

PUBLIC SERVICES AND GOVERNMENT

Local Government Revenue Expenditure & Financing – 2018-19 Provisional Outturn and 2019-20 Budget Estimates

Economy (Local Government Finance)

18 June 2019

Executive Summary

2018-19 Provisional Outturn

- Local authority net revenue expenditure is expected to **total £12.3 billion in 2018-19** for Scotland – an increase of £0.292 billion (+2.4%) on 2017-18.
- The largest components of local authority net revenue expenditure are **Education and Social Work**, making up 42 and 27 per cent respectively.
- 58 per cent of net revenue expenditure was **financed by** Scottish Government Grants, 21 per cent from Non-Domestic Rates, 19 per cent from Council Tax and one per cent from reserves.
- Local authorities expect to use £0.157 billion of **money held in reserves** to pay for services in 2018-19. They will transfer in £0.047 billion of reserves from other accounts which means that General Fund reserves are expected to have fallen by 9.7% to £1.026 billion as at 31 March 2019.

2019-20 Budget Estimates

- Local authorities have set a total net revenue **budget of £12.635 billion in 2019-20** – an increase of £0.497 billion (+4.1%) on the 2018-19 budget.
- The largest components of local authority budgeted net revenue expenditure are **Education and Social Work**, making up 44 and 27 per cent respectively.
- 57 per cent of net revenue expenditure will be **financed from** Scottish Government Grants, 23 per cent from Non-Domestic Rates, 19 per cent from Council Tax and one per cent from reserves.
- Local authorities plan to use £0.114 billion of the **money held in reserves** and to transfer £0.043 billion in from other accounts in 2019-20. General Fund reserves are budgeted to fall by 6.9% to £0.955 billion by 31 March 2020.

Introduction

This Statistics Publication provides details of the provisional cost of Scottish local authority services for 2018-19 and the budgeted cost of those services for 2019-20.

The information in this publication is collected via the Provisional Outturn and Budget Estimates (POBE) return with the help of the 32 local authorities. The continued co-operation of these bodies in completing these returns is gratefully acknowledged.

The POBE form and additional information sheets are sent to all local authorities annually to complete a breakdown by service and sub-service of their provisional outturn expenditure for the current year and their budget estimates for the forthcoming year.

Local government expenditure is split between revenue and capital expenditure. This publication covers revenue expenditure **only**. Revenue expenditure is largely made up of employee and operating costs.

All figures provided in the POBE return and reported in this publication relate to **net revenue expenditure**. Net revenue expenditure is the gross revenue expenditure¹ less any specific income for individual services. It can therefore be considered as the expenditure to be financed from Scottish Government Grants, Non-Domestic Rates (NDR) income, Council Tax income and local authority reserves.

Net revenue expenditure is influenced by the value of any income attributable to an individual service. For example, a local authority will provide planning and building control services for which they will charge fees. The net revenue expenditure will be the residual cost of providing those services less any income from fees charged.

The commentary within this publication focuses on high-level Scotland figures only. An excel file containing local authority level figures and the workbook containing the local authority source data from the return will be available at www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/POBEStats.

¹ Gross revenue expenditure is the total expenditure on local authority services.

2018-19 Provisional Outturn

All local authorities in Scotland were asked to provide provisional outturn net revenue expenditure figures on an unaudited basis before their accounts were compiled. As such, these figures are subject to revision in the final audited accounts and small changes over time should be interpreted with caution.

Scotland's local authorities **provisional outturn total net revenue expenditure is £12.300 billion**. This is an increase of £0.292 billion (+2.4%) compared with 2017-18 provisional outturn. Education and Social Work account for seven-tenths (70%) of total net revenue expenditure in 2018-19:

- **Education** spend is expected to be **£5.225 billion** which equates to 42 per cent of total net revenue expenditure. This is an increase of £0.188 billion (+3.7 %) from 2017-18.
- **Social Work** spend is expected to be **£3.334 billion** which equates to 27 per cent of total net revenue expenditure. This is an increase of £0.118 billion (+3.7%) from 2017-18.

Just over one-fifth (21%) of net revenue expenditure was distributed across all other services and just under one-tenth (9%) related to non-service expenditure. Table 1 shows the full breakdown of net revenue expenditure by service.

Table 1: Provisional Outturn 2018-19 by Service, £ billions

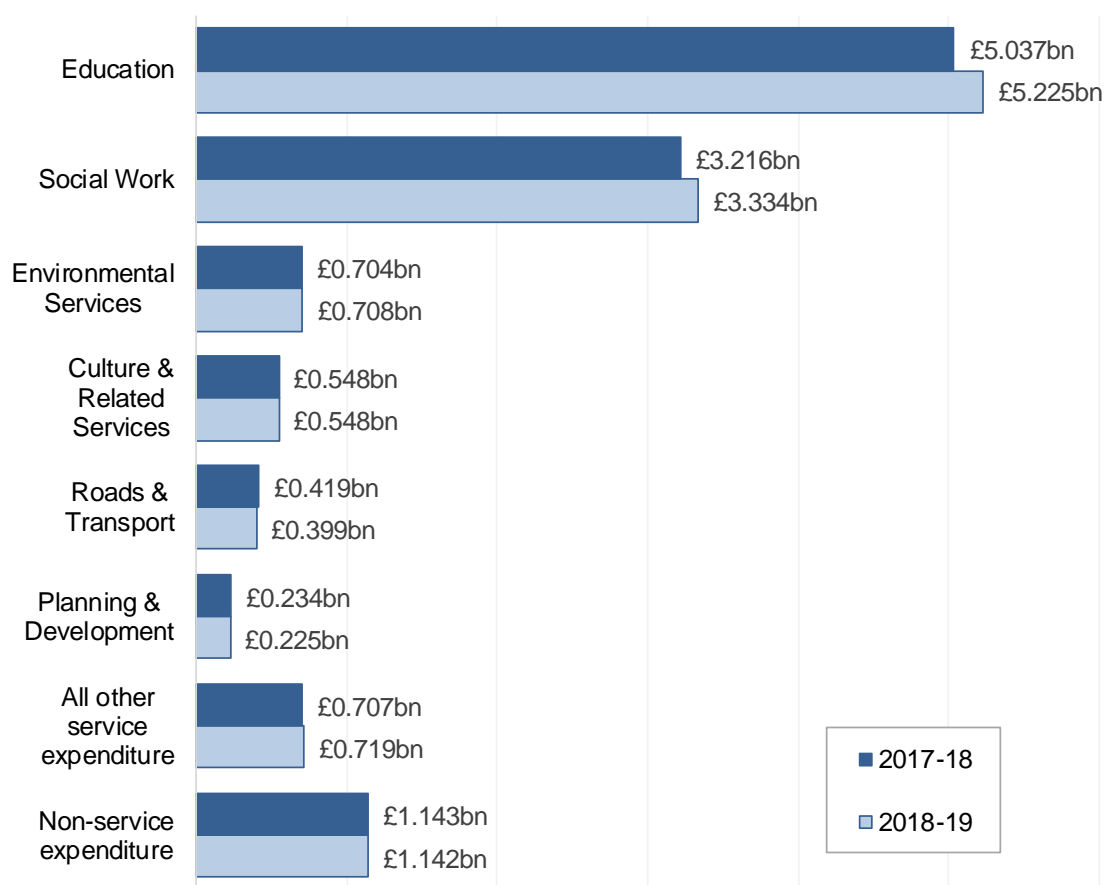
Service	Provisional Outturn	% of total net revenue expenditure	Change from 2017-18	% change from 2017-18
Education	5.225	42%	0.188	3.7%
Social Work	3.334	27%	0.118	3.7%
Environmental Services	0.708	6%	0.004	0.6%
Culture and Related Services	0.548	4%	0.000	0.0%
Roads & Transport	0.399	3%	-0.020	-4.8%
Planning & Development	0.225	2%	-0.008	-3.6%
All other service expenditure ²	0.719	6%	0.012	1.7%
Non-service expenditure ³	1.142	9%	-0.001	-0.1%
Total Revenue Expenditure	12.300	100%	0.292	2.4%

Figure 1 shows the change in provisional outturn between 2017-18 and 2018-19 by service.

² This includes non-HRA Housing, Central Services and budgeted contingencies.

³ This includes revenue resources used for capital expenditure, debt repayment, interest charges (net of investment income) and surplus on trading operations.

Figure 1: Provisional Outturn 2017-18 vs. 2018-19 by Service



As shown in Table 2, almost three-fifths (58%) of local authorities net revenue expenditure was funded by Scottish Government Grants in 2018-19. The remaining net revenue expenditure was largely financed by NDR and Council Tax income (41%), with 1% being financed by local authority reserves.

Table 2: Financing of net revenue expenditure in 2018-19, £ billions

Source of financing	Amount of financing	% of total net revenue expenditure financed
Scottish Government Grants	7.147	58%
Non-Domestic Rates (NDR)	2.636	21%
Council Tax	2.360	19%
Reserves	0.157	1%
Total Revenue Financing	12.300	100%

At 1 April 2018, local authorities held **General Fund reserves of £1.136 billion**. Local authorities used £0.157 billion to fund expenditure in 2018-19 and transferred £0.047 billion from other reserves, leaving a **closing General Fund balance of £1.026 billion** at 31 March 2019. Of the 32 local authorities, 29 used their reserves to fund expenditure in 2018-19 and the remaining 3 contributed to their reserves.

2019-20 Budget Estimates

All local authorities were also asked to provide their budget estimates for net revenue expenditure in 2019-20. Across all local authorities, they have set a net revenue expenditure **budget of £12.635 billion** for spending on all services. This is an increase of £0.497 billion (+4.1%) compared with the budget set for 2018-19.

Education and Social Work are budgeted to continue to account for around seven-tenths (71%) of net revenue expenditure in 2019-20:

- The **Education budget** has been set at **£5.557 billion** which equates to 44 per cent of total net revenue expenditure. This is an increase of £0.398 billion (+7.7 %) from the budget set in 2018-19.
- The **Social Work budget** has been set at **£3.414 billion** which equates to 27 per cent of total net revenue expenditure. This is an increase of £0.154 billion (+4.7%) from the budget set in 2018-19.

Around one-fifth (20%) of net revenue expenditure is budgeted to be distributed across all other services and less than one-tenth (9%) has been budgeted for non-service expenditure. Table 3 shows the full breakdown of budgeted net revenue expenditure by service.

Table 3: Budgeted Net Revenue Expenditure 2019-20 by Service, £ billions

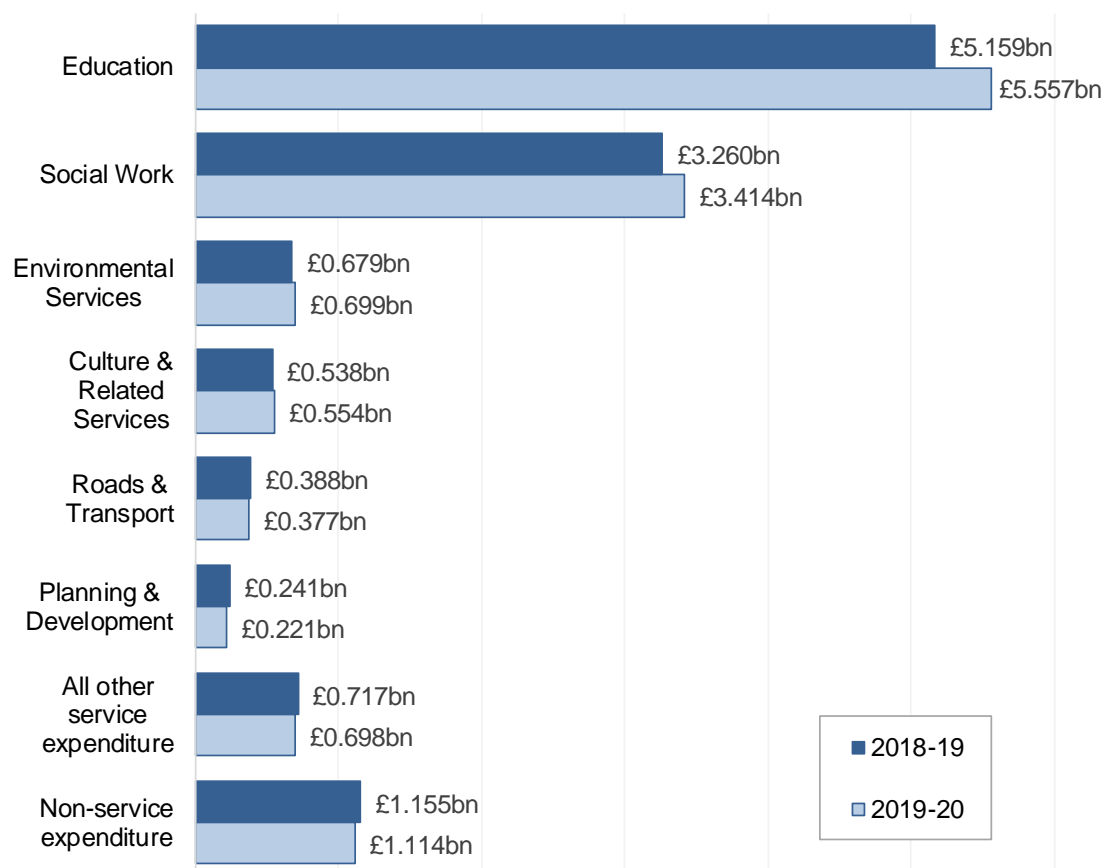
Service	Budget Estimate	% of total net revenue expenditure	Change from 2018-19	% change from 2018-19
Education	5.557	44%	0.398	7.7%
Social Work	3.414	27%	0.154	4.7%
Environmental Services	0.699	6%	0.020	2.9%
Culture & Related Services	0.554	4%	0.016	3.0%
Roads & Transport	0.377	3%	-0.012	-3.1%
Planning & Development	0.221	2%	-0.020	-8.3%
All other service expenditure ⁴	0.698	6%	-0.018	-2.6%
Non-service expenditure ⁵	1.114	9%	-0.041	-3.5%
Total Revenue Expenditure	12.635	100%	0.497	4.1%

Figure 2 shows the change in budget estimates between 2018-19 and 2019-20 by service.

⁴ This includes non-HRA Housing, Central Services and budgeted contingencies.

⁵ This includes revenue resources used for capital expenditure, debt repayment, interest charges (net of investment income) and surplus on trading operations.

Figure 2: Budgeted Net Revenue Expenditure 2018-19 vs. 2019-20 by Service



As shown in Table 4, local authorities have budgeted for almost three-fifths of net revenue expenditure (57%) to be funded by Scottish Government Grants in 2019-20. The remaining net revenue expenditure is largely budgeted to be financed by NDR and Council Tax income (42%), with 1% to be financed by local authority reserves.

Table 4: Budgeted financing of net revenue expenditure in 2019-20, £ billions

Source of financing	Amount of financing budgeted	% of total net revenue expenditure funded
Scottish Government Grants	7.205	57%
Non-Domestic Rates	2.853	23%
Council Tax	2.463	19%
Reserves	0.114	1%
Total Revenue Financing	12.635	100%

At 1 April 2019, local authorities **estimate General Fund reserves of £1.026 billion**. Local authorities plan to use £0.114 billion to provide services in 2019-20 and transfer £0.043 billion from other reserves, which would give a **closing General Fund balance of £0.955 billion** at 31 March 2020. Of the 32 local authorities, 22 plan to use their reserves to fund expenditure in 2019-20; five plan to increase their reserves and the remaining five plan to neither use nor increase their reserves.

Data Interpretation

NDR income figures in this publication are the provisional NDR income figures reported by local authorities in the POBE return or estimates used by the local authorities when setting their budget. Actual distributable amounts received by councils are given in [The Local Government Finance \(Scotland\) Amendment Order 2018](#) and [The Local Government Finance \(Scotland\) Amendment Order 2019](#).

Integration of Health and Social Care will affect social work figures. Integration Joint Boards (IJBs) will pool funding from both local authorities and the health boards which is then used to commission services from the local authority and the NHS. This income from the IJB is treated as service income by the local authority and, as such, is excluded from the net revenue expenditure measure in this publication. Therefore, the net revenue expenditure figure here represents the amount of expenditure on services commissioned by the local authority outwith integration plus the amount the local authority has contributed to the IJB for the integration of health and social care.

When looking at **trends over time**, comparisons should always be made on a like for like basis. That is Provisional Outturn should be compared with the Provisional Outturn from previous publications, and the Budget Estimates should be compared with the Budget Estimates from previous publications. The Provisional Outturn should **not** be compared with the Budget Estimates.

Other factors to consider when interpreting the data are:

- Across years, changes in accounting standards may impact on the categorisation of expenditure which can lead to discontinuity in the data collected between financial years.
- Budgets are financial plans for the year and will reflect both the anticipated demand for services and the resources available to deliver those services. Any year on year comparisons need to take these factors into account.
- Net revenue expenditure can be affected by large, one-off payments in any year, for example Equal Pay back-pay settlement expenditure.

Related Publications

Capital Provisional Outturn and Budget Estimates are published through the Capital Expenditure and Financing publication, available at www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/Publications/CPOBE.

The final, audited 2018-19 net revenue expenditure figures will be published in the Scottish Local Government Financial Statistics (SLGFS) 2018-19, scheduled for publication in February 2020. Previous SLGFS publications are available at www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/PubScottishLGFStats.

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How to access background or source data

The data collected for this statistical bulletin are available in more detail at www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/POBEStats.

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