



Scottish Government  
Riaghaltas na h-Alba  
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**PUBLIC SERVICES AND GOVERNMENT**

## **Scottish Local Government Finance Statistics 2018-19**

### How much did local authorities spend on services in 2018-19?

**Revenue** expenditure is the cost of delivering services each year.

Gross **service expenditure** is total expenditure on services in year minus internal transfers.

Gross **service income** is total income authorities receive from services, such as service specific grants or income generated through fees, etc.

**Net revenue expenditure** is gross service expenditure minus gross service income. It reflects the amount of service expenditure to be funded by general funding or reserves.

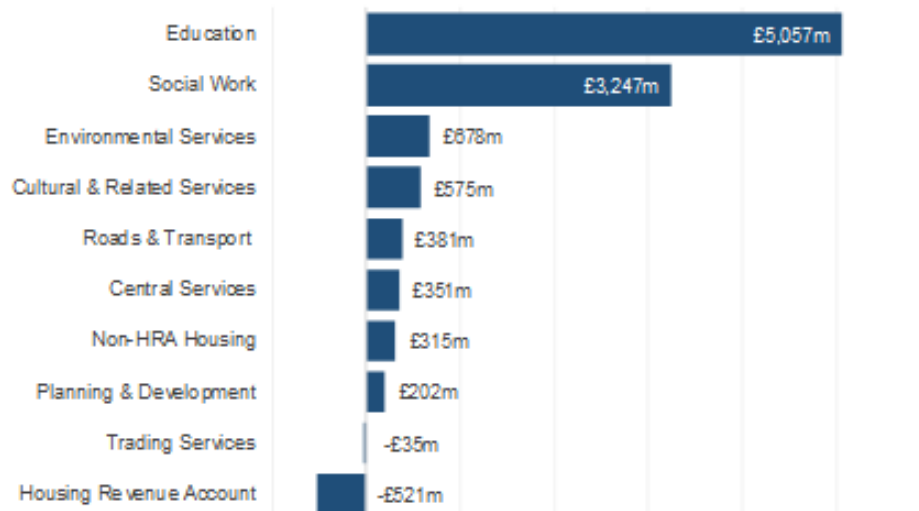
### How did local authorities fund services in 2018-19?

General funding is largely made up of the **General Revenue Grant (GRG)**, **Non-Domestic Rates (NDR)** and **Council Tax**.

Local authorities use general funding to meet their net revenue expenditure on services and any other revenue expenditure that is not directly related to services, such as repayment of debt.

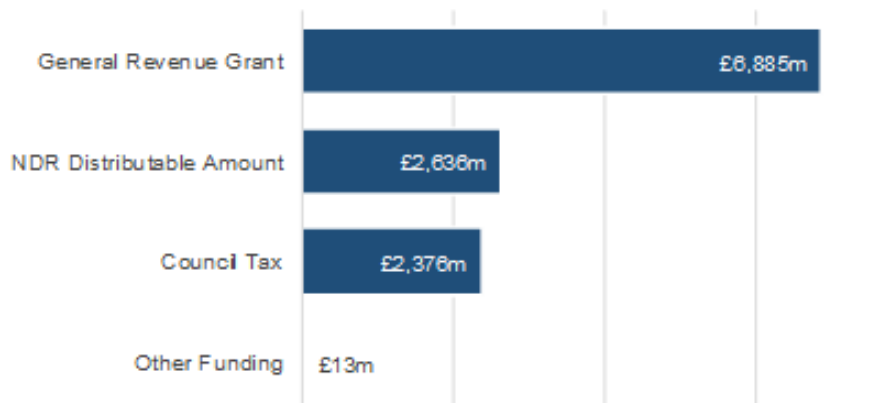
In 2018-19, local authorities' expenditure exceeded their general funding. This **deficit** had to be funded from local authorities' reserves.

### Net Revenue Expenditure in 2018-19 by service, £ millions



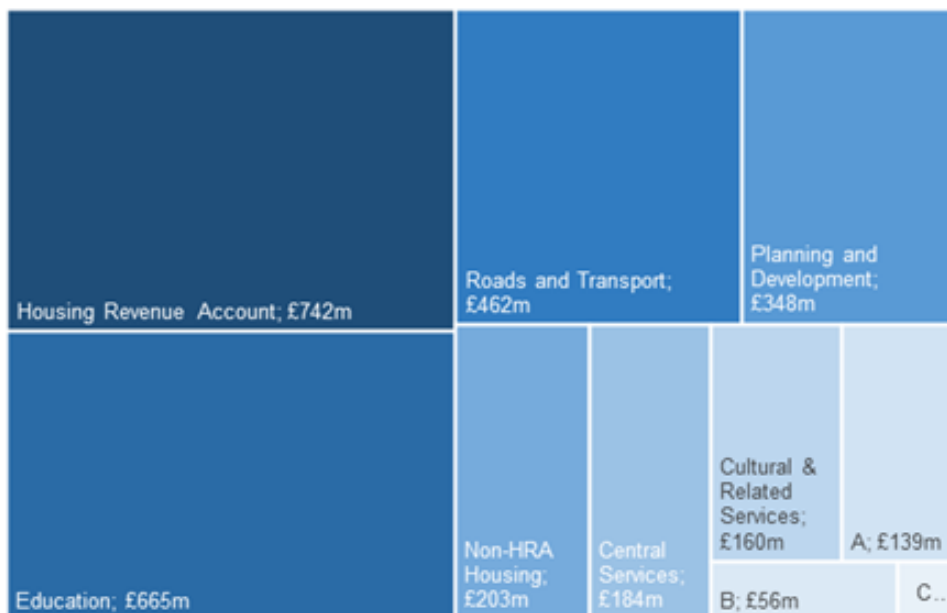
Gross Service Expenditure	£16,320 million
- Gross Service Income	- £6,070 million
<b>Net Revenue Expenditure</b>	<b>£10,250 million</b>

### General Funding in 2018-19 by source, £ millions



Net Revenue Expenditure	£10,250 million
+ Non-Service Expenditure	+ £1,713 million
- General Funding	- £11,910 million
<b>Deficit met from Reserves</b>	<b>£53 million</b>

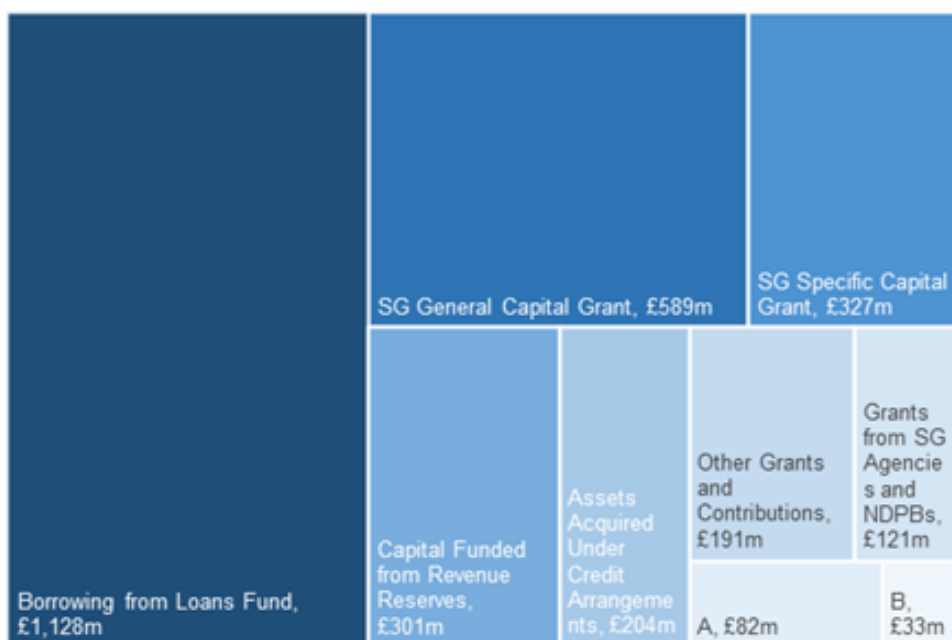
### Capital Expenditure in 2018-19 by service, £ millions



Note: A = Environmental Services; B = Social Work; C = Trading Services, £18m

**Total Capital Expenditure = £2,977 million**

### Capital Financing in 2018-19 by source, £ millions



Note: A = Capital Receipts Used from Asset Sales / Disposals; B = Capital Reserves

### What was the value of capital investment in 2018-19?

**Capital** expenditure is expenditure that **creates** the **buildings and infrastructure** necessary to provide services, such as schools, flood defence, roads and vehicles.

Capital expenditure also includes **capital grants or loans to third parties** funded from borrowing.

### How did local authorities finance capital expenditure in 2018-19?

Local authorities can finance their total capital expenditure in a number of ways. The main sources of financing are:

- **Borrowing**;
- **Capital grants from the Scottish Government**, both a General Capital Grant and a number of specific grants.
- Using **revenue reserves**;
- Entering into **credit arrangements**, such as a finance lease or service concession arrangement.

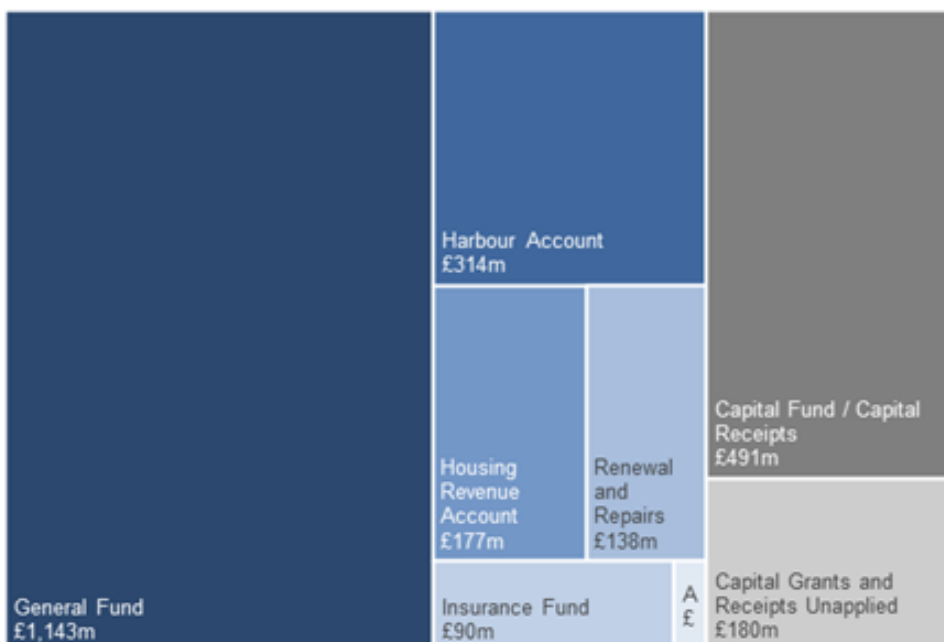
### What reserves did local authorities have at 31 March 2019?

**Usable reserves** are local authorities' surplus income from previous years. This can be used to finance future revenue or capital expenditure.

The **General Fund** is the main usable **revenue** reserve, although there are other reserves that authorities may be able to use.

There are also two usable **capital** reserves.

### Usable Reserves at 31 March 2019, £ millions



Note: A = Other Statutory Funds, £12m

**Total Usable Reserves = £2,546 million**

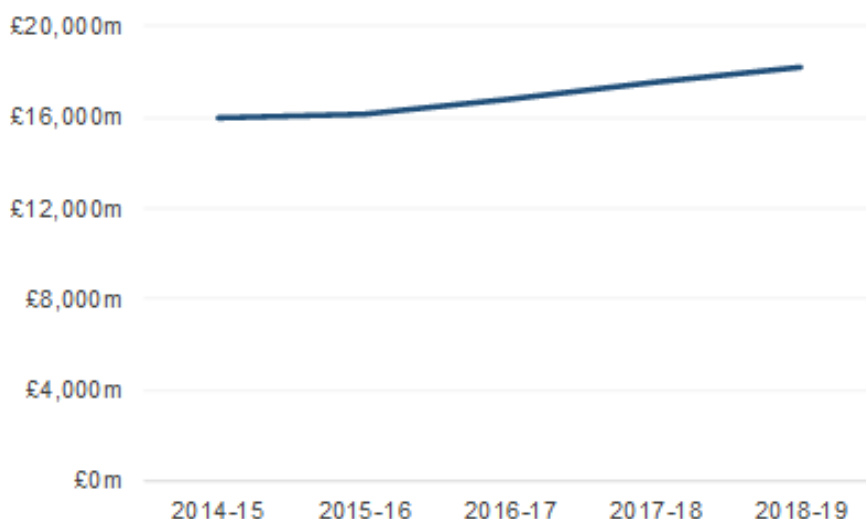
### What debt did local authorities have at 31 March 2019?

When a local authority borrows money or uses a credit arrangement to finance capital expenditure, a **debt** is created.

Local authorities have to repay this debt from future revenues.

In 2018-19, local authorities **repaid** £658 million of debt.

### Total Debt at 31 March from 2014-15 to 2018-19, £ millions



**Total Debt in 2018-19 = £18,214 million**

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## 1. Introduction

Local authorities are responsible for delivering a wide range of services, including education, social work, transport, housing, environmental services and cultural services. In Scotland, local government primarily comprises of **32 councils**, the boundaries of which are shown in Annex A. There are also:

- **ten Valuation Joint Boards (VJBs)**, who provide valuation services to councils. Primarily, VJBs maintain the valuation roll for non-domestic properties and the Council Tax valuation list for domestic dwellings. These are then used as the basis for local taxation billing liability.
- **seven Regional Transport Partnerships (RTPs)**, which were established by the Transport (Scotland) Act 2005 to lead on regional transport strategy and delivery.
- **the Tay Road Bridge Joint Board**, which is responsible for the operation, management and maintenance of the Tay Road Bridge.

Most of these additional boards are the collective responsibility of two or more councils – a list of local authority joint board membership is provided at Annex B. The Tay Road Bridge Joint Board comprises councillors from Dundee City, Fife and Angus, however finance is provided directly from the Scottish Government.

This publication provides a comprehensive **overview of the financial activity across the 50 local authorities described above**. It covers revenue expenditure and income, including local taxation; capital expenditure and financing; reserves and fixed assets; debt and prudential indicators; and pensions.

Expenditure and income figures are presented on a **funding basis** in this publication. This means local authorities have made adjustments to certain accounting transactions that have been charged to services, such as depreciation and pension costs. Local authorities will consider funding basis figures when making financial decisions, such as setting budgets or increases in Council Tax.

**Please note**, throughout the publication:

- all years in this publication refer to the relevant **financial year**, for example 2018-19 refers to activity from 1 April 2018 to 31 March 2019;
- all figures are presented in **cash terms**, this means they have **not** been adjusted for inflation;
- negative figures in tables reflect **income**, however income may also be presented as a positive figure where appropriate.

Under the Public Bodies (Joint Working) (Scotland) Act 2014, **30 Integration Joint Boards (IJBs)** have been established in Scotland. IJBs are responsible for the planning of integrated arrangements and onward service delivery of health and social care for their constituent councils and health boards. This publication only includes expenditure that is recognised in council's financial data, that is their contribution to the IJB and how any monies allocated back to them have been spent. More information on this is provided in Chapter 2.1.1.

Local authorities are also required to undertake community planning in partnership with other agencies responsible for public service delivery in an area, such as Health Boards, and Police and Fire bodies. However, the financial activity of these other agencies is not included in this publication.

More information on this publication, including associated data available for download, is available at [www.gov.scot/collections/local-government-finance-statistics/#scottishlocalgovernmentfinancialstatistics](http://www.gov.scot/collections/local-government-finance-statistics/#scottishlocalgovernmentfinancialstatistics).

More information on local government in Scotland is available at [www.gov.scot/policies/local-government/](http://www.gov.scot/policies/local-government/).



## 2. Revenue Expenditure and Income

**Revenue expenditure** is the cost of delivering services each year and includes both service operating costs and overheads. These costs might include salaries, rent, building maintenance, supplies and services. The benefits from revenue expenditure are mainly received within the financial year.

Revenue expenditure also includes costs that cannot be directly attributed to a service, such as the repayment of debt and where a local authority has used revenue resources to fund capital investment.

All authorities are required to have a **General Fund** which is used to account for all revenue activity, except that relating to local authority housing. The General Fund is the principle revenue reserve of the local authority.

Where a local authority has housing, it is required to have a **Housing Revenue Account (HRA)** which records expenditure and income relating to their direct provision of housing. HRAs are generally self-financing, that is the income received is sufficient to cover expenditure incurred. Of the 32 councils, 26 have an HRA.

The Orkney County Council Act 1974 and the Zetland County Council Act 1974 require Orkney and Shetland to also hold a **Harbour Account**, a separate account and reserve fund specifically for harbour undertakings. Orkney and Shetland are also able to transfer money between their General Fund and their Harbour Accounts. For the purposes of this chapter, expenditure and income relating to Harbour Accounts is included in General Fund figures.

Revenue expenditure is principally funded through service income (Chapter 2.1.4) and general funding, which consists of grants from government and income from taxation (Chapter 2.3). Any **deficit (+)** in a local authorities' revenue accounts is met from their reserves, and any **surplus (-)** is added to a local authorities' reserves and carried forward to the next year (Chapter 2.4).

**Table 2.1** summarises revenue expenditure, income and reserves in 2018-19. More details on each section of this table are provided in the remainder of this chapter.

**Table 2.1: Revenue Expenditure, Income and Reserves in 2018-19, £ millions**

	General Fund <sup>1</sup>	Housing Revenue Account	Total
<b>Expenditure and Income on Services</b>			
Gross Service Expenditure	15,611	709	16,320
Gross Service Income	-4,839	-1,230	-6,070
<b>Net Revenue Expenditure on Services</b>	<b>10,771</b>	<b>-521</b>	<b>10,250</b>
Other Expenditure and Income	1,172	540	1,713
<b>Total Revenue Expenditure</b>	<b>11,944</b>	<b>19</b>	<b>11,963</b>
<b>General Funding</b>			
General Revenue Grant	-6,885	0	-6,885
Non-Domestic Rates	-2,636	0	-2,636
Council Tax	-2,376	0	-2,376
Other	-13	0	-13
<b>Total General Funding</b>	<b>-11,910</b>	<b>0</b>	<b>-11,910</b>
<b>Surplus (-) or Deficit (+) to be met from Reserves</b>	<b>33</b>	<b>19</b>	<b>53</b>

Source: LFR A0, LFR 00

#### Notes

<sup>1</sup> Amounts relating to Harbour Accounts for Orkney and Shetland are included in the General Fund column of this table.

## 2.1 Expenditure and Income on Services

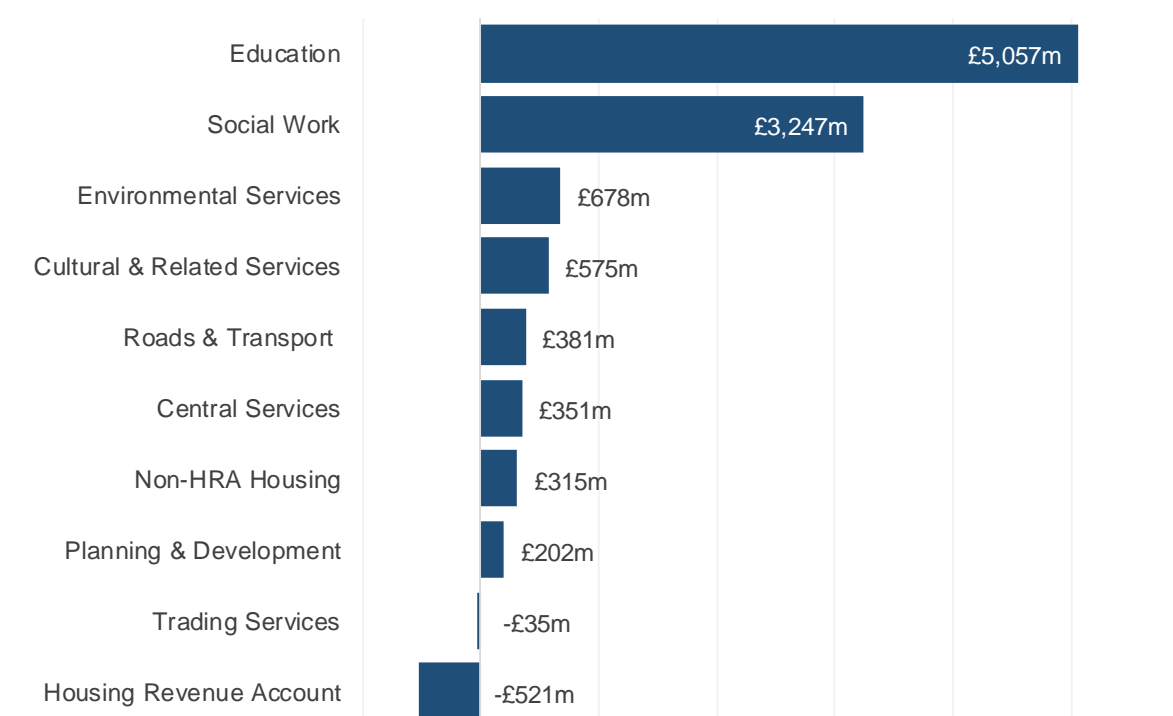
**Net Revenue Expenditure**, also known as the net cost of services, is the element of service expenditure that is funded by general funding or reserves. It is calculated as gross service expenditure minus gross service income. As shown in [Table 2.1](#), the net revenue expenditure on local authority services, including HRA, in 2018-19 was £10,250 million, an increase of 1.6 per cent from £10,088 million in 2017-18.

### 2.1.1 Net Revenue Expenditure by Service

**Chart 2.1** shows net revenue expenditure on services in Scotland in 2018-19. Education has the highest net revenue expenditure at £5,057 million followed by Social Work which has a net revenue expenditure of £3,247 million.

Both Trading Services and the Housing Revenue Account had a negative net revenue expenditure in 2018-19 at -£35 million and -£521 million respectively. This means that their gross service expenditure was less than their gross service income in 2018-19.

**Chart 2.1: Net Revenue Expenditure in 2018-19 by Service, £ millions**



**Source:** LFR 00

**Table 2.2** shows how net revenue expenditure by service has changed between 2014-15 and 2018-19. Education, Culture and Related Services, Social Work, Trading Services and the HRA have all shown increases in net revenue expenditure between 2017-18 and 2018-19. Net revenue expenditure for the remaining five services has decreased on 2017-18.

Net revenue expenditure on **Education** has increased by 4.4 per cent in 2018-19. This continues the trend seen in prior years, with Education the only service area to have shown increases in expenditure in each year since 2014-15, with an overall increase of ten per cent over this five year period.

**Culture and Related Services** saw an increase of 2.6 per cent in net revenue expenditure in 2018-19. This is the first increase in this service between 2014-15 and 2018-19, with all prior years showing small decreases.

Net revenue expenditure on **Social Work** increased by 3.8 per cent in 2018-19, having remained broadly stable between 2014-15 and 2017-18. As set out in Chapter 1, 30 IJBs have been established to facilitate the integration of health and social care services in conjunction with local authorities and health boards. If local authorities **contribute more** to IJBs than they receive, the net contribution is included as expenditure incurred by the local authorities. If local authorities **contribute less** to IJBs than they receive, the net contribution is included as income received by the local authorities.

**Roads & Transport** has seen a decrease in net revenue expenditure by 11.8 per cent from £432 million to £381 million in 2018-19. This service area has fluctuated over the five year period shown in **Table 2.2**. Some of this variation will relate to weather conditions in each particular year, with worse weather requiring increased expenditure on maintenance in year.

Net revenue expenditure on **Central Services** has decreased by 21.7 per cent, from £449 million in 2017-18 to £351 million in 2018-19. This decrease is likely due to a number of factors as Central Services covers a range of subservices. For example, expenditure on conducting elections and Housing Benefit administration would reasonably be expected to be less in 2018-19. This service is also where local authorities can record any expenditure which does not relate to any other services, such as costs incurred relating to equal pay for previous years, and so this amount can fluctuate between years.

Both the **HRA** and **Trading Services** have negative net revenue expenditure. This means they incur less service expenditure than they receive in service income and so local authorities' overall received income from these services. In both cases, the income local authorities are receiving has increased steadily over the last five years.

**Table 2.2: Net Revenue Expenditure from 2014-15 to 2018-19 by Service, £ millions <sup>1</sup>**

	2014-15	2015-16	2016-17	2017-18	2018-19	% change between 2017-18 & 2018-19
Education	4,612	4,736	4,830	4,841	5,057	4.4%
Culture & Related Services	643	598	577	561	575	2.6%
Social Work	3,110	3,169	3,136	3,129	3,247	3.8%
Roads & Transport <sup>2</sup>	420	422	399	432	381	-11.8%
Environmental Services	666	684	679	688	678	-1.5%
Planning and Development	278	243	234	213	202	-5.2%
Central Services	439	465	390	449	351	-21.7%
Non-HRA Housing	342	294	292	317	315	-0.5%
Trading Services	-5	-17	-27	-30	-35	14.4%
<b>General Fund Net Revenue Expenditure</b>	<b>10,504</b>	<b>10,595</b>	<b>10,511</b>	<b>10,600</b>	<b>10,771</b>	<b>1.6%</b>
Housing Revenue Account	-465	-490	-499	-511	-521	1.9%
<b>Total GF &amp; HRA Net Revenue Expenditure</b>	<b>10,039</b>	<b>10,105</b>	<b>10,012</b>	<b>10,088</b>	<b>10,250</b>	<b>1.6%</b>

**Source:** LFR 00

**Notes**

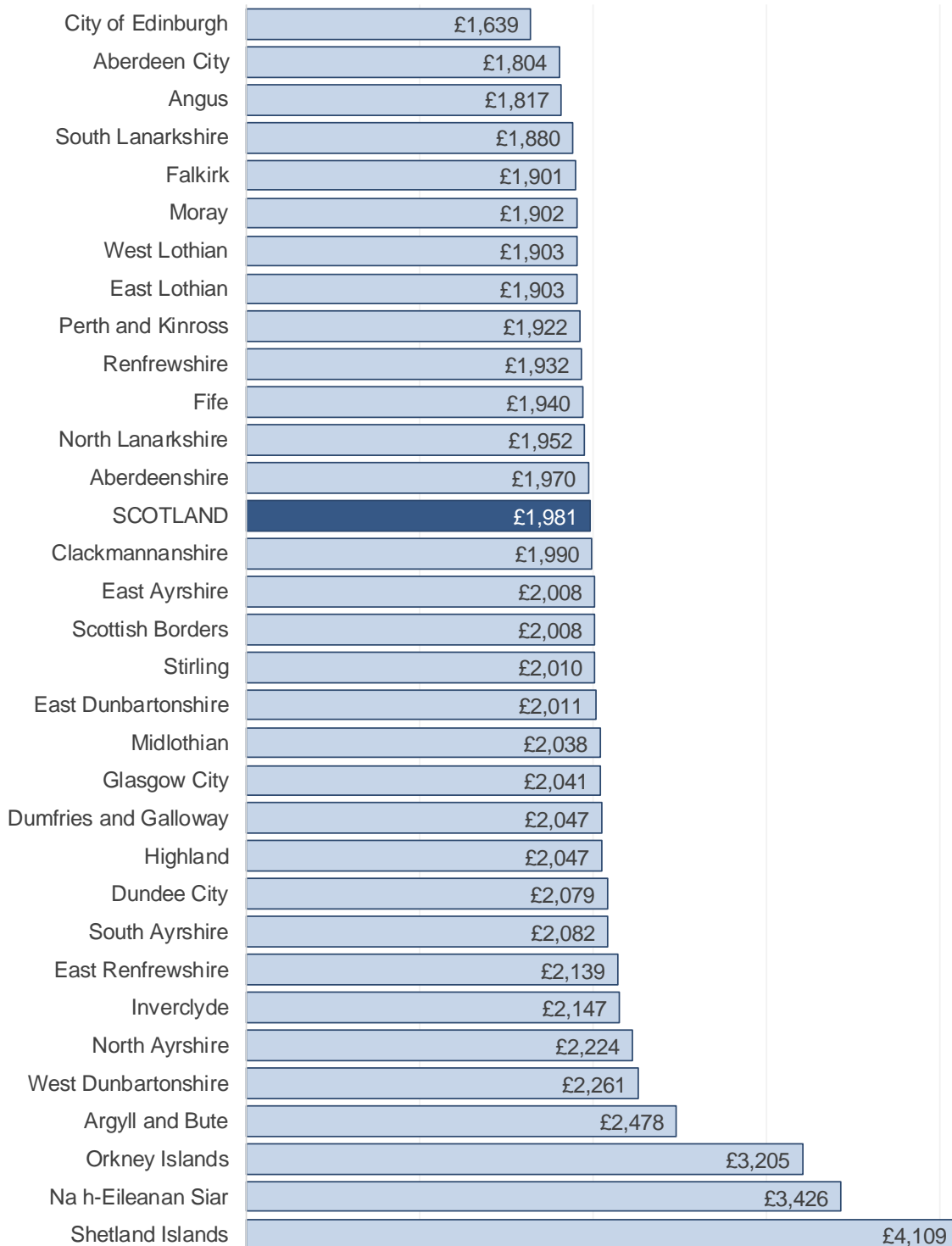
<sup>1</sup> Amounts relating to Harbour Accounts for Orkney and Shetland are included in the General Fund figures in this table.

<sup>2</sup> Including Road Bridges.

## 2.1.2 Net Revenue Expenditure by Local Authority

**Chart 2.2** shows net revenue expenditure on services, excluding the HRA, per person by council. VJBs, RTPs and Tay Road Bridge have been excluded from this analysis.

**Chart 2.2: General Fund Net Revenue Expenditure in 2018-19 by Council, £ per person**



**Source:** LFR 00, Mid-Year Population Estimates

On average, councils' in Scotland spent £1,981 per person in 2018-19, an increase from £1,954 in 2017-18. Spend ranged from £1,639 per person in Edinburgh to £4,109 per person in Shetland.

### 2.1.3 Gross Service Expenditure

Gross Service Expenditure is the total expenditure on local authority services within a financial year, minus any intra / inter-authority transfers. Gross Service Expenditure was £16,320 million in 2018-19, an increase of 2.8 per cent from £15,870 in 2017-18. **Table 2.3** shows gross service expenditure by type of expenditure from 2014-15 to 2018-19.

**Table 2.3: Gross Service Expenditure from 2014-15 to 2018-19 by Expenditure Type, £ millions**

	2014-15	2015-16	2016-17	2017-18	2018-19	% change between 2017-18 & 2018-19
Employee Costs	6,213	6,283	6,713	6,864	7,196	4.8%
Operating Costs	6,731	6,721	6,828	7,090	7,456	5.2%
Transfer Payments	2,107	2,077	2,218	2,178	2,199	1.0%
Support Services	845	867	824	743	746	0.5%
Adjustment for Intra / Inter Authority Transfers	-671	-617	-994	-1,005	-1,277	27.1%
<b>Gross Service Expenditure</b>	<b>15,224</b>	<b>15,331</b>	<b>15,590</b>	<b>15,870</b>	<b>16,320</b>	<b>2.8%</b>

Source: LFR 00

**Operating costs** are the largest element of gross service expenditure, accounting for £7,456 million, an increase of 5.2 per cent from £7,090 in 2017-18. This expenditure includes property costs, supplies and services costs, transport and plan costs, payments to agencies and other bodies and direct administration costs.

The second largest element is **employee costs**, which accounts for £7,196 million of gross service expenditure, an increase of 4.8 per cent from £6,864 in 2017-18. These costs relate to salaries and wages, national insurance and superannuation contributions, cash allowances paid to employees, redundancy and severance payments and any other costs relating to employees.

**Transfer payments** make up £2,199 million of gross service expenditure which has increased by 1.0 per cent from £2,178 in 2017-18. This expenditure relates to payments made to individuals for which no goods or services are received in return by the local authority, such as paying Housing Benefits or Social Work Direct Payments. This figure also includes any net contributions made to IJBs, that is where the local authority contributes more money to their IJB than they receive.

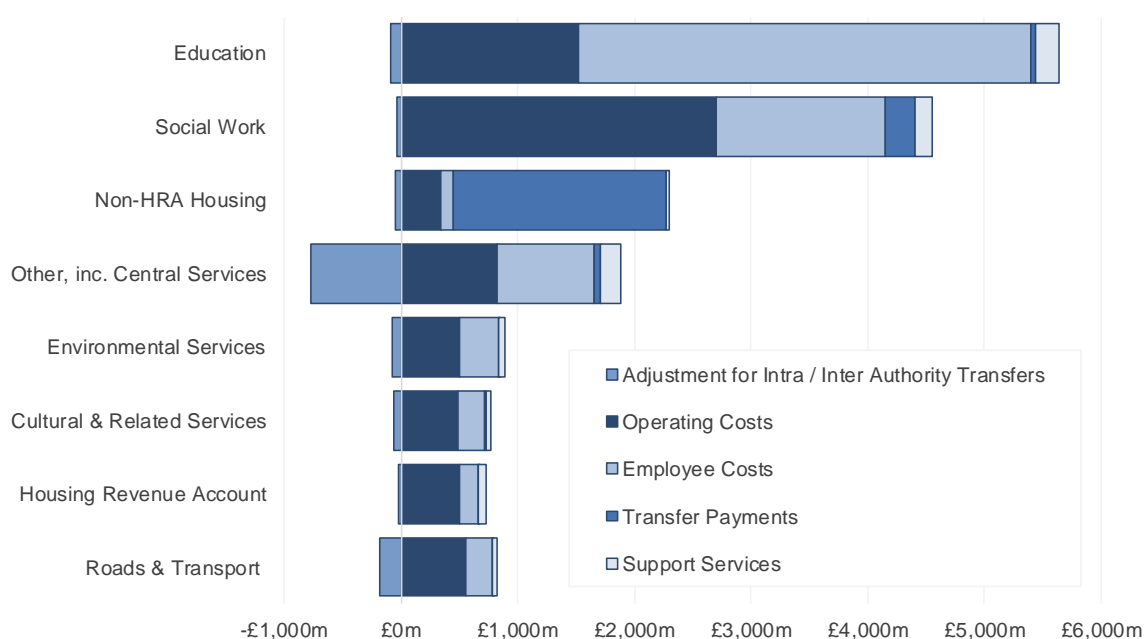
**Support services costs** are the smallest component of gross service expenditure, accounting for only £746 million. This is consistent with expenditure on support services in 2017-18 which accounted for £743 million. These are costs that are paid for services that support the provision of services to the public, such as IT, Human Resources, Legal services, Procurement services and Corporate services.

An **adjustment for intra / inter-authority transfers** of -£1,277 million has been made to the aggregate gross service expenditure figure. This is to prevent double counting of expenditure caused by transfers between different services within an authority and between local authorities. The adjustment removes the total recharge income from other services, contributions from other local authorities and requisition income. Following the adjustment, expenditure is only reported against the authority or service area that commissioned the service.

Gross service expenditure has increased by 7.2 per cent over the last five years. This has largely been driven by increases in employee and operating costs, which have increased by 15.8 and 10.8 per cent respectively since 2014-15. The adjustment for intra / inter-authority transfers has also increased over this period, almost doubling from -£671 million in 2014-15 to -£1,277 million in 2018-19.

**Chart 2.3** shows the breakdown of gross service expenditure by service and by expenditure type. Education has a higher proportion of employee costs than other services – this is due to the higher number of staff employed within Education, in particular teachers. Non-HRA Housing has a significantly higher proportion of transfer payments than other services which relates to the payment of Housing Benefits. Other, including Central Services, has the largest adjustment for intra / inter authority transfers which is due to Central Services and Trading Services having particularly high amounts of recharge income from other services.

**Chart 2.3: Gross Service Expenditure in 2018-19 by Service and Expenditure Type, £ millions**



Source: LFR 00

## 2.1.4 Service Income

Gross Service Income is the total income a local authority receives for services. In 2018-19, local authorities received £6,070 million in service income, a 5.0 per cent increase from £5,782 million in 2017-18.

Local authorities receive service income from a variety of sources. [Table 2.4](#) shows gross service income by type of income from 2014-15 to 2018-19.

**Table 2.4: Gross Service Income from 2014-15 to 2018-19 by Income Type, £ millions**

	2014-15	2015-16	2016-17	2017-18	2018-19	% change between 2017-18 & 2018-19
Government Grants (excluding GRG)	-1,984	-2,036	-2,138	-2,206	-2,380	7.9%
Other Grants, Reimbursements and Contributions	-833	-768	-902	-1,040	-1,092	5.1%
Customer and Client Receipts <sup>1,2</sup>	-2,368	-2,423	-2,537	-2,537	-2,597	2.4%
<b>Gross Service Income</b>	<b>-5,185</b>	<b>-5,226</b>	<b>-5,577</b>	<b>-5,782</b>	<b>-6,070</b>	<b>5.0%</b>

Source: LFR 00

### Notes

<sup>1</sup> This includes credits resulting from soft loans.

<sup>2</sup> Customer and Client Receipts from 2014-15 to 2018-19 broken down by service are available in Table 2.4a in the associated Excel file.

**Customer and client receipts** is income local authorities have received for sales, rents, fees and charges as a result of the services they provide. This was local authorities' largest source of service income in 2018-19, accounting for £2,597 million, an increase of 2.4 per cent from 2017-18. Customer and client receipts have increased steadily between 2014-15 and 2018-19, with an overall increase of 9.7 per cent over this period.

The second largest source of service income is **government grants**, excluding General Revenue Grant (GRG), which accounts for £2,380 million, an increase of 7.9 per cent from 2017-18. Unlike the GRG, these government grants are provided to support a specific service and include grant from DWP to be used to pay out Housing Benefit and Ring-Fenced Revenue Grants (RFRG) paid out by Scottish Government. In 2018-19, authorities received money in relation to five RFRGs:

- Gaelic
- Pupil Equity Fund
- Early Years Expansion
- Criminal Justice Social Work
- Support for Ferries



These service specific government grants have increased by 20.0 per cent between 2014-15 and 2018-19, with this increase evenly spread over this period.

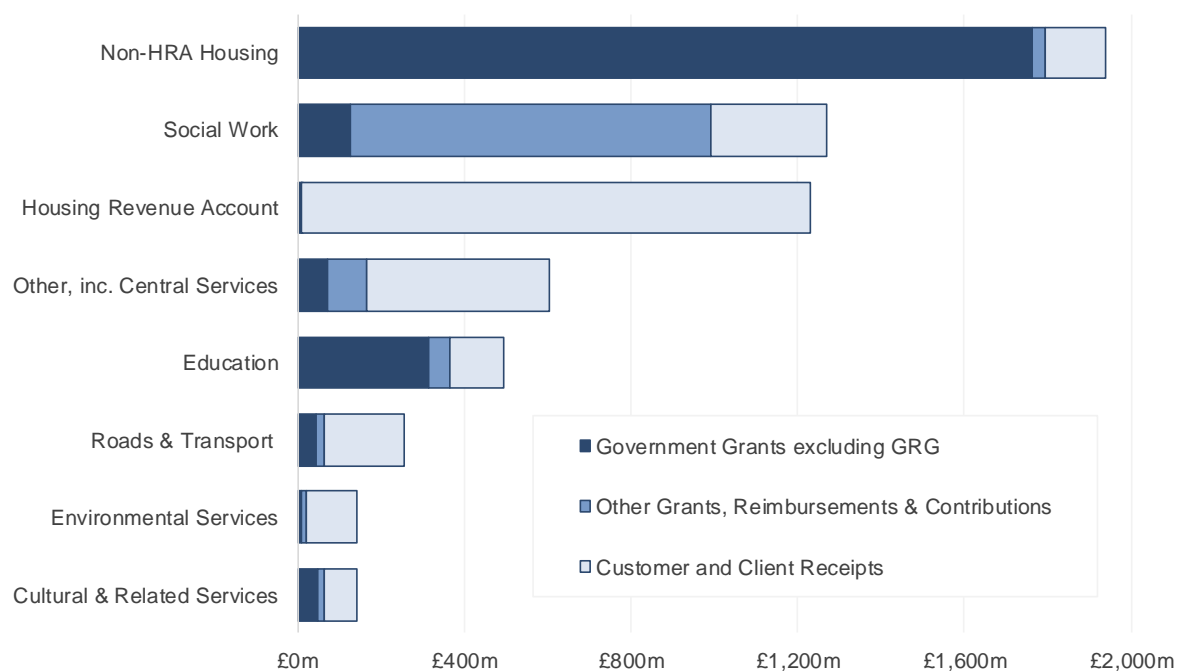
The remainder of local authorities' service income is made up of **other grants, reimbursements and contributions**, which accounted for £1,092 million of service income in 2018-19, an increase of 5.1 per cent from 2017-18. This type of service income has increased by 31.2 per cent between 2014-15 and 2018-19, however most of this increase took place between 2015-16 and 2017-18.

**Chart 2.4** shows the breakdown of gross service income by service and income type. Non-HRA Housing received the most service income, the vast majority of which is grant from DWP to fund the payment of Housing Benefit. Education also received a large proportion of service income from Education specific government grants, in particular three of the five RFRGs that local authorities received in 2018-19.

Social Work has a high proportion of service income from other grants, reimbursements and contributions and these largely relate to contributions from Health Authorities and IJBs.

Service income for the HRA is almost entirely made up of customer and client receipts which will relate to rent payments received for local authority housing.

**Chart 2.4: Gross Service Income in 2018-19 by Service and Income Type, £ millions**



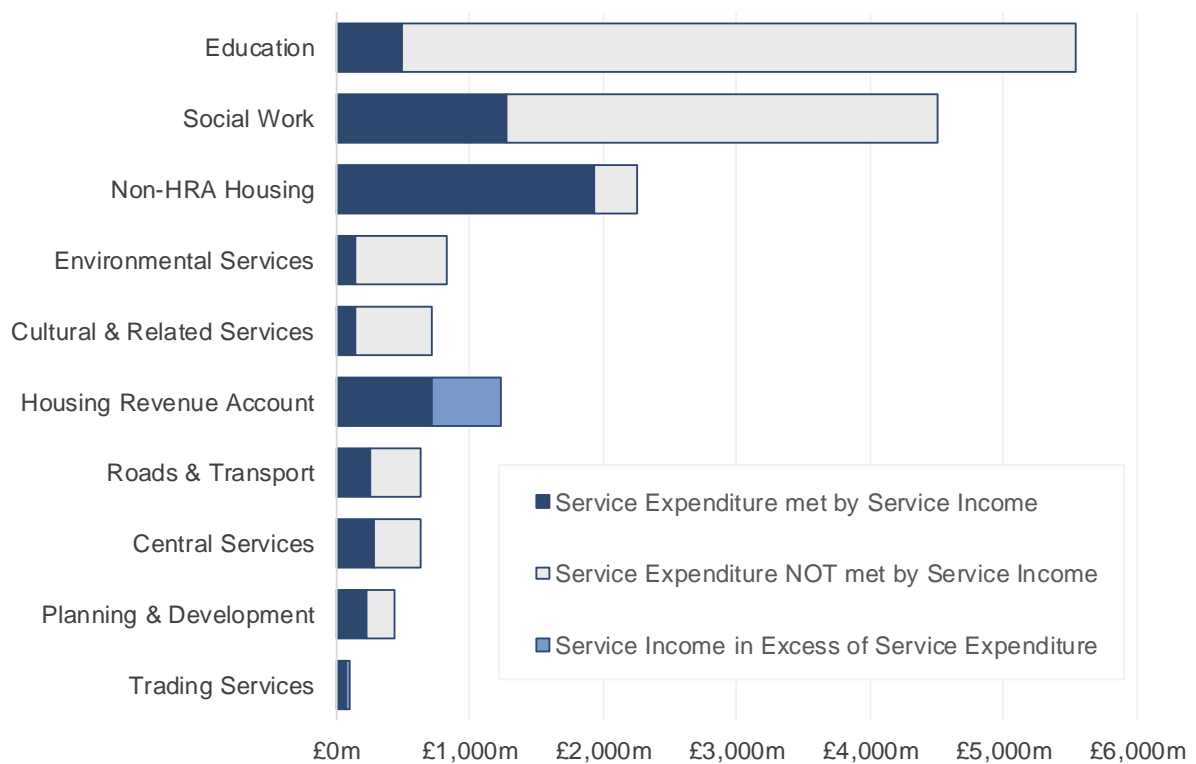
Source: LFR 00

In 2018-19, 37.2 per cent of service expenditure was met by service income. **Chart 2.5** shows the proportion of service expenditure met by service income for each service. This varies significantly between services as they each receive different levels of grants and contributions, and services have differing abilities to generate service income in the form of customer and client receipts.

Service income **exceeded** service expenditure for the HRA and Trading Services, generating a surplus for both services.

Service income was **less than** service expenditure for all other services, with the amount of service expenditure being funded by service income ranging from 8.9 per cent for Education to 86.0 per cent for Non-HRA Housing.

**Chart 2.5: Service Expenditure met by Service Income in 2018-19 by Service, £ millions**



Source: LFR 00

## 2.2 Other Expenditure and Income

Local authorities will also incur some revenue expenditure and income that is not attributable to specific services, such as interest paid or received, statutory repayment of debts, contributions to capital expenditure, proceeds of trading operations and any other operating expenditure.

In 2018-19, local authorities incurred £1,713 million of **other expenditure and income**. **Table 2.5** provides a breakdown of this figure, split by the General Fund and HRA. Interest paid and repayment of debts made up the majority of other expenditure, accounting for £842 million and £658 million respectively. In 2018-19, there was an overall surplus from trading operations, providing income of £7 million.

**Table 2.5: Other Expenditure and Income in 2018-19, £ millions**

	General Fund	Housing Revenue Account	Total
Interest Payable and Similar Charges	698	144	842
Interest Receivable and Similar Income <sup>1</sup>	-90	4	-86
Statutory Repayment of Debt	524	134	658
Capital Expenditure Funded from Revenue	47	258	304
Surplus (-) or Deficit (+) from Trading Operations	-7	0	-7
Other Operating Expenditure	1	2	2
<b>Total Other Expenditure and Income</b>	<b>1,172</b>	<b>540</b>	<b>1,713</b>

Source: LFR A0

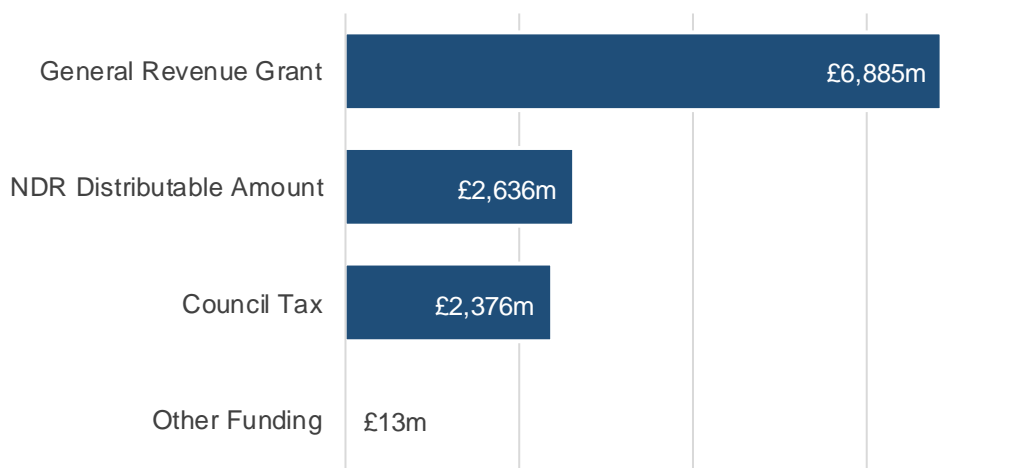
### Notes

<sup>1</sup> This includes losses arising from derecognition of financial assets and recognition of credit losses on financial assets.

## 2.3 General Funding

**General funding** principally consists of the General Revenue Grant (GRG) and local taxation, specifically Non-Domestic Rates (NDR) and Council Tax. Within local authorities' accounts, this income is referred to as 'taxation and non-specific grant income'. Total general funding available to authorities in 2018-19 was £11,910 million, an increase of 1.4 per cent from £11,751 million in 2017-18. **Chart 2.6** shows the total general funding available to local authorities in 2018-19 by type of funding.

**Chart 2.6: General Funding in 2018-19 by Source, £ millions**



**Source:** LFR A0

**GRG** is grant paid to local authorities by the Scottish Government<sup>1</sup> and includes monies from the UK Government payable to a local authority. This is the main source of funding for local authorities, accounting for £6,885 million, or 57.8 per cent, of general funding in 2018-19.

**Table 2.6** shows the breakdown of general funding figures between 2014-15 and 2018-19. The GRG has increased by 1.3 per cent in 2018-19, following a decrease of 4.3 per cent in 2016-17 and a decrease of 0.6 per cent in 2017-18.

**NDR** and **Council Tax** make up £2,636 million, 22.1 per cent, and £2,376 million, 20.0 per cent, of general funding respectively. More information on Council Tax and NDR is provided in Chapters 2.3.1 and 2.3.2.

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<sup>1</sup> In 2018-19 local authorities were advised to accrue an amount of GRG in relation to Teacher's Pay that they would receive as part of the 2019-20 local government settlement. To ensure consistency, all local authorities have been treated as having accrued for teacher's pay within the 2018-19 LFR.

**Table 2.6: General Funding from 2014-15 to 2018-19, £ millions**

	2014-15	2015-16	2016-17	2017-18	2018-19	% change between 2017-18 & 2018-19
General Revenue Grant	-7,167	-7,147	-6,839	-6,799	-6,885	1.3%
NDR Distributable Amount	-2,650	-2,789	-2,769	-2,666	-2,636	-1.1%
Council Tax	-2,022	-2,055	-2,091	-2,278	-2,376	4.3%
Other Funding <sup>1</sup>	-85	-13	-9	-9	-13	55.6%
<b>Total General Funding</b>	<b>-11,923</b>	<b>-12,003</b>	<b>-11,708</b>	<b>-11,751</b>	<b>-11,910</b>	<b>1.4%</b>

Source: LFR A0, LFR 00 for 2014-15

**Notes**

<sup>1</sup> This includes government grants paid to joint boards and income received through NDR TIF and BRIS schemes.

### 2.3.1 Council Tax

Council Tax was introduced in Scotland on the 1 April 1993 to replace the Community Charge. It is a tax system based on dwellings and is a component of general funding for local authorities.

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

1. **The market value of the dwelling as at the 1 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. The ratios determining the charges for properties in bands E to H were revised in 2017-18.
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 Council Tax band is given in [Table 2.7](#).

**Table 2.7: Valuation Range and Ratios by Council Tax Band**

	Valuation Band Ranges as at 1 April 1991	Ratio to Band D <sup>1</sup>	No. of Chargeable Dwellings as at September 2018	Proportion of Chargeable Dwellings
Band A	Under £27,000	6/9	503,209	20%
Band B	£27,001 to £35,000	7/9	572,175	23%
Band C	£35,001 to £45,000	8/9	401,847	16%
Band D	£45,001 to £58,000	9/9	336,392	14%
Band E	£58,001 to £80,000	473/360	337,232	14%
Band F	£80,001 to £106,000	585/360	196,377	8%
Band G	£106,001 to £212,000	705/360	126,529	5%
Band H	Over £212,000	882/360	13,340	1%
<b>Total</b>			<b>2,487,101</b>	<b>100%</b>

Source: CTaxbase

**Notes**

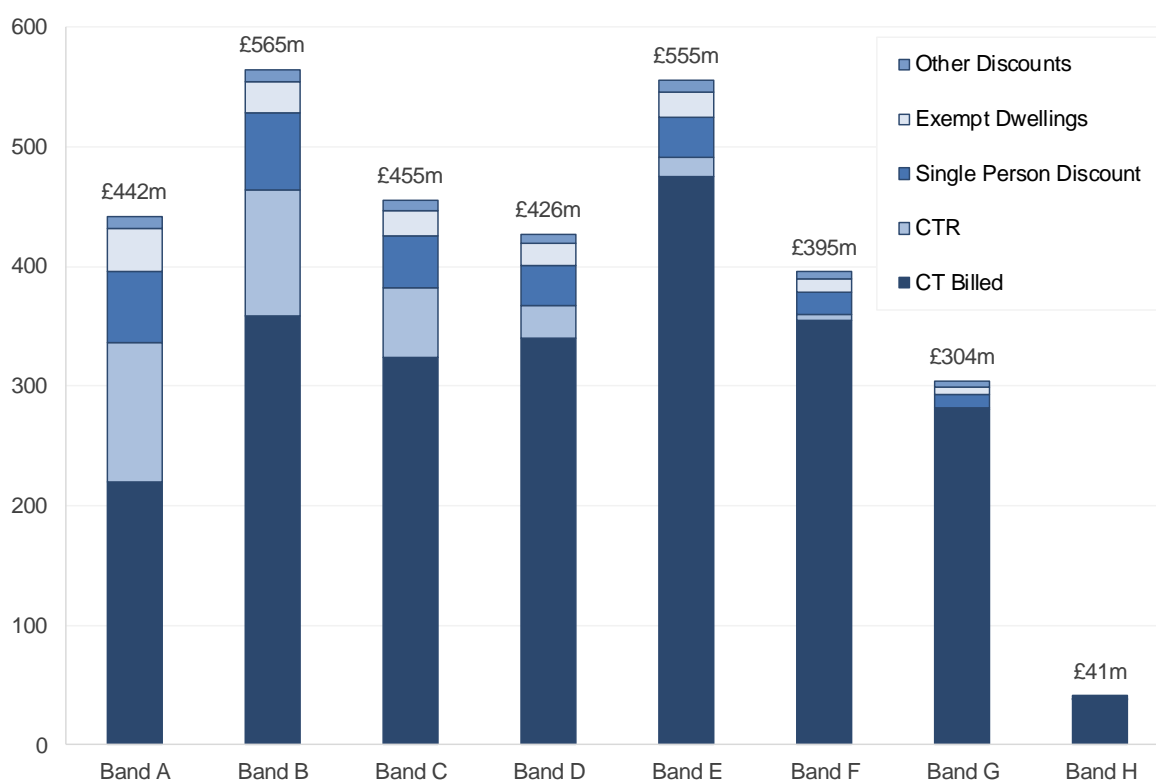
<sup>1</sup> These are the ratios from 2017-18 onwards.

### 2.3.1.1 Collection and Yield of Council Tax

Local authorities are responsible for billing and collecting Council Tax. Before the start of each financial year, local authorities issue Council Tax bills to householders in each dwelling. Each bill is calculated by applying the appropriate band rate for the local authority, then applying any discounts, exemptions, reductions or increases – further details are provided in [Tables 2.12](#) and [2.13](#).

**Chart 2.7** illustrates the gross Council Tax potential yield broken down into the Council Tax billed and the amounts not billed due to discounts and exemptions or where the Council Tax Reduction (CTR) scheme has reduced a household's Council Tax liability.

**Chart 2.7: Council Tax Potential Yield in 2018-19, £ millions <sup>1</sup>**



**Source:** CTaxbase and CTRR

**Notes**

<sup>1</sup> The Council Tax yield if all dwellings paid full rate for their relevant Band and Local Authority

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 2018-19 was 96.0 per cent. The total, audited amount of Council Tax collected for Scotland, after CTR and including late payments of bills from prior years was £2.376 billion.

**Table 2.8** shows the audited amount of Council Tax collected by each local authority in 2018-19. More information about bills issued in 2018-19 and the provisional amounts collected are available in the ‘Council Tax Collection Statistics, 2018-19’ publication, available at [www.gov.scot/publications/council-tax-collection-statistics-2018-19/](http://www.gov.scot/publications/council-tax-collection-statistics-2018-19/).

**Table 2.8: Council Tax Income after CTR in 2018-19 by Local Authority, £ thousands <sup>1</sup>**

<b>Local Authority</b>	<b>Net Council Tax Income</b>
Aberdeen City	116,521
Aberdeenshire	139,554
Angus	48,005
Argyll and Bute	49,868
City of Edinburgh	259,435
Clackmannanshire	21,313
Dumfries and Galloway	63,763
Dundee City	52,831
East Ayrshire	48,003
East Dunbartonshire	60,400
East Lothian	52,327
East Renfrewshire	50,114
Falkirk	63,704
Fife	156,301
Glasgow City	220,607
Highland	120,063
Inverclyde	28,900
Midlothian	42,926
Moray	41,076
Na h-Eileanan Siar	10,632
North Ayrshire	53,842
North Lanarkshire	113,126
Orkney Islands	8,996
Perth and Kinross	79,668
Renfrewshire	75,399
Scottish Borders	54,984
Shetland Islands	9,372
South Ayrshire	54,555
South Lanarkshire	129,526
Stirling	47,638
West Dunbartonshire	33,805
West Lothian	68,886
<b>Scotland</b>	<b>2,376,140</b>

**Source:** LFR A0

**Notes**

<sup>1</sup> Figures relate to income collected in financial year 2018-19, which can include amounts that were billed in previous years.



### 2.3.1.2 Chargeable Dwellings

**Table 2.9** shows the number of dwellings in Scotland for each September from 2014-15 to 2018-19. There were a total of 2.615 million dwellings in Scotland in 2018-2019, of which 127,900 were exempt for Council Tax purposes. This gave 2.487 million chargeable dwellings in 2018-2019, an increase of around 2.4 per cent, or 59,300 dwellings, since 2014-15.

**Table 2.9: Total Number of Dwellings in Scotland from 2014-15 to 2018-19**

	Total Dwellings	Exempt Dwellings	Chargeable Dwellings
2014-15	2,540,330	112,525	2,427,805
2015-16	2,557,365	116,847	2,440,518
2016-17	2,575,495	120,089	2,455,406
2017-18	2,594,821	121,324	2,473,497
2018-19	2,614,957	127,856	2,487,101

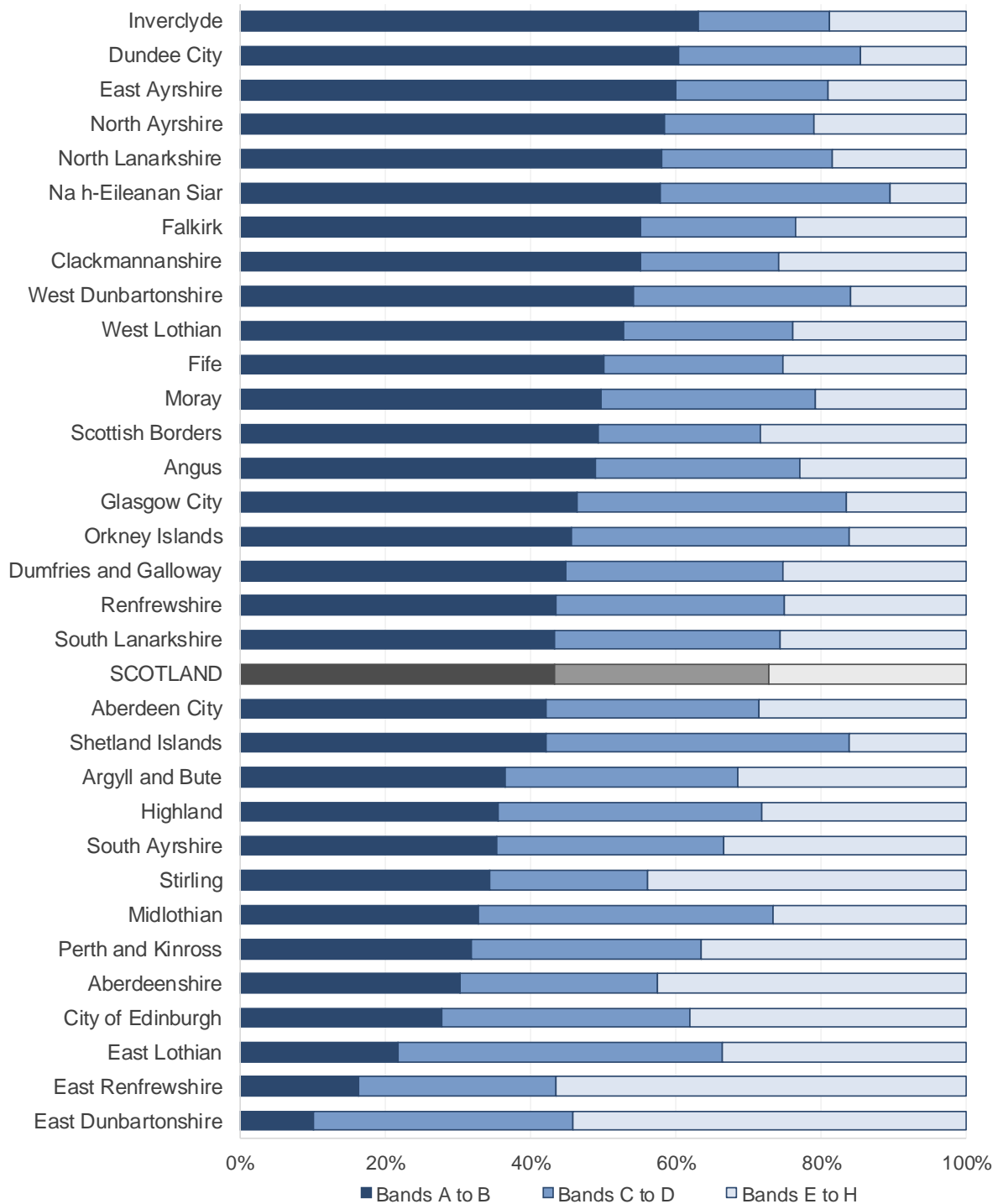
Source: CTaxbase

**Chart 2.8** shows the distribution of chargeable dwellings across Council Tax bands in each local authority. Across Scotland, just under three-quarters of all chargeable dwellings are in Bands A to D. The distribution varies across local authorities due to variations in property market values. Na h-Eileanan Siar has the largest proportion of dwellings in Bands A to D at 89 per cent, whereas East Renfrewshire has the lowest proportion in Bands A to D at 44 per cent.

The ratios for Bands E to H, as shown in **Table 2.7**, were revised in 2017-18 and so dwellings in these bands, which make up just over a quarter of total dwellings, are subject to higher charges.

The three local authorities with the highest number of chargeable dwellings were Glasgow, Edinburgh and Fife, making up 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 at [www.gov.scot/collections/local-government-finance-statistics/#counciltax](http://www.gov.scot/collections/local-government-finance-statistics/#counciltax).

**Chart 2.8: Proportion of Chargeable Dwellings at September 2018 by Council Tax Band and Local Authority**

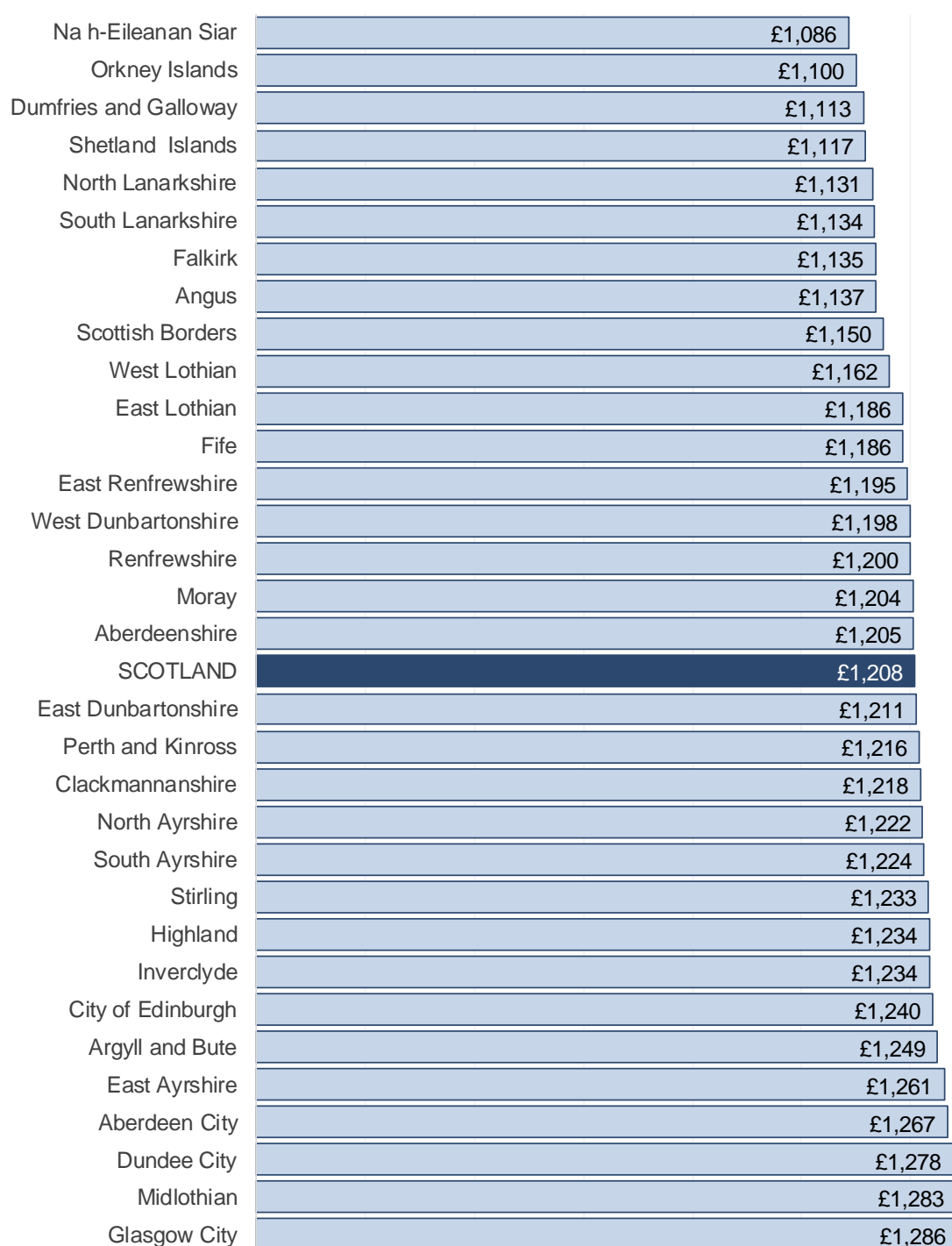


Source: CTaxbase

### 2.3.1.3 Council Tax Rates and 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, see [Table 2.7](#), and so each local authority has different Council Tax rates. The 2018-19 Band D Council Tax rates for each local authority are shown in [Chart 2.9](#). They range from £1,086 in Na h-Eileanan Siar to £1,286 in Glasgow.

**Chart 2.9: Band D Council Tax Rate in 2018-19 by Local Authority**



**Source:** CTAS

From 2007-08 to 2016-7, the Scottish Government and local government worked in partnership to freeze Council Tax rates each year. The one exception is Stirling, who reduced their 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 caused the Scotland average Band D Council Tax rate to remain steady at £1,149 from 2007-08 to 2016-17 – a fall in real terms.

After nine years of the Council Tax freeze, the Scottish Government secured the agreement of local authorities to cap locally determined Council Tax increases to three per cent in both 2017-18 and 2018-19. In 2018-19, all local authorities increased their Band D Council Tax rate by three per cent.

The average Council Tax bill per dwelling in 2018-19 was £1,106. This differs from the average Band D rate due to the distribution of dwellings across Council Tax bands, as can be seen in [Table 2.7](#) and [Chart 2.7](#), and the application of discounts. [Table 2.10](#) shows how the average Council Tax bill for Scotland has changed each year from 2014-15.

**Table 2.10: Average Council Tax Bill per Dwelling from 2014-15 to 2018-19**

Average Council Tax bill per Dwelling		
	Before CTR	After CTR
2014-15 <sup>a</sup>	£989	£846
2015-16 <sup>a</sup>	£991	£856
2016-17 <sup>a</sup>	£997	£867
2017-18	£1,069	£936
2018-19	£1,106	£973

**Source:** CTAS, CTaxbase and LFR 12

**Notes**

<sup>a</sup> The minor change from year to year is due to a number of factors, such as the distribution of dwellings across bands; discounts and exemptions; new constructions and removal of demolished housing from the roll.

### 2.3.1.4 Council Tax Reduction (CTR)

Scotland's Council Tax Reduction (CTR) scheme was introduced in 2013 following the UK Government's abolition of Council Tax Benefit (CTB), with responsibility for Council Tax reduction schemes given to local government in England and the Scottish and Welsh Governments.

The CTR scheme reduces the Council Tax liability of lower income households in Scotland, and takes into account a household's earnings, composition and characteristics. The impact of CTR on the average Council Tax bill is also shown in [Table 2.10](#). After taking these reductions in liability into account, the average bill per dwelling for 2018-19 reduced by £133 from £1,106 to £973. These figures are averages and it is important to note that not everyone who pays Council Tax will be eligible for CTR; and that CTR levels will be different depending on individual household circumstances and characteristics.

Scotland's CTR scheme is funded by the Scottish Government. In 2018-19, CTR funding totalled £351 million. This included additional funding for the 25 per cent increase in the child element in the calculation of the applicable amount within the CTR scheme introduced in April 2017. The extension of the CTR scheme to provide relief for low to middle income households from the impact of the Council Tax reforms on properties in Bands E to H was also introduced at that time.

The amounts distributed to each local authority and the final, audited reduction in liability are shown in [Table 2.11](#). The final, audited reduction in liability due to the CTR scheme was around £331 million across Scotland in 2018-19. This figure is £20.1 million less than the £351 million funding provided by the Scottish Government. The three local authorities with the largest CTR liability are Glasgow, Edinburgh and North Lanarkshire.

**Table 2.11: CTR Funding and Final, Audited Liability in 2018-19 by Local Authority, £ thousands**

Local Authority	SG Funding	Final total reduction in liability
Aberdeen City	10,304	9,839
Aberdeenshire	8,577	7,656
Angus	5,612	5,307
Argyll and Bute	5,592	5,257
City of Edinburgh	26,672	24,676
Clackmannanshire	3,626	3,417
Dumfries and Galloway	8,953	8,491
Dundee City	12,770	11,956
East Ayrshire	9,455	8,779
East Dunbartonshire	4,619	4,383
East Lothian	5,238	4,959
East Renfrewshire	3,902	3,602
Falkirk	8,491	7,890
Fife	21,352	20,704
Glasgow City	70,692	67,380
Highland	12,916	11,933
Inverclyde	6,605	6,383
Midlothian	5,234	4,832
Moray	3,975	3,741
Na h-Eileanan Siar	1,462	1,307
North Ayrshire	12,059	11,268
North Lanarkshire	23,725	22,447
Orkney Islands	786	749
Perth and Kinross	6,701	6,164
Renfrewshire	13,051	12,390
Scottish Borders	5,584	5,140
Shetland Islands	674	651
South Ayrshire	8,677	8,059
South Lanarkshire	20,370	19,471
Stirling	4,282	4,016
West Dunbartonshire	9,040	8,573
West Lothian	10,004	9,451
<b>Scotland</b>	<b>351,000</b>	<b>330,871</b>

Source: CTR Extracts and LFR 12

### 2.3.1.5 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 lower income households in meeting their Council Tax liabilities.

**Table 2.12** 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 2.12** are typical but not exhaustive. For a full explanation of Council Tax discounts and exemptions, go to [www.gov.scot/policies/local-government/council-tax/](http://www.gov.scot/policies/local-government/council-tax/).

**Table 2.12: Council Tax Discounts, Exemptions, Reductions and Increases**

Type of Support	Typical dwellings that are eligible	Reduction in liability
<b>Discounts</b>		
Single Person Discount	Chargeable dwellings in which there is only one resident or only one resident is not disregarded	25% discount
Second Homes	Chargeable dwellings which are no one's sole or main residence, but are furnished and lived in for at least 25 days during any 12 month period.	10 - 50% discount or discount removed <sup>1</sup>
Long Term Empty – 6 to 12 months	Empty properties not meeting the criteria of a second home, or subject to a separate exemption.	10 - 50% discount <sup>1</sup>
Long Term Empty – Less than 12 months	Empty properties not meeting the criteria of a second home, or subject to a separate exemption.	Up to 50% discount or an increase of up to 100% <sup>1</sup>
Occupied entirely by disregarded adults	Chargeable dwellings occupied entirely by residents who are disregarded for a discount.	50% discount
<b>Exemptions</b>		
Occupied	Dwellings occupied solely by any combination of students, care leavers, those with a severe mental impairment, school leavers or persons under the age of 18.	100% reduction
Unoccupied	Dwellings which are; empty and unfurnished for less than 6 months or empty and under repair of less than 12 months. Dwellings which are empty because their former residents have moved out for the purposes of receiving personal care by reason of old age, disablement or illness.	100% reduction
<b>Reductions</b>		
Disability reduction	Homes that have been adapted for a disabled person.	One CT Band <sup>2</sup> or, in the case of Band A properties, 5/9 of the Band D charge.
Council Tax Reduction (Passported)	In receipt of Pension Credit (Guarantee), JSA (income based), ESA (income related) or Income Support.	100% reduction
Council Tax Reduction (Not passported)	Low income household.	Up to 100% reduction <sup>3</sup>

**Notes**

<sup>1</sup> 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 per cent on properties which have been empty for more than 12 months.

<sup>2</sup> For example, a Band D rate property that was eligible for the disability reduction would be charged the Band C rate.

<sup>3</sup> The exact change in liability is dependent on a means-test.

**Table 2.13** shows the number of dwellings eligible for Council Tax discounts and reductions. Of the 2.49 million chargeable dwellings in Scotland, around one million were eligible for a discount in 2018-19. The most common type of discount was the Single Person Discount, with around two-fifths of chargeable dwellings entitled to the discount in 2018-19. The CTR scheme supports almost 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/publications/housing-statistics-scotland-quarterly-update-published-17-december-2019/](http://www.gov.scot/publications/housing-statistics-scotland-quarterly-update-published-17-december-2019/).

**Table 2.13: Number of Dwellings <sup>1</sup> in Receipt of Council Tax Discounts and Reductions at September from 2014-15 to 2018-19**

Type of Support	2014-15	2015-16	2016-17	2017-18	2018-19
<b>All chargeable dwellings</b>	<b>2,427,805</b>	<b>2,440,518</b>	<b>2,455,406</b>	<b>2,473,497</b>	<b>2,487,101</b>
Disability reduction	13,736	13,505	13,463	13,705	13,903
Single Person Discount	953,612	955,505	963,297	972,537	978,504
Second Homes <sup>2</sup>	27,879	27,317	26,140	22,101	24,828*
Long Term Empty – Less than 6 months	31,884	36,419	36,236	37,135	39,110
Occupied entirely by disregarded adults	2,802	1,378	1,411	1,352	1,374
Dwellings not subject to discount	1,411,628	1,419,899	1,428,322	1,440,372	1,443,285*
Council Tax Reduction recipients	533,980	512,340	495,660	489,560	481,100

**Source:** CTaxbase and CTR Extract

**Notes**

<sup>1</sup> 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.

<sup>2</sup> It is not possible for some local authorities to separately identify second homes and long-term empty dwellings. For these local authorities, the total number of second homes and long-term empty dwellings has been recorded under Second Homes.

\* figure has been revised since previous publications



### 2.3.2 Non-Domestic Rates (NDR)

Non-Domestic Rates (NDR) are a property tax paid by the owner / occupier or tenant of a non-domestic property. A non-domestic property is an individual property used for non-domestic purposes, such as business premises and third and public sector properties.

The principles of NDR were established in the Lands Valuation (Scotland) Act 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.

As at 1 April 2018, there were over 250,000 non-domestic properties on the Valuation Roll, see [Table 2.15](#), which generated a net income of £2.8 billion, as shown in [Table 2.14](#). This is the total **contributable amount**<sup>2</sup> of income.

Each local authority reports to the Scottish Government their contributable amount which is included in the annual NDR Account and published as part of the overall Scottish Government's annual accounts. The amount to be distributed to each authority as part of the annual local government finance settlement is known as the **distributable amount** and is set by the Scottish Government before the start of the financial year. In 2018-19, the distributable amount was set at £2.6 billion, see [Chart 2.6](#) and [Table 2.14](#). [Annex C](#) sets out the calculation of the distributable amount for 2018-19.

**Table 2.14: NDR Contributable Income and Distributable Amounts from 2014-15 to 2018-19, £ millions**<sup>1</sup>

	2014-15	2015-16	2016-17	2017-18	2018-19
NDR Contributable Income <sup>2</sup>	2,511	2,579	2,731	2,762	2,847
NDR Distributable Amount	2,650	2,789	2,769	2,666	2,636

**Source:** NDRI Audited Returns and Local Government Finance Circulars

#### Notes

<sup>1</sup> Local authority level breakdowns of these figures is provided in Table 2.14a in the associated excel file.

<sup>2</sup> These are the final, audited income figures, collected by the local authorities. They are net of reliefs paid for by the Scottish Government, but not net of any relief costs covered by local authorities.

From 1 April 2011, the local government funding distribution methodology sees local authorities retain all of the NDR income collected in their area; the previous policy saw NDR redistributed on the basis of population shares. As the combined total of NDR income and GRG provided to local authorities is guaranteed by the Scottish Government, any increase in the amount of NDR collected is compensated for by a corresponding decrease in GRG and vice versa. Any changes from the assumed collection amount in any year is paid out or recovered from local authorities in the calculation of future years' distributable amount.

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<sup>2</sup> The contributable amount is equivalent to the gross amount paid by bill payers, net of any reliefs which are funded by the Scottish Government. Note that it is **not** net of any reliefs funded by local authorities themselves, so it differs from the collectable amount.

The distributable amount is based upon an estimate of the NDR income made prior to the year start, and includes prior year adjustments. It will not therefore match exactly the NDR income received in any year, as shown in [Table 2.14](#), nor the total eventual contributions to the pool for any year.

### 2.3.2.1 Rateable Values (RVs)

NDR bills are based on the **Rateable Value (RV)** of a property. The RV is based on a legally defined valuation and broadly corresponds to the notional rental value the property could achieve in the open market if it were vacant and available to let, taking account of the type and nature of the property. As such, it is not necessarily a reflection of the profitability, turnover, or output of the ratepayer.

RVs are generally initially established when a non-domestic property comes into existence. Non-domestic properties and their corresponding RVs are listed on the Valuation Roll, which is maintained by the Scottish Assessors. RVs are periodically updated at non-domestic rate revaluations. Scottish Assessors undertook the last revaluation in 2017, assigning updated RVs to all non-domestic properties in Scotland<sup>3</sup>. Revaluations typically take place on a five year cycle<sup>4</sup>.

[Table 2.15](#) shows the composition of properties, and associated RV, on the Valuation Roll by property type. As at 1 April 2018<sup>5</sup>, there were 251,695 properties with a total RV of £7.4 billion. Shops and industrial subjects were the most prevalent types of property on the Valuation Roll, each making up 21 per cent of the number of properties, and 22 per cent and 17 per cent of the total RV respectively. Offices are the next largest category in terms of numbers and RV. Together, these three categories account for 60 per cent of properties on the Valuation Roll, and 53 per cent of the total RV.

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<sup>3</sup> An analysis of changes in the RV of non-domestic properties in Scotland following the 2017 revaluation can be found at <https://www.gov.scot/publications/revaluation-2017-scotland/>

<sup>4</sup> An exception to this was the seven year cycle following the 2010 revaluation. The current cycle will be five years with the next revaluation scheduled for 2022. However, following that revaluations will take place every three years.

<sup>5</sup> The Valuation Roll is continually updated and the NDR income for 2018-19 won't be based solely on the snapshot of the Roll at April 2018. The composition of the Roll as at April 2019 is also shown in [Table 2.14b](#), [Table 2.15a](#), and [Chart 2.10a](#) in the associated Excel file.

**Table 2.15: NDR Properties at 1 April 2018 by Classification <sup>1</sup>**

Category	Number of properties <sup>2</sup>	Rateable Value, £	% of Properties on Valuation Roll	% of RV on Valuation Roll
Advertising	1,849	10,512,920	1%	0%
Care Facilities	2,953	120,582,059	1%	2%
Communications	336	24,807,975	0%	0%
Cultural	1,435	54,971,925	1%	1%
Education and Training	3,704	571,503,575	1%	8%
Garages and Petrol Stations	4,236	74,813,305	2%	1%
Health and Medical	3,241	234,443,755	1%	3%
Hotels	5,647	282,710,998	2%	4%
Industrial Subjects	53,238	1,263,878,055	21%	17%
Leisure, Entertainment, Caravans etc.	23,246	286,755,420	9%	4%
Offices	44,602	1,082,284,969	18%	15%
Other	16,583	145,521,917	7%	2%
Petrochemical	141	122,099,605	0%	2%
Public Houses	3,667	132,618,575	1%	2%
Public Service Subjects	9,986	359,120,585	4%	5%
Quarries, Mines, etc.	659	17,679,149	0%	0%
Religious	6,084	56,445,955	2%	1%
Shops	53,742	1,620,791,522	21%	22%
Sporting Subjects	15,221	37,890,327	6%	1%
Statutory Undertaking	1,125	921,358,190	0%	12%
<b>All Non-Domestic Properties</b>	<b>251,695</b>	<b>7,420,790,781</b>	<b>100%</b>	<b>100%</b>

**Source:** Scottish Assessors Valuation Roll

**Notes**

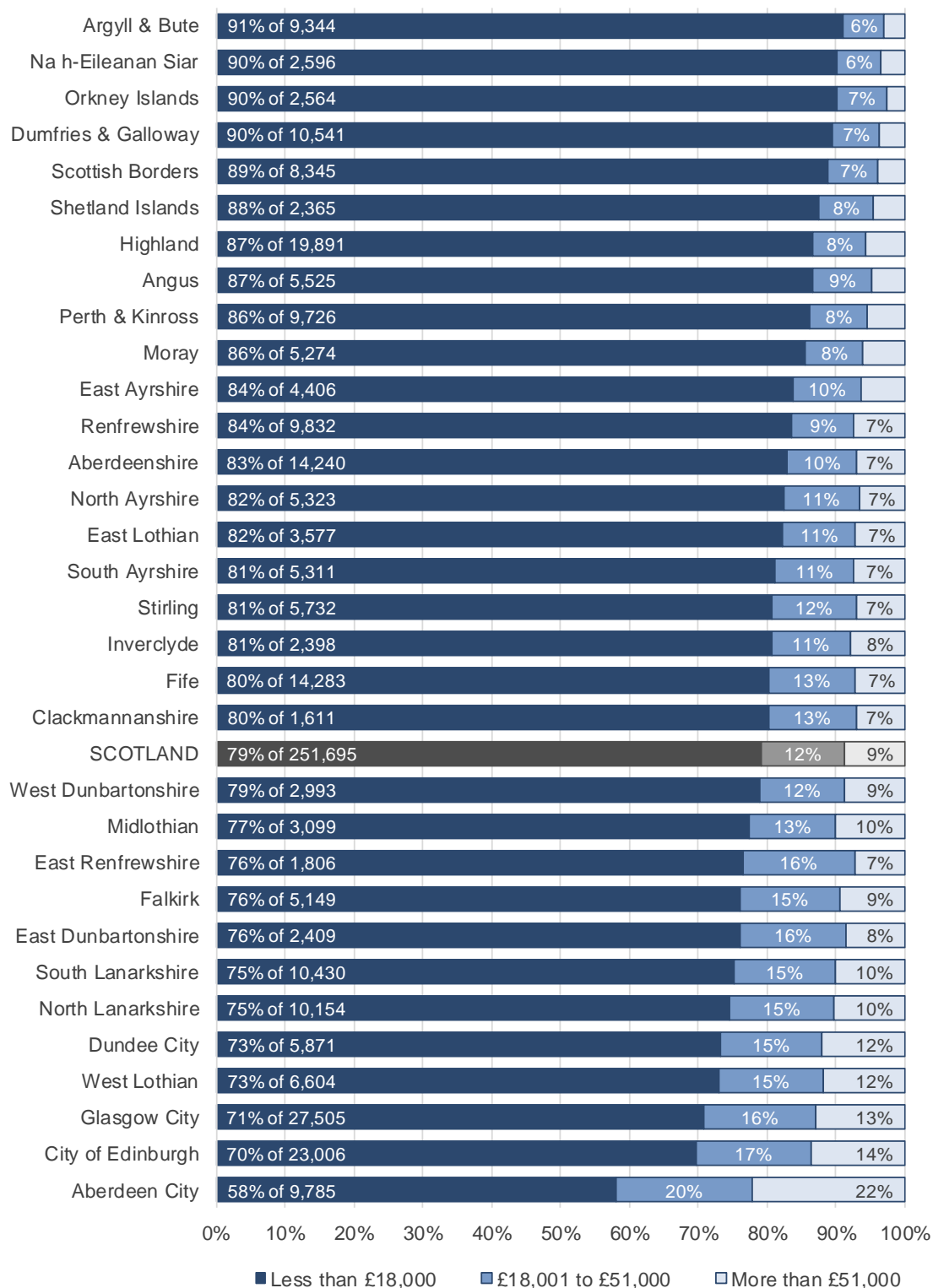
<sup>1</sup> Figures for 1 April 2019 are provided in Table 2.15a in the associated Excel file.

<sup>2</sup> Includes properties with a zero rateable value.

**Chart 2.10** provides a breakdown of properties on the Valuation Roll by local authority and RV band: up to £18,000; between £18,000 and £51,000; and above £51,000. These RV bands were significant in 2018-19 as £18,000 was the cut-off for businesses being eligible for the Small Business Bonus Scheme (SBBS), see Chapter 2.3.2.4, and £51,000 was the threshold above which the Large Business Supplement (LBS) was applied, see Chapter 2.3.2.2.

In Scotland, 79 per cent of non-domestic properties had a RV of less than £18,000. Twelve per cent had a RV between £18,000 and £51,000, and nine per cent had a RV higher than £51,000.

**Chart 2.10: NDR Properties at 1 April 2018 by Rateable Value Band and Local Authority**



**Source:** Scottish Assessors Valuation Roll

**Notes**

<sup>1</sup> Includes properties with a zero rateable value.

<sup>2</sup> Figures at 1 April 2019 are provided in the Chart 2.10a tab of the associated Excel file.

<sup>3</sup> Some percentages are not displayed for presentational purposes. Percentages for all bands by local authority are available in the 'Chart 2.10' tab of the associated Excel file.

In Argyll & Bute, 91 per cent of properties have a RV of less than £18,000, compared to 58 per cent of properties in Aberdeen City. Conversely, Aberdeen City has the highest proportion of properties with a RV of more than £51,000, at 22 per cent, while this figure is lowest in Argyll and Bute and Orkney at three per cent.

### 2.3.2.2 NDR Bills

**NDR bills** are calculated using the RV of the property, multiplied by a poundage set nationally by Scottish Ministers, less any relief or exemption entitlement.

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

In 2018-19 the Large Business Supplement (LBS) was applied to properties with an RV greater than £51,000 (the LBS threshold), in addition to the poundage; effectively increasing the poundage on these properties. The LBS was 2.6p in 2018-19<sup>6</sup>.

As NDR bills in Scotland are directly related to the RV of individual non-domestic properties, changes in the total RV occurring within a revaluation cycle, i.e. between revaluation years, impact on the amount of NDR available for collection, as shown in **Table 2.16**.

Since the last revaluation in 2017, the total RV has increased from £7.36 billion at 1 April 2017 to £7.44 billion at 1 April 2019. **Table 2.16** also shows that before the 2017 revaluation, the total RV had increased from £6.7 billion in April 2014 to £6.8 billion in April 2016. This was due to the net impact of several factors, including increases in the tax base from new properties or extensions of existing properties; and decreases as demolished properties are deleted from the Valuation Roll or as the RV is reduced as a result of appeals<sup>7</sup>.

Inflation, however, is a key driver of growth in NDR income as changes in the poundage rate, set nationally by Scottish Ministers<sup>8</sup>, have previously typically been tied to the Retail Price Index (RPI)<sup>9</sup>, other than in the first year of a revaluation.

At a revaluation, the poundage is reset by the Scottish Government, bearing in mind the resulting total RV change and the amount of revaluation appeals anticipated over the forthcoming cycle. In England, revenue-neutral revaluations are a statutory requirement, with the poundage generally decreasing in line with average RV increases, or vice versa. This is not the case in Scotland, with the 2017 revaluation and poundage actually leading to a decrease in anticipated revenue over the following cycle.

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<sup>6</sup> The LBS rate and threshold remained at these levels in 2019-20.

<sup>7</sup> Statistics on the revaluation appeals are published quarterly in the NDR Revaluation Appeals Statistics publication, available at [www.gov.scot/publications/non-domestic-rates-revaluation-appeals/](http://www.gov.scot/publications/non-domestic-rates-revaluation-appeals/)

<sup>8</sup> Since 2007-08, Scottish Ministers have committed to equalisation of the Scottish poundage rate with that in England, although in 2019-20 the poundage is 49.0p, which is around 0.1p less than for England.

<sup>9</sup> For 2018-19, the poundage was increased by the Consumer Price Index (CPI) to give a poundage of 48.0p, and for 2019-20 Scottish Ministers have set the poundage at 49.0p, a below inflation increase.

**Table 2.16** shows the RV increase from £6.8 billion to £7.4 billion between April 2016 and April 2017 – mainly as a result of revaluation, with a corresponding decrease in the poundage from 48.4p to 46.6p.

Exempt properties, which do not pay rates, and relief schemes, such as the SBBS, can significantly reduce the amount paid in NDR bills, and therefore the NDR income, see Chapter 2.3.2.4.

**Table 2.16: NDR Income, Total RV and Poundage Rate from 2014-15 to 2018-19**

	2014-15	2015-16	2016-17	2017-18 <sup>a</sup>	2018-19
NDR Income, £ millions <sup>2</sup>	2,511	2,579	2,731	2,762	2,847
Total RV, £ millions <sup>3</sup>	6,681	6,719	6,796	7,358	7,439
Poundage Rate, pence	47.1	48.0	48.4	46.6	48.0
LBS, pence <sup>4</sup>	1.1	1.3	2.6	2.6	2.6
LBS Threshold, £ <sup>4</sup>	35,000	35,000	35,000	51,000	51,000

**Source:** NDRI Audited Returns and Scottish Assessors Valuation Roll

**Notes**

<sup>1</sup> A revaluation occurred in 2017.

<sup>2</sup> Income figures are contributable income and, as such, they are net of reliefs awarded by the Scottish Government, but gross of any local reliefs, or top-ups to discretionary reliefs that the local authorities award themselves.

<sup>3</sup> As at the start of each financial year.

<sup>4</sup> The LBS is applied in addition to the poundage for properties with a high RV.

### 2.3.2.3 Rates Retention Schemes

There are currently two policy initiatives that directly link to the amount of NDR collected: the **Business Rate Incentivisation Scheme (BRIS)** and **Tax Incremental Financing (TIF)**.

**BRIS** was introduced from April 2012 to incentivise local authorities to maximise existing NDR income and attract new economic growth. BRIS allows all local authorities that exceed their annual NDR buoyancy target, the target percentage increase in their tax base, to benefit from receiving additional grant, equal to 50 per cent of any additional NDR income. In effect, this means that only 50 per cent of the additional NDR attributable to the increased buoyancy is deducted from the GRG. This increased funding is carried forward between revaluation years, with each year's increased funding being carried forward to the next year and added to any new retention awarded, assuming the previous year's income is maintained. In 2018-19, the amount of additional funding received under this scheme<sup>10</sup> was £8.8 million.

The Scottish Government is also piloting **TIF** which allows local authorities to fund public sector infrastructure, which unlocks private sector investment, contributing to sustainable and inclusive economic growth. This growth is funded from future incremental NDR income that will be generated as a result of attracting more businesses into the area because of the upfront public sector enabling investment.

<sup>10</sup> Figures as reported via local authorities' NDRI Audited Returns.

TIF is currently being piloted through secondary legislation under existing provisions of the Local Government Finance Act (1992) in four local authorities: Argyll & Bute, Falkirk, Fife and Glasgow. Of these four pilots, only Argyll & Bute and Falkirk reported TIF income in 2018-19. They retained a total of £1.7 million NDR income in 2018-19, compared to £1.5 million in 2017-18.

### 2.3.2.4 NDR Reliefs

There are a number of types of NDR relief that reduce the NDR bill for qualifying properties<sup>11</sup>. **Table 2.17** shows the amount of relief provided for the main types of relief available for each year between 2014-15 to 2018-19. Local reliefs and the elements of discretionary reliefs funded by local authorities are not included.

**Table 2.17: Amount of NDR Relief Provided from 2014-15 to 2018-19 by Relief Type, £ thousands** <sup>1, 2</sup>

	2014-15	2015-16	2016-17	2017-18	2018-19
Empty Property Relief	140,962	141,604	93,682	93,988	90,937
Charity Relief	181,242	189,312	201,215	214,418	218,977
Sports Club Relief	13,487	13,852	13,851	13,620	15,739
Disabled Rates Relief	59,648	60,599	61,498	61,511	64,354
SBBS	170,635	179,544	187,029	240,663	261,684
Religious Exemptions	26,113	26,625	27,014	26,303	27,129
Rural Relief	4,244	4,235	4,114	3,988	3,946
Renewable Energy Relief	9,280	9,545	647	1,279	7,399
New Start Relief	484	188	398	497	447
Fresh Start Relief	536	573	607	436	1,690
Transitional Relief				26,330	11,899
Day Nursery Relief <sup>3</sup>					9,604
BGA - Unoccupied New Build <sup>3</sup>					5,660
BGA - New Occupied & Improved <sup>3</sup>					11,207
Other <sup>4</sup>	221	422	730	1,104	1,161
<b>Gross Amount</b>	<b>606,852</b>	<b>626,497</b>	<b>590,784</b>	<b>684,137</b>	<b>731,835</b>

Source: NDRI Audited Returns

#### Notes

<sup>1</sup> Figures include mandatory and discretionary elements of relief where applicable, but exclude backdated payments of relief and local authorities' own contributions to reliefs.

<sup>2</sup> A breakdown of NDR reliefs provided in 2018-19 by local authority is provided in Table 2.17a in the associated Excel file.

<sup>3</sup> Day Nursery and Business Growth Accelerator (BGA) Reliefs were introduced in 2018.

<sup>4</sup> Other includes Hardship Relief, Enterprise Areas and District Heating Relief, and from 2018-19 also includes Mobile Mast Relief.

<sup>11</sup> More information on NDR reliefs can be found at [www.gov.scot/publications/local-government-finance-circular-5-2019-non-domestic-rates-relief-for-2019-2020/](http://www.gov.scot/publications/local-government-finance-circular-5-2019-non-domestic-rates-relief-for-2019-2020/). An annual NDR Reliefs publication was introduced in October 2019. This first publication details the reliefs awarded at the snapshot date of 31 May 2019 and is available at [www.gov.scot/publications/Non-domestic-rates-relief-statistics/](http://www.gov.scot/publications/Non-domestic-rates-relief-statistics/).

The gross amount of relief provided has increased substantially from £607 million in 2014-15 to £732 million in 2018-19. Key reasons for this increase in total relief costs include:

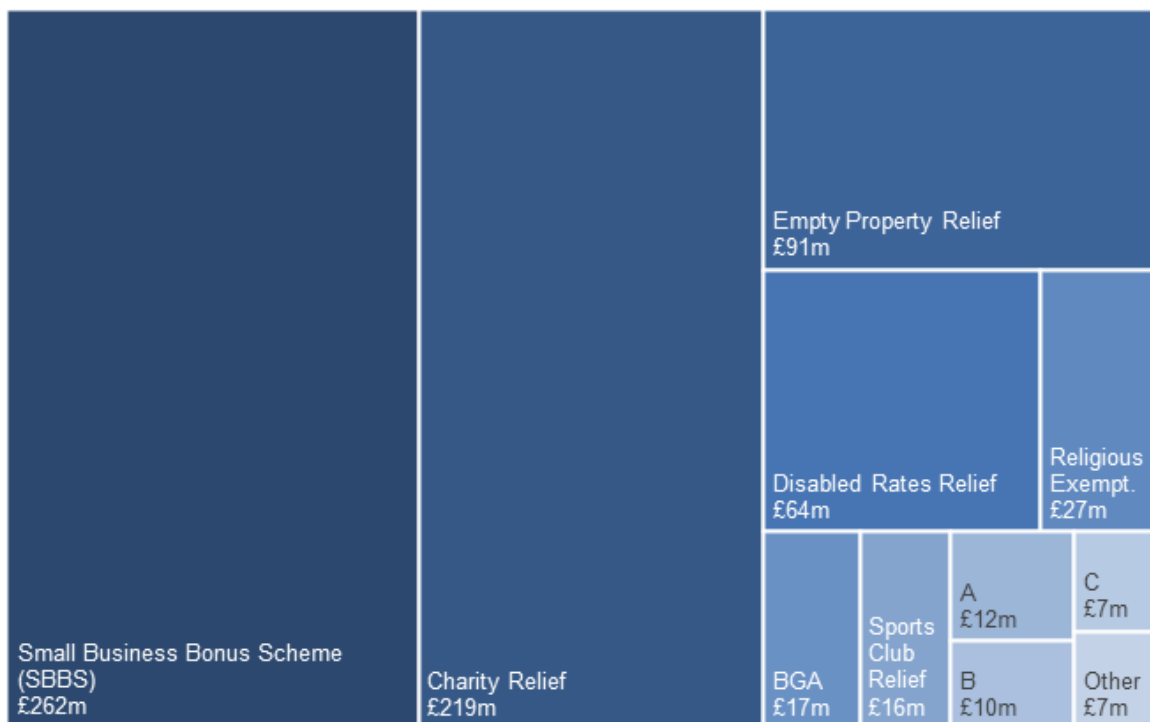
- changes to the poundage;
- changes to the tax base due to recent growth in overall RV and increase in overall RV at revaluation;
- changes in relief entitlement;
- an increased awareness of relief schemes; and
- the introduction of new reliefs.

For example, the SBBS has been expanded in recent years and awareness of the scheme has increased, both of which will have contributed to the rise in cost of SBBS.

Following the 2017 revaluation, a transitional relief scheme was introduced for pubs, hotels and restaurants with a RV below £1.5 million, and for offices in Aberdeen City and Aberdeenshire. A relief for day nurseries and the Business Growth Accelerator relief for new and improved property were both introduced in 2018.

**Chart 2.11** shows the values of reliefs awarded during 2018-19. The SBBS and Charity relief, including the mandatory relief and the part of the discretionary relief which is funded by the Scottish Government, together accounted for £481 million, or around two thirds of the total amount of reliefs awarded.

**Chart 2.11: Value of NDR Reliefs in 2018-19**



**Source:** NDRI Audited Returns

**Notes**

A = Transitional Relief; B = Day Nursery Relief; C = Renewable Energy Relief



## 2.4 Surplus / Deficit to be met from Reserves

A **surplus (-)** occurs when a local authorities revenue expenditure is **lower** than the amount of service income and general funding available to them. A surplus is added to a local authorities' reserves and carried forward to the next year.

A **deficit (+)** occurs when a local authorities revenue expenditure is **higher** than the amount of service income and general funding available to them. Any deficit must be met from a local authorities' reserves.

The HRA reserve is not permitted to show a deficit at the end of the financial year and if this occurs, local authorities are required to transfer funds from the General Fund to cover this deficit.

**Table 2.18** sets out the movement in the General Fund and HRA reserves in 2018-19. Local authorities held £1,638 million between their General Fund and HRA reserves at 1 April 2018.

In 2018-19 local authorities' revenue expenditure exceeded its income and this resulted in a **deficit** of £53 million across the General Fund and HRA. Local authorities transferred £48 million into the General Fund and HRA from other reserves held by the authority.

This meant that, overall, the General Fund and HRA decreased by £4 million in 2018-19, giving a reserve balance of £1,634 million at 31 March 2019 between the General Fund and HRA.

More information on local authorities' reserves is provided in Chapter 4.1.

**Table 2.18: Movement in General Fund and HRA Reserves in 2018-19, £ millions**

	General Fund <sup>1</sup>	Housing Revenue Account	Total
<b>Balance as at 1 April 2018 <sup>a</sup></b>	<b>-1,461</b>	<b>-177</b>	<b>-1,638</b>
<b>Add: Surplus (-) or Deficit (+) for 2018-19</b>	33	19	53
<b>Add: Movements between Reserves <sup>2</sup></b>	-29	-19	-48
<b>Balance as at 31 March 2019</b>	<b>-1,457</b>	<b>-177</b>	<b>-1,634</b>

**Source:** LFR 23

### Notes

<sup>1</sup> Amounts relating to Harbour Accounts for Orkney and Shetland are included in the General Fund column of this table.

<sup>a</sup> This excludes amounts relating to unrealised gains that have been included in the General Fund or HRA under IFRS 9.

<sup>2</sup> Net movements in are shown as a negative; net movements out are shown as a positive.

### 3. Capital Expenditure and Financing

Capital expenditure is expenditure that creates an asset, extends the life of an asset, or increases the value of an asset. It creates the buildings and infrastructure necessary to provide services, such as schools, care homes, flood defence, roads, vehicles, plant and machinery. Capital expenditure also includes:

- grants a local authority provides to a third party to fund capital expenditure of the third party;
- direct expenditure on a third parties' assets; and
- loans to third parties to support capital investment of the third party where this is financed either from capital grant or borrowing, i.e. from capital resources.

Capital expenditure can be financed by one or more of the following:

- capital grants and contributions;
- borrowing or credit arrangements;
- contributions from capital or revenue reserve funds;
- capital receipts from the sale of assets.

Due to the nature of capital expenditure, it can fluctuate substantially between years.

Local authorities also hold capital reserves, more information on these is provided in Chapter 4.1.

#### 3.1 Capital Expenditure

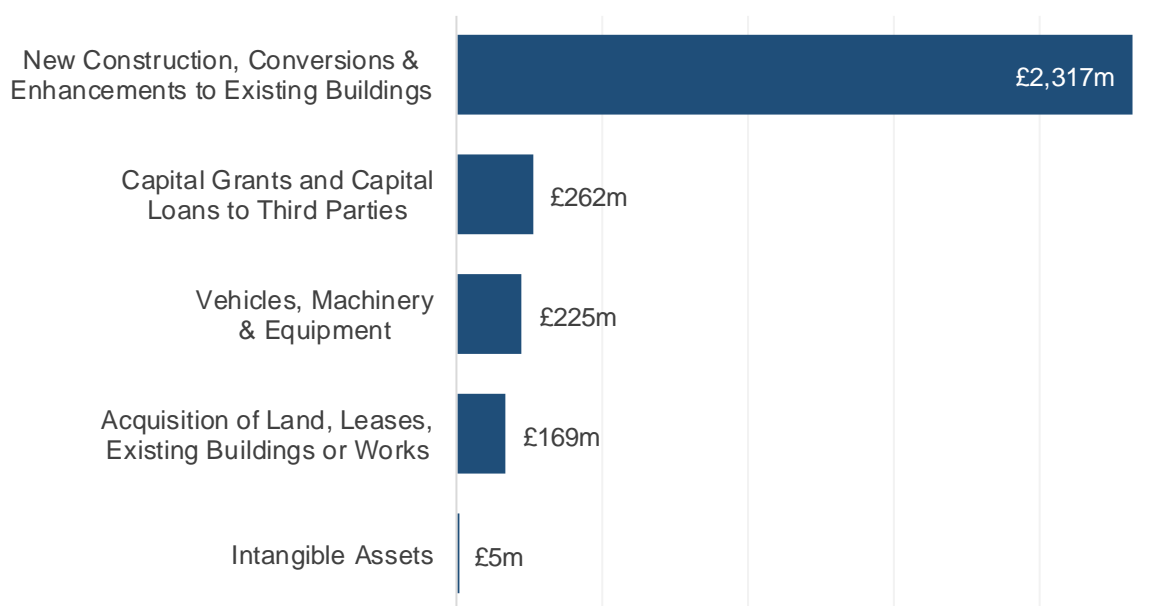
In 2018-19, total capital expenditure was £2,977 million, which is consistent with expenditure of £2,984 million in 2017-18. Capital expenditure of local authorities can be grouped into four categories:

- acquisition of land, leases, existing buildings or works;
- new construction, conversions and enhancement to existing buildings;
- vehicles, machinery and equipment;
- intangible assets (see Chapter 4.2).

Capital grants, direct expenditure and capital loans to third parties makes up a further, fifth category of capital expenditure.

**Chart 3.1** shows the split of capital expenditure into these five categories in 2018-19. The majority of capital expenditure, £2,317 million or 78 per cent, related to new construction, conversions & enhancements to existing buildings.

**Chart 3.1: Capital Expenditure in 2018-19 by Expenditure Type, £ millions**



Source: CR Final

Table 3.1 shows the breakdown of capital expenditure between 2014-15 and 2018-19. New construction, conversions and enhancements to existing building has consistently accounted for the majority of capital expenditure over this period.

**Table 3.1: Capital Expenditure from 2014-15 to 2018-19 by Expenditure Type, £ millions <sup>1</sup>**

	2014-15	2015-16	2016-17	2017-18	2018-19
Acquisition of Land, Leases, Existing Buildings or Works	64	58	233	363	169
New Construction, Conversions & Enhancements to Existing Buildings	1,949	2,097	2,358	2,255	2,317
Vehicles, Plant, Machinery & Equipment	174	183	193	185	225
Intangible Assets	14	6	10	5	5
Capital Grants and Capital Loans to Third Parties	199	192	168	177	262
<b>Total Capital Expenditure</b>	<b>2,400</b>	<b>2,535</b>	<b>2,962</b>	<b>2,984</b>	<b>2,977</b>

Source: CR Final

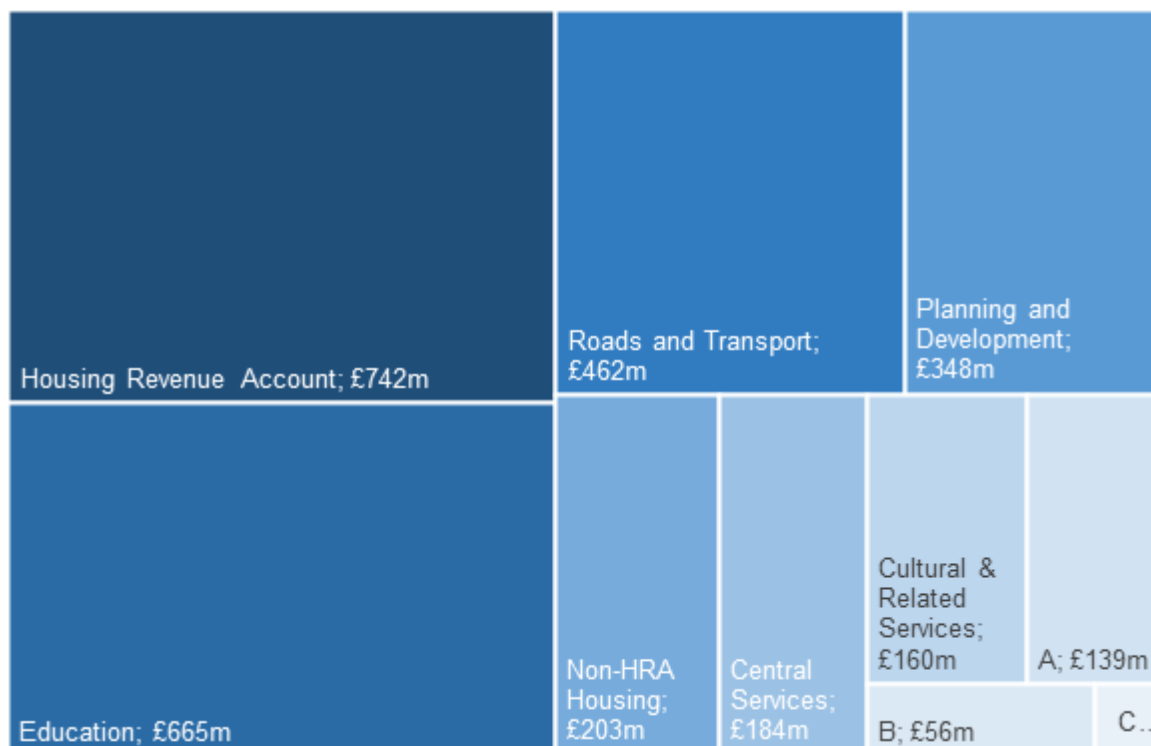
**Notes**

<sup>1</sup> The 2018-19 figure split by General Fund and HRA are available in tab Chart 3.1 in the associated Excel file.

### 3.3.1 Capital Expenditure by Service

**Chart 3.2** shows capital expenditure in 2018-19 by service. HRA had the largest share of expenditure at £742 million, followed by Education with £665 million. Together these services account for almost half, 47 per cent, of capital expenditure. Trading Services had the smallest share at only £18 million, or one per cent of total expenditure.

**Chart 3.2: Capital Expenditure in 2018-19 by Service, £ millions**



**Source:** CR Final

**Notes**

A = Environmental Services

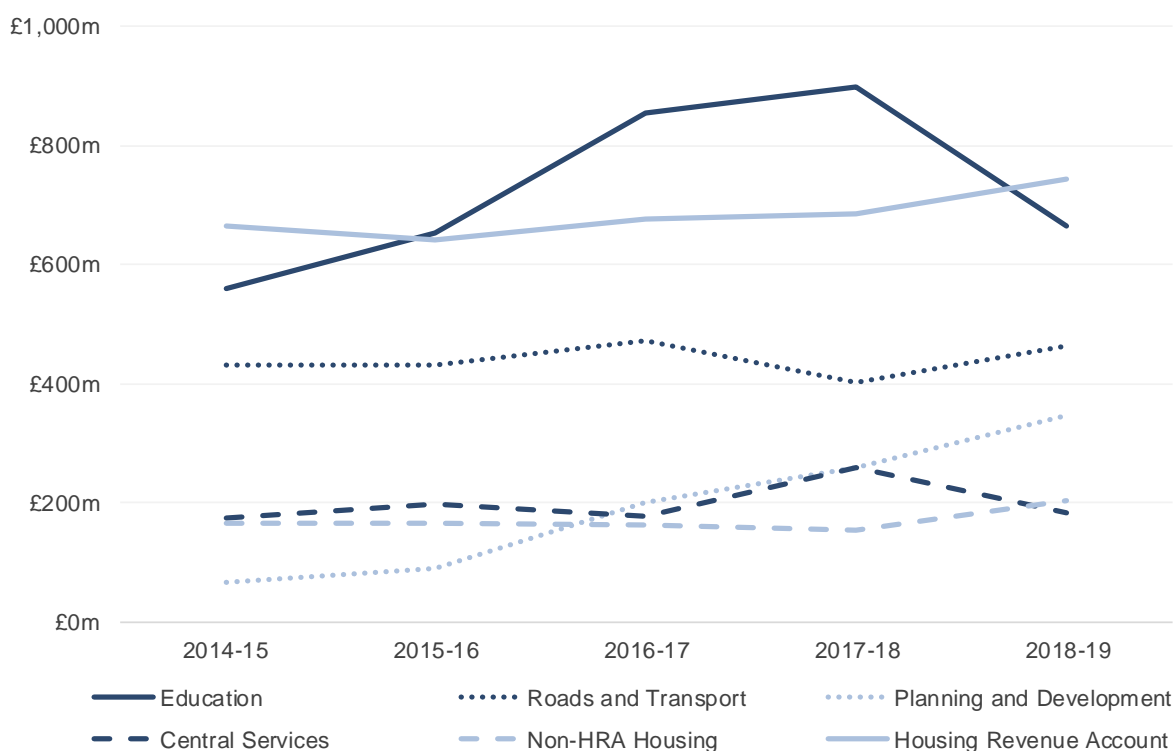
B = Social Work

C = Trading Services, £18m

**Chart 3.3** shows capital expenditure for 2014-15 to 2018-19 for each service that accounts for more than five per cent of total expenditure to be met from capital resources. Expenditure on both HRA and Planning and Development services has shown continued increases from 2015-16 and 2016-17 respectively.

Capital expenditure on Education has decreased by 26 per cent from £899 million in 2017-18 to £665 million in 2018-19. This follows increases in expenditure in each of the prior four years and so the decrease likely reflects the end of a programme of capital investment in Education.

**Chart 3.3: Capital Expenditure from 2014-15 to 2018-19 by Service, £ millions <sup>1</sup>**



**Source:** CR Final

**Notes:**

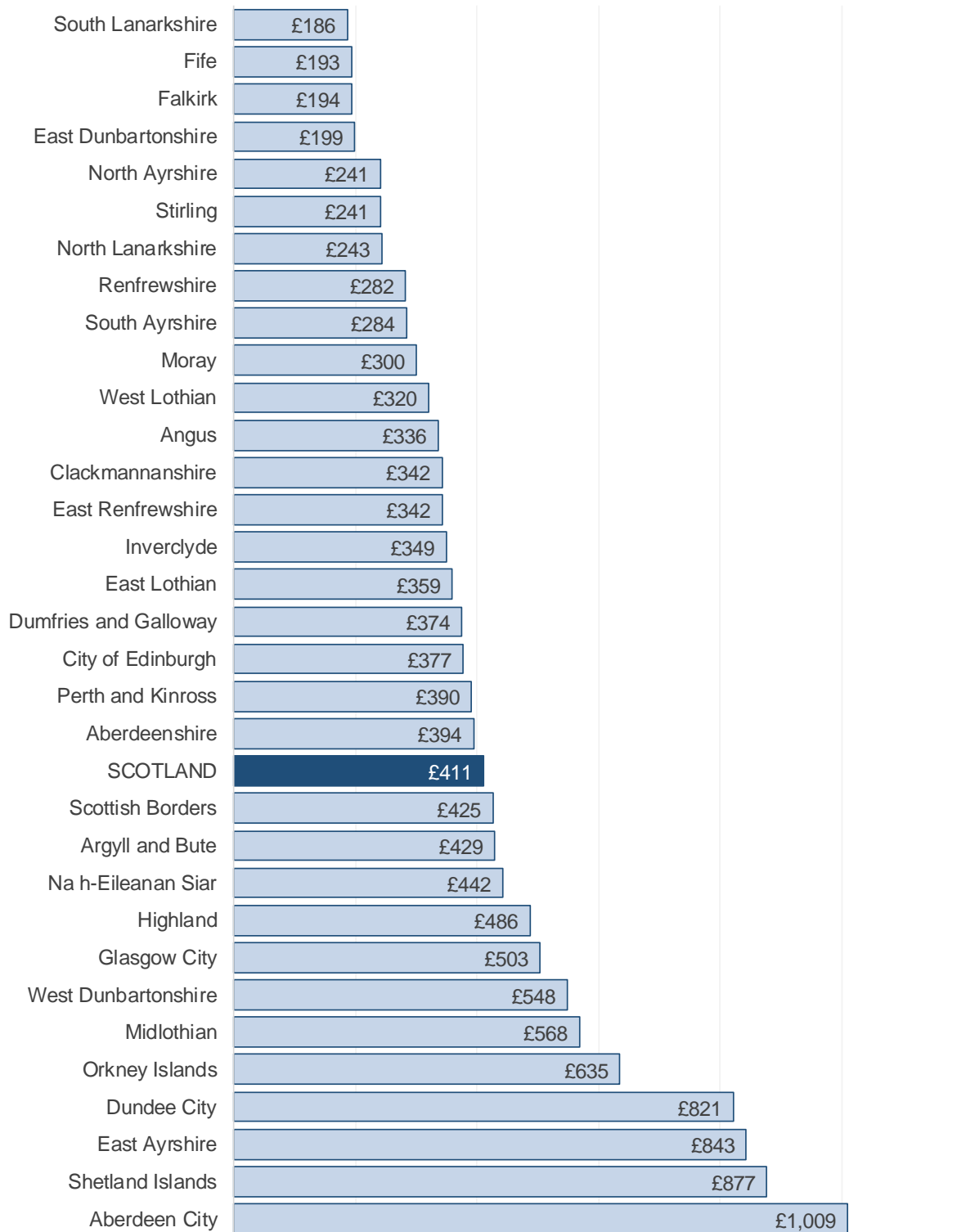
<sup>1</sup> This chart excludes expenditure relating to Culture and Related Services, Social Work, Environmental Services and Trading Services as they each make up five per cent or less of the total capital expenditure in 2018-19. Figures for these services are available in tab 'Chart 3.3' in the associated Excel file.

### 3.1.2 Capital Expenditure by Local Authority

In any given year, capital expenditure per person 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 can be highly variable as some projects can be high-value and infrequent, and expenditure per head in local authority areas will move, possibly substantially, from year to year as projects begin or wind down.

**Chart 3.4** shows capital expenditure on General Fund services per person by council. VJBs, RTPs and Tay Road Bridge have been excluded from this analysis. In 2018-19, the average capital expenditure per person for Scotland was £411, a decrease from £424 per person in 2017-18. Spend per person ranged from £186 per person in South Lanarkshire to £1,009 per person in Aberdeen City.

**Chart 3.4: General Fund Capital Expenditure in 2018-19 by Council, £ per person**

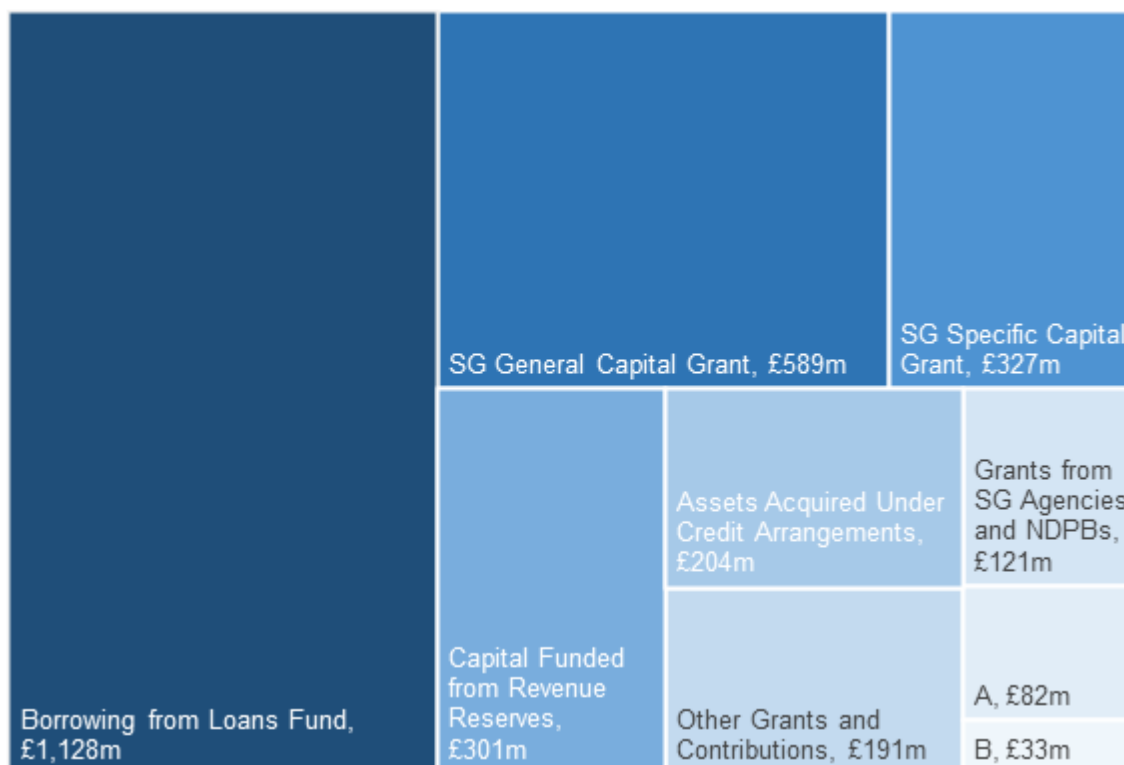


**Source:** CR Final, Mid-Year Population Estimates

### 3.2 Capital Financing

**Chart 3.5** shows how local authorities financed their capital expenditure in 2018-19. Borrowing from the Loans Fund was used to finance £1,128 million, almost two-fifths, of expenditure to be met from capital resources. Scottish Government General Capital Grant and Specific Capital Grant together were used to finance £916 million, just under one-third of expenditure. A total of £301 million, ten per cent, of expenditure was funded from revenue reserves.

**Chart 3.5: Capital Financing in 2018-19 by Source, £ millions**



**Source:** CR Final, Mid-Year Population Estimates

**Notes:**

A = Capital Receipts Used from Asset Sales / Disposals

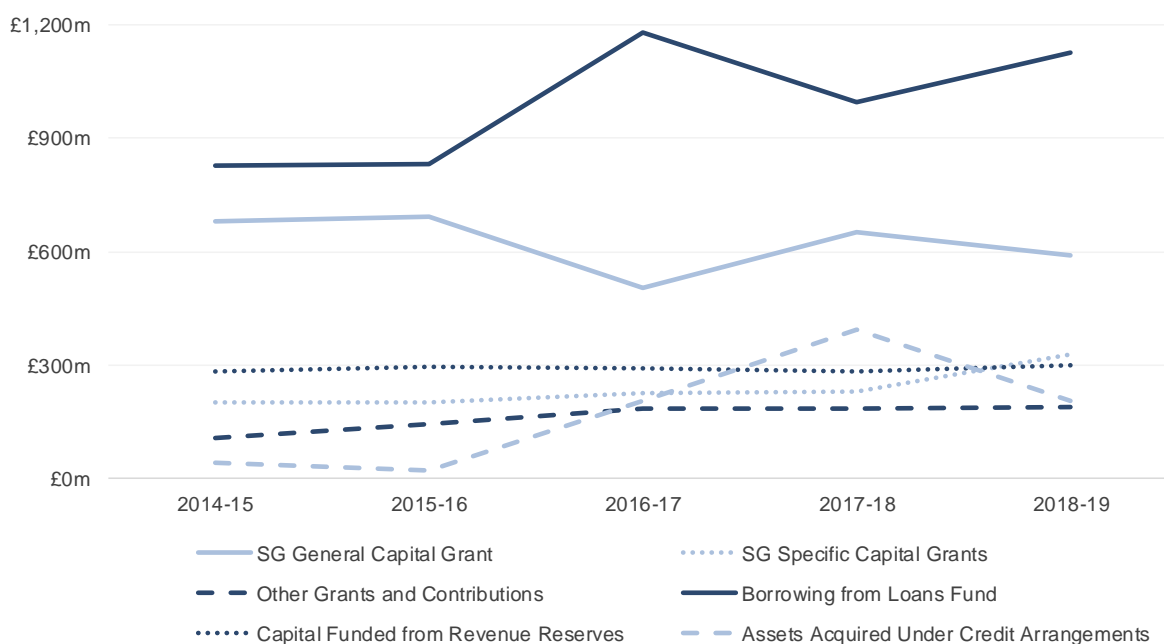
B = Capital Reserves (Capital Fund)

**Chart 3.6** shows capital financing by type from 2014-15 to 2018-19. Borrowing has consistently been the largest source of funding across this period. The fluctuations in borrowing reflect the nature of capital and can be influenced by the type of expenditure being undertaken in each year.

Scottish Government General Capital Grant has consistently been the second largest source of funding in this five year period. It should be noted that reprofiling of capital funding was agreed between the Scottish Government and CoSLA and this has impacted the following figures: the 2014-15 figure includes an additional £120 million, reprofiled from 2012-13; the 2015-16 figure includes an additional £94.2 million, reprofiled from 2013-14; the 2016-17 figure excludes £150 million that has been reprofiled and included in the 2019-20 capital settlement.

Financing from assets acquired under credit arrangements decreased in 2018-19, following a notable two year increase between 2015-16 and 2017-18.

**Chart 3.6: Capital Financing from 2014-15 to 2018-19 by Source, £ millions** <sup>1, 2</sup>



**Source:** CR Final

**Notes**

<sup>1</sup> This chart excludes financing from grants from SG Agencies and NDPBs; Capital Receipts used from Asset Sales / Disposals; and Capital Reserves as they each make up five per cent or less of total capital financing in 2018-19. Figures for these services are available in tab 'Chart 3.6' in the associated Excel file.

<sup>2</sup> Borrowing from the Loans Fund includes borrowing used to fund grants to third party capital projects. This will be also counted under revenue income.

**3.2.1 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 specific or 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 additional income from changes to council tax discounts on second homes and long-term empty properties.

As shown in **Chart 3.6**, Scottish Government specific capital grants have remained largely stable between 2014-15 and 2017-18, with a more notable increase between 2017-18 and 2018-19. This is because a specific capital grant of £150 million for Early Years Expansion was first paid to local authorities in 2018-19. Other grants and contributions have remained largely stable since 2016-17 and the trend for the Scottish Government General Capital Grant is discussed in Chapter 3.2.



### 3.2.2 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 debt.

Local authorities can also hold capital receipts for future use which means the value of capital receipts received may not equal the amount of capital receipts used. [Table 3.2](#) provides a summary of capital receipts for 2018-19.

**Table 3.2: Capital Receipts Summary for 2018-19, £ thousands <sup>1</sup>**

	General Fund	HRA	Total
Capital Receipts brought forward at 1 April 2018	99,798	8,400	108,198
Capital Receipts from the sale / disposal of Fixed Assets	92,384	18,908	111,292
<b>Total Capital Receipts Available for Use</b>	<b>192,182</b>	<b>27,308</b>	<b>219,490</b>
Capital Receipts used to Finance Capital Expenditure	63,352	18,527	81,879
Capital Receipts used to Repay Debt	17,369	142	17,511
Capital Receipts transferred to the Capital Grants and Receipts Unapplied Account	2,026	0	2,026
Capital Receipts transferred to Capital Fund	10,701	0	10,701
<b>Capital Receipts Held at 31 March 2019</b>	<b>98,734</b>	<b>8,639</b>	<b>107,373</b>

Source: CR Final

#### Notes

<sup>1</sup> A breakdown of capital receipts held at 31 March from 2014-15 to 2018-19 by service is available in [Table 3.2a](#) in the associated Excel file.

Local authorities brought forward a balance of £108 million of capital receipts at 1 April 2018. A further £111 million of capital receipts were raised during the year, giving a total of £219 million of capital receipts available for use during 2018-19.

The main use of capital receipts in 2018-19 was to finance capital expenditure, accounting for £82 million. A total of £18 million of capital receipts was used to repay debt and a further £13 million of capital receipts was transferred to other capital reserves. This resulted in a capital receipts balance of £107 million at 31 March 2019.

### 3.2.3 Borrowing and Credit Arrangements

Local authorities can borrow to fund capital expenditure, either through the borrowing of money or by way of a credit arrangement, such as a lease. The cost of repaying debt, including the interest costs, is expenditure to the revenue accounts. The costs of servicing debt in 2018-19 are provided in [Table 2.5](#) which shows the cost of repayments and interest payable.

The Local Government (Scotland) Act 1973 provides councils with a general power to borrow money. Other local authorities' powers are set out in legislation specific to that authority. The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 sets out the purposes for which a local authority may borrow.

**Table 3.3** provides a summary of borrowing and credit arrangements in 2018-19. Local authorities determined they would fund £1,128 million of capital expenditure from borrowing in 2018-19, an increase of 13 per cent from £998 million in 2017-18. In 2018-19, local authorities also entered into credit arrangements, recognising debt of £204 million, a decrease of 48 per cent from £394 million in 2017-18.

The majority of borrowing relates to the General Fund, with only £314 million Loans Fund advances for capital expenditure relating to the HRA.

**Table 3.3: Borrowing and Credit Arrangement Summary for 2018-19, £ million** <sup>1</sup>

	General Fund	HRA	Total
Advances for Capital Expenditure <sup>2</sup>	790	314	1,103
Advances for Consented Borrowing	25	0	25
<b>Total Loans Fund Borrowing</b>	<b>814</b>	<b>314</b>	<b>1,128</b>
Credit Arrangements	204	0	204
<b>Total Borrowing and Credit Arrangements</b>	<b>1,018</b>	<b>314</b>	<b>1,332</b>

Source: CR Final

**Notes**

<sup>1</sup> Figures for 2014-15 to 2018-19 are available in Table 3.3a in the associated Excel file.

<sup>2</sup> Advances for Capital Expenditure includes borrowing from the loans fund used to fund grants to third party capital projects. Local authorities may have also included this within their revenue figures.

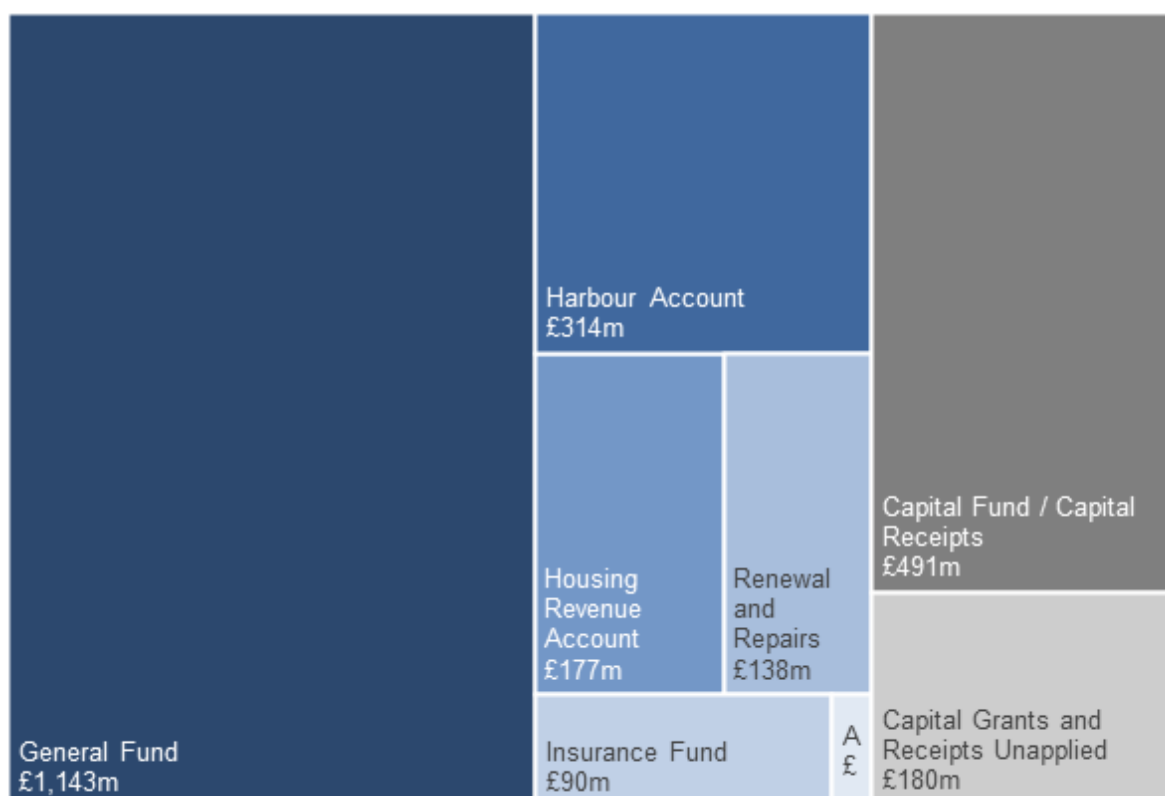
Trends for borrowing from the Loans Fund and credit arrangements between 2014-15 and 2018-19 are shown in **Chart 3.6** and discussed in Chapter 3.2.

## 4. Reserves and Fixed Assets

### 4.1 Reserves

**Usable reserves** reflect a local authorities' accumulation of surplus income that can be used to finance future revenue or capital expenditure on services. **Chart 4.1** shows the total usable reserves at 31 March 2019, by fund.

**Chart 4.1: Usable Reserves at 31 March 2019, £ millions**



**Source:** LFR 23

**Notes**

A = Other Statutory Funds, £12m

The **General Fund** is the principle usable revenue reserve of the local authority. Any **deficit** in a local authorities' revenue accounts is met from their General Fund, and any **surplus** is added to the General Fund reserve. The General Fund therefore reflects a local authority's accumulation of surplus income that can be used to finance future revenue expenditure on services or to fund future capital expenditure.

The Orkney County Council Act 1974 and the Zetland County Council Act 1974 require Orkney and Shetland to also hold a **Harbour Account**, a separate account and reserve fund specifically for harbour undertakings. Orkney and Shetland are also able to transfer money between their General Fund and their Harbour Accounts.

Where a local authority has housing, the accumulation of surplus income relating to housing is separately identified as a **Housing Revenue Account (HRA)** reserve.

In addition to the General Fund a local authority may also hold other statutory usable revenue reserves, such as a **Renewal and Repairs Fund** or an **Insurance Fund**, or other specific reserves local to a local authority as permitted by legislation. Amounts will be transferred to and from the General Fund to these reserves.

Local authorities hold two **capital reserves** – Capital Fund / Capital Receipts Reserve and a Capital Grants and Receipts Unapplied Account. The Capital Fund and Capital Receipts Reserve were previously identified separately but are treated as a single reserve.

The **Capital Fund / Capital Receipts Reserve** may be used for the purpose of meeting the cost of capital expenditure and for the repayment of principal on loans, but not any interest on loans.

The **Capital Grants Unapplied Account** holds capital grant that has been received but not yet used to fund capital expenditure, or capital receipts held pending their release on specific expenditure as permitted by Scottish Ministers.

Local authorities also hold a number of **unusable reserves**, that is reserves which are not backed by cash resources and cannot be used to fund services. Unusable reserves include a Revaluation Reserve, where increases in the value of fixed assets are recorded. This reserve is not usable as an increase in value of an asset will not be realised until the asset is sold. Other unusable reserves include sums deferred or set aside as statutory adjustments which are used to ensure the Annual Accounts of a local authority reconcile to statutory requirements. As these are unusable reserves, they are not discussed in this publication. However this data is collected as part of the Local Financial Returns and is available in the published LFR 23 workbook.

A change in accounting practice in 2018-19 has resulted in unrealised gains in the value of investments held by local authorities being included in the General Fund / HRA reserve balance, rather than in an unusable reserve as before. This gain is unrealised as the investment is still held and any gain will only be realised if the investment is sold. The unrealised gain is therefore required to be earmarked and is not available to fund future revenue expenditure or to fund capital investment. The value of usable reserves presented in this publication therefore exclude any unrealised gains held as part of the General Fund / HRA balances.

**Table 4.1** sets out the movements across all reserves. Figures relating to the General Fund and HRA were also presented in Chapter 2.4.

Local authorities had a decrease of £55 million on their revenue reserves, and an increase of £28 million on their capital reserves in 2018-19. This means local authorities' usable reserves decreased by £27 million overall, from £2,573 million at 1 April 2018 to £2,546 million at 31 March 2019.

**Table 4.1: Movements in Usable Reserves in 2018-19, £ millions**

	Level of Reserves held at 1 April 2018 <sup>a</sup>	Movements in year		Overall Increase (-) or Decrease (+) in year	Level of Reserves held at 31 March 2019
		Surplus (-) or Deficit (+) on Provision of Services	Movement between Revenue Reserves		
<b>Revenue Reserves</b>					
General Fund	-1,161	62	-44	18	-1,143
Housing Revenue Account	-177	19	-19	0	-177
Harbour Account	-300	-29	15	-14	-314
Renewal and Repairs	-172	0	34	34	-138
Insurance Fund	-88	0	-3	-3	-90
Other Statutory Funds	-31	0	19	19	-12
<b>Total Revenue Reserves</b>	<b>-1,929</b>	<b>53</b>	<b>2</b>	<b>55</b>	<b>-1,874</b>
<b>Capital Reserves</b>					
Capital Fund / Capital Receipts	-497	12	-6	6	-491
Capital Grants and Receipts Unapplied	-147	-38	4	-33	-180
<b>Total Capital Reserves</b>	<b>-644</b>	<b>-26</b>	<b>-2</b>	<b>-28</b>	<b>-671</b>
<b>Total Usable Reserves</b>	<b>-2,573</b>	<b>27</b>	<b>0</b>	<b>27</b>	<b>-2,546</b>

Source: LFR 23

**Notes**

<sup>a</sup> This excludes amounts relating to unrealised gains that have been included in revenue reserves under IFRS 9.

**Table 4.2** sets out the level of reserves held by all local authorities in Scotland at 31 March from 2014-15 to 2018-19. Usable reserves have increased by 5.3 per cent over this period, from £2,417 million 2014-15 to £2,546 million in 2018-19. This has largely been driven by an increase of 24.7 per cent in capital reserves. Revenue reserves have shown little change, decreasing by only 0.2 per cent between from £1,879 million 2014-15 to £1,874 million 2018-19.

**Table 4.2: Level of Usable Reserves held at 31 March from 2014-15 to 2018-19, £ millions**

	2014-15	2015-16	2016-17	2017-18 <sup>a</sup>	2018-19 <sup>b</sup>	% change between 2014-15 & 2018-19
<b>Revenue Reserves</b>						
General Fund	-1,137	-1,193	-1,178	-1,153	-1,143	0.5%
HRA	-130	-142	-169	-177	-177	36.3%
Harbour Account <sup>1</sup>	n/a	n/a	-312	-312	-314	n/a
Renewal and Repairs	-176	-201	-171	-172	-138	-21.6%
Insurance Fund	-86	-85	-84	-88	-90	4.6%
Other Statutory Funds <sup>1</sup>	-349	-282	-20	-32	-12	n/a
<b>Total Revenue Reserves</b>	<b>-1,879</b>	<b>-1,903</b>	<b>-1,934</b>	<b>-1,935</b>	<b>-1,874</b>	<b>-0.2%</b>
<b>Capital Reserves</b>						
Capital Fund / Capital Receipts	-466	-578	-522	-491	-491	5.3%
Capital Grants and Receipts Unapplied	-72	-50	-45	-147	-180	150.1%
<b>Total Capital Reserves</b>	<b>-538</b>	<b>-628</b>	<b>-567</b>	<b>-638</b>	<b>-671</b>	<b>24.7%</b>
<b>Total Usable Reserves</b>	<b>-2,417</b>	<b>-2,531</b>	<b>-2,501</b>	<b>-2,573</b>	<b>-2,546</b>	<b>5.3%</b>

Source: LFR 23

**Notes**

<sup>a</sup> As these figures are the closing reserve figures taken from the 2017-18 LFR, they may not match exactly to the opening reserve figures provided in Table 4.1 which have come from the 2018-19 LFR. Discrepancies between LFRs could be for a number of reasons, including where local authorities have restated their accounts or have made an error in their prior LFR.

<sup>b</sup> This excludes amounts relating to unrealised gains that have been included in revenue reserves under IFRS 9.

<sup>1</sup> Figures specifically relating to the Harbour Account were not collected in returns prior to 2016-17, they were instead included in the Other Statutory Fund figures.

## 4.2 Fixed Assets

Capital expenditure creates local authority assets. **Operational assets** are assets a local authority can use when providing services, such as a school, council houses, vehicles etc. **Non-operational assets** are assets that a local authority cannot currently utilise, for example an asset that is still under construction or an asset that is being held for disposal. **Intangible assets** are non-physical assets, such as computer software.

The value of local authority fixed assets from 2014-15 to 2018-19 is shown in **Table 4.3**. The total value of fixed assets in 2018-19 was £46,182 million, an increase of 6.3 per cent from £43,456 million in 2017-18.

**Table 4.3: Value of Fixed Assets at 31 March from 2014-15 to 2018-19, £ millions <sup>1</sup>**

	2014-15	2015-16	2016-17	2017-18	2018-19	% change between 2017-18 & 2018-19
Operational Assets	37,953	39,116	40,258	41,620	44,242	6.3%
Non-Operational Assets	1,389	1,523	1,810	1,780	1,875	5.4%
Intangible Assets	52	48	51	56	65	17.1%
<b>Total Assets</b>	<b>39,394</b>	<b>40,687</b>	<b>42,120</b>	<b>43,456</b>	<b>46,182</b>	<b>6.3%</b>

**Source:** CR Final

### Notes

<sup>1</sup> A detailed breakdown of fixed asset values between 2014-15 and 2018-19 is provided in Table 4.3a in the associated Excel file.

Almost all of local authorities' fixed assets, 95.8 per cent, are operational assets and the value of these has increased every year since 2014-15. There has been a total increase in value of operational assets of 16.6 per cent over this five year period from £37,953 million in 2014-15 to £44,242 million in 2018-19.

## 5. Debt

When a local authority borrows money or uses a credit arrangement to finance capital expenditure a debt liability is created that the local authority has to repay from future revenues.

**Total debt** across local authorities at 31 March 2019 was £18,214 million, an increase of 3.8 per cent from £17,551 million at 1 April 2018. **Table 5.1** provides a summary of debt in 2018-19.

**Table 5.1: Total Debt at 31 March 2019, £ millions**

	General Fund	Housing Revenue Account	Total
Loans Fund Advances Outstanding	11,295	3,754	15,049
Credit Arrangements	3,163	2	3,165
<b>Total Debt</b>	<b>14,458</b>	<b>3,757</b>	<b>18,214</b>

Source: CR Final

Total General Fund debt was £14,458 million on 31 March 2019, an increase of 3.5 per cent from £13,974 million at 1 April 2018. This equates to £2,659 per person, an increase of £83 from £2,576 per person on 1 April 2018.

Total HRA debt was £3,757 million on 31 March 2019, an increase of 5.0 per cent from £3,577 million at 1 April 2018. This equates to £12,070 per HRA dwelling, an increase of £537 from £11,533 per HRA dwelling on 1 April 2018.

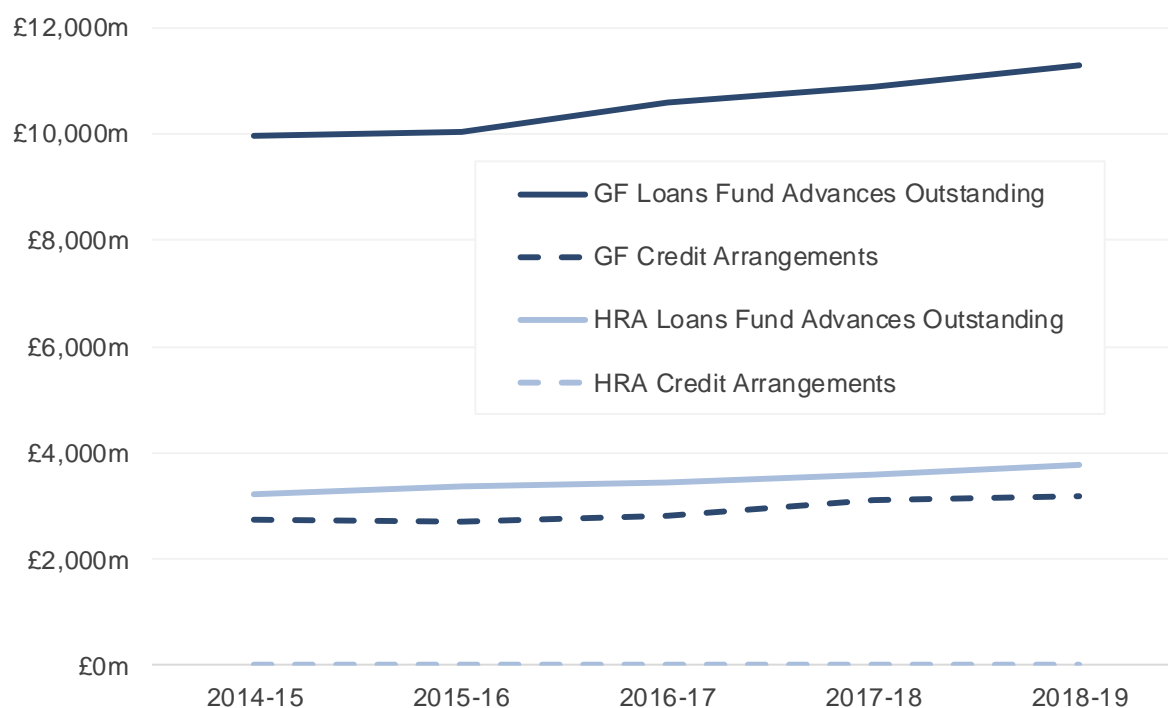
**Chart 5.1** shows total debt at 31 March from 2014-15 to 2018-19 by type of debt and split by General Fund and HRA. Total debt has increased by 14.3 per cent over this time period, from £15,932 million in 2014-15 to £18,214 million in 2018-19.

This increase has been reflected proportionately across the types of debt and between the General Fund and HRA, with the split of these four categories consistent across the five year period. The General Fund Loans Fund advances outstanding is the largest component and has accounted for just over three-fifths of total debt in each year between 2014-15 and 2018-19.

More information on the types of debt shown in **Table 5.1** and **Chart 5.1** is provided in Chapters 5.1.1 and 5.1.2.



**Chart 5.1: Total Debt at 31 March from 2014-15 to 2018-19, £ millions**



Source: CR Final

## 5.1 Loans Fund

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 require 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 are the amount to be met in each financial year from a local authorities' revenue accounts.

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 a Loans Fund will **decrease** when Loans Fund Advances are repaid by making a charge to the General Fund or HRA. The balance on a Loans Fund at 31 March each year represents the amount of past expenditure a local authority has liability to fund from its future revenue budgets.

A local authority will borrow externally to fund the advances made from the Loans Fund. The balance on the Loans Fund should be similar to the value of external borrowing but there may be legitimate 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.

**Table 5.2** provides a summary of local authorities' Loans Funds in 2018-19. The overall value of the Loans Fund across all local authorities at 31 March 2019 was £15,049 million, an increase of 4.1 per cent from £14,457 million at 1 April 2018.

**Table 5.2: Loans Funds Advances Outstanding in 2018-19, £ millions <sup>1</sup>**

	General Fund	Housing Revenue Account	Total
Loans Fund Advances Outstanding at 1 April	10,887	3,574	14,462
<b>Add:</b> New advances from the Loans Fund	814	314	1,128
<b>Less:</b> Repayments in year	392	128	520
<b>Less:</b> Additional Voluntary Repayments in Year <sup>2</sup>	15	6	21
Transfer in (+) or out (-) of assets between funds	0	0	0
<b>Loans Fund Advances Outstanding at 31 March</b>	<b>11,295</b>	<b>3,754</b>	<b>15,049</b>

Source: CR Final

#### Notes

<sup>1</sup> A detailed breakdown of Loans Fund advances outstanding between 2014-15 and 2018-19 is provided in Table 5.2a in the associated Excel file.

<sup>2</sup> This includes Capital Receipts applied to reduce Loans Fund borrowing.

General Fund Loans Fund advances outstanding were £11,295 million on 31 March 2019, an increase of 3.8 per cent from £10,883 million at 1 April 2018. This equates to £2,077 per person, an increase of £71 from £2,006 per person on 1 April 2018.

HRA Loans Fund advances outstanding were £3,754 million on 31 March 2019, an increase of 5.0 per cent from £3,574 million at 1 April 2018. This equates to £12,063 per HRA dwelling, an increase of £538 from £11,525 per HRA dwelling on 1 April 2018.

## 5.2 Credit Arrangements

Credit arrangements, such as finance leases, Private Finance Initiatives (PFI) and Public Private Partnerships (PPP)<sup>12</sup> are not charged to the Loans Fund, but are a form of borrowing and so are included in the total debt figures.

**Table 5.3** provides a summary of local authorities' credit arrangements in 2018-19. The overall value of credit arrangements outstanding across all local authorities at 31 March 2019 was £3,165 million, an increase of 2.3 per cent from £3,093 million at 1 April 2018.

Credit arrangements within the General Fund were £3,163 million on 31 March 2019, an increase of 2.3 per cent from £3,091 million at 1 April 2018. This equates to £582 per person, an increase of £12 from £570 per person on 1 April 2018.

Credit arrangements within the HRA were £2.2 million on 31 March 2019, a decrease of 6.4 per cent from £2.4 million at 1 April 2018. This equates to £7 per HRA dwelling, a decrease of £1 from £8 per HRA dwelling on 1 April 2018.

<sup>12</sup> Including the Scottish Non Profit Distributing (NPD) model

**Table 5.3: Credit Arrangements in 2018-19, £ millions <sup>1</sup>**

	General Fund	Housing Revenue Account	Total
Credit Arrangement brought forward at 1 April	3,089	2	3,092
<b>Add:</b> New Credit Arrangements in year	204	0	204
<b>Less:</b> Repayments of Principal in year	130	0	131
<b>Credit Arrangements Outstanding at 31 March</b>	<b>3,163</b>	<b>2</b>	<b>3,165</b>

Source: CR Final

**Notes**

<sup>1</sup> A detailed breakdown of credit arrangements between 2014-15 and 2018-19 is provided in Table 5.3a in the associated Excel file.

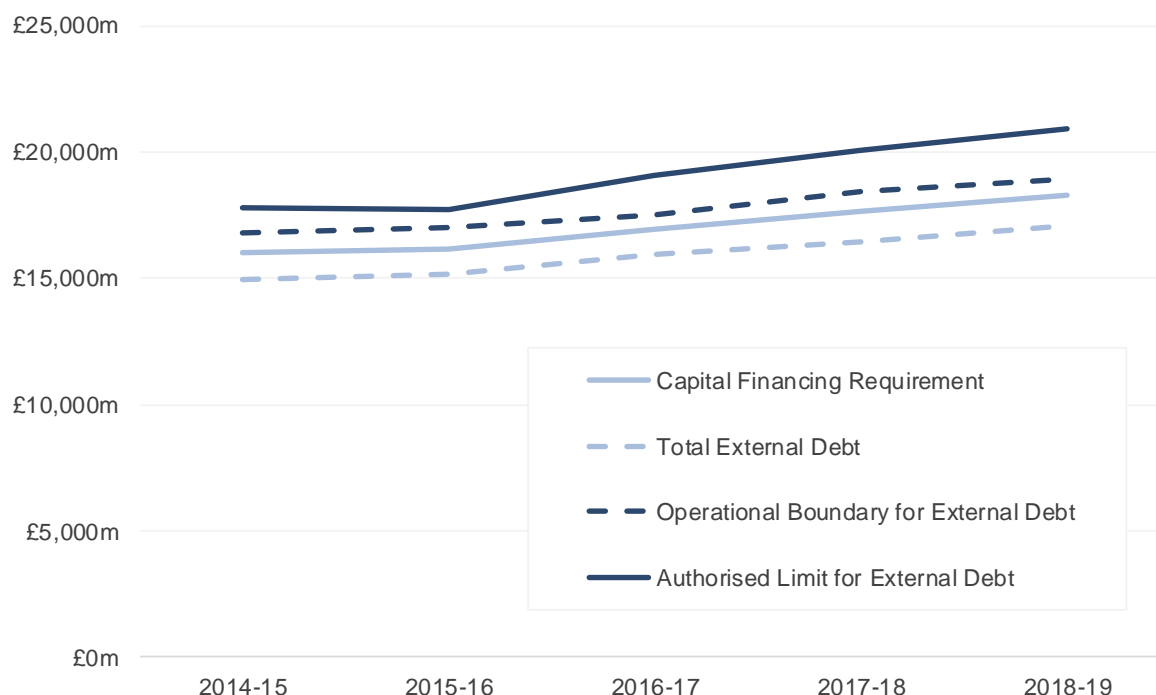
### 5.3 Prudential Indicators

The Chartered Institute of Public Finance & Accountancy (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. Further, the Local Government in Scotland Act 2003 places a local authority under a statutory duty to set their own maximum capital expenditure limits and they must be set with regard to the Prudential Code. The key prudential indicators are:

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

**Chart 5.2** shows the change in prudential indicators between 2014-15 and 2018-19. All four indicators have increased at similar rates over this period. More information on the individual indicators is provided in the remainder of this chapter.

**Chart 5.2: Prudential Indicators at 31 March from 2014-15 to 2018-19, £ millions**



Source: CR Final

### 5.3.1 Capital Financing Requirement (CFR)

The **Capital Financing Requirement (CFR)** represents the amount of capital expenditure a local authority has determined should be met from borrowing or funded from a credit arrangement, with the repayment of the debt met from future local authority budgets.

The CFR will increase each year by the amount of new capital expenditure to be financed by borrowing or credit arrangements, and will decrease by the amounts repaid. The CFR represents an authorities underlying need to borrow money.

**Table 5.4** shows the CFR calculation for 2018-19. The CFR increased from £17,649 million at 1 April 2018 to £18,303 million at 31 March 2019. This means that local authorities had a higher amount of new capital expenditure to be financed by borrowing than amounts repaid in 2018-19. This increase in CFR was reflected across both the General Fund and HRA in 2018-19.

**Table 5.4: Capital Financing Requirement in 2018-19, £ millions** <sup>1,2</sup>

	General Fund	Housing Revenue Account	Total
<b>Capital Financing Requirement at 1 April</b>	14,029	3,619	17,649
<b>Add:</b> Capital Exp. to be financed by Borrowing	814	314	1,128
<b>Add:</b> Capital Exp. to be financed by Credit Arrangements	204	0	204
<b>Less:</b> Loans Fund Principal Repayments	398	128	526
<b>Less:</b> Credit Arrangements Principal Repayments	130	0	131
<b>Less:</b> Additional Voluntary Contributions of Repayments	15	6	21
<b>Change in Capital Financing Requirement</b>	475	180	654
<b>Capital Financing Requirement at 31 March 2019</b>	<b>14,504</b>	<b>3,799</b>	<b>18,303</b>

Source: CR Final

**Notes**

<sup>1</sup> This calculation includes repayments relating to historic police and fire debt.

<sup>2</sup> The total CFR calculation between 2014-15 and 2018-19 is provided in Table 5.4a in the associated Excel file.

**Chart 5.2** shows that local authorities' CFR has increased over the last five years which reflects the increase in local authority borrowing over this period.

### 5.3.2 Total External Debt

**Total External Debt** reflects local authorities' gross external borrowing and other long term liabilities. This may be **less than the CFR** where an authority has chosen to utilise cash reserves rather than borrow externally. Total External Debt may be **more than the CFR** where a local authority has chosen to borrow in advance of actual capital expenditure; however the Prudential Code limits borrowing in advance to the CFR amount plus up to two years planned capital expenditure to be funded from borrowing.

**Table 5.5** shows the total external debt for 2018-19. Total External Debt was £17,079 million at 31 March 2019, an increase of 4.1 per cent from £16,413 million at 1 April 2018.

**Table 5.5: Total External Debt in 2018-19, £ millions**

	At 1 April	At 31 March
Borrowing	13,333	13,903
Other Long Term Liabilities	3,080	3,175
<b>Total External Debt</b>	<b>16,413</b>	<b>17,079</b>

Source: CR Final

**Notes**

<sup>1</sup> A detailed breakdown of Total External Debt between 2014-15 and 2018-19 is provided in Table 5.5a in the associated Excel file.

As shown in **Chart 5.2**, the CFR has remained above total external debt between 2014-15 and 2018-19. This means that local authorities continue to be under-borrowed, that is they are utilising internal cash reserves rather than borrowing externally. At 31 March 2019, total external debt was 93.3 per cent of the CFR – this is consistent with prior years.

### 5.3.3 Operational Boundary and Authorised Limit

The **Operational Boundary** is based on the authorities' capital spending plans and should reflect the most likely, or 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 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.

**Table 5.6** shows the operational boundary and authorised limit for 2018-19. The Operational Boundary was £18,935 million at 31 March 2019. There has been little change to this indicator in year with a decrease of only 0.2 per cent from £18,966 million at 1 April 2018. The Authorised Limit was £20,909 million at 31 March 2019 following a 2.7 per cent increase in year from £20,353 million at 1 April 2018.

**Table 5.6: Operational Boundary and Authorised Limit for 2018-19, £ millions**

	At 1 April	At 31 March
Operational Boundary for External Debt	18,966	18,935
Authorised Limit for External Debt	20,353	20,909

Source: CR Final

As shown in **Chart 5.2**, neither the operational boundary nor the authorised limit have been breached in the last five years. This means that local authorities' borrowing has consistently remained below these limits.

## 6. Pensions

Expenditure and income from local authority pension funds are entirely separate from the expenditure and income of the authorities' themselves. In accordance with regulations 9 and 65 of the Local Government Pension Scheme (Scotland) Regulations 2014, expenditure on pensions, lump sums and the costs of managing the pension are paid from the Pension Fund. Income from employer and employee contributions is paid into this fund, which then generates investment income.

Expenditure and income figures should not be used to gauge the health of a pension fund, as the ratio of expenditure to income will depend on a number of factors, including age of the fund and whether it is open or closed to new members. The relative financial health of the pension scheme is gauged through the three-yearly actuarial valuations carried out on each of the funds.

### 6.1 Pension Scheme Funds Expenditure

**Table 6.1** shows the expenditure for local government pension schemes in 2018-19. These expenditure figures represent payments of previously accrued pension rights.

**Table 6.1: Pension Fund Expenditure in 2018-19, £ millions**

	2018-19
Pensions <sup>1</sup>	809
Lump Sums <sup>1</sup>	317
Other Benefits <sup>1</sup>	0
Payments under Pensions (Increase) Acts <sup>1</sup>	245
<b>Total Benefits</b>	<b>1,370</b>
Transfer Values <sup>2</sup>	72
Other <sup>3</sup>	20
<b>Total Expenditure</b>	<b>1,462</b>

Source: LFR 24

#### Notes

<sup>1</sup> 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 and other benefits.

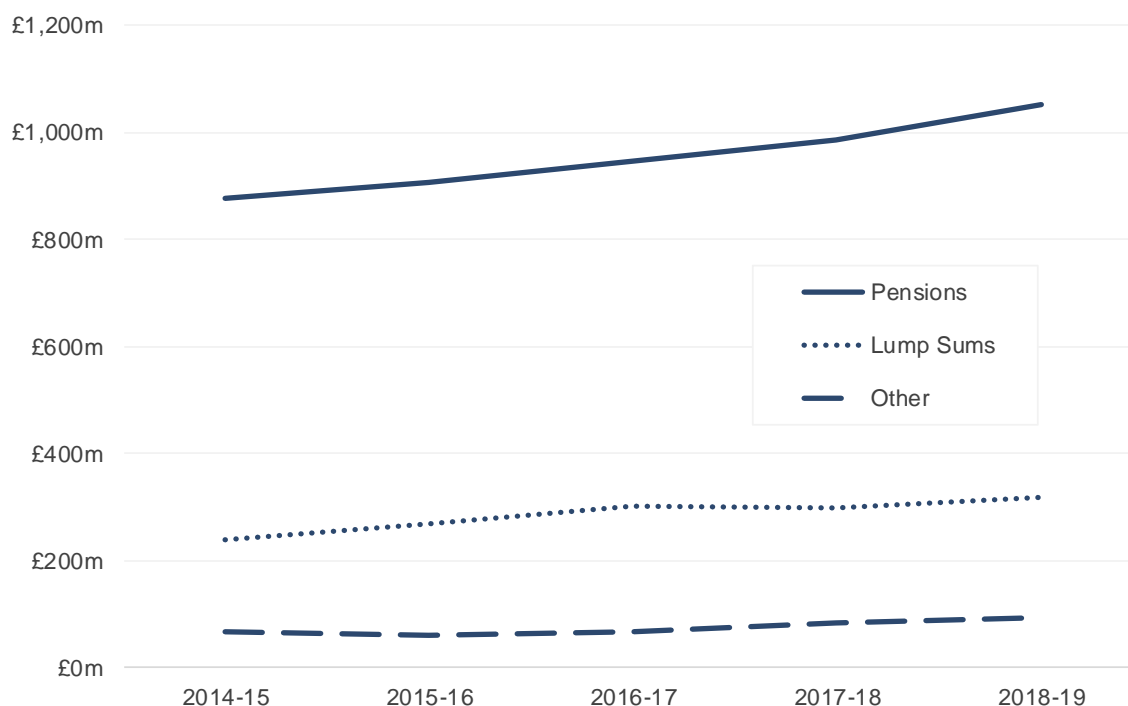
<sup>2</sup> 'Transfer Values' relate to scheme members transferring to other pension schemes, for example where a scheme member has moved to a different employer.

<sup>3</sup> 'Other' includes fund administration and management costs; refunds of contributions; adjustments; and premiums. Fund administration and management costs are the largest component of this.

Total expenditure on pension scheme funds in 2018-19 was £1,462 million, an increase of 7.1 per cent from £1,365 million in 2017-18. Over half of expenditure, 55.3 per cent or £809 million, is on **pensions**, and **lump sums** account for just under a quarter of expenditure, 21.7 per cent or £317 million. Non-benefit related expenditure only relates to 6.3 per cent, or £92 million, of total expenditure on pension schemes.

**Chart 6.1** shows the changes in expenditure on pensions between 2014-15 and 2018-19. Pension fund expenditure has increased by 23.7 per cent over this time period and this has largely been due to increases in expenditure on pensions which have increased by 20.4 per cent since 2014-15.

**Chart 6.1: Pension Fund Expenditure from 2014-15 to 2018-19, £ millions**



Source: LFR 24

## 6.2 Pension Scheme Funds Income

**Table 6.2** shows the income for local government pension schemes in 2018-19. Income from contributions represent payments for pensionable service accrued during the year which will be paid out as part of an overall pension at a future date. Total income to pension scheme funds in 2018-19 was £4,449 million, an increase of 27.9 per cent from £3,479 million in 2017-18.

**Table 6.2: Pension Fund Income in 2018-19, £ millions**

	2018-19
Employees Contributions <sup>1</sup>	302
Employers Contributions <sup>1</sup>	1,051
<b>Total Contributions</b>	<b>1,352</b>
Net Investments and Other Income	3,097
<b>Total Income</b>	<b>4,449</b>

Source: LFR 24

### Notes

<sup>1</sup> This includes contributions from other employing authorities.

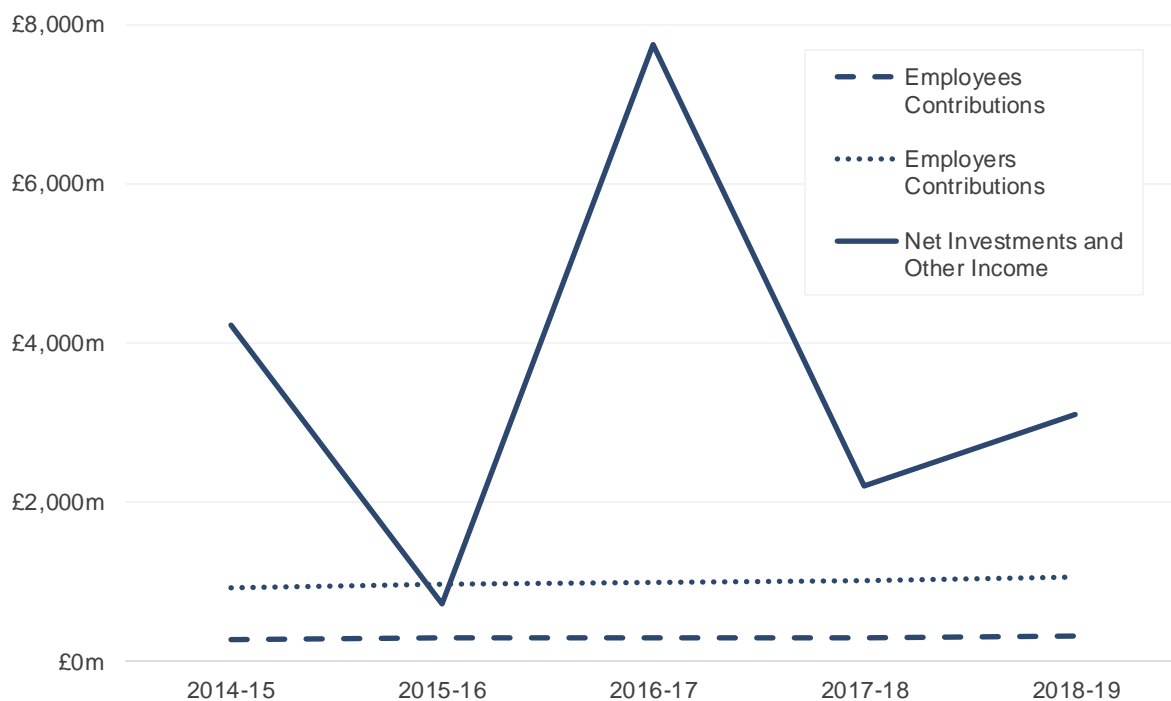


**Contributions from employees and employers** are both dependent on the number of contributing employees, both full time and part time. Total contributions increased by 5.1 per cent, from £1,286 million in 2017-18 to £1,352 million in 2018-19.

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. This means contributions from employees and employers tends to remain stable over time, as shown in **Chart 6.2**.

**Net investment and other income** was £3,097 million, an increase of 41.2 per cent from £2,193 million in 2017-18. As shown in **Chart 6.2**, this income is volatile and is heavily influenced by investment conditions, for example changes in the stock market. Between 2014-15 and 2018-19, net investments and other income has ranged from a low of £701 million in 2015-16 to a high of £7,749 million in 2016-17.

**Chart 6.2: Pension Fund Income from 2014-15 to 2018-19, £ millions**



Source: LFR 24

## 7. Sources and Data Interpretation

This publication contains data from a range of sources. Information on these data sources is provided in this chapter along with links to relevant web pages for further information.

### Local Financial Returns (LFRs) and Capital Return (CR Final)

The **LFRs** are a series of detailed returns that collect final, audited expenditure, income, reserves and pension figures for all local authorities in Scotland on an annual basis. The LFRs are the source of the majority of the revenue figures discussed in this publication.

More information on the LFRs, including a blank copy of the latest return and associated guidance, is available at [www.gov.scot/publications/local-financial-return-2018-19/](http://www.gov.scot/publications/local-financial-return-2018-19/).

The **CR Final** collects final, audited capital expenditure and financing figures for all local authorities in Scotland on an annual basis. The CR Final is the source of all capital figures discussed in this publication.

More information on the CR Final, including a blank copy of the latest return and associated guidance, is available at [www.gov.scot/publications/capital-returns-survey-forms-and-guidance/](http://www.gov.scot/publications/capital-returns-survey-forms-and-guidance/).

All the 2018-19 LFR and CR Final workbooks containing source data by local authorities will be made available alongside this publication.

LFR and CR Final figures prior to 2018-19 may have been revised following the previous publication. In particular, local authorities were asked to revise their 2017-18 returns where necessary as part of the 2018-19 validation process. A complete set of revised 2017-18 LFR and CR Final workbooks is available at [www.gov.scot/publications/scottish-local-government-finance-statistics-2017-18-workbooks/](http://www.gov.scot/publications/scottish-local-government-finance-statistics-2017-18-workbooks/).

### Council Tax Receipts Return (CTRR)

The CTRR monitors collection levels relating to council tax and community charge from all councils in Scotland on an annual basis. It collects information on the amounts billed and received, and to which year the payment refers. More information on CTRR is available at [www.gov.scot/publications/council-tax-receipts-and-returns/](http://www.gov.scot/publications/council-tax-receipts-and-returns/).

### Council Tax Base (CTaxbase)

The CTaxbase figures give the number of properties in each council tax band in each council area, including those with exemptions and discounts. More information on CTaxbase is available at [www.gov.scot/publications/council-tax-base/](http://www.gov.scot/publications/council-tax-base/).

## **Council Tax Assumptions (CTAS)**

The CTAS return 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. More information on CTAS is available at [www.gov.scot/publications/council-tax-assumptions/](http://www.gov.scot/publications/council-tax-assumptions/).

## **Council Tax Reduction (CTR) Extracts**

Local authorities are asked to provide individual CTR record level extracts on a monthly basis. Local authorities are asked to extract their data on a specified date which means the extract provides a snapshot for each month. More information on the CTR Extracts is available at [www.gov.scot/publications/council-tax-reduction/](http://www.gov.scot/publications/council-tax-reduction/).

## **Non-Domestic Rates Income (NDRI) Returns**

The NDRI returns collect data on the amount of NDR income each year. For this there is a cycle of four returns to collect estimates and then final amounts of NDRI – the Provisional Contributable Amount (PCA); Mid-Year Estimates (MYE); Notified; and Audited. More information on the NDRI returns is available at [www.gov.scot/collections/local-government-finance-statistics-information-for-data-suppliers/#non-domesticrates](http://www.gov.scot/collections/local-government-finance-statistics-information-for-data-suppliers/#non-domesticrates).

## **Scottish Assessors Valuation Roll**

The Scottish Assessors Valuation Roll is a public document that contains an entry for all non-domestic properties except those specifically excluded by law. More information on the Valuation Roll is available at [www.saa.gov.uk/non-domestic-valuation/the-valuation-roll/](http://www.saa.gov.uk/non-domestic-valuation/the-valuation-roll/).

## **Local Government Finance Circulars**

These provide financial advice and guidance to local government, including details of local government settlements. Copies of local government finance circulars are available at [www.gov.scot/collections/local-government-finance-circulars/](http://www.gov.scot/collections/local-government-finance-circulars/).

## **Mid-Year Population Estimates**

Mid-year population estimates for Scotland are produced by National Records for Scotland (NRS) on an annual basis. Population estimates from mid-2018 have been used in this publication. More information on the mid-year population estimates is available at [www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates](http://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates).

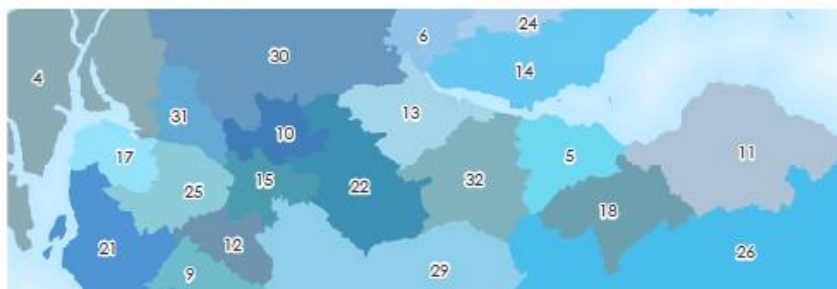
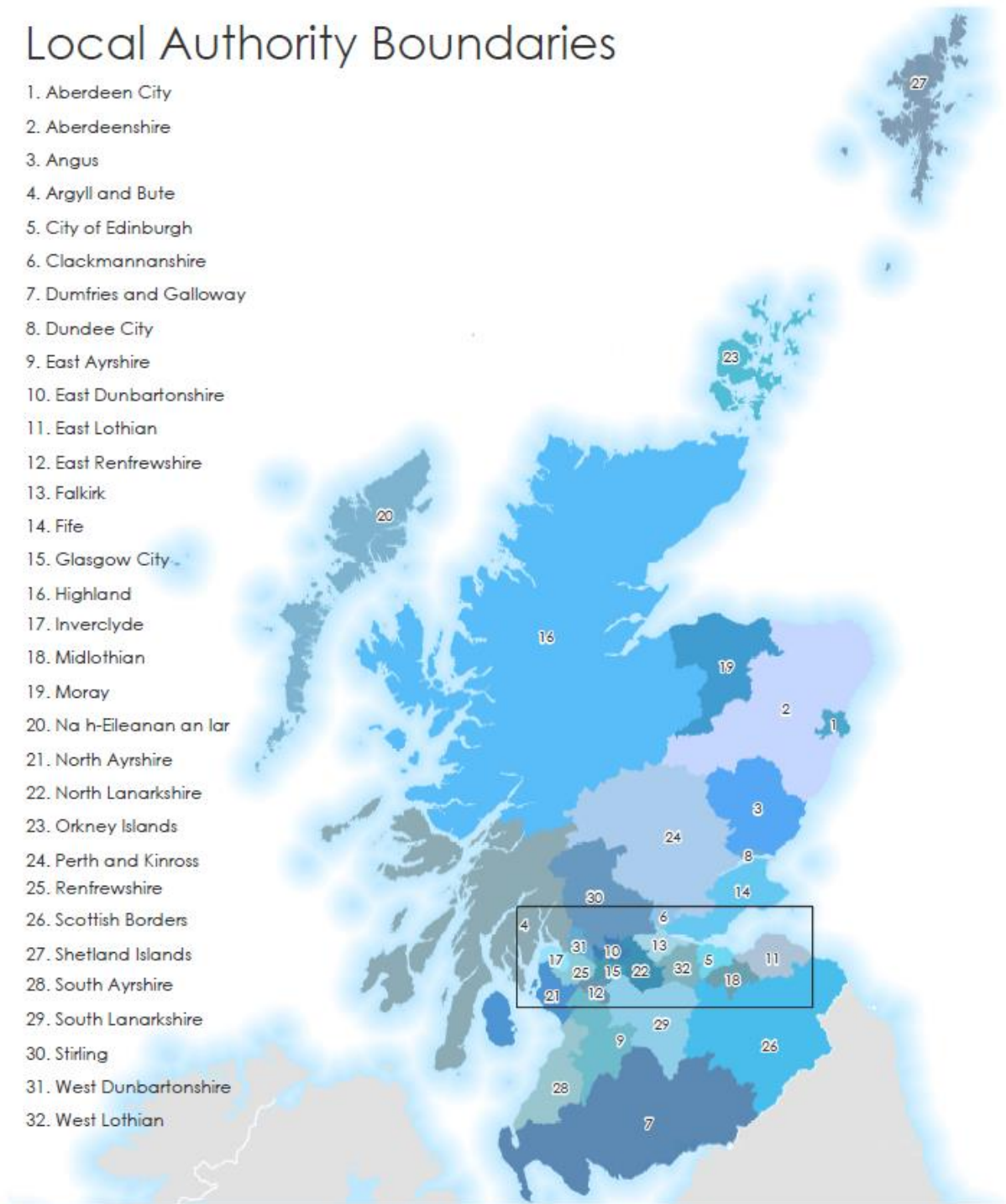
## **Housing Revenue Account (HRA) Statistics**

An estimate of the number of HRA dwellings is taken from the annual Scottish Government HRA Statistics publication. More information on the HRA Statistics publication is available at [www.gov.scot/publications/housing-revenue-account-hra-statistics-scottish-local-authority-housing-income-expenditure-2018-19-actuals-2019-20-estimates/](http://www.gov.scot/publications/housing-revenue-account-hra-statistics-scottish-local-authority-housing-income-expenditure-2018-19-actuals-2019-20-estimates/).

## Annex A: Local Authority Boundaries

### Local Authority Boundaries

1. Aberdeen City
2. Aberdeenshire
3. Angus
4. Argyll and Bute
5. City of Edinburgh
6. Clackmannanshire
7. Dumfries and Galloway
8. Dundee City
9. East Ayrshire
10. East Dunbartonshire
11. East Lothian
12. East Renfrewshire
13. Falkirk
14. Fife
15. Glasgow City
16. Highland
17. Inverclyde
18. Midlothian
19. Moray
20. Na h-Eileanan Siar
21. North Ayrshire
22. North Lanarkshire
23. Orkney Islands
24. Perth and Kinross
25. Renfrewshire
26. Scottish Borders
27. Shetland Islands
28. South Ayrshire
29. South Lanarkshire
30. Stirling
31. West Dunbartonshire
32. West Lothian



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Scale: 1:2,910,000

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## Annex B: Local Authority Joint Board Membership

Council	Valuation Joint Board (VJB)	Regional Transport Partnership (RTP)
Aberdeen City	Grampian	NESTRANS
Aberdeenshire	Grampian	NESTRANS
Angus	Tayside	TACTRAN
Argyll & Bute	Dunbartonshire & Argyll & Bute	SPT / HITRANS <sup>1</sup>
City of Edinburgh	Lothian	SESTRAN
Clackmannanshire	Central	SESTRAN
Dumfries & Galloway	Dumfries & Galloway	SWESTRANS
Dundee City	Tayside	TACTRAN
East Ayrshire	Ayrshire	SPT
East Dunbartonshire	Dunbartonshire & Argyll & Bute	SPT
East Lothian	Lothian	SESTRAN
East Renfrewshire	Renfrewshire	SPT
Falkirk	Central	SESTRAN
Fife	Fife	SESTRAN
Glasgow City	Glasgow	SPT
Highland	Highland & Western Isles	HITRANS
Inverclyde	Renfrewshire	SPT
Midlothian	Lothian	SESTRAN
Moray	Grampian	HITRANS
Na h-Eileanan Siar	Highland & Western Isles	HITRANS
North Ayrshire	Ayrshire	SPT
North Lanarkshire	Lanarkshire	SPT
Orkney Islands	Orkney & Shetland	HITRANS
Perth & Kinross	Tayside	TACTRAN
Renfrewshire	Renfrewshire	SPT
Scottish Borders	Borders	SESTRAN
Shetland Islands	Orkney & Shetland	ZETRANS
South Ayrshire	Ayrshire	SPT
South Lanarkshire	Lanarkshire	SPT
Stirling	Central	TACTRAN
West Dunbartonshire	Dunbartonshire & Argyll & Bute	SPT
West Lothian	Lothian	SESTRAN

### Notes

<sup>1</sup> Helensburgh and Lomond are part of SPT, while the rest of Argyll & Bute is part of HITRANS.

## Annex C: Calculation of the 2018-19 NDR Distributable Amount, £ millions

<b>Balance brought forward 31/03/2017 as per Non Domestic Rating Account 2016-17</b>		<b>-296,609</b>
<b>Closing Balance</b>		<b>-296,609</b>
<b>Final Balance brought forward 31/03/2017</b>		
<b>Opening Balance</b>		<b>-296,609</b>
<b>Add:</b> PCA 2017-18 (actual)	2,843,956	
<b>Less:</b> Distributable Amount 2017-18	2,665,800	
	<b>178,156</b>	
		<b>-118,453</b>
<b>Reconciliation of 2016-17</b>		
<b>Add:</b> Audited Amount 2016-17 (actual)	2,731,481	
<b>Less:</b> Notified PCA 2016-17	2,731,511	
	<b>-30</b>	
		<b>-118,483</b>
<b>Reconciliation of 2015-16</b>		
<b>Add:</b> Audited Amount 2015-16 (in 2016-17 account)	-	
<b>Less:</b> Notified Amount 2015-16 (in 2016-17 account)	-	
	<b>-</b>	
		<b>-118,483</b>
<b>Closing Balance for 2017-18</b>		<b>-118,483</b>
<b>Balance brought forward 31/03/2018</b>		
<b>Opening Balance</b>		<b>-118,483</b>
<b>Add:</b> Estimated PCA 2018-19		2,812,305
<b>Add:</b> Mid-Year Estimate 2017-18	2,781,765	
<b>Less:</b> PCA 2017-18	2,843,956	
Estimated reconciliation of 2017-18	<b>-62,191</b>	
Estimated movement on Pool 2018-19		2,750,114
Net balance on 2017-18 Pool inc. brought forward at 31/03/2018		2,631,631
<b>Less:</b> Distributable Amount for 2018-19		2,636,000
<b>Estimated balance at 31/03/2019</b>		<b>-4,369</b>

### Notes

PCA = Provisional Contributable Amount

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### How to Access Background or Source Data

The data collected for this statistical publication are available in more detail through [www.gov.scot/collections/local-government-finance-statistics/](http://www.gov.scot/collections/local-government-finance-statistics/).

### Complaints and Suggestions

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