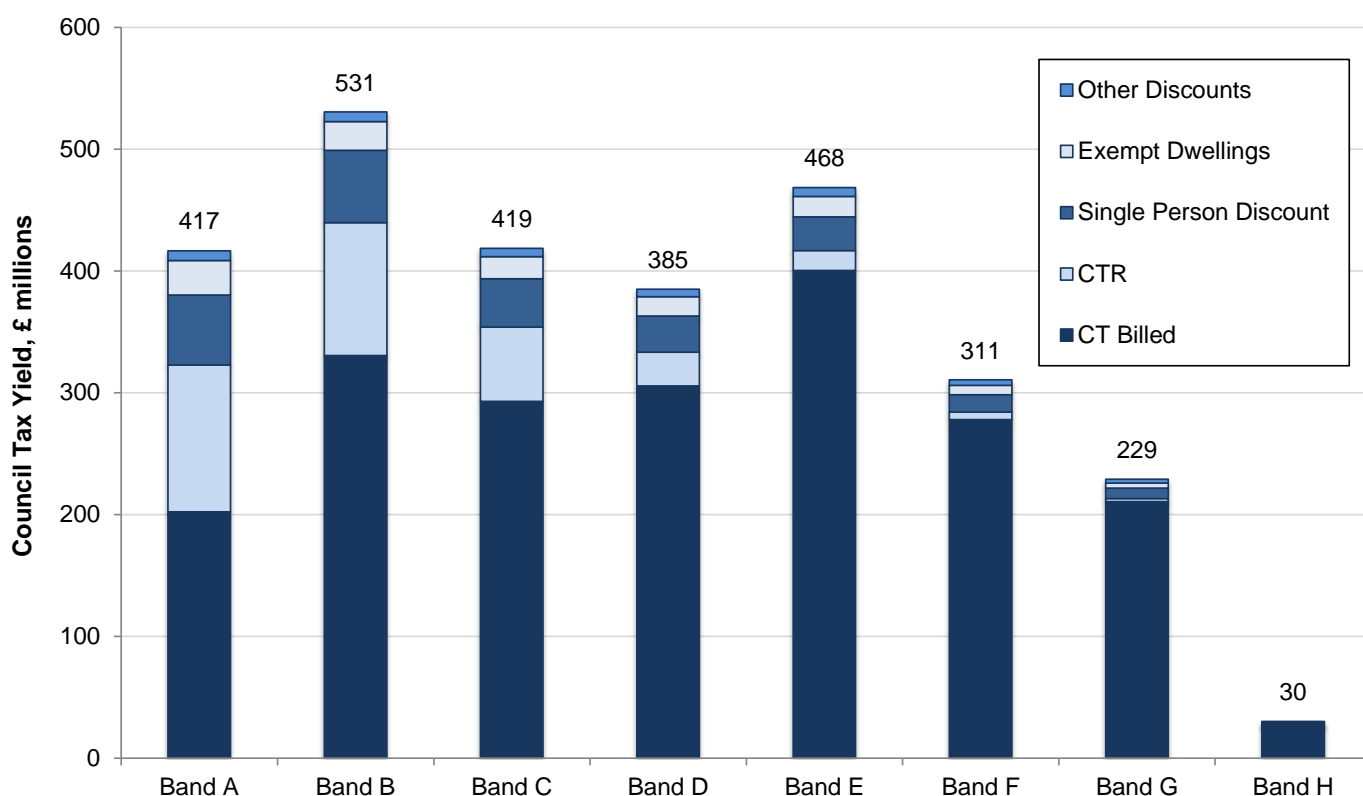
Table 1.5 – Council Tax data by band

	Valuation band ranges as at 1 st April 1991	Ratio to Band D	No. of chargeable dwellings as at September 2015	Proportion of chargeable dwellings
Band A	Under £27,000	6/9	506,424	21%
Band B	£27,001 to £35,000	7/9	569,737	23%
Band C	£35,001 to £45,000	8/9	394,252	16%
Band D	£45,001 to £58,000	9/9	324,461	13%
Band E	£58,001 to £80,000	11/9	326,438	13%
Band F	£80,001 to £106,000	13/9	186,282	8%
Band G	£106,001 to £212,000	15/9	120,179	5%
Band H	Over £212,000	18/9	12,745	1%
Total			2,440,518	100%

Collection and Potential Yield of Council Tax

Local authorities are responsible for billing and collecting the correct amounts of Council Tax. Immediately before the start of each financial year, local authorities issue Council Tax bills to dwellings. Each bill is calculated by applying the appropriate band rate for the local authority, then applying any discounts, exemptions, reductions or increases, further details of these are provided in Tables 1.10 and 1.11. Chart 1.4 illustrates the breakdown of the gross Council Tax potential yield into Council Tax billed and the amounts not billed due to Council Tax Reduction (CTR), discounts and exemptions.

Chart 1.4 – Council Tax Potential Yield (£ millions), 2014-15



Local authorities collect Council Tax relating to these bills over the year, and also continue to collect late amounts from previous billing years. The provisional in-year Council Tax collection rate for 2014-15 was 95.4 per cent and the total amount collected for Scotland as a whole (after CTR) was £2.022 billion, including late amounts for previous years. Table 1.6 shows the amount of Council Tax collected by each local authority in 2014-15. More information about bills issued in 2014-15 and the provisional amounts collected are available in the statistics publication 'Council Tax Collection Statistics, 2014-15' which is available at:

www.gov.scot/Topics/Browse/Local-Government-Finance/PubScottishCounTaxStats

Table 1.6 – Council Tax income after CTR by local authority, 2014-15 ^a

Local Authority	Net Council Tax income (£'000s)
Aberdeen City	103,563
Aberdeenshire	119,270
Angus	42,217
Argyll & Bute	43,371
Clackmannanshire	18,341
Dumfries & Galloway	55,644
Dundee City	47,601
East Ayrshire	40,276
East Dunbartonshire	49,912
East Lothian	43,476
East Renfrewshire	41,477
Edinburgh, City of	212,604
Eilean Siar	9,239
Falkirk	53,316
Fife	134,360
Glasgow City	181,428
Highland	101,019
Inverclyde	27,116
Midlothian	34,430
Moray	35,053
North Ayrshire	46,573
North Lanarkshire	100,024
Orkney Islands	7,749
Perth & Kinross	67,578
Renfrewshire	64,494
Scottish Borders	46,149
Shetland Islands	8,351
South Ayrshire	45,226
South Lanarkshire	110,556
Stirling	40,902
West Dunbartonshire	30,783
West Lothian	60,116
Scotland	2,022,214

a Figures include Community Charge and relate to income collected in financial year 2014-15, which can include amounts that were billed in previous years.

Source: Local Financial Returns, 2014-15

Chargeable Dwellings

Table 1.7 shows the number of dwellings in Scotland for each September from 2010 to 2015. There were a total of 2.557 million dwellings in Scotland in 2015, of which 117,000 dwellings were exempt for Council Tax purposes. This gave 2.441 million chargeable dwellings in 2015: an increase of around 2.7 per cent (around 63,000 dwellings) since 2010.

Table 1.7 – Total number of dwellings in Scotland, 2010 to 2015

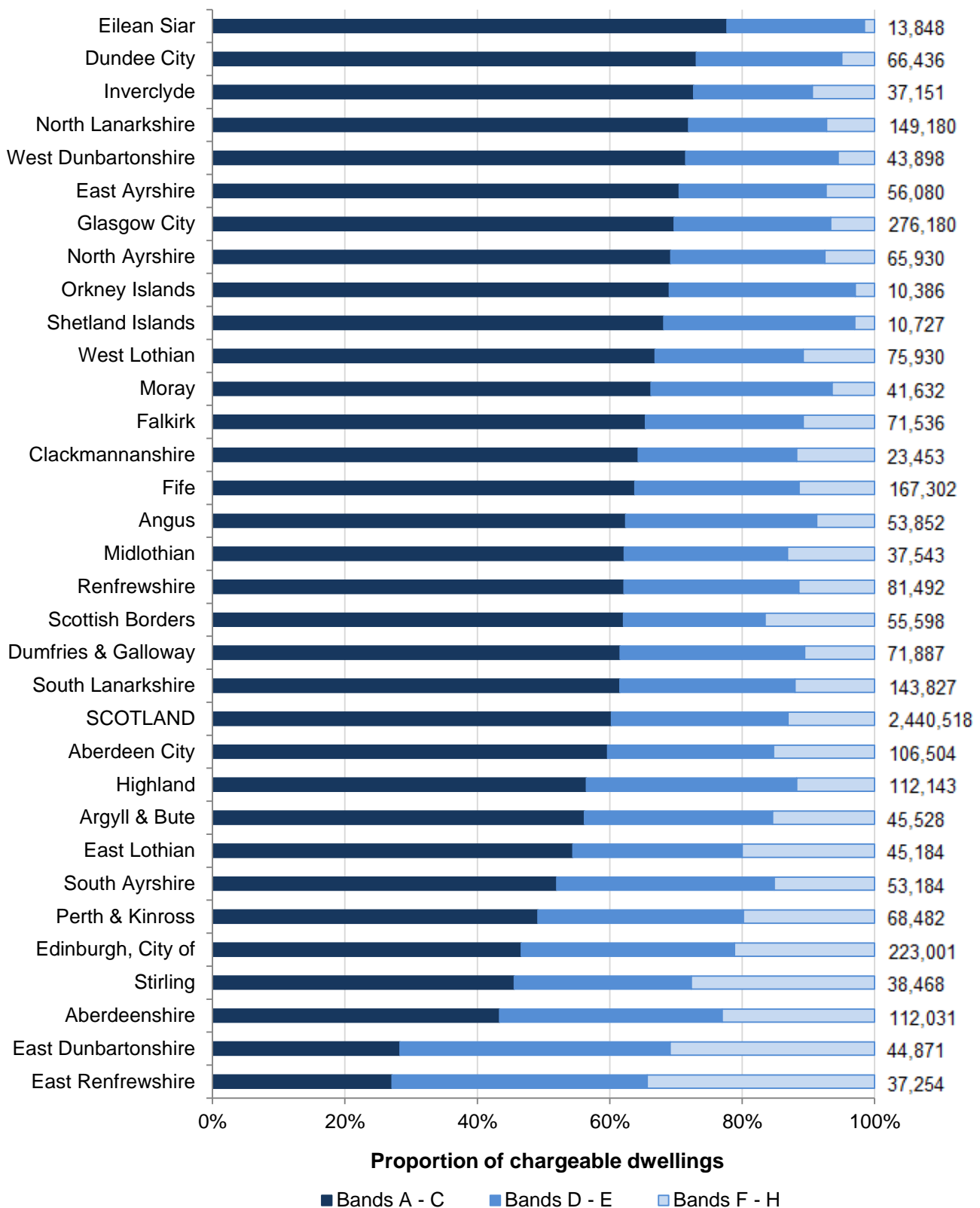
	Total Dwellings	Exempt Dwellings	Chargeable Dwellings
2010	2,488,928	111,454	2,377,474
2011	2,500,769	111,740	2,389,029
2012	2,515,042	113,173	2,401,869
2013	2,526,703	116,372	2,410,331
2014	2,540,330	112,525	2,427,805
2015	2,557,365	116,847	2,440,518

Source: CTAXBASE Return

Chart 1.5 shows the distribution of chargeable dwellings across Council Tax bands in each local authority. Across the whole of Scotland, three-fifths of all chargeable dwellings are in Bands A to C. The distribution varies across local authorities due to variations in property market values. Eilean Siar has the largest proportion of dwellings in Bands A to C (78 per cent), whereas East Renfrewshire has the lowest proportion in Bands A to C (27 per cent).

The three local authorities with the highest number of chargeable dwellings were Glasgow, Edinburgh and Fife, with over a quarter of the chargeable dwellings in Scotland between them. Further data on the number of chargeable dwellings by local authority and Council Tax band can be found in the supplementary tables.

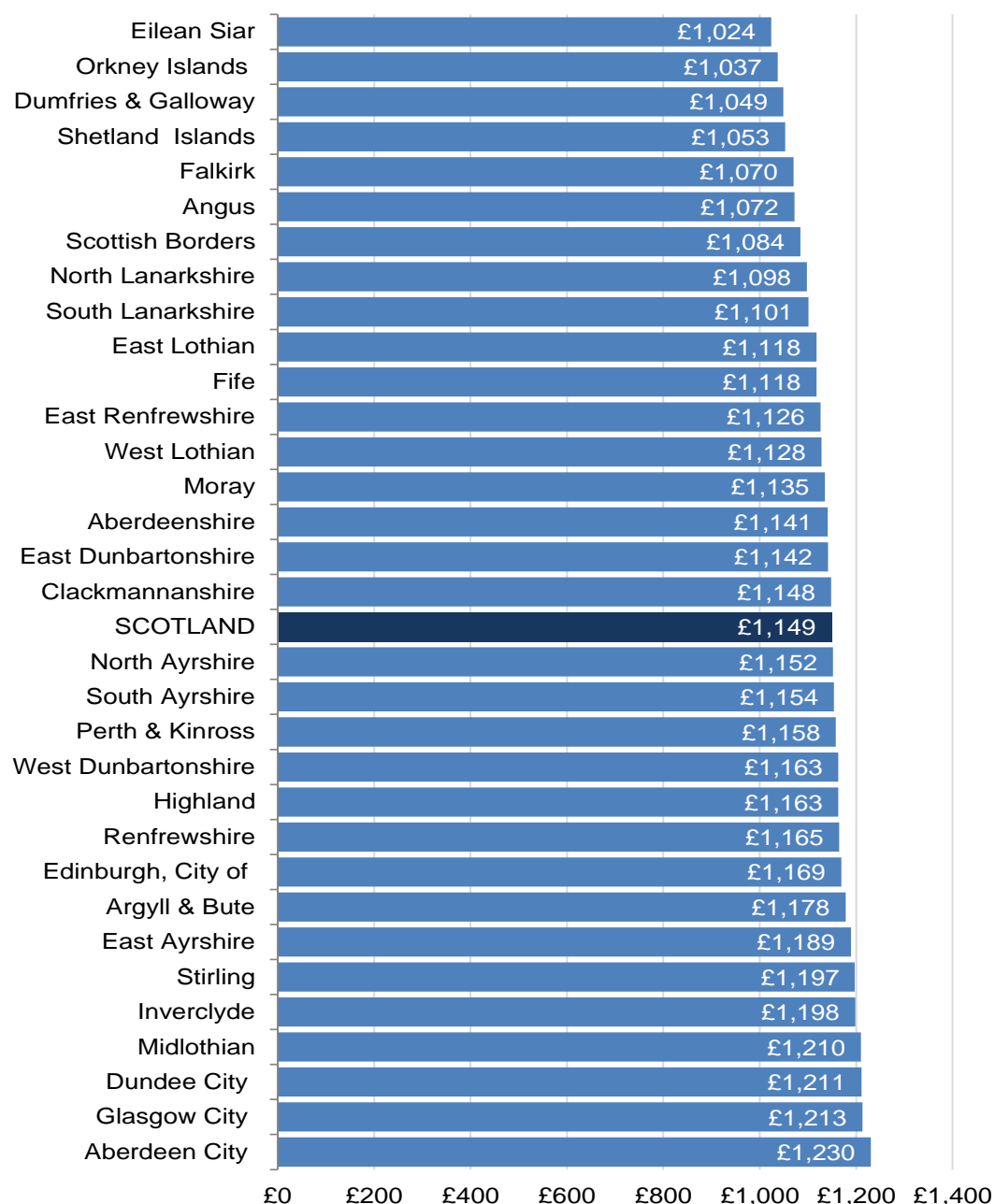
Chart 1.5 - Percentage of chargeable dwellings by Council Tax band for each local authority as at September 2015



Council Tax Rates & Average Bills

Each local authority determines their own Band D rate of Council Tax as part of their budget setting process. The rate for other bands is then calculated as a set ratio of the Band D rate, these ratios can be found in Table 1.5. As a result, each local authority has different Council Tax rates. The Band D Council Tax levels for each local authority are shown in Chart 1.6, and range from £1,024 in Eilean Siar to £1,230 in Aberdeen City.

Chart 1.6 – Band D Council Tax rate by local authority, 2014-15 (£)



Since 2007-08, Scottish Government and local government have worked in partnership to freeze Council Tax rates each year. The one exception is Stirling where the council took the decision to reduce the Band D rate from £1,223 in 2007-08 to £1,209 in 2008-09, and subsequently to £1,197 in 2012-13. The Council Tax freeze has caused the Scotland average Band D Council Tax rate to remain steady at £1,149 since 2007-08 – a fall in real terms.

Table 1.8 shows how the average Band D Council Tax bill for Scotland has changed each year from 2010-11. The average Council Tax bill per dwelling in 2014-15 was £989. This differs from the average Band D rate due to the distribution of dwellings across Council Tax bands, as can be seen in Table 1.5 and Chart 1.5, and the application of discounts.

Table 1.8 – Average Council Tax bills, 2010-11 to 2014-15

	Average ¹ CT bill per dwelling	
	Before CTB/CTR	After CTB/CTR
2010-11	£985	£827
2011-12	£984	£826
2012-13	£985	£830
2013-14	£988	£838
2014-15	£989	£846

Source: CTAS, CTAXBASE Returns and Local Financial Returns (LFR 12)

Council Tax Reduction (CTR)

Scotland's CTR scheme was introduced in 2013 following localisation of Council Tax support and the UK Government's abolition of the Council Tax Benefit (CTB). The CTR scheme reduces the Council Tax liability of vulnerable people in Scotland, including people on low incomes, pensioners and lone parents. The impact of CTB/CTR on the average Council Tax bill is also shown in Table 1.8. After taking these reductions in liability into account, the average bill per dwelling for 2014-15 reduced by £143 from £989 to £846.

Scotland's CTR scheme is funded by the UK Government, Scottish Government and local government. In 2014-15, CTR funding from government totaled £343 million (£320 million from UK Government and £23 million from Scottish Government). Local authorities agreed to contribute up to £17 million additional funding from their own budgets to the cost of the scheme, as part of the joint commitment between Scottish Government and local government to mitigate the 10% funding cut by the UK Government.

The amounts distributed to each local authority and the final total costs are shown in Table 1.9. The total cost of the CTR scheme across Scotland in 2014-15 was around £344 million. This figure is under £1 million more than the £343 million funding provided by the UK Government and Scottish Government, and just over £16 million less than the £360 million total budget (including the £17 million from local authorities).

Table 1.9 – CTR funding and final liability for local authorities, 2014-15

Local Authority	UKG and SG funding (£'000s)	Final total reduction in liability (£'000s)
Aberdeen City	£9,485	£9,180
Aberdeenshire	£7,383	£7,207
Angus	£5,222	£5,259
Argyll & Bute	£5,520	£5,560
Clackmannanshire	£3,453	£3,532
Dumfries & Galloway	£8,597	£8,636
Dundee City	£12,267	£12,169
East Ayrshire	£9,589	£9,434
East Dunbartonshire	£4,546	£4,596
East Lothian	£5,245	£5,420
East Renfrewshire	£3,718	£3,782
Edinburgh, City of	£26,649	£26,471
Eilean Siar	£1,545	£1,467
Falkirk	£8,328	£8,191
Fife	£20,486	£20,822
Glasgow City	£68,090	£68,629
Highland	£12,147	£12,033
Inverclyde	£6,743	£6,716
Midlothian	£5,215	£5,127
Moray	£3,790	£3,729
North Ayrshire	£11,291	£11,511
North Lanarkshire	£24,485	£24,441
Orkney Islands	£739	£755
Perth & Kinross	£6,617	£6,535
Renfrewshire	£13,151	£13,187
Scottish Borders	£5,580	£5,517
Shetland Islands	£658	£637
South Ayrshire	£8,416	£8,559
South Lanarkshire	£20,511	£21,052
Stirling	£4,355	£4,383
West Dunbartonshire	£9,320	£9,391
West Lothian	£9,859	£9,823
Scotland	£343,000	£343,751

Source: Local Financial Returns, 2014-15

Changes to Council Tax Liabilities

Not all dwellings are liable to pay the full rate of Council Tax; discounts, exemptions and increased rates can be charged for certain types of dwellings, and the CTR scheme is available to support households on relatively low incomes in meeting their Council Tax liabilities. Table 1.10 summarises the range of discounts, exemptions and reductions available and the change in liability that applies to each type. Please note that, in some cases, more than one type of discount, exemption or reduction may apply. The examples given in Table 1.10 are typical but not exhaustive. For a full explanation of Council Tax discounts and exemptions, go to:

www.gov.scot/Topics/Government/local-government/17999/counciltax/Secondhomes.

Table 1.10 – Council Tax discounts, exemptions, reductions and increases

Support	Typical dwellings that are exempt	Change in liability
Discounts		
Single Person Discount	Occupied by only one CT liable adult	25%
Second Homes	Occupied by those living in tied accommodation (e.g. farm workers, members of the clergy), when they are contributing to the local economy.	10 – 50% ¹
Long Term Empty (6 – 12 months)	Empty and unfurnished for > 6 months.	50%
Long Term Empty (> 12 months)	Empty and unfurnished for > 12 months.	10 – 50% or an increase ¹
Occupied entirely by disregarded adults	Dwellings occupied entirely by disregarded adults	50%
Exemptions		
Occupied	Persons who are exempt from Council Tax	100%
Unoccupied	Empty for < 6 months; cannot be occupied because in need of repair; residents have moved out due to care needs.	100%
Reductions		
Disability Reduction	Homes that have been adapted for a disabled person.	One CT band ²
CTR - Passported	In receipt of Pension Credit (Guarantee), JSA (income based), ESA (income related) or Income Support.	100%
CTR - Not passported	Low income household	Up to 100% ³

¹ The actual change in liability depends on local authority policy. In 2013-14, local authorities gained the discretionary power to remove the empty properties discount or set a Council Tax increase of 100% on properties which have been empty for more than 12 months.

² For example, an eligible Band D rate property would be charged Band C rates.

³ The exact change in liability is dependent on a means test.

Table 1.11 shows the number of dwellings eligible for Council Tax discounts and reductions. Of the 2.4 million chargeable dwellings in Scotland, around 1 million were eligible for a discount in 2015. The most common type of discount was the Single Person Discount, with around two-fifths of chargeable dwellings entitled to the discount in 2015. The CTR scheme supports over half a million dwellings, or around one-fifth of chargeable dwellings, in meeting their Council Tax liability.

Around 64,000 dwellings are classified as second homes or long term empty properties. Further statistics on these are available at: www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/LTEmpysecondhomes.

Table 1.11 – Number of dwellings¹ in receipt of Council Tax discounts and reductions as at September

Type of Support	2010	2011	2012	2013	2014	2015
All chargeable dwellings	2,377,474	2,389,029	2,401,869	2,410,331	2,427,805	2,440,518
Disability reduction	14,015	13,999	13,994	13,791	13,736	13,505
Single Person Discount	941,915	945,515	948,208	952,251	953,612	955,505
Second Homes ²	38,002	39,250	40,599	35,734	27,879	27,317
Long Term Empty (empty > 6 months)	24,598	25,356	25,454	27,327	31,884	36,419
Occupied entirely by disregarded adults	1,887	1,910	1,809	1,579	2,802	1,378
Dwellings not subject to a discount	1,371,072	1,376,998	1,385,799	1,393,440	1,411,628	1,419,899
CTR/CTB ³	563,720	565,730	560,880	548,070	533,980	512,340

1 Some dwellings may be eligible for more than one type of support, in these cases the dwelling will be counted under each type of support it is eligible for.

2 It is not possible for some councils to separately identify second homes and long term empty dwellings. For these councils, the total number of second homes and long term empty dwellings have been recorded under second homes

3 CTB figures from 2010 to 2012 were published by DWP and are available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/229795/hbctb_release_may13_revised.xls

Source: CTAXBASE Return, CTR Extract and DWP CTB figures

1.5 Non-Domestic Rates

Non-Domestic Rates (NDR) is a property tax paid by the owner/occupier or tenant of a non-domestic property.

In 2014-15, the income raised from NDR was £2.51 billion.

The principles of non-domestic rates were established in the Lands Valuation (Scotland) Act of 1854. This act also provided for the appointment of the [Scottish Assessors](#), who are responsible for determining the classification and valuation of non-domestic and domestic properties, and are independent of both the Scottish Government and local authorities. A non-domestic property is an individual property used for non-domestic purposes. Examples include business premises and third and public sector properties.

The value given to a property for NDR purposes is called its rateable value (RV). The RV of a property is a legally defined valuation provided by the Assessor, broadly based on the rental values the property could achieve. As such it is not necessarily a reflection of the profitability, turnover or output of the business. It is established at revaluation where the Scottish Assessors assess rateable values for all non-domestic properties in Scotland, taking account of the type and nature of the property. All non-domestic properties and their corresponding RVs are listed on the Valuation Roll, which is maintained by the [Scottish Assessors](#).

NDR bills are calculated using the rateable value (RV) of non-domestic properties, multiplied by a poundage set nationally by Scottish Ministers, less any relief or exemption entitlement.

$$(NDR\ bill)_{Property} = (RV)_{Property} \times (Poundage)_{National} - (Reliefs)_{Property}$$

For properties with a rateable value greater than £35,000, the Large Business Supplement (LBS) applies in addition to the poundage (the poundage is effectively increased slightly by adding the LBS).

Table 1.12 shows the composition of properties (and associated RV) on the Valuation Roll by property type. As at 1st April 2015, there were 223,046 properties with a total RV of £6.7 billion. Shops were the most prevalent type of property on the valuation roll, making up nearly a quarter (24%) of the number of properties and RV on the roll. Industrial subjects and offices are the next two largest categories in terms of numbers and RV. Together, these three categories account for 63% of properties on the valuation roll, and 58% of the RV.

Table 1.12 – Non-Domestic Rates Properties by Classification (as at 1 April 2015)

CATEGORY	Number of properties	Rateable value	% of Properties on Valuation Roll	% of RV on Valuation Roll
	1st April 2015	1st April 2015	1st April 2015	1st April 2015
Advertising	1,988	7,929,319	1%	0%
Care Facilities	3,014	106,302,379	1%	2%
Communications	370	22,934,215	0%	0%
Cultural	1,391	46,584,635	1%	1%
Education and Training	3,724	505,366,410	2%	8%
Garages and Petrol Stations	4,311	64,856,415	2%	1%
Health and Medical	3,178	203,129,890	1%	3%
Hotels	5,115	189,643,144	2%	3%
Industrial Subjects	47,265	1,144,301,891	21%	17%
Leisure, Entertainment, Caravans etc.	21,484	239,558,468	10%	4%
Offices	39,771	1,135,022,108	18%	17%
Other	13,259	95,223,242	6%	1%
Petrochemical	141	106,158,030	0%	2%
Public Houses	3,775	109,534,735	2%	2%
Public Service Subjects	9,882	321,507,583	4%	5%
Quarries, Mines, etc.	689	22,086,110	0%	0%
Religious	6,235	55,208,967	3%	1%
Shops	53,282	1,617,747,045	24%	24%
Sporting Subjects	3,377	17,919,045	2%	0%
Statutory Undertaking	795	707,691,454	0%	11%
TOTAL ALL NON-DOMESTIC PROPERTIES	223,046	6,718,705,085	100%	100%

Source: Scottish Assessors Valuation Roll, 1st April 2015

Table 1.13 provides a breakdown of properties on the Valuation Roll by local authority and RV band.

In terms of the Small Business Bonus Scheme and the application of the Large Business Supplement, £18,000 and £35,000 represent the rateable value thresholds for small and large businesses respectively.

Around 78% of all properties (174,201 properties) have a Rateable Value less than or equal to £18,000.

Table 1.13 – Non-Domestic Rates Subjects by Local Authority (as at 1 April 2015)¹

Local Authority	Rateable Value Band			Total Non-Domestic Properties
	<= £18,000	£18,001 to £35,000	> £35,000	
Scotland	174,201	19,638	29,207	223,046
Aberdeen City	5,006	1,119	2,284	8,409
Aberdeenshire	9,914	799	1,080	11,793
Angus	4,031	349	401	4,781
Argyll & Bute	7,664	344	347	8,355
Clackmannanshire	1,297	121	147	1,565
Dumfries & Galloway	8,220	473	559	9,252
Dundee City	4,145	585	961	5,691
East Ayrshire	3,212	309	415	3,936
East Dunbartonshire	1,762	288	305	2,355
East Lothian	2,774	262	328	3,364
East Renfrewshire	1,306	211	224	1,741
Edinburgh, City of	13,681	2,371	3,939	19,991
Eilean Siar	2,070	110	115	2,295
Falkirk	3,652	472	681	4,805
Fife	10,432	1,193	1,620	13,245
Glasgow City	17,643	2,901	4,774	25,318
Highland	15,258	975	1,407	17,640
Inverclyde	1,796	206	307	2,309
Midlothian	2,232	244	373	2,849
Moray	3,984	250	366	4,600
North Ayrshire	4,128	386	503	5,017
North Lanarkshire	7,021	1,049	1,554	9,624
Orkney Islands	1,875	132	96	2,103
Perth & Kinross	7,119	587	724	8,430
Renfrewshire	4,727	584	960	6,271
Scottish Borders	6,261	411	417	7,089
Shetland Islands	1,736	111	147	1,994
South Ayrshire	3,801	420	556	4,777
South Lanarkshire	7,202	1,084	1,489	9,775
Stirling	4,000	420	578	4,998
West Dunbartonshire	2,165	274	415	2,854
West Lothian	4,087	598	1,135	5,820

1. Includes a small percentage of properties with zero rateable value.

Source: Scottish Assessors Valuation Roll, 1st April 2015

Table 1.14 shows a time series of annual NDR Income, total Rateable Value, and Poundage Rate. Revaluations typically take place on a 5-year cycle and are intended to be 'revenue neutral'. As a consequence of the 2010 revaluation, the poundage was reduced from 48.1p in 2009-10 to 40.7p in 2010-11 and the total RV of non-domestic properties (the tax base) increased from £5.3 billion in 2009-10 to £6.6 billion in 2010-11. The next revaluation will take place in 2017.

Table 1.14 – Non-Domestic Rates Income, Total Rateable Values and Poundage Rate

	2009-10	2010-11 ¹	2011-12	2012-13	2013-14	2014-15
Non Domestic Rates Income (£m) ²	2,010	2,138	2,251	2,347	2,367	2,511
Total Rateable Value (£m)	5,299	6,612	6,678	6,718	6,716	6,681
Poundage Rate (pence)	48.1	40.7	42.6	45.0	46.2	47.1
Large Business Supplement (pence) ³	0.4	0.7	0.7	0.8	0.9	1.1

1. Revaluation occurred in 2010

2. All income figures, including 2014-15, are the final audited income collected by councils.

3. The Large Business Supplement is applied in addition to the poundage for properties with a rateable value over £35,000

Source: NDR Income – Non-domestic Rate Income Returns, Rateable Value – Scottish Assessors Valuation Roll as at 1st April

Table 1.14 also shows that the total RV has increased slightly since the 2010 revaluation from £6.61 billion to £6.68 billion in 2014-15. This is due to the net impact of several factors including increases in the tax base from new properties or extension of existing properties, and decreases as demolished properties are deleted from the valuation roll or as the RV is reduced as a result of appeals¹. As Non-Domestic Rates bills in Scotland are directly related to the rateable values of individual non-domestic properties, changes in the total RV impact on the amount of NDR available for collection, along with other factors such as the poundage rate and backdated revaluation appeals losses which also affect the final income.

Inflation is a key driver of growth in NDR income as the poundage rate, set nationally by Scottish Ministers², is typically tied to the Retail Price Index (other than in the first year of a revaluation). NDR bills are calculated by multiplying the RV of a property by the poundage rate, and then applying discounts and exemptions. Large business properties (those with a RV greater than £35,000) also pay a supplement to the poundage rate, known as the Large Business Supplement (LBS), which is used to fund a portion of the Small Business Bonus Scheme (SBBS). The LBS was 1.1p in 2014-15. For the period 2012-13 to 2014-15, large retailers with RV of £300,000 or more that sell both alcohol and tobacco also paid the Public Health Supplement (PHS) - an additional 13p on the poundage rate in 2014-15. These supplements increase the amount paid in NDR bills. Conversely, exempt properties

¹ Statistics on revaluation appeals are published quarterly in the [Non-Domestic Rates Revaluation Appeal Statistics](#) publication.

² Since 2007-08, Scottish Ministers have committed to equalisation of the Scottish poundage rate with that in England.

(which do not pay rates), and relief schemes such as the Small Business Bonus Scheme can significantly reduce the amount paid in NDR bills, and therefore the NDR income. Table 1.15 summarises the total number of properties and rateable value as at 1st April 2015 and the NDR income collected in 2014-15 by local authority (net of reliefs).

Table 1.15 – Non-Domestic Rates Properties, Rateable Values and Income By Local Authority¹

Authority	Non-Domestic Properties ² Apr-15	Non-Domestic Rateable Values Apr-15 (£000s)	Non-Domestic Rate Income 2014-15 ³ (£000s)
Scotland	223,046	6,718,705	2,511,290
Aberdeen City	8,409	457,525	193,214
Aberdeenshire	11,793	227,053	85,722
Angus	4,781	77,059	26,551
Argyll & Bute	8,355	89,129	30,036
Clackmannanshire	1,565	38,067	16,645
Dumfries & Galloway	9,252	118,560	42,395
Dundee City	5,691	187,855	67,150
East Ayrshire	3,936	81,401	29,153
East Dunbartonshire	2,355	67,601	23,398
East Lothian	3,364	68,944	23,237
East Renfrewshire	1,741	40,751	14,374
Edinburgh, City of	19,991	910,691	344,628
Eilean Siar	2,295	22,742	7,002
Falkirk	4,805	172,282	67,286
Fife	13,245	435,570	152,736
Glasgow City	25,318	980,357	350,888
Highland	17,640	311,517	110,516
Inverclyde	2,309	60,239	20,309
Midlothian	2,849	78,492	27,871
Moray	4,600	89,014	33,268
North Ayrshire	5,017	108,703	38,495
North Lanarkshire	9,624	297,665	109,884
Orkney Islands	2,103	26,082	8,620
Perth & Kinross	8,430	149,282	51,732
Renfrewshire	6,271	234,681	81,981
Scottish Borders	7,089	90,694	29,091
Shetland Islands	1,994	44,178	16,578
South Ayrshire	4,777	108,239	39,792
South Lanarkshire	9,775	640,455	266,873
Stirling	4,998	114,107	41,920
West Dunbartonshire	2,854	171,876	75,608
West Lothian	5,820	217,895	84,334

1. Rates bills for specific utilities are collected by specified councils on behalf of all 32 councils, and appear on the valuation roll for those councils: South Lanarkshire (Electricity), West Dunbartonshire (Gas), Fife (Water), Falkirk (Docks and Harbours), Highland (Railways), Renfrewshire (Telecommunications). This increases the take for those authorities.

2. Includes properties with a zero rateable value

3. Audited income collected by councils.

Source: Number of Properties and Rateable Value - Scottish Assessors Valuation Roll 1st April 2015
NDR Income - Non-domestic Rate Income Returns provided by Councils

Table 1.15 shows geographical variations in the number of properties, rateable value and NDR income. It should be noted however that some councils have responsibility for collection of NDR for specific utilities as detailed in the footnote to the table. For these councils, the entries on the valuation roll and NDR income include Scotland-wide data for the specified utilities sectors. To avoid the need for revisions, only final (audited) NDR income figures are included in this publication. The deadline for NDR income returns was accelerated for 2014-15 and subsequent years to allow audited NDR income data to be included.

Table 1.16 – Amount of Non-Domestic Rates Relief Provided by Relief Type^{1,2}

	<i>£thousands</i>						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 ²
Empty Property Relief	127,385	153,361	145,936	157,862	169,134	146,496	140,962
Charities	113,417	122,132	136,731	151,276	164,979	173,623	181,242
Sports Clubs	9,651	11,604	11,476	12,059	12,431	12,911	13,487
Disabled persons relief	42,914	45,484	51,901	54,372	57,580	58,299	59,648
SBBS	72,553	108,420	123,259	134,719	150,196	161,002	170,635
Religious Properties	18,986	20,218	24,016	22,960	24,573	25,205	26,113
Rural Rate Relief	3,887	3,918	4,129	4,218	4,305	4,323	4,244
Renewable Energy Relief Scheme ³			3,560	4,126	4,811	7,333	9,280
New Start ⁴						130	484
Fresh Start ⁵						189	536
Other ⁶	27	19	4	43	10	63	221
Gross Amount	388,821	465,157	501,013	541,635	588,018	589,574	606,852

1. Estimates include mandatory and discretionary elements of relief where applicable, but exclude backdated payments of relief

2. Reliefs for all years, including 2014-15, are final audited figures.

3. The Renewable Energy Relief Scheme was introduced at 1 April 2010.

4. The new start relief scheme was introduced at 1 April 2013 and will run for 3 years.

5. The fresh start relief scheme was introduced at 1 April 2013.

6. Other includes Hardship and Enterprise Areas.

Source: Non-domestic Rate Income Returns from Councils

There are a number of types of NDR relief that reduce the NDR bill for qualifying properties. Table 1.16 shows the main types of relief available³ and the amount of relief provided each year from 2008-09 to 2014-15.

The gross amount of relief provided has increased substantially from £389 million in 2008-09 to £607 million in 2014-15. Key reasons for this are increases in the poundage rate (due to annual inflation) and an increase in relief provided through the Small Business Bonus Scheme, with expansion of the scheme thresholds and greater awareness of the scheme likely to be contributory reasons. Other reasons for change are likely to include growth in the tax base over this period (i.e. an increase in the overall rateable value) and changes to amounts awarded for other reliefs (for example the introduction of the new relief schemes). Changes were made to Empty Property Relief (EPR) in 2013, reducing the amount of EPR for non-industrial properties from 100% for 3 months and then 50%

³ More information on NDR relief can be found on the Scottish Government Website at:

<http://www.scotland.gov.uk/Topics/Government/local-government/17999/11199>

thereafter to 100% for 3 months then 10% thereafter, resulting in decreases to the cost of Empty Property Relief in 2013-14 and 2014-15.

The total NDR income collected by local authorities is pooled at the Scotland level⁴. Each council reports the NDR collected to the Scottish Government to be included in the central pool. The amount to be re-distributed to each authority from the pool is known as the Distributable Amount (DA) and is set by the Scottish Government before the start of the financial year in question.

From 1st April 2011, the distribution methodology provides that Councils retain what it is estimated they can collect in business rates (rather than the previous policy where it was redistributed on the basis of population shares). As the combined total of NDR income and General Revenue Funding (GRF) provided to councils is guaranteed by the Scottish Government, any reduction in the amount of NDR collected is compensated for by a corresponding increase in GRF and vice versa. Any surpluses or deficits are paid out or recovered from Councils in the calculation of future years distributable business rates totals. The DA is based upon a forecast of the NDR income and prior year adjustments, and is therefore not guaranteed to match the total contributions to the pool for that year.

The calculation of the distributable amount for 2014-15 is given in Annex F and the 2014-15 distributable amount per Local Authority is shown in Table 1.17.

⁴ A Business Rates Incentivisation Scheme (BRIS) was introduced from April 2012 to incentivise Councils to maximise existing business rates income and attract new economic growth by allowing all authorities that exceed their annual business rates target to retain 50% of any additional income.

Table 1.17 – Non-Domestic Rates Distributable Amount by Local Authority, 2014-15

	Non-Domestic Rate Distributable Amount (£000s)
Scotland	2,649,500
Aberdeen City	192,684
Aberdeenshire	85,901
Angus	28,033
Argyll & Bute	31,002
Clackmannanshire	12,918
Dumfries & Galloway	48,474
Dundee City	58,704
East Ayrshire	31,060
East Dunbartonshire	24,901
East Lothian	25,172
East Renfrewshire	15,151
Edinburgh, City of	364,108
Eilean Siar	7,046
Falkirk	74,307
Fife	158,661
Glasgow City	363,061
Highland	124,210
Inverclyde	22,707
Midlothian	29,013
Moray	33,370
North Ayrshire	40,197
North Lanarkshire	118,797
Orkney Islands	9,604
Perth & Kinross	55,415
Renfrewshire	106,316
Scottish Borders	31,013
Shetland Islands	17,602
South Ayrshire	43,134
South Lanarkshire	297,292
Stirling	32,586
West Dunbartonshire	78,548
West Lothian	88,513

Source: Amendment Order Scotland (2014)

1.6 Customer and Client Receipts

Local authorities receive income from sales, rents, fees and charges as a result of providing services. These services are wide ranging in nature, as is the amount of income associated with each service, as detailed in Table 1.18 below.

The total customer and client receipts received by local authorities has increased by 2.3%, from £2.32 billion in 2013-14 to £2.37 billion in 2014-15. In the General Fund this has increased by 1.2%, from £1.24 billion in 2013-14 to £1.26 billion in 2014-15. Almost half (47%) of customer and client receipts are to the HRA where it has increased by 3.6% from £1.07 billion to £1.11 billion in 2014-15.

Table 1.18 – Customer and Client Receipts – 2010-11 to 2014-15

	<i>£thousands</i>				
	2010-11	2011-12	2012-13	2013-14 ^b	2014-15
Education	95,006	115,017	113,355	120,563	119,061
Cultural & Related Services	81,521	77,490	70,731	71,185	72,567
Social Work	251,167	268,104	276,455	276,012	275,301
Roads & Transport	146,157	171,756	154,197	175,384	182,833
Environmental Services	120,400	117,767	117,969	117,457	112,180
Planning & Development Services	97,897	118,519	116,749	121,079	120,162
Central Services	113,862	143,521	110,889	131,710	143,806
Non-HRA Housing	164,339	179,116	165,412	160,800	155,077
Trading Services	66,852	63,526	58,045	69,843	77,909
Total General Fund (GF) Customer and Client Receipts excluding Police & Fire	1,137,201	1,254,816	1,183,802	1,244,033	1,258,896
Housing Revenue Account (HRA) ¹	979,571	965,920	1,034,306	1,073,362	1,112,210
Total GF + HRA Customer and Client Receipts, excluding Police & Fire	2,116,772	2,220,736	2,218,108	2,317,395	2,371,106
Police, Fire & Emergency Planning	55,098	66,575	111,992		
Total GF + HRA Customer and Client Receipts	2,171,870	2,287,311	2,330,100	2,317,395	2,371,106

1. The Housing Revenue Account (HRA) records income and expenditure relating to Local Authority housing stock.

b. The Police and Fire Reform (Scotland) Act 2012 created Police Scotland and Fire Scotland, which replaced the former Police and Fire Boards. These new bodies are classified as Central Government, rather than Local Government.

Source: Local Financial Returns (LFRs)

2. Local Government Capital Expenditure and Financing

Total Capital Expenditure and Financing

Capital expenditure by local authorities is mainly for purchasing, constructing or enhancing physical assets, such as buildings (e.g. care homes or schools), land (e.g. playing fields), infrastructure (e.g. roads), and vehicles, plant and machinery. Capital expenditure also includes expenditure that the Scottish Ministers have permitted the local authorities to treat as capital expenditure and meet from capital resources.

Capital expenditure is financed by one or more of the following:

- Capital grants and contributions
- Borrowing or Credit Arrangements
- Contributions from revenue funds
- Capital receipts from asset sales

The Local Government in Scotland Act 2003, provides local authorities with the power to finance capital expenditure by borrowing without securing Government approval. Local authorities have a statutory duty to set their own maximum capital expenditure limits. These limits must be set with regard to the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code, which requires that capital expenditure undertaken by local authorities must be affordable, prudent and sustainable. Detailed breakdowns of Capital Expenditure can be found in Annexes G and H.

Table 2.1 – Total Capital Expenditure and Financing, 2014-15

	<i>£thousands</i>		
	General Fund Services	Housing Revenue Account	Total
Acquisition of land, leases, existing buildings or works	48,122	15,481	63,604
New construction, conversions & enhancement to existing buildings	1,308,806	640,186	1,948,992
Vehicles, machinery & equipment	165,645	8,798	174,443
Intangible assets	13,856	205	14,061
Total Gross Capital Expenditure	1,536,429	664,671	2,201,100
Revenue Expenditure funded from Capital Resources	198,176	826	199,002
Total Expenditure to be met from Capital Resources	1,734,605	665,497	2,400,102
Scottish Government General Capital Grant	677,689	2,802	680,491
Scottish Government Specific Capital Grants	145,308	58,136	203,444
Grants from Scottish Government Agencies and NDPBs	96,178	12,431	108,610
Other Grants and Contributions	83,685	24,045	107,731
Borrowing (advances from Loans Fund)	518,296	311,404	829,701
Capital receipts used from asset sales/disposals	41,850	66,069	107,919
Capital Reserves (Capital Fund)	34,595	0	34,595
Capital funded from current revenue	94,302	190,609	284,911
Assets acquired under credit arrangements (e.g. finance leases, PPP/PFI)	42,701	0	42,701
Total Financing	1,734,605	665,497	2,400,102

Source: Capital Returns (CR Final)

In 2014-15 total gross capital expenditure was £2.2 billion. In addition to this, local authorities funded £0.2 billion of revenue expenditure from capital resources – this was mostly funding third party capital housing projects. This means that total expenditure funded from capital resources was £2.4 billion in 2014-15 (£0.67 billion in the housing revenue account and £1.73 billion in the General Fund). The majority (around 80%) of capital expenditure went on new construction, conversions and enhancements to existing buildings.

The largest source of financing for capital expenditure in 2014-15 was grants. Local authorities received a total of £1.1 billion (46% of total financing) in grants and contributions to fund capital expenditure (£1.0 billion for the General Fund and £0.1 billion for the HRA). The second most significant source of financing was borrowing (advances from the Loans Fund). This funded a further £0.83 billion (35% of total financing, £0.52 billion in the General Fund and £0.31 billion in the HRA) of capital expenditure.

Table 2.2 – Total Capital Expenditure and Financing, 2010-11 to 2014-15

	<i>£thousands</i>				
	2010-11	2011-12	2012-13	2013-14 ^a	2014-15
Acquisition of land, leases, existing buildings or works	98,730	137,332	146,930	90,335	63,604
New construction, conversions & enhancement to existing buildings	1,876,692	2,142,293	2,037,385	1,967,310	1,948,992
Vehicles, machinery & equipment	156,289	194,836	197,022	189,509	174,443
Intangible assets	5,042	6,052	6,638	13,119	14,061
Total Gross Capital Expenditure	2,136,753	2,480,513	2,387,975	2,260,273	2,201,100
Revenue Expenditure funded from Capital Resources	211,409	181,021	161,349	199,728	199,002
Total Expenditure to be met from Capital Resources	2,348,162	2,661,534	2,549,324	2,460,001	2,400,102
Scottish Government General Capital Grant	352,652	565,541	450,088	438,163	680,491
Scottish Government Specific Capital Grants	228,865	234,365	217,281	180,549	203,444
Grants from Scottish Government Agencies and NDPBs	115,726	82,764	141,311	150,761	108,610
Other Grants and Contributions	94,486	85,714	124,311	142,077	107,731
Borrowing (advances from the Loans fund)	1,113,929	1,261,468	1,165,387	1,105,526	829,701
Capital receipts used from asset sales/disposals	114,722	94,020	105,937	92,167	107,919
Capital Fund applied	14,916	21,653	36,867	24,798	34,595
Capital funded from current revenue	208,894	209,122	294,087	295,335	284,911
Assets acquired under credit arrangements (e.g. finance leases, PPP/PFI)	103,972	106,888	14,055	30,625	42,701
Total Financing	2,348,162	2,661,534	2,549,324	2,460,001	2,400,102

a. Following the Police and Fire Reform (Scotland) Act 2012 figures from 2013-14 onwards may not be comparable with previous years. See section 5.2 for details.

Source: Capital Returns (CR Final)

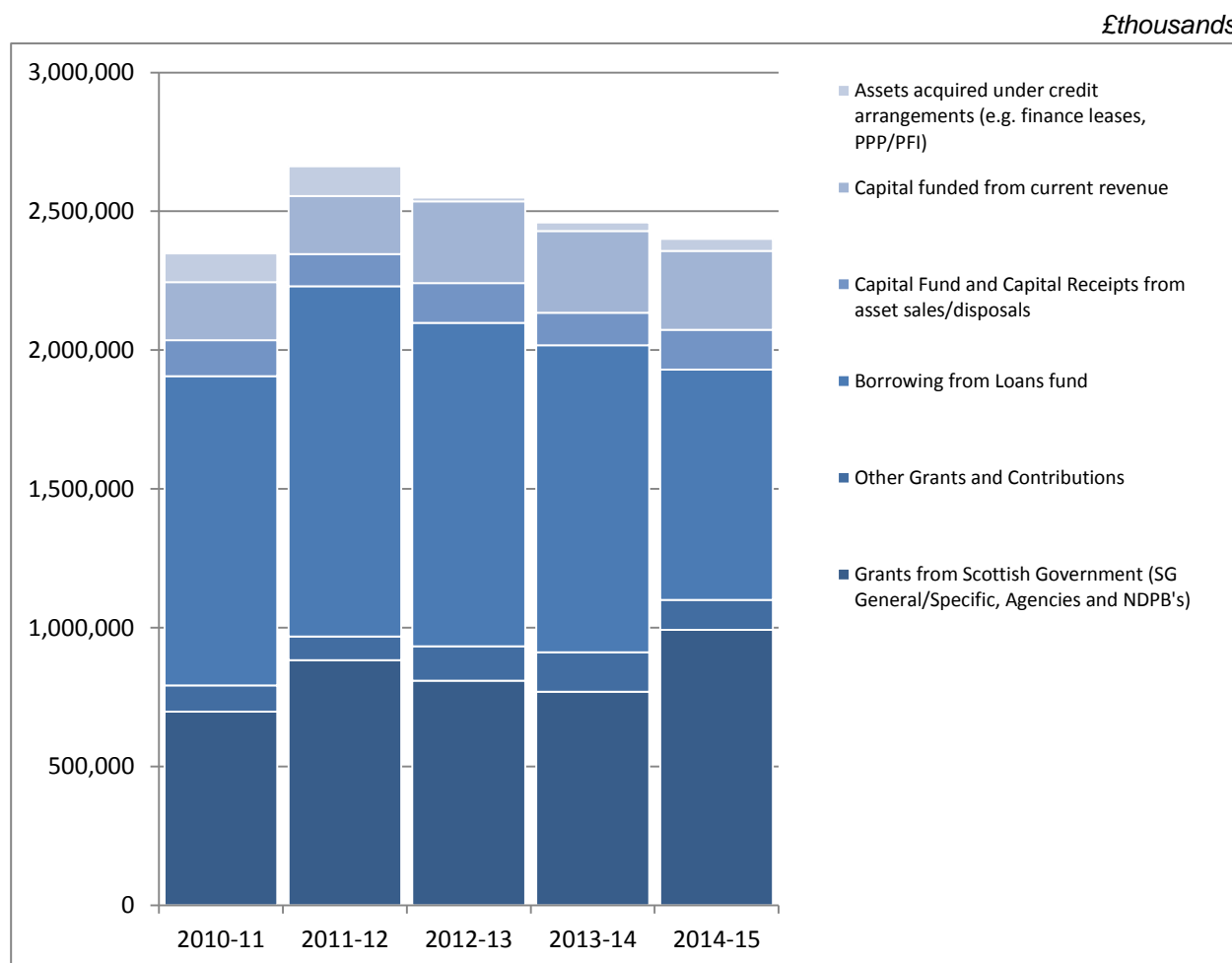
Because of the changes in accounting practice noted above and Police and Fire Reform, it is difficult to draw conclusions about changes in capital expenditure and financing over the time period presented in Table 2.2 and Chart 2.1. In particular, figures from 2013-14 onwards do not include Police or Fire Boards, which were replaced by new national bodies that are not classified as local government.

Between 2013-14 and 2014-15, total capital expenditure to be met from capital resources fell by 2.4% (£0.06 billion). The amount of capital expenditure that is financed by grants from the Scottish Government, including Scottish Government Agencies and Non-Departmental Public Bodies has increased by 29% between 2013-14 and 2014-15. This is mainly due to the profiling of capital grant allocations over the whole spending review period. (-£120m in 2012-13, -£100m in 2013-14 and +£120m in 2014-15 with the remaining £94.2m allocated in 2015-16). Although the sum to be added back was originally £100 million this was reduced proportionately to £94.2 million following the transfer of the police and fire functions to the Scottish Government.

The amount of capital expenditure financed through Advances from the Loans Fund has decreased by 25% between 2013-14 and 2014-15.

From 2011-12 all borrowing undertaken by local authorities became self-financed. Prior to this the first £305 million of local authority borrowed was supported by the Scottish Government through grant included within the local government revenue settlement.

Chart 2.1 – Capital Expenditure Financing¹



1. Following the Police and Fire Reform (Scotland) Act 2012 figures for 2013-14 may not be comparable with previous years. See Background to Local Government section for details.

Source: Capital Returns (CR Final)

2.1 General Fund Capital Expenditure

General Fund capital expenditure in 2014-15 was £1.735 billion, 5.8% lower than in 2013-14. The service with the highest capital expenditure was Education with 32% (£559 million) of General Fund capital expenditure, which is 7% higher than in 2013-14.

The next biggest service for capital expenditure is Roads and Transport which had expenditure of £430 million (25% of General Fund expenditure and 6% lower than in 2013-14).

Table 2.3 – Capital Expenditure by Service, 2010-11 to 2014-15

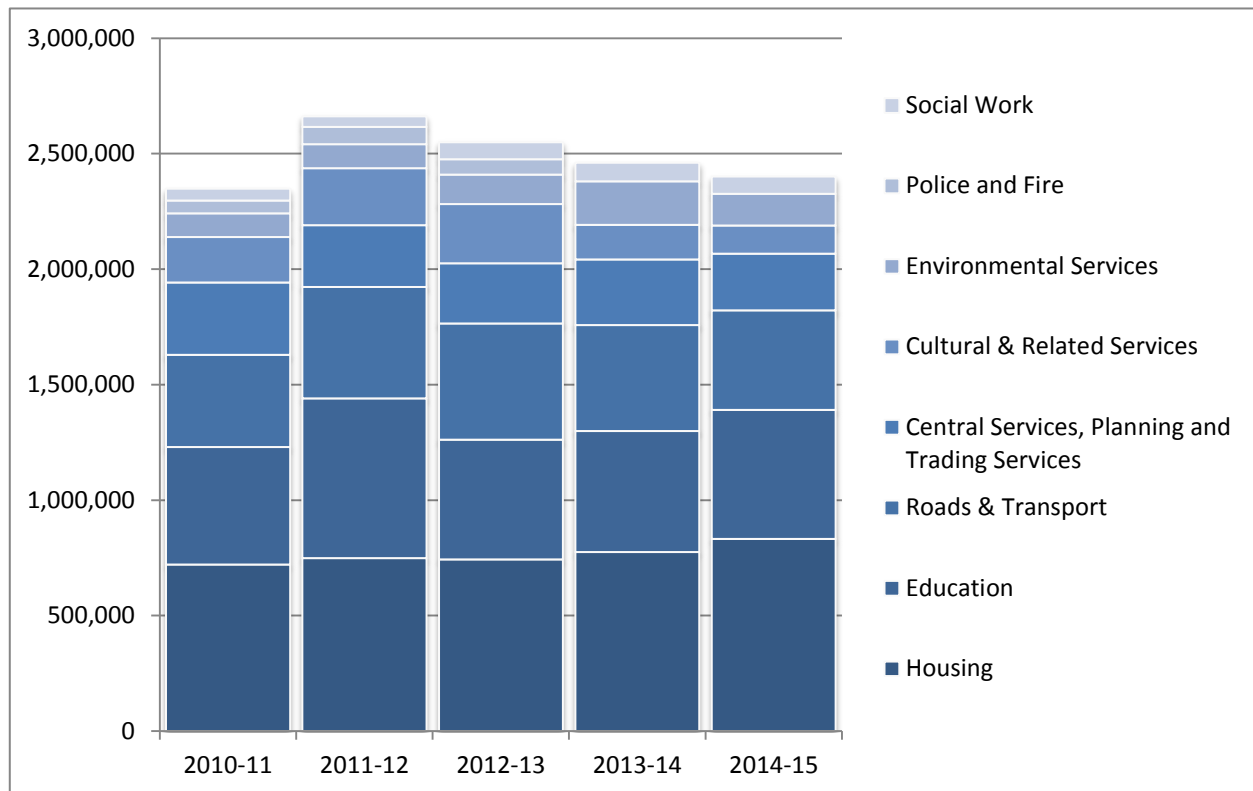
	<i>£thousands</i>				
	2010-11	2011-12	2012-13	2013-14	2014-15
Education	508,691	691,878	517,158	523,776	559,309
Cultural & Related Services	196,014	245,371	257,040	148,933	121,778
Social Work	51,256	46,487	73,812	80,849	73,690
Roads & Transport	399,084	482,554	503,480	458,876	430,265
Environmental Services	102,458	105,036	126,631	188,525	138,267
Planning & Development Services	120,742	113,476	118,282	94,415	66,488
Central Services	180,486	143,678	123,740	175,153	174,094
Non-HRA Housing	174,404	149,002	136,363	156,699	165,543
Trading Services	12,687	10,390	18,419	14,059	5,171
Total General Fund Capital Expenditure excluding Police & Fire	1,745,822	1,987,872	1,874,925	1,841,285	1,734,605
Police ¹	25,241	30,188	45,365		
Fire ¹	30,983	43,856	21,755		
Total General Fund Capital Expenditure	1,802,046	2,061,916	1,942,045	1,841,285	1,734,605
Housing Revenue Account	546,116	599,618	607,279	618,716	665,497
Total Capital Expenditure	2,348,162	2,661,534	2,549,324	2,460,001	2,400,102

1. Following the Police and Fire Reform (Scotland) Act 2012 figures for 2013-14 may not be comparable with previous years. See the Background chapter for details.

Source: Capital Returns (CR Final)

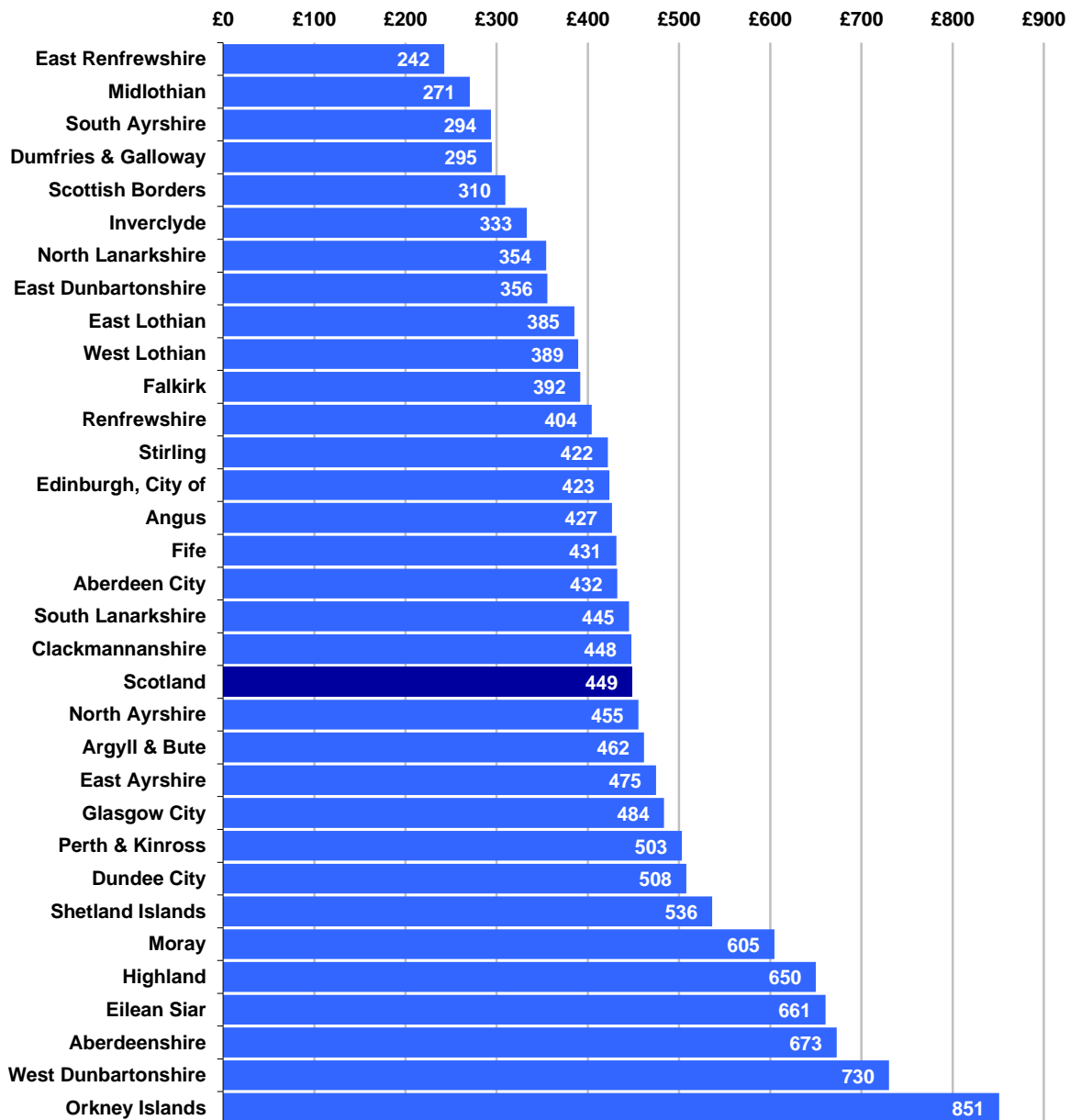
Chart 2.2 – Capital Expenditure, 2010-11 to 2014-15

£thousands



In any given year capital expenditure per capita varies substantially between local authority areas. This will in part reflect the different priorities of local authorities however it also reflects differences in the timing of capital projects. Expenditure on capital projects is uneven and expenditure per head in local authority areas will move (possibly substantially) from year to year, as such, chart 2.3 should be interpreted with care.

Chart 2.3 – Total Expenditure to be met from Capital Resources per Capita by Local Authority Area 2014-15



Source: Capital Returns (CR Final) & National Records of Scotland Mid-Year Population Estimates (2014)

2.2 General Fund Capital Financing

Capital Grants

Capital grants are grants provided to local authorities to fund capital investment. The Scottish Government provides two types of grant funding to local authorities – a General Capital Grant and a number of ring-fenced grants. Scottish Government Agencies, such as Transport Scotland, and Non-Departmental Bodies such as sportscotland may also award grants for projects. Other grants and contributions include grants from other local authorities, European Structural Funds, contributions from private developers or persons, and the use of council tax discounts from second homes or long term empty properties. Table 2.2 (above) provides time series of grant income from 2010-11 to 2014-15.

Capital Receipts

'Capital receipts' is the term used to recognise income from the sale or disposal of a fixed asset, such as land or council housing. Under statute capital receipts may only be used to fund capital expenditure or for the repayment of the principal of loans.

Table 2.4 details capital receipts categorised by service from 2010-11 to 2014-15. In order to reflect the corporate nature of assets and to promote good asset management practices local authorities commonly move assets to "Central Services" (which includes "Other Services" categorisation in this table) when they become identified as surplus for disposal. This can be seen from the table where in recent years for General Fund services, the greatest value of capital receipts has generally been reported against "Central Services". A detailed breakdown of Capital Receipts by Service for 2014-15 can be found in Annex J.

Table 2.4 – Capital Receipts Raised by Service, 2010-11 to 2014-15^a

	<i>£thousands</i>				
	2010-11	2011-12	2012-13	2013-14 ^a	2014-15
Education	18,822	20,177	5,623	13,798	15,498
Culture & Related Services	12,013	746	3,574	3,574	1,526
Social Work	2,026	3,477	3,155	2,632	5,574
Roads & Transport	913	6,087	2,778	1,742	21,398
Environmental Services	799	611	507	1,378	1,538
Planning & Development Services	17,901	13,962	15,011	58,276	22,163
Central Services	18,613	15,663	23,925	28,128	25,930
Non-HRA Housing	453	344	81	198	666
Trading Services	1,082	1	35	6	8
Total GF Capital Receipts excluding Police & Fire	72,622	61,068	54,689	109,732	94,302
Police & Fire ^a	3,834	4,926	7,206		
Total GF Capital Receipts	76,456	65,994	61,895	109,732	94,302
Housing Revenue Account	65,515	46,326	42,369	53,529	70,594
Total Capital Receipts	141,971	112,320	104,264	163,261	164,896

a. Following the Police and Fire Reform (Scotland) Act 2012 figures for 2013-14 onwards may not be comparable with previous years. See the Background chapter for details.

2. In 2012-13 fire boards had £41k in education capital receipts raised.

Source: Capital Returns (CR Final)

Capital receipts can be used to finance capital expenditure and repay debt (principal but not interest). These receipts are generated through the sale or disposal of assets, such as a council house or other local authority land/building. Authorities are able to transfer capital receipts to a Capital Fund for future use. As such, capital receipts raised and capital receipts used are not necessarily equal.

Table 2.5 – Capital receipts summary, 2014-15*£thousands*

	General Fund	Housing Revenue Account	TOTAL
Capital Receipts brought forward at 1 April 2014	46,604	2,877	49,481
Capital receipts from the sale/ disposal of fixed assets	94,302	70,594	164,896
Total capital receipts available for use	140,906	73,471	214,377
Capital receipts used from asset sales/disposals	41,850	66,069	107,919
Capital receipts used to repay debt	20,776	6,104	26,880
Capital receipts transferred to Capital Fund	25,134	0	25,134
Capital receipts held 31 March 2015	53,146	1,298	54,444

Source: Capital Returns (CR Final)

Table 2.5 shows that authorities had a total of £214 million of capital receipts available for use during 2014-15, of which £49 million was the balance brought forward at 1st April 2014 and £165 million was raised during the year from the sale/disposal of fixed assets. The main use of capital receipts in 2014-15 was to finance capital expenditure (£108 million), with a further £27 million used to repay debt and £25 million transferred to the Capital Fund. This resulted in a Capital receipts balance of £54 million at the 31st March 2015.

2.3 Borrowing

Local Authorities have the statutory power to borrow under Schedule 3 of the Local Government (Scotland) Act 1975. Local Authorities may borrow for the purposes of:

- Acquiring land;
- Construction of buildings;
- Undertaking permanent work or provision of plant and machinery;
- Lending to relevant authorities or Community Councils;
- Any other purpose for which the authority is authorised under any enactment to borrow;
- Borrowing is a major component of the funding of capital expenditure.

Local authorities are required by legislation to maintain a Loans Fund. All money borrowed by local authorities must be paid into this Loans Fund, which then makes advances to service accounts to fund capital expenditure. The Scottish Government monitors the value of debt recorded in the Loans Fund (rather than the level of external debt) because it is this amount of debt that is charged to services over a period of time. It is not expected, however, that the levels of Loans Fund debt and external debt will be significantly different in value.

The total amount of Loans Fund borrowing in 2014-15 was £830 million. This is 25% less than in 2013-14, a fall that can be largely attributed to the profiling of capital grant allocations over the whole spending review period (-£120m in 2012-13, -£100m in 2013-14 and +£120m in 2014-15 with the remaining £94.2m allocated in 2015-16). Of the total Loans Fund borrowing, £518 million (down 34%) was in the General Fund and £311 million (down 2%) was in the HRA.

Table 2.6 – Loans Fund Borrowing to Finance Capital Expenditure – 2010-11 to 2014-15

	<i>£thousands</i>				
	2010-11	2011-12	2012-13	2013-14	2014-15
General Fund	808,181	918,890	852,238	788,568	518,296
Advances for Capital Expenditure	794,407	915,766	846,269	751,634	489,774
Advances for Consented Borrowing	13,774	3,124	5,969	36,934	28,522
Housing Revenue Account	305,748	342,578	313,149	316,958	311,404
Advances for Capital Expenditure	305,748	342,578	313,053	316,815	311,404
Advances for Consented Borrowing	0	0	96	143	0
Total Loans Fund Borrowing	1,113,929	1,261,468	1,165,387	1,105,526	829,701

Source: Capital Returns (CR Final)

The costs of servicing debt on Local Authority trading services (e.g. piers and harbours) are mainly met through the charges made for these services, while the costs of servicing Housing Revenue Account (HRA) debt are met principally through income from rents. The costs of servicing debt are detailed in Table 1.1 which shows interest payable and the cost of repayments (Statutory Repayment of Debt).

3. Local Government Reserves, Fixed Assets and Debt

3.1 Reserves

Revenue reserves reflect an accumulation of surplus income. These are used to finance future spending on services. The surplus or deficit on the provision of service is laid out in Table 1.1; in order to be consistent with that table income is shown in brackets and expenditure as positive in the following tables.

On 1 April 2014 local authorities had total revenue reserves of £1.813 billion. Over the course of the year, total reserves increased by £65 million (3.6%) to £1.879 billion on 31 March 2015. Capital reserves increased by £10.3 million (1.9%), from £0.528 billion to £0.538 billion.

Table 3.1 – Movements in Reserves by Account, 2014-15

£thousands

	<u>Revenue Reserves</u>					Total Revenue Reserves
	General Fund	Housing Revenue Account	Renewal and Repairs	Insurance Fund	Other Statutory Funds	
Level of Reserves held 1 April 2014	(1,089,257)	(116,106)	(163,783)	(82,645)	(361,521)	(1,813,312)
Surplus or Deficit on provision of services	265,119	115,052				380,171
Statutory Adjustments	(317,434)	(132,161)				(449,595)
Total Surplus or Deficit	(52,315)	(17,109)				(69,424)
Movement between Reserves	(4,147)	6,064	(6,553)	(3,091)	12,828	5,101
Capital Expenditure funded from Reserves		151	3,957			4,108
Other Movements in Reserves	8,858	(2,789)	(10,108)	(759)	(190)	(4,988)
Movement in Reserve	4,711	3,426	(12,704)	(3,850)	12,638	4,221
Level of Reserves held 31 March 2015	(1,136,861)	(129,789)	(176,487)	(86,495)	(348,883)	(1,878,515)

Source: Local Financial Returns (LFR 23)

Table 3.1 (continued) – Movements in Reserves by Account, 2014-15

	<u>Capital Reserves</u>			Total Capital Reserves
	Capital Fund	Capital Receipts	Capital Grants Unapplied	
Level of Reserves held 1 April 2014	(411,837)	(30,779)	(85,464)	(528,080)
Increase of Decrease in year			(13,110)	(13,110)
Movement between Reserves	(24,916)	19,815		(5,101)
Capital receipts for the year	(8,029)	(85,853)		(93,882)
Capital Expenditure funded from Reserves	30,561	41,486	26,604	98,651
Other Movements in Reserves	(392)	3,583		3,191
Movement in Reserve	(2,776)	(20,969)	13,494	(10,251)
Level of Reserves held 31 March 2015	(414,613)	(51,748)	(71,970)	(538,331)

Source: Local Financial Returns (LFR 23) and Capital Return Final

3.2 Fixed Assets

Capital Expenditure creates local authority assets. The value of Local Authority fixed assets is shown in Table 3.2 below. At 31st March 2015, local authorities held a total of £39.4 billion of assets, an increase of 1.4% (£535 million) on 31st March 2014.

Table 3.2 – Value of Fixed Assets, 31st March 2011 to 31st March 2015

	Value of fixed assets as at 31 March 2011	Value of fixed assets as at 31 March 2012 ^a	Value of fixed assets as at 31 March 2013	Value of fixed assets as at 31 March 2014	Value of fixed assets as at 31 March 2015
Operational Assets					
Council dwellings	9,780,140	9,475,119	10,450,805	10,839,706	10,535,999
Other land and buildings	19,132,148	18,955,480	18,978,739	18,276,923	18,866,921
Vehicles, plant and machinery	928,814	937,152	1,022,046	1,003,162	1,178,814
Infrastructure assets	4,335,085	4,432,109	4,751,596	4,987,041	5,361,011
Community assets	177,755	165,502	168,819	161,728	169,971
Heritage assets ²		417,174	1,804,230	1,803,074	1,840,245
Total operational assets	34,353,942	34,382,536	37,176,235	37,071,634	37,952,961
Non-operational assets					
Assets under construction	1,275,873	1,456,501	1,271,111	1,200,830	845,627
Surplus assets held for disposal	492,701	397,053	377,632	365,120	336,021
Investment properties	209,196	205,613	205,220	197,445	207,027
Total non-operational assets	1,977,770	2,059,167	1,853,963	1,763,395	1,388,675
Intangible Assets	18,052	77,184	19,747	23,913	52,306
<i>Total Assets excluding Police & Fire</i>	<i>35,560,848</i>	<i>36,299,949</i>	<i>38,214,124</i>	<i>38,858,942</i>	<i>39,393,942</i>
Total Assets	36,349,764	37,168,112	39,049,945	38,858,942	39,393,942

a. Total Assets for 2011-12 includes £649,225 thousand for South Ayrshire Council that couldn't be broken down into the above categories.

2. Heritage assets was collected as a category from 2012-13 onwards.

Source: Capital Returns (CR Final)

3.3 Local Authority Debt

Local authority capital expenditure is financed from a number of sources. When this is by borrowing money or a credit arrangement (e.g. a finance lease or a Public-Private Partnership (PPP) or Private Finance Initiative (PFI)) a debt liability is created to be repaid by a local authority from future revenues.

The Local Government (Scotland) Act 1975 Act requires a local authority to maintain a loans fund. Advances are made from the loans fund to record the amount of expenditure a local authority has determined should be met from borrowing as permitted by legislation. The repayments made to the loans fund is the amount to be met in each financial year from a local authority revenue budget.

The expenditure recorded in the loans fund is expenditure which has been deferred (i.e. not met by taxpayers or housing tenants when it is incurred) and is to be charged to taxpayers or housing tenants over a number of future years. The value of a loans fund will increase whenever an advance is made for expenditure incurred, or loans made, in any financial year. The value of the loans fund will reduce when loans fund advances are repaid by making a charge to the General Fund or Housing Revenue Account. The balance on a loans fund at 31 March each year represents the amount of past expenditure a local authority has a liability to fund from its future revenue budgets.

A local authority will borrow externally to fund the expenditure that is deferred and recorded in the loans fund. The balance on the loans fund should be similar to the value of external borrowing. There may be differences between the two values. Local authorities may borrow internally, that is use cash reserves rather than borrowing externally, or may borrow in advance of incurring the actual expenditure to take advantage of favourable interest rates.

The value of Loans Fund advances outstanding is set out in Table 3.3 and the level of credit arrangements outstanding is set out in Table 3.4.

Following a review of the Capital forms in 2015, the timing of the data collection was changed to allow for final, audited capital data to be collected. Prior to this, near-final data was collected and, as such, the loans fund advances outstanding on 31st March may not match the loans fund advances outstanding on 1st April.

The all Scotland value of loans fund advances outstanding at 31st March 2015 was £13.18 billion (of which £9.96 billion was General Fund and £3.22 billion was HRA). General Fund loans fund advances outstanding increased by £26.1 million (0.3%) between 1st April 2014 and 31st March 2015. HRA loans fund advances outstanding rose by £195 million (6.5%) between 1st April 2014 and 31st March 2015.

At 31st March 2015, the Scottish average General Fund loans fund advances outstanding was equal to £1,862 per person (down 0.1% on 31st March 2014) and the average HRA loans fund advances outstanding was equal to £10,138 per HRA dwelling (up 6.3% on 31st March 2014).

Table 3.3 – General Fund and HRA Loans Fund Advances Outstanding, 2010-11 to 2014-15

	<i>£thousands</i>				
	2010-11	2011-12	2012-13	2013-14	2014-15
General Fund					
Loans Fund advances outstanding 1 April	8,710,450	9,118,442	9,608,327	9,650,825	9,932,872
ADD New advances from the Loans Fund	808,181	918,890	852,238	788,568	518,296
LESS: Repayments in year	438,378	455,689	475,952	469,823	462,945
LESS: Additional Voluntary Repayments in Year	5,335	68,547	45,299	34,546	27,437
Transfer of assets between funds (transfers out are negative)	32,442	258	-292	-1,411	-1,773
Total Loans Fund advances outstanding (£ thousands)	9,107,360	9,513,353	9,939,022	9,933,613	9,959,013
Per Head (£)	1,744	1,810	1,870	1,865	1,862
Housing Revenue Account					
Loans Fund advances outstanding 1 April	2,209,527	2,384,118	2,619,354	2,835,741	3,024,509
ADD New advances from the Loans Fund	305,748	342,578	313,149	316,958	311,404
LESS: Repayments in year	91,038	97,820	96,475	127,585	105,602
LESS: Additional Voluntary Repayments in Year	8,354	7,414	2,920	9,956	12,411
Transfer of assets between funds (transfers out are negative)	-32,442	-258	292	1,411	1,773
Total Loans Fund advances outstanding (£ thousands)	2,383,441	2,621,205	2,833,400	3,016,569	3,219,673
Per HRA dwelling (£)	7,502	8,284	8,973	9,533	10,138
Total (GF + HRA) Loans Fund advances outstanding	11,490,801	12,134,558	12,772,422	12,950,182	13,178,687

Source: Capital Returns (CR Final), Housing Revenue Account: Local authority housing income and expenditure, NRS Mid-Year Population Estimates (2013)

Table 3.4 – Credit Arrangements, 2010-11 – 2014-15

	<i>£thousands</i>				
	2010-11	2011-12	2012-13	2013-14	2014-15
General Fund					
Balance brought forward 1 April	2,706,195	2,846,858	2,865,124	2,845,843	2,800,193
ADD: New credit arrangements in year	103,972	106,888	14,055	30,625	42,701
LESS: Repayments of principal in year	81,361	97,269	84,955	90,802	92,895
Credit arrangements outstanding 31 March	2,728,806	2,856,476	2,794,224	2,785,666	2,749,999
Per Head (£)	523	544	526	523	514
Housing Revenue Account					
Balance brought forward 1 April	17,364	14,226	10,508	7,132	4,965
ADD: New credit arrangements in year	0	0	0	0	0
LESS: Repayments of principal in year	4,059	3,683	3,380	2,167	1,496
Credit arrangements outstanding 31 March	13,305	10,543	7,128	4,965	3,469
Per Head (£)	42	33	23	16	11
Total (GF + HRA) Credit Arrangements Outstanding	2,742,111	2,867,019	2,801,352	2,790,631	2,753,468

Source: Capital Returns (CR Final)

Table 3.5 – Total Debt, 31st March 2011 – 31st March 2015*£thousands*

	31st March 2011	31st March 2012	31st March 2013	31st March 2014	31st March 2015
General Fund					
Loans Fund Advances Outstanding	9,107,360	9,513,353	9,939,022	9,933,613	9,959,013
Credit Arrangements	2,728,806	2,856,476	2,794,224	2,785,666	2,749,999
Total General Fund Debt	11,836,166	12,369,830	12,733,246	12,719,279	12,709,012
Per Head (£)	2,267	2,354	2,396	2,387	2,377
Housing Revenue Account					
Loans Fund Advances Outstanding	2,383,441	2,621,205	2,833,400	3,016,569	3,219,673
Credit Arrangements	13,305	10,543	7,128	4,965	3,469
Total HRA Debt	2,396,746	2,631,748	2,840,528	3,021,534	3,223,142
Per HRA Dwelling (£)	7,544	8,317	8,995	9,549	10,149
Total Debt	14,232,912	15,001,577	15,573,774	15,740,813	15,932,155

Source: Capital Returns (CR Final)

3.4 Prudential Indicators

The CIPFA Prudential Code sets out a framework for a local authority to demonstrate its capital investment plans are affordable, prudent and sustainable. A number of prudential indicators are set and monitored against three year capital expenditure plans.

Key prudential indicators are:

- Capital Financing Requirement;
- Total External Debt;
- Operational Boundary;
- Authorised Limit.

The Capital Financing Requirement (CFR) represents the amount of capital expenditure which a local authority has determined should be met from borrowing with the repayment of that borrowing to be met from future local authority budgets. Each year the CFR will increase by the amount of new capital expenditure which a local authority has determined should be met by borrowing (which includes both borrowing money and credit arrangements such as PPP/PFI) and decrease by the amounts repaid. The CFR only represents an authority's underlying need to borrow to finance capital expenditure. The actual Total External Debt may be less than the CFR where a local authority has chosen to utilise internal cash reserves rather than borrow externally. The Total External Debt may exceed the CFR where a local authority has chosen to borrow in advance of actual capital expenditure. The Prudential Code limits borrowing in advance to the CFR plus up to 2 years planned capital expenditure to be funded from borrowing.

Local authorities are also required to set limits on external debt. The Operational Boundary is based on the authority's capital spending plans and should reflect the most likely, i.e. prudent, but not worst case scenario for borrowing. In general, it is not significant if an authority breaches the operational boundary for a short period, however a sustained or regular trend above the operational boundary would be significant.

The authorised limit represents the maximum amount that the authority may borrow and is set at a level that reflects capital expenditure plans but includes headroom to allow for unusual cash movements i.e. treasury management.

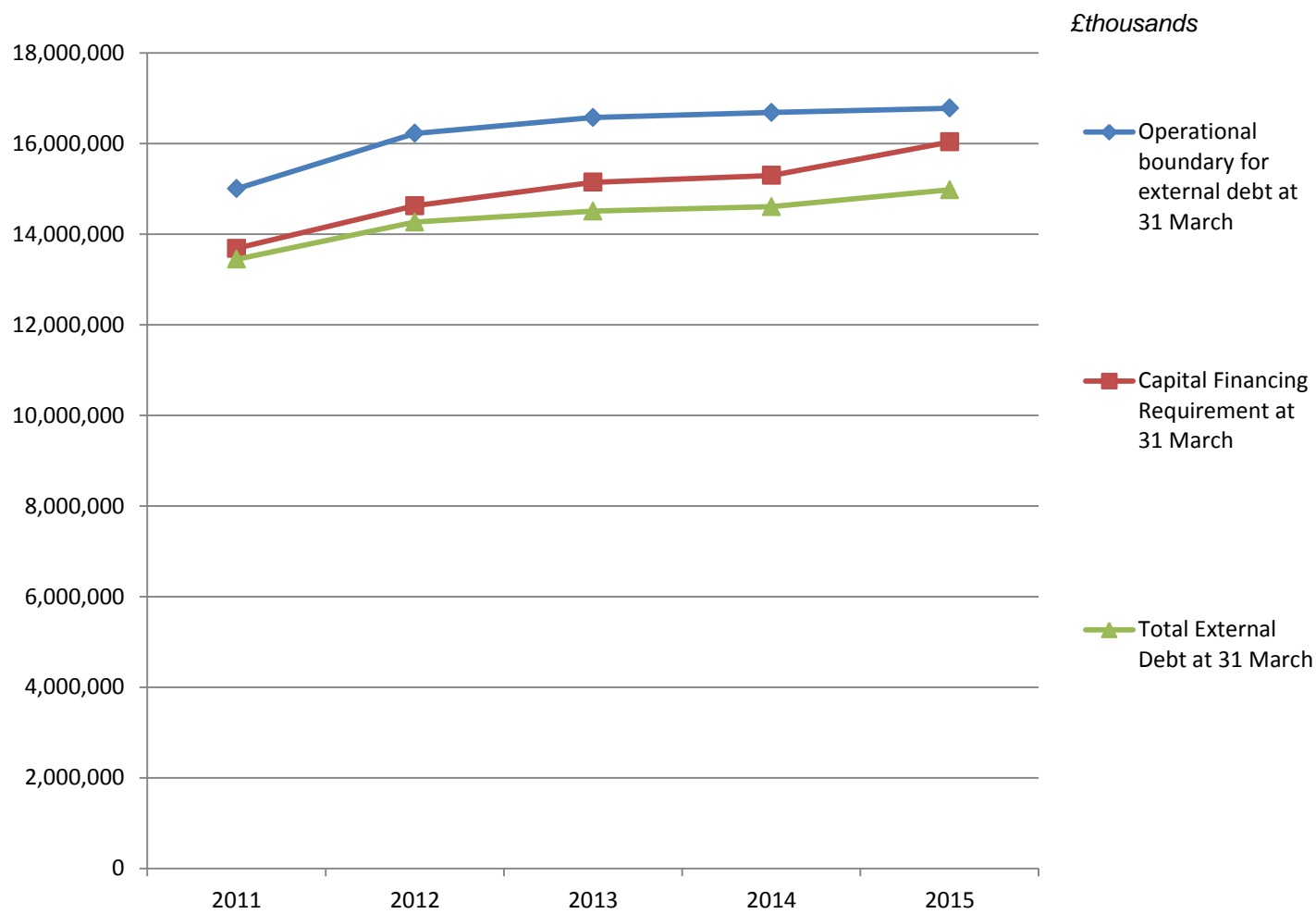
Local Authority Total External Debt increased by £0.39 billion (2.7%), from £14.59 billion at the 1st April 2014 to £14.98 billion at the 31st March 2015. Local Authorities are currently under-borrowed, i.e. utilising internal cash reserves rather than external borrowing, with total external debt as a percentage of the Capital Financing Requirement falling from 98% at 31st March 2011 to 93% at 31st March 2015.

Table 3.6 - Prudential Information, 2010-11 to 2014-15

	<i>£thousands</i>				
	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Financing Requirement at 1 April	13,094,369	13,988,396	14,674,452	14,893,146	15,863,207
Capital Expenditure to be financed by borrowing or credit arrangements	1,217,901	1,368,356	1,179,442	1,136,151	872,402
Capital Expenditure to be financed by borrowing	1,113,929	1,261,468	1,165,387	1,105,526	829,701
Capital Expenditure to be financed by credit arrangements	103,972	106,888	14,055	30,625	42,701
Loans Fund principal repayments	529,416	553,509	572,427	597,408	568,548
Credit arrangements principal repayments	85,420	100,952	88,335	92,969	94,391
Additional voluntary contributions of principal repayments	13,689	75,961	48,219	44,502	39,848
Change in Capital Financing Requirement	589,376	637,934	470,461	401,272	169,615
Capital Financing Requirement at 31 March	13,683,745	14,626,330	15,144,913	15,294,418	16,032,822
Borrowing at 1 April	9,897,347	10,800,370	11,290,176	11,558,504	11,897,475
Other long term liabilities at 1 April	2,723,559	2,920,001	2,875,632	2,852,975	2,690,905
Total External Debt at 1 April	12,620,906	13,720,371	14,165,808	14,411,479	14,588,380
Borrowing at 31 March	10,702,661	11,340,431	11,706,550	11,816,384	12,332,169
Other long term liabilities at 31 March	2,742,111	2,925,936	2,801,352	2,790,631	2,645,977
Total External Debt at 31 March	13,444,772	14,266,367	14,507,902	14,607,015	14,978,146
Operational boundary for external debt at 31 March	15,002,188	16,223,733	16,571,358	16,684,872	16,779,418
Authorised limit for external debt at 31 March	15,896,793	17,223,932	17,553,906	17,749,541	17,787,296
Total External debt as a percentage of the Capital Financing Requirement at 31 March	98%	98%	96%	96%	93%

Source: Capital Returns (CR Final)

Chart 3.1 – Prudential Indicators: 31st March 2011 to 31st March 2015



Source: Capital Returns (CR Final)

4. Local Government Pensions

Local Government Pension Scheme Funds are operated as separate funds to other accounts. In accordance with regulation 4 of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, and regulation 35 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, employer and employee contributions are paid into the fund, along with income from investments, and pensions and lump sum benefits are paid out of the fund. The income and expenditure from these funds are therefore entirely separate from the income and expenditure of the Authorities that administer the funds.

Tables 4.1 and 4.2 show the collective income and expenditure for the Local Government Pension Scheme for the year in question, with income from contributions representing payments for pensionable service accrued during the year which will be paid out (as part of an overall pension) at a future date and expenditure on pensions representing payments of previously accrued pension rights. The relative financial health of the pension scheme is gauged through three-yearly actuarial valuations of each of the eleven funds.

Table 4.1 – Local Government Pension Scheme Funds Expenditure 2010-11 - 2014-15

	<i>£thousands</i>				
	2010-11	2011-12	2012-13	2013-14	2014-15
Total Benefits including Payments under Pensions (Increase) Acts:	969,723	1,021,142	1,025,525	1,069,643	1,116,100
Pensions ¹	574,929	651,085	601,299	642,755	671,634
Lump Sums ¹	330,251	300,705	242,232	235,963	238,777
Other Benefits ¹	3,006	2,883	2,838	0	0
Payments under Pensions (Increase) Acts ¹	61,537	66,469	179,156	190,925	205,688
Transfer Values ²	46,244	33,839	41,701	42,061	44,295
Other ³	64,609	69,225	72,343	16,282	20,820
TOTAL EXPENDITURE	1,080,576	1,124,206	1,139,569	1,127,986	1,181,215

1. *Payments under the Pensions (Increase) Act 1971 relate to costs associated with uprating of pensions. In some cases local authorities were unable to separately identify this cost and included it within pensions, lump sums & other benefits.*

2. *Transfer Values are due to scheme members transferring to other pension schemes (for example where a scheme member has moved to a different employer).*

3. *“Other Benefits” includes, Fund Administration and Management Costs (the largest component); Refunds of Contributions; Adjustments; and Premiums.*

Source: Local Financial Returns: LFR 24

Table 4.1 details the total expenditure of the Local Government Pension Scheme Funds in Scotland since 2010-11. Total expenditure increased by 4.7% (£53 million) between 2013-14 and 2014-15, with the vast majority (94%) of expenditure being on benefits. The increases in Pensions and Payments under Pensions (Increase) Acts should be interpreted with care, as much of this can be attributed to improved reporting.

Table 4.2 – Local Government Pension Scheme Funds Income 2010-11 – 2014-15

		<i>£thousands</i>				
		2010-11	2011-12	2012-13	2013-14	2014-15
Total Contributions		1,234,224	1,206,509	1,135,927	1,157,698	1,179,595
Contributions (including those from other employing authorities)	Employees	276,179	262,811	258,219	266,780	271,320
	Employers	958,045	943,698	877,708	890,918	908,275
Net Investment and Other Income		1,538,331	516,367	3,040,095	2,063,964	4,215,940
TOTAL INCOME		2,772,556	1,722,876	4,176,022	3,221,662	5,395,535

Source: Local Financial Returns – LFR 24

Table 4.2 shows local government pension scheme funds income since 2010-11. Contributions from employees and employers are both dependent on the number of contributing employees (full time and part-time) and increased by 1.9% between 2013-14 and 2014-15, however are still below 2010-11 levels. Contributions from employees are fixed at a set percentage of pay, depending on level of salary. Contribution rates from employers are variable and are reviewed on a triennial basis, with actuaries determining the contribution rates for the following three years.

More fluctuation is seen in other income and, in particular, net profits on realisation of investments. Net investment income is influenced by investment conditions (e.g. changes in the stock market) and is the most variable component of the total pension funds income.

5. Background to Scottish Local Government Financial Statistics

Scottish Local Government Financial Statistics is an annual publication that provides a comprehensive overview of Scottish local authority financial activity. The publication covers local authority income, revenue and capital expenditure, outstanding debt, local taxation and local authority pensions. Further information on Scottish Local Government Finance Statistics can be found at:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance>.

Structure and Functions of Local Government

Local government is responsible for delivering a wide range of services including education, social services, transport, housing, environmental services, cultural services, planning and development and central services. Under the Concordat signed in November 2007, the Scottish Government and local government work jointly towards agreed outcomes under a single national purpose.

Local government in Scotland is comprised of 32 local authorities as shown in Map 5.1. In addition to these 32 local authorities, there are also Valuation Joint Boards, Regional Transport Partnerships and the Forth and Tay Bridge Boards. Most of these Boards are the collective responsibility of two or more Councils. See Table 5.1 for listings of Boards and constituent Local Authorities.

Regional Transport Partnerships (RTPs) were established by the Transport (Scotland) Act 2005. Seven statutory regional transport partnerships were created across Scotland to lead on regional transport strategy and delivery.

Valuation Joint Boards provide valuation services, primarily maintaining the Valuation Roll for non-domestic properties, and the Council Tax Valuation List for domestic dwellings. The Valuation Roll and Council Tax Valuation Lists are used as the basis for local taxation billing liability (council tax and non-domestic rates).

Police and Fire Services

Police and Fire Boards were until 31st March 2013 responsible for providing police and fire services for their constituent Councils. The Police and Fire Reform (Scotland) Act 2012 created Police Scotland and the Scottish Fire and Rescue Service, which replaced the former Police and Fire Boards. These new bodies are classified as central government, so are no longer included in figures on local government from 2013-14 onwards. Due to the way that Police and Fire Boards were funded, it is not possible to exclude Police and Fire income from a number of analyses. As such, figures from 2013-14 and later are not strictly comparable with figures from earlier years.

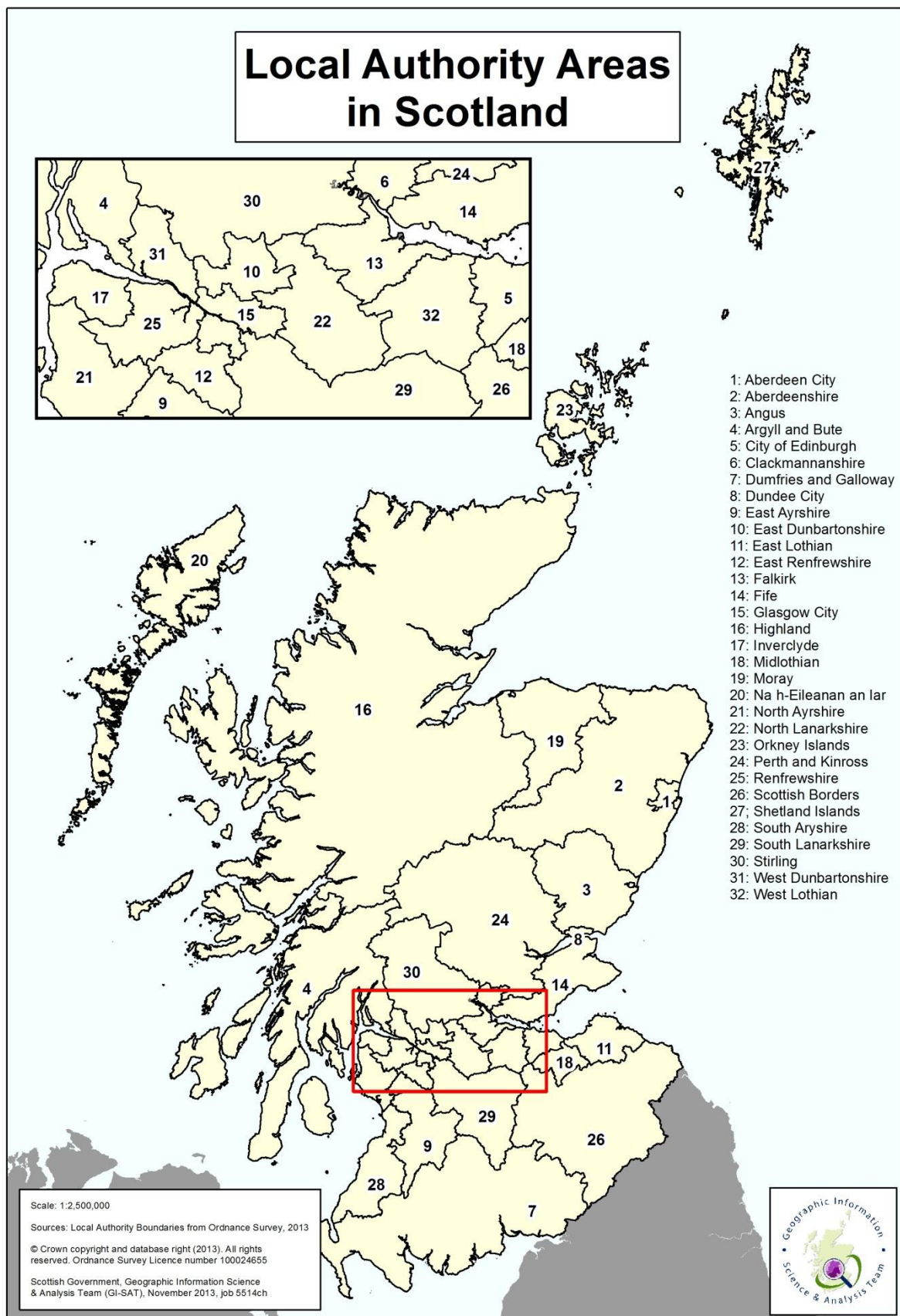
Where possible, expenditure on Police and Fire have been presented separately so that comparisons over time can be made. However, for many of the income sections, this has not been possible and comparisons should be made with care.

Table 5.1 – Local Authority Joint Board Membership

Local Authority	Regional Transport Partnerships	Valuation Joint Boards
Aberdeen City	NESTRANS	Grampian
Aberdeenshire	NESTRANS	Grampian
Angus	TACTRAN	Tayside
Argyll & Bute ¹	SPT/HITRANS	Dunbartonshire & Argyll& Bute
Clackmannanshire	SESTRAN	Central
Dumfries & Galloway	SWESTRANS	Dumfries & Galloway
Dundee City	TACTRAN	Tayside
East Ayrshire	SPT	Ayrshire
East Dunbartonshire	SPT	Dunbartonshire & Argyll& Bute
East Lothian	SESTRAN	Lothian
East Renfrewshire	SPT	Renfrewshire
Edinburgh, City of	SESTRAN	Lothian
Eilean Siar	HITRANS	Highland and Western Isles
Falkirk	SESTRAN	Central
Fife	SESTRAN	Fife
Glasgow City	SPT	Glasgow
Highland	HITRANS	Highland and Western Isles
Inverclyde	SPT	Renfrewshire
Midlothian	SESTRAN	Lothian
Moray	HITRANS	Grampian
North Ayrshire	SPT	Ayrshire
North Lanarkshire	SPT	Lanarkshire
Orkney Islands	HITRANS	Orkney & Shetland
Perth & Kinross	TACTRAN	Tayside
Renfrewshire	SPT	Renfrewshire
Scottish Borders	SESTRAN	Borders
Shetland Islands	ZetTrans	Orkney & Shetland
South Ayrshire	SPT	Ayrshire
South Lanarkshire	SPT	Lanarkshire
Stirling	TACTRAN	Central
West Dunbartonshire	SPT	Dunbartonshire & Argyll& Bute
West Lothian	SESTRAN	Lothian

1. Helensburgh and Lomond are part of SPT while the rest of Argyll and Bute is part of HITRANS.

Map 5.1 – Local Authority Areas



6. Sources

Scottish Government

Scottish Government Local Government Finance Statistics Collections From Local Authorities

Empty data collection forms, which illustrate what is collected can be viewed on the Scottish Government website [Local Government Finance – Data Supplier Area](#) pages.

Local Financial Returns (LFR)

Final outturn expenditure statistics relating to each Local Authority, Joint Board and Regional Transport Partnership are collected on an annual basis in this series of detailed returns.

Council Tax Receipts Return (CTRR)

The CTRR return monitors councils' collection levels relating to council tax and community charge. Information is collected relating to the amounts billed and received and the year to which the payment refers.

Council Tax Base (CTAXBASE)

The CTAXBASE figures give the number of properties in each council tax band in each local authority area, including those with exemptions and discounts.

Council Tax Assumptions (CTAS)

The CTAS form asks councils to set out the assumptions used in setting their Band D council tax levels, and discounts provided for second homes and long term empty properties.

Non Domestic Rates Income Returns (NDRI)

The Non-Domestic Rates Returns (NDRI returns) collect data on the amount of NDR income each year. For this there is a cycle of 4 returns to collect estimates and then final amounts of NDR income – The Provisional Contributable Amount, Mid-year Estimate, Notified and Audited (Certified) Returns.

Capital Expenditure Returns (CR 1, 2, 3, 4 and Final)

The capital returns collect forecast and outturn income and expenditure statistics relating to capital income and expenditure for each local authority and joint boards.

National Records of Scotland

Mid-Year Population Estimates

<http://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2014>

Data sources and Suitability

A "Data Sources and Suitability" section of the local government finance statistics website is under currently development and will be available soon via the above link. The section will provide key information on Local Government Finance data sources including the use made of the data, decisions they inform and the quality and reliability of data.

7. Glossary

Revenue expenditure covers the costs of maintaining local services and primarily consists of *employee costs* and *operating costs*. The benefits of revenue expenditure are received within one financial year. All revenue expenditure, except expenditure on local authority housing, is accounted for through the General Fund.

Employee costs include salaries and wages, national insurance and superannuation contributions, cash allowances paid to employees, redundancy and severance payments and other employee costs.

Operating costs include property costs, supplies and services costs, transport (including car allowances) and plant costs, payments to agencies and other bodies, and direct administration costs (including training).

Support Service costs are those paid for services that support the provision of services to the public, e.g. IT, Human Resources, Legal Services, Procurement Services and Corporate Services.

Transfer payments are those made to individuals for which no goods or services are received in return by the local authority.

Revenue Contributions to Capital (RCC) are the revenue contributions towards capital expenditure on capital assets which were met directly from the service revenue within the current year. RCC can also be referred to as capital financed from current revenue (CFCR) in discussions of Capital accounts.

Adjustment for inter-account and inter-authority transfers is an adjustment made for the contributions made by one authority to another, i.e. inter-authority transfers, and the recharges, or income from other accounts within an authority, i.e. inter-account transfers. The adjustment is equal to the total of inter-authority transfers and the total of inter-account transfers.

Grants to third parties funded by General Capital Grant (GCG) come under both revenue and capital expenditure. The General Capital Grant was introduced for the first time in 2008-09. It is a Scottish Government grant paid to the 32 local authorities. The grant may be used to fund the capital expenditure of the local authority. With certain limitations, the grant may also be used to fund third party capital expenditure (either through direct spend or the provision of grant). Where the GCG is used to finance the capital expenditure of the council, this expenditure is considered strictly as capital expenditure. Where the GCG is used to fund third party capital projects the GCG is treated as revenue income and the corresponding third party grant or direct payment is treated as revenue expenditure.

Gross revenue expenditure is the total expenditure on local authority services within a financial year less inter-authority and inter-account transfers.

Net revenue expenditure is gross revenue expenditure, less other government grants, customer and client receipts, grants to third parties funded by General Capital Grant, and other grants, reimbursements and contributions. It is therefore the net revenue expenditure that is to be financed from General Revenue Funding, non-domestic rates, council tax and balances.

Common Good Fund income and expenditure is recorded in a separate set of accounts. Some property held within a local authority's Common Good Fund can be sold, while some must be maintained in trust for the community. The fund is used for projects that are for the common good of all residents.

The Housing Revenue Account (HRA) records income and expenditure relating to local authority housing stock. Whilst most other local authority services are funded through a combination of non-domestic rates and council tax income plus Government grants, the HRA is a ring-fenced account, and expenditure is funded by housing rents and Government subsidies.

A National Statistics publication for Scotland

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

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How to access background or source data

The data collected for this statistical bulletin:

- are available in more detail through Scottish Neighbourhood Statistics
- are available via an alternative route
- may be made available on request, subject to consideration of legal and ethical factors. Please contact lgfstats@gov.scot for further information.
- cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller.

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