



## PUBLIC SERVICES AND GOVERNMENT

# Local Government 2019-20 Provisional Outturn and 2020-21 Budget Estimates – Revenue

Economy (Local Government Finance)

24 June 2020

### Executive Summary

#### 2019-20 Provisional Outturn

- **Provisional outturn for net revenue expenditure in 2019-20 is £12,942 million** – an increase of 5.2 per cent, or £643 million, on 2018-19.
- **Education** and **Social Work** are the services with highest net revenue expenditure, expecting to account for £5,771 million and £3,518 million of total net revenue expenditure in 2019-20 respectively.
- Councils expected **Scottish Government grants** to finance 58 per cent of net revenue expenditure in 2019-20; **NDR** and **Council Tax** to finance 41 per cent; and their **reserves** to finance the remaining one per cent.
- Councils expected to use £139 million of money held in reserves to pay for services in 2019-20. Overall, **General Fund reserves** are expected to have fallen by 8.2 per cent to £1,033 million by 31 March 2020.

#### 2020-21 Budget Estimates

- **Budgeted net revenue expenditure for 2020-21 is £13,327 million** – an increase of 5.5 per cent, or £693 million, on the 2019-20 budget.
- **Education** and **Social Work** are the services budgeted to have the highest net revenue expenditure in 2020-21, accounting for £6,070 million and £3,572 million of budgeted net revenue expenditure respectively.
- Councils have budgeted that 58 per cent of 2020-21 net revenue expenditure will be financed by **Scottish Government grants**; **NDR** and **Council Tax** will finance 41 per cent; and their **reserves** will finance the other one per cent.
- Councils have budgeted £95 million of their reserves to pay for services in 2020-21. Overall, **General Fund reserves** are budgeted to decrease by 4.8 per cent to £983 million by 31 March 2021.

## Introduction

This publication summarises the 2019-20 provisional outturn and 2020-21 budget estimates for services provided by Scottish councils.

All the figures reported in this publication have been collected via the Provisional Outturn and Budget Estimates (POBE) 2020 return with the help of the 32 councils in Scotland. The continued co-operation of these bodies in completing these returns is gratefully acknowledged.

The POBE return is sent to all councils annually in February. Councils are required to provide a breakdown of their net revenue expenditure by services and subservices. The return collects both provisional outturn figures for the current year and budget estimates for the forthcoming year.

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

All figures provided in the POBE return and reported in this publication relate to **net revenue expenditure**. Net revenue expenditure is the gross revenue expenditure<sup>1</sup> minus any specific income for individual services<sup>2</sup>. It can therefore be considered as the expenditure to be financed from Scottish Government Grants, Non-Domestic Rates (NDR) income, Council Tax income and councils' reserves.

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

The commentary within this publication focuses on Scotland-level figures only. A workbook containing the source data from each councils' return will be available at [www.gov.scot/collections/local-government-finance-statistics/#provisionaloutturnandbudgetestimates\(pobe\)](http://www.gov.scot/collections/local-government-finance-statistics/#provisionaloutturnandbudgetestimates(pobe)).

Due to the timing of the return, the vast majority of councils' provisional outturn figures and budget estimates do **not** take account of **potential changes to expenditure or income due to Covid-19**. See the 'Data Interpretation' section for more information.

---

<sup>1</sup> Gross revenue expenditure is the total expenditure on services provided by the council.

<sup>2</sup> Councils are asked to exclude Scottish Government Ring-Fenced Revenue Grants (RFRG) from service income within their POBE return as this is recorded within the income section of the return, alongside Scottish Government General Revenue Grant.

## 2019-20 Provisional Outturn

All councils in Scotland were asked to provide provisional outturn net revenue expenditure figures for 2019-20 on an unaudited basis before their accounts were compiled. As such, these figures are subject to revision in the final audited accounts and small changes over time should be interpreted with caution.

**Total provisional outturn for councils in Scotland is £12,942 million**, an increase of 5.2 per cent, or £643 million, from 2018-19 provisional outturn figures. Table 1 shows the full breakdown of provisional outturn figures by service and Figure 1 shows the change in provisional outturn between 2018-19 and 2019-20 by service.

**Table 1: Provisional Outturn for 2018-19 and 2019-20 by Service, £ millions**

Service	2018-19	2019-20	% change from 2018-19 to 2019-20
Education	5,225	5,771	10.5%
Social Work	3,334	3,518	5.5%
Roads & Transport	399	377	-5.6%
Environmental Services	708	698	-1.5%
Planning & Development	225	229	1.5%
Culture & Related Services	548	559	2.0%
Other service expenditure <sup>1</sup>	719	671	-6.6%
Non-service expenditure <sup>2</sup>	1,142	1,119	-2.0%
<b>Total Net Revenue Expenditure</b>	<b>12,300</b>	<b>12,942</b>	<b>5.2%</b>

### Notes

<sup>1</sup> This includes non-HRA Housing, Central Services and General Fund contributions to trading services.

<sup>2</sup> This includes revenue resources used for capital expenditure, debt repayment, interest charges (net of investment income) and surpluses / deficits on trading operations.

**Education** continues to be the service with highest net revenue expenditure. In 2019-20, councils expect to spend £5,771 million on Education services, an increase of 10.5 per cent (£547 million) from the 2018-19 provisional outturn figure.

**Social Work** has the second highest net revenue expenditure, with councils expecting to spend £3,518 million on Social Work services in 2019-20. This is an increase of 5.5 per cent (£184 million) from the 2018-19 provisional outturn figure.

**Roads & Transport** and **Other service expenditure** have decreased from 2018-19 provisional figures, by 5.6 per cent (£23 million) and 6.6 per cent (£47 million) respectively. Provisional outturn for all other services in 2019-20 are broadly in line with provisional outturn figures for 2018-19.

**Non-service expenditure** has also decreased, by 2.0 per cent (£23 million), from 2018-19 provisional outturn.

**Figure 1: Provisional Outturn for 2018-19 and 2019-20 by Service**

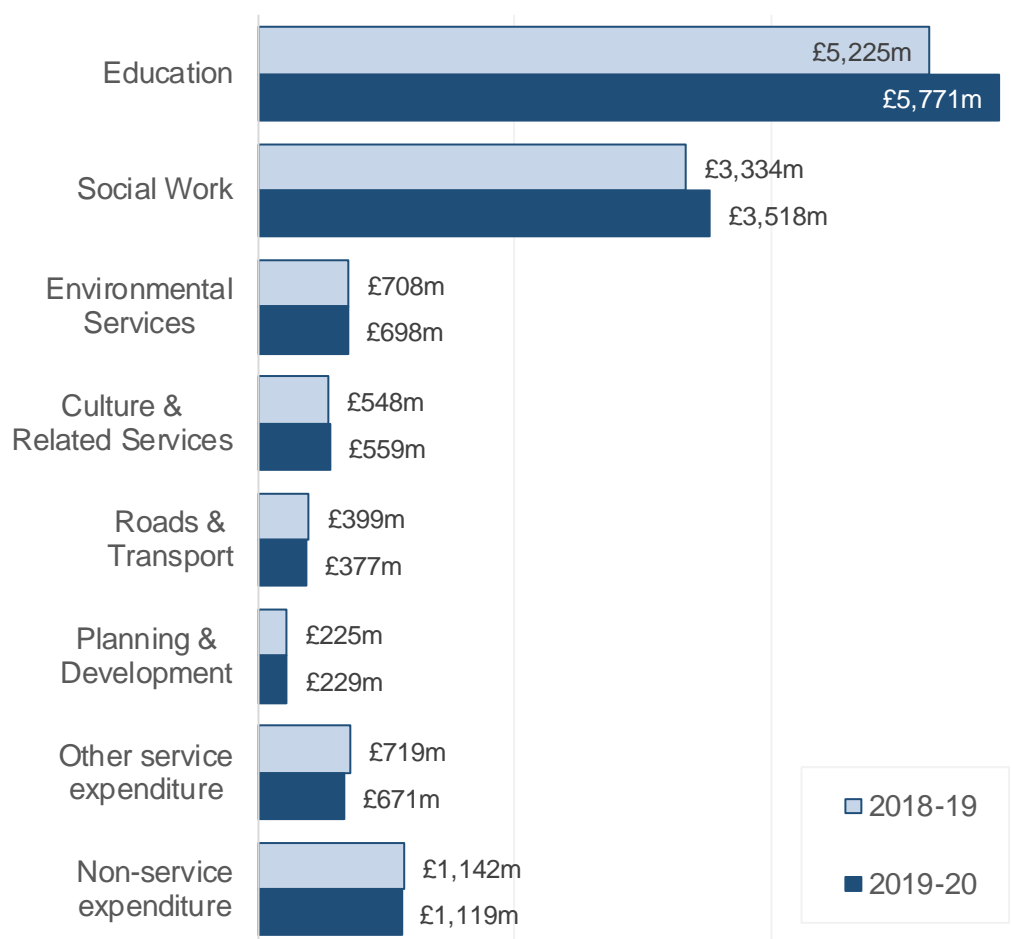


Table 2 sets out how 2019-20 provisional outturn net revenue expenditure is to be financed. Almost three-fifths, 58 per cent or £7,460 million, is expected to be financed by **Scottish Government grants, NDR** and **Council Tax** will finance almost all the remaining net revenue expenditure, accounting for 22 per cent (£2,857 million) and 19 per cent (£2,486 million) respectively, with one per cent (£139 million) expected to be financed from councils' **reserves**.

**Table 2: Financing of net revenue expenditure in 2019-20, £ millions**

Source of Financing	Amount of Financing	% of total net revenue expenditure financed
Scottish Government Grants <sup>1</sup>	-7,460	58%
Non-Domestic Rates (NDR) <sup>2</sup>	-2,857	22%
Council Tax	-2,486	19%
Reserves	-139	1%
<b>Total Financing</b>	<b>-12,942</b>	<b>100%</b>

**Notes**

<sup>1</sup> This consists of SG General Revenue Grant (GRG) and SG Ring-Fenced Revenue Grants (RFRGs).

<sup>2</sup> This consists of the NDR Distributable Amount and income retained under the Business Rates Incentivisation Scheme (BRIS) and Tax Incremental Financing (TIF).

Councils held General Fund reserves of £1,126 million at 1 April 2019. Councils expect to have used £139 million of their reserves to fund expenditure in 2019-20 and to have transferred £46 million from other reserves. This gives a **closing General Fund balance of £1,033 million** at 31 March 2020, a decrease of 8.2 per cent in councils' General Reserves funds in year.

Of the 32 councils, 22 are expecting their General Fund balance to decrease in 2019-20; eight expect their General Fund balance to increase; and the remaining two expect there to be no change in their General Fund balance.

## 2020-21 Budget Estimates

Councils were also asked to provide their budget estimates for 2020-21. Budgets are financial plans for the year and will reflect both anticipated demand for services and the resources available to deliver those services. As such, comparisons between years need to take these factors into account and should be interpreted with caution.

**Budgeted net revenue expenditure for councils in Scotland is £13,327 million**, an increase of 5.5 per cent, or £693 million, from the budget set for 2019-20. Table 3 shows the full breakdown of budget estimates by service, and Figure 2 shows the change in budget estimates between 2019-20 and 2020-21 by service.

**Table 3: Budget Estimates for 2019-20 and 2020-21 by Service, £ millions**

Service	2019-20	2020-21	% change from 2019-20 to 2020-21
Education	5,557	6,070	9.2%
Social Work	3,414	3,572	4.6%
Roads & Transport	377	377	0.2%
Environmental Services	699	691	-1.1%
Planning & Development	221	211	-4.5%
Culture & Related Services	554	556	0.3%
Other service expenditure <sup>1</sup>	687	685	-0.2%
Non-service expenditure <sup>2</sup>	1,126	1,164	3.4%
<b>Total Net Revenue Expenditure</b>	<b>12,635</b>	<b>13,327</b>	<b>5.5%</b>

### Notes

<sup>1</sup> This includes non-HRA Housing, Central Services and General Fund Contributions to trading services.

<sup>2</sup> This includes revenue resources used for capital expenditure, debt repayment, interest charges (net of investment income) and surplus on trading operations.

**Education** is the service with the highest budgeted net revenue expenditure, with councils budgeting £6,070 million for Education services in 2020-21. This is an increase of 9.2 per cent (£513 million) from the 2019-20 budget estimate.

**Social Work** continues to be the service with the second highest net revenue expenditure in 2020-21. Councils have budgeted £3,572 million for Social Work services, an increase of 4.6 per cent (£158 million) from 2019-20 budget estimates.

Budgeted expenditure for all other services in 2020-21 are broadly in line with budget estimates for 2019-20.

**Non-service expenditure** is budgeted to increase by 3.4 per cent, or £38 million, compared to 2019-20 budget estimates.

**Figure 2: Budget Estimates for 2019-20 and 2020-21 by Service**

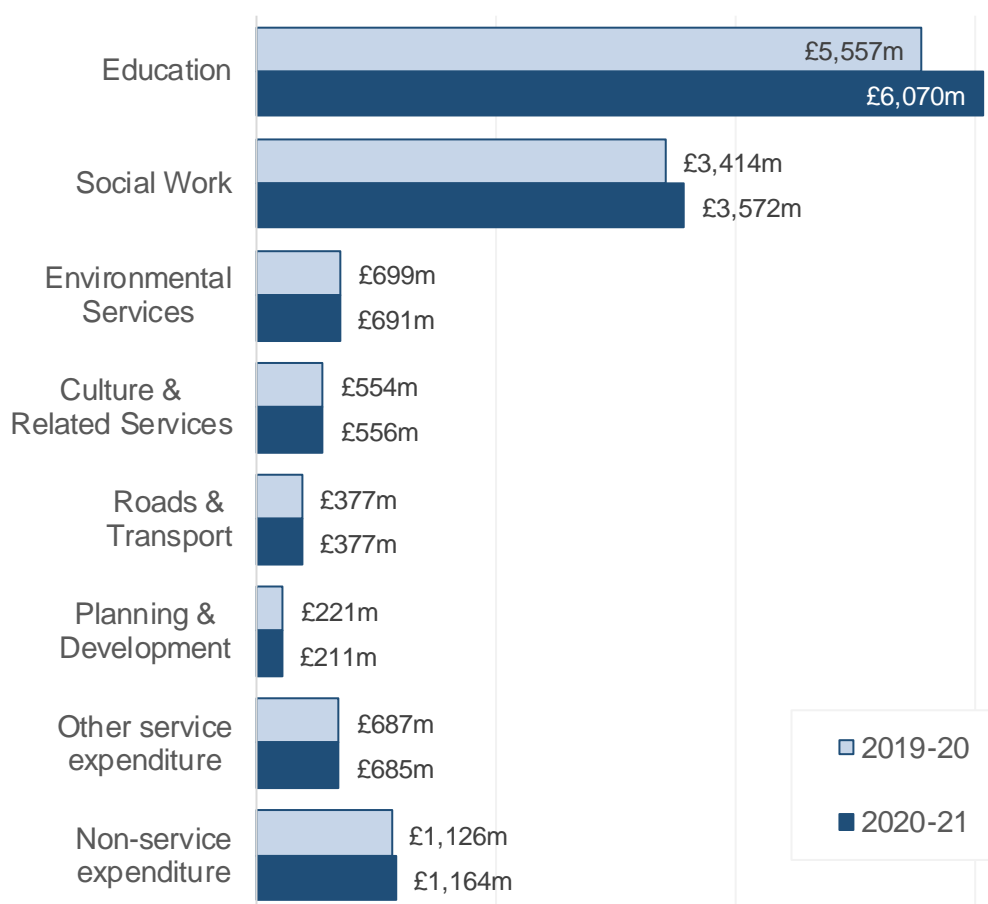


Table 4 sets out what financing councils have budgeted for in 2020-21. It is important to note that these figures do **not** include potential impacts of Covid-19 on sources of financing, see the Data Interpretation section for more information.

Almost three-fifths, 58 per cent or £7,785 million, of budgeted financing relates to **Scottish Government grants. NDR** and **Council Tax** are budgeted to finance almost all of the remaining net revenue expenditure, accounting for 21 per cent (£2,840 million) and 20 per cent (£2,607 million) respectively. Councils have budgeted for one per cent (£95 million) of net revenue expenditure to be financed from their **reserves**.

**Table 4: Budgeted financing of net revenue expenditure in 2020-21, £ millions <sup>1</sup>**

Source of financing	Financing Budgeted	% of total net revenue expenditure funded
Scottish Government Grants <sup>2</sup>	-7,785	58%
Non-Domestic Rates <sup>3</sup>	-2,840	21%
Council Tax	-2,607	20%
Reserves	-95	1%
<b>Total Revenue Financing</b>	<b>-13,327</b>	<b>100%</b>

**Notes**

<sup>1</sup> Figures do **not** include potential impacts of Covid-19. See Data Interpretation section for more information.

<sup>2</sup> This consists of SG General Revenue Grant (GRG) and SG Ring-Fenced Revenue Grants (RFRGs).

<sup>3</sup> This consists of the NDR Distributable Amount and income retained under the Business Rates Incentivisation Scheme (BRIS) and Tax Incremental Financing (TIF).

At 1 April 2020, councils estimate General Fund reserves of £1,033 million. In 2020-21, councils have budgeted to use £95 million of these reserves to provide services, and transfers of £46 million from other reserves. This gives a budgeted **closing General Fund balance of £983 million at 31 March 2021**. This would be a decrease in councils' General Reserves funds of 4.8 per cent in 2020-21.

Of the 32 councils, 14 have budgeted for a decrease in their General Fund balance in 2020-21; three have budgeted to increase their General Fund balance; and the remaining 15 have budgeted for no change in their General Fund balance.

## Data Interpretation

The [POBE 2020 return](#) was issued to councils on 12 February 2020 with a deadline of 25 March 2020. Due to the timing of this return, the vast majority of councils' provisional outturn figures and budget estimates do **not** take account of **potential changes to expenditure or income due to Covid-19**.

**Four councils** included amounts relating to contingency for potential Covid-19 costs within 'Emergency Planning', a subservice within Central Services. This is included in 'All other service expenditure' within this publication.

Councils were asked to record **General Revenue Grant (GRG)** and **Non-Domestic Rates Income (NDRI)** figures in line with those detailed in [Finance Circular 2/2020](#). This circular was issued on 10 March 2020 and does not include any impacts on settlement figures relating to Covid-19. This means the GRG and NDRI figures in this publication will differ to final settlement figures, particularly for 2020-21.

The 2019-20 GRG figures include amounts relating to the **2018-19 teacher pay award**. Councils were asked to accrue these amounts within their 2018-19 accounts. Where this accrual was made, an adjustment to remove this amount from the GRG provisional outturn figure has been made.

Provisional outturn and budget estimates **cannot be compared** with final, audited net revenue expenditure figures published within Scottish Local Government Finance Statistics (SLGFS). Figures collected within POBE include Revenue Contributions to Capital (RCC) and treat RFRGs as non-service income, whereas net revenue expenditure figures in SLGFS exclude RCC and treat RFRGs as service income.

When **comparing provisional outturn or budget estimates over time**, comparisons should be made on a like for like basis. Across years, changes in accounting standards may impact on the categorisation of expenditure which can lead to discontinuity in the data collected between financial years. Where these changes are significant, it will be noted in the commentary. Individual council level figures can also be affected by large, one-off payments in any year, for example Equal Pay back-pay settlement expenditure.

## Related Publications

Capital Provisional Outturn and Budget Estimates are published through the Capital POBE publication, available at [www.gov.scot/collections/local-government-finance-statistics/#capitalprovisionaloutturnandbudgetestimates\(cpobe\)](http://www.gov.scot/collections/local-government-finance-statistics/#capitalprovisionaloutturnandbudgetestimates(cpobe)).

Final, audited local government finance statistics are published in the Scottish Local Government Financial Statistics (SLGFS). The latest SLGFS was published in February 2020 and provided final, audited figures for 2018-19. Previous SLGFS publications are available at [www.gov.scot/collections/local-government-finance-statistics/#scottishlocalgovernmentfinancialstatistics](http://www.gov.scot/collections/local-government-finance-statistics/#scottishlocalgovernmentfinancialstatistics).



## **An Official Statistics Publication for Scotland**

Official and National Statistics are produced to high professional standards set out in the Code of Practice for Official Statistics. Both undergo regular quality assurance reviews to ensure that they meet customer needs and are produced free from any political interference.

### **Correspondence and enquiries**

For public enquiries about this publication, please contact:

Local Government Finance Statistics

Telephone: 0131 244 7033

e-mail: [lgfstats@gov.scot](mailto:lgfstats@gov.scot)

For general enquiries about Scottish Government statistics, please contact:

Office of the Chief Statistician

Telephone: 0131 244 0442

e-mail: [statistics.enquiries@gov.scot](mailto:statistics.enquiries@gov.scot)

### **How to access background or source data**

The data collected for this official statistics publication are available in more detail at [www.gov.scot/collections/local-government-finance-statistics/#provisionaloutturnandbudgetestimates\(pobe\)](http://www.gov.scot/collections/local-government-finance-statistics/#provisionaloutturnandbudgetestimates(pobe)).

### **Complaints and suggestions**

If you are not satisfied with our service or have any comments or suggestions, please contact the Chief Statistician by:

Post: GR, St Andrew's House, Regent Road, Edinburgh, EH1 3DG

Telephone: 0131 244 0442

e-mail: [statistics.enquiries@gov.scot](mailto:statistics.enquiries@gov.scot)

If you would like to be consulted about statistical collections or receive notification of publications, please register your interest at [www.gov.scot/scotstat](http://www.gov.scot/scotstat). Details of forthcoming publications can be found at [www.gov.scot/statistics](http://www.gov.scot/statistics).

ISBN 978-1-83960-834-6

### **Crown Copyright**

You may use or re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. See [www.nationalarchives.gov.uk/doc/open-government-licence/](http://www.nationalarchives.gov.uk/doc/open-government-licence/).