

# Scottish Local Government Finance Statistics 2022-23

SG/2024/21

March 2024

## Key Facts

### How much did local authorities spend on services in 2022-23?

**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.

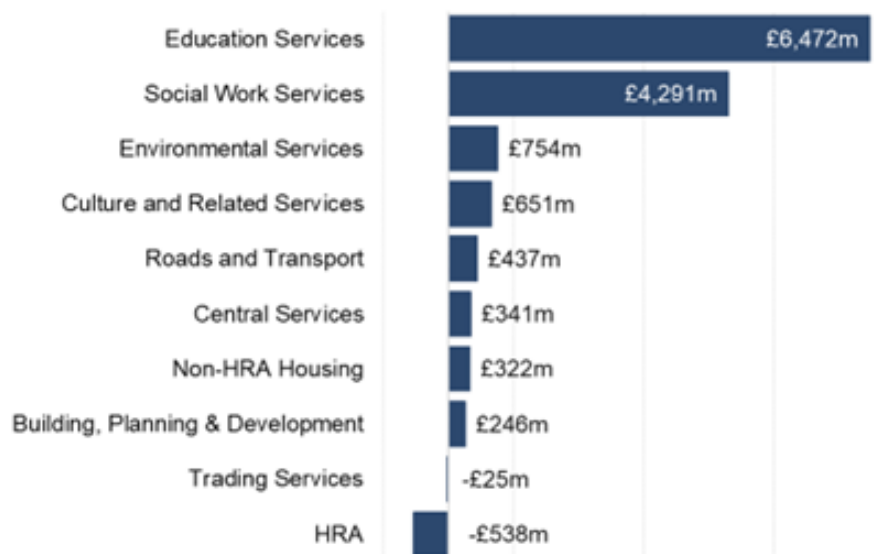
### How did local authorities fund services in 2022-23?

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.

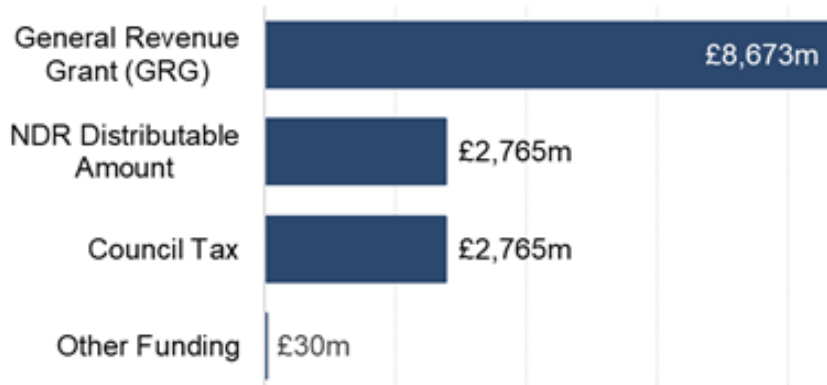
In 2022-23, local authorities' expenditure was **less** than their general funding. This **surplus** was added to local authorities' reserves.

### Net Revenue Expenditure in 2022-23 by service, £ millions



Gross Service Expenditure	£23,391 million
- Gross Service Income	- £10,440 million
<b>Net Revenue Expenditure</b>	<b>£12,951 million</b>

### General Funding in 2022-23 by source, £ millions



<b>General Funding</b>	<b>£14,233 million</b>
- Net Revenue Expenditure	- £12,951 million
- Non-Service Expenditure	- £1,184 million
<b>Surplus added to Reserves</b>	<b>£98 million</b>

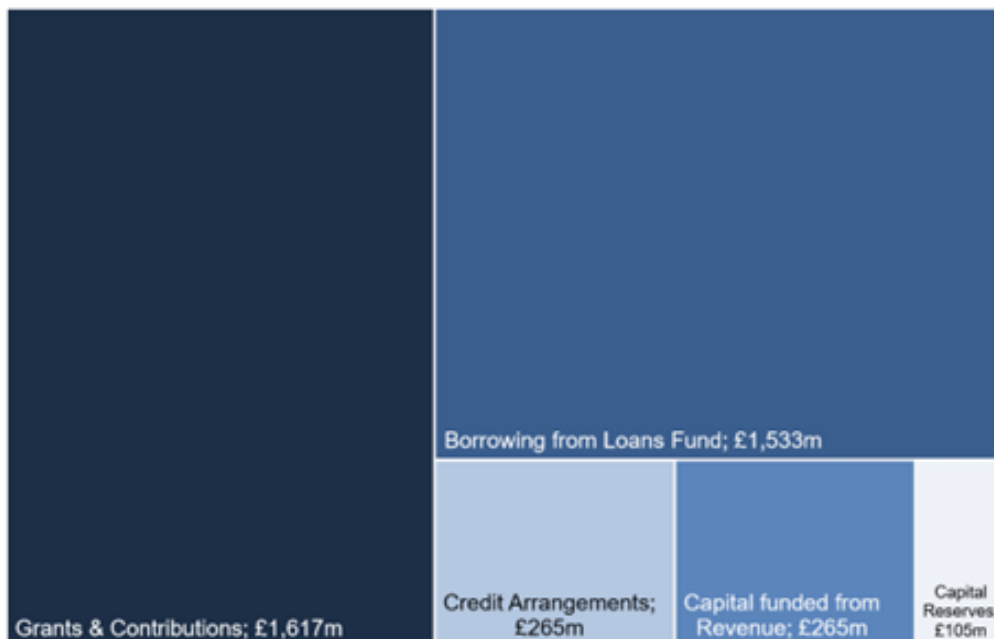
### Capital Expenditure in 2022-23 by service, £ millions

Please note that 'Other' includes Social Work, Central Services and Trading Services.



**Total Capital Expenditure = £3,786 million**

### Financing of Capital Expenditure in 2022-23 by source, £ millions



### What was the value of capital investment in 2022-23?

**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 the £3,786 million of capital expenditure incurred in 2022-23?

Local authorities can finance capital expenditure in a number of ways. The main sources of financing in 2022-23 were:

- **Grants & contributions**, including those from the Scottish Government;
- **Borrowing**; and
- Use of **revenue reserves**.

### What reserves did local authorities have at 31 March 2023?

**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 local authorities may be able to use.

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

### What debt did local authorities have at 31 March 2023?

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 2022-23, local authorities **repaid** £53 million of debt.

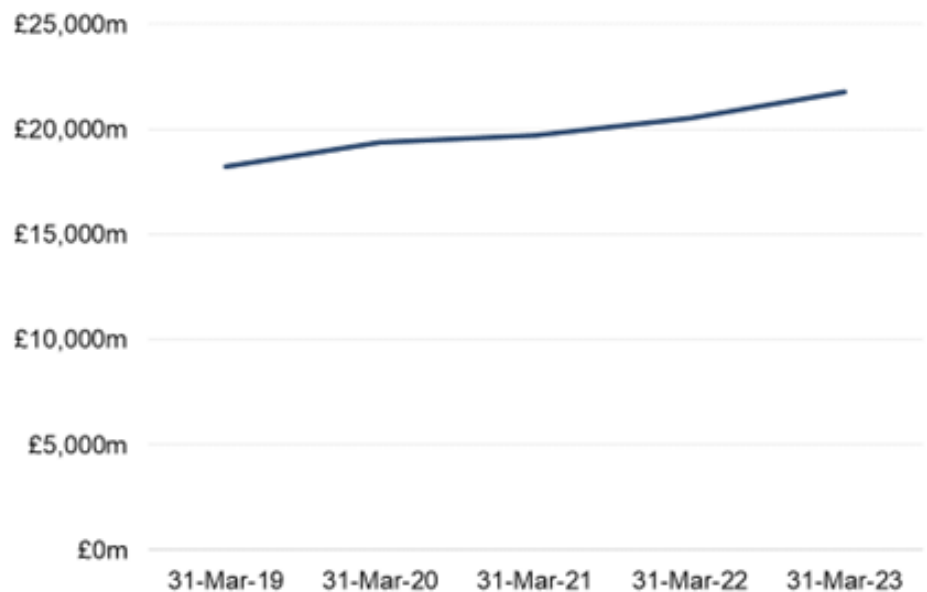
### Usable Reserves at 31 March 2023, £ millions

'Other' revenue reserves includes the Insurance Fund.



### Usable Reserves at 31 March 2023 = £4,532 million

### Total Debt at 31 March from 2018-19 to 2022-23, £ millions



### Total Debt at 31 March 2023 = £21,801 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 is primarily comprised 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)**, established to lead on regional transport strategy and delivery by the Transport (Scotland) Act 2005.
- **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. Where appropriate, comparisons to 2021-22 and time series over the last five years have been included to provide broader context to the figures in this publication.

Since the previous publication, updated returns have been received from the following authorities:

- For 2021-22, updated returns were received from seven Local Authorities: Scottish Borders, Glasgow City, Orkney Islands, Shetland Islands, Lanarkshire VJB, Scottish Borders Pension Fund and Dumfries & Galloway Pension Fund.
- For 2020-21, an updated return was received from Shetland Islands.

Key figures have been matched to audited accounts for most authorities. Where audited accounts for 2022-23 were not available at time of writing, draft unaudited accounts have been used. For this publication, unaudited accounts have been used for eleven authorities: Argyll & Bute, Clackmannanshire, East Dunbartonshire, East Lothian, Glasgow City, Highland, Na h-Eileanan Siar, Orkney Islands, Stirling, West Dunbartonshire and Dunbartonshire & Argyll & Bute VJB. In addition, Highland Pension Fund data is based on unaudited accounts. Updated returns based on audited data for 2022-23 will be used in future Scottish Local Government Finance Statistics (SLGFS) publications.

Expenditure and income figures are presented on a **funding basis** in this publication. This means local authorities have made adjustments to remove 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 refer to the relevant **financial year** running 1 April to 31 March;
- figures within tables / charts may not sum to the total exactly due to rounding;
- absolute zeroes are shown as '-' and rounded zeroes are shown as '0';
- all figures are presented in **cash terms**, this means they have **not** been adjusted for inflation;
- expenditure and income figures are presented as positive figures, however **net** expenditure figures may be presented as negative where gross income has exceeded gross expenditure and so the net position relates to income;
- General Fund figures include amounts relating to the Harbour Accounts for Orkney and Shetland Island Councils unless otherwise stated;
- gross revenue figures have been adjusted for inter-authority transfers;
- 'Roads & Transport' includes amounts relating to Road Bridges.

In 2022-23, local authorities administered Cost of Living Payments on behalf of the Scottish Government totalling £278.4 million<sup>1</sup>. This included £4.5 million to cover the cost of administering these payments. Where local authorities' are acting as an intermediary in administering the receipt and payment process to the ultimate recipients of the funding, they are considered to be **acting as agent** on behalf of the Scottish Government and so the local authority should not recognise the transactions as income or expenditure to the authority itself. This means the income and expenditure associated with these grants is **not** included in any of the figures in this publication. However, the cost of administering these payments, totalling £4.5 million is included.

Figures included in this publication for years prior to 2022-23 have been revised where necessary to match audited accounts where unaudited data was previously submitted, to ensure comparability to 2022-23 data or to correct any minor errors identified since the last publication. This means that figures may not match to those previously published. Please note that this publication will **only** be updated to reflect revisions which have a significant impact on the key figures or commentary. Minor revisions to source data files made after publication that have no material impact on the Scotland figures or key messages will **not** be made to this publication, but will be reflected in the 2023-24 Scottish Local Government Finance Statistics (SLGFS) publication.

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 councils' financial data, that is:

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<sup>1</sup> [Local government finance circular 3/2023: settlement for 2023-24 - gov.scot \(www.gov.scot\)](#). See Annex C.



- local authorities' transfer payments to IJBs, with the total payment amount in year recorded as gross service expenditure against Social Work services;
- income local authorities receive from IJBs to commission services, recorded as gross service income against the relevant service;
- the expenditure that local authorities incur to commission those services, recorded as gross service expenditure against the relevant service.

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](#), and on [local government in Scotland](#) is available on the Scottish Government website.

## 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 local 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 council has housing stock, it is required to record expenditure and income relating to the direct provision of housing in their **Housing Revenue Account (HRA)**. 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 publication, expenditure and income relating to Harbour Accounts is included in General Fund figures unless otherwise stated.

Revenue expenditure is principally funded through service income and general funding – further detail on these sources of funding is provided in [Chapters 2.1.4](#) and [2.3](#) respectively. Any **deficit (+)** in a local authority's revenue account is met from their reserves, and any **surplus (-)** is added to a local authority's reserves and carried forward to the next year. [Chapter 2.4](#) provides more detail on the movement in General Fund and HRA reserves in 2022-23.

## 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, was £12,951 million in 2022-23. This is an increase in net revenue expenditure of £1,201 million, or 10.2 per cent, on 2021-22.

The increase in net revenue expenditure figure partly reflects the **impact of high inflation** on the cost to local authorities of providing services. For context, the GDP deflator, which can be viewed as a measure of general inflation in the domestic economy, was 6.80 per cent higher in 2022-23 when compared to 2021-22<sup>2</sup>.

**Table 2.1: Net Revenue Expenditure on Services in 2022-23, £ millions**

Source: LFR 00

Category	General Fund	HRA	Total
Gross Service Expenditure	22,565	826	23,391
Gross Service Income	9,076	1,364	10,440
<b>Net Revenue Expenditure</b>	<b>13,489</b>	<b>-538</b>	<b>12,951</b>

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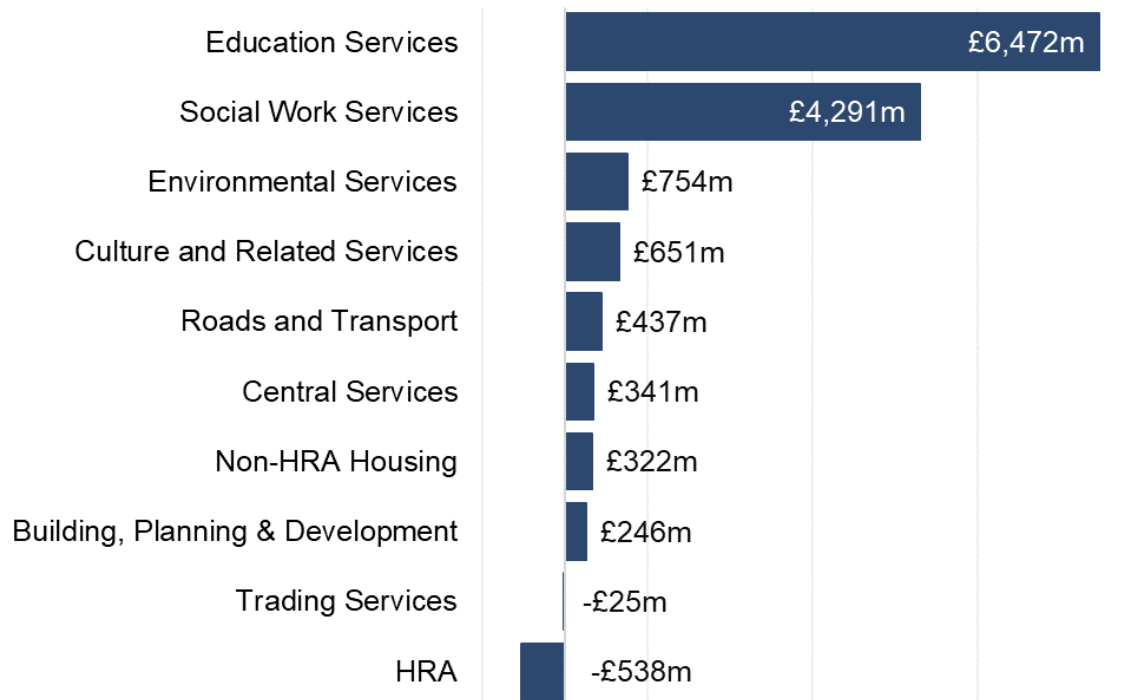
<sup>2</sup> [GDP deflators at market prices, and money GDP December 2023 \(Quarterly National Accounts\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-december-2023-quarterly-national-accounts)

### 2.1.1 Net Revenue Expenditure by Service

**Chart 2.1** shows net revenue expenditure on services in Scotland in 2022-23. Education has the highest net revenue expenditure at £6,472 million followed by Social Work which has a net revenue expenditure of £4,291 million.

**Chart 2.1: Net Revenue Expenditure in 2022-23 by Service, £ millions**

**Source:** LFR 00



**Table 2.2** shows how net revenue expenditure by service has changed between 2018-19 and 2022-23.

**Table 2.2: Net Revenue Expenditure from 2018-19 to 2022-23 by Service, £ millions**

**Source:** LFR 00

Service	2018-19	2019-20	2020-21	2021-22	2022-23	% change between 2021-22 & 2022-23
Education	5,054	5,330	5,524	5,867	6,472	10.3%
Culture & Related Services	575	554	582	592	651	9.9%
Social Work	3,312	3,458	3,540	3,818	4,291	12.4%
Roads & Transport	384	382	458	404	437	8.0%
Environmental Services	678	684	726	719	754	4.8%
Building, Planning & Development	206	190	219	250	246	-1.6%
Central Services	346	783	387	363	341	-6.1%
Non-HRA Housing	254	258	272	291	322	10.7%
Trading Services	-35	-36	-29	-29	-25	-13.1%
<b>General Fund Net Revenue Expenditure</b>	<b>10,774</b>	<b>11,604</b>	<b>11,679</b>	<b>12,277</b>	<b>13,489</b>	<b>9.9%</b>
HRA	-524	-527	-571	-527	-538	2.1%
<b>Total Net Revenue Expenditure</b>	<b>10,250</b>	<b>11,077</b>	<b>11,108</b>	<b>11,750</b>	<b>12,951</b>	<b>10.2%</b>

Net revenue expenditure on **Education** has increased by 10.3 per cent, or £605 million, in 2022-23. This is driven by increases in net expenditure for Pre-Primary, Primary and Secondary Schools, which have increased by 25.1 per cent, 8.6 per cent and 8.3 per cent, or £96 million, £204 million and £193 million, respectively. Net revenue expenditure on special education increased by £93 million (13.6 per cent). Community Learning increased by £15 million (15.9 per cent).

**Culture and Related Services** saw an increase of 9.9 per cent, or £59 million, in net revenue expenditure in 2022-23. The main underlying changes were an increase in net expenditure on Sports Facilities of £14 million (8.0 per cent), and on Community Parks and Open Spaces of £14 million (11.0 per cent).

Net revenue expenditure on **Social Work** increased by 12.4 per cent, or £473 million, in 2022-23. Much of this increase is accounted for by Integrated Joint Boards (IJBs). Councils' collectively transferred £447 million more funds to IJBs in 2022-23, compared to 2021-22. This resulted in an increase in net revenue for IJBs of £447 million.

Net revenue expenditure on **Roads & Transport** has increased by 8 per cent, or £32 million, in 2022-23. Net revenue expenditure on parking services decreased by £12 million (41.9 per cent) as a result of increased parking income. Net revenue expenditure on Roads: Winter Maintenance increased by £17 million (26.2 per cent). Roads: Other Maintenance increased by £18 million (12.2 per cent).

**Environmental Services** saw an increase of 4.8 per cent, or £34 million, in net revenue expenditure in 2022-23. Of this increase, £15 million related to Waste Management.

**Building, Planning & Development** saw a decrease of 1.6 per cent, or £4 million, in net revenue expenditure in 2022-23, compared to 2021-22. This was the result of gross service expenditure increasing by £21 million over the year, but gross service income increasing more (by £25 million), resulting in the £4 million decrease.

Net revenue expenditure on **Central Services** decreased by 6.1 per cent, or £22 million, between 2021-22 and 2022-23.

Net revenue expenditure on **Non-HRA Housing** has increased by 10.7 per cent, or £31 million, in 2022-23.

**HRA and Trading Services** both have negative net revenue expenditure, which means that the service income received for these services was **more** than the expenditure incurred to provide these services. As such, negative net revenue expenditure can be considered as net income. For 2022-23, net expenditure for Trading Services decreased by 13.1 per cent to negative £25 million (it was negative £29 million in 2021-22). Net expenditure for HRA has been decreasing – that is, the overall net income that local authorities have received from their HRA has increased.

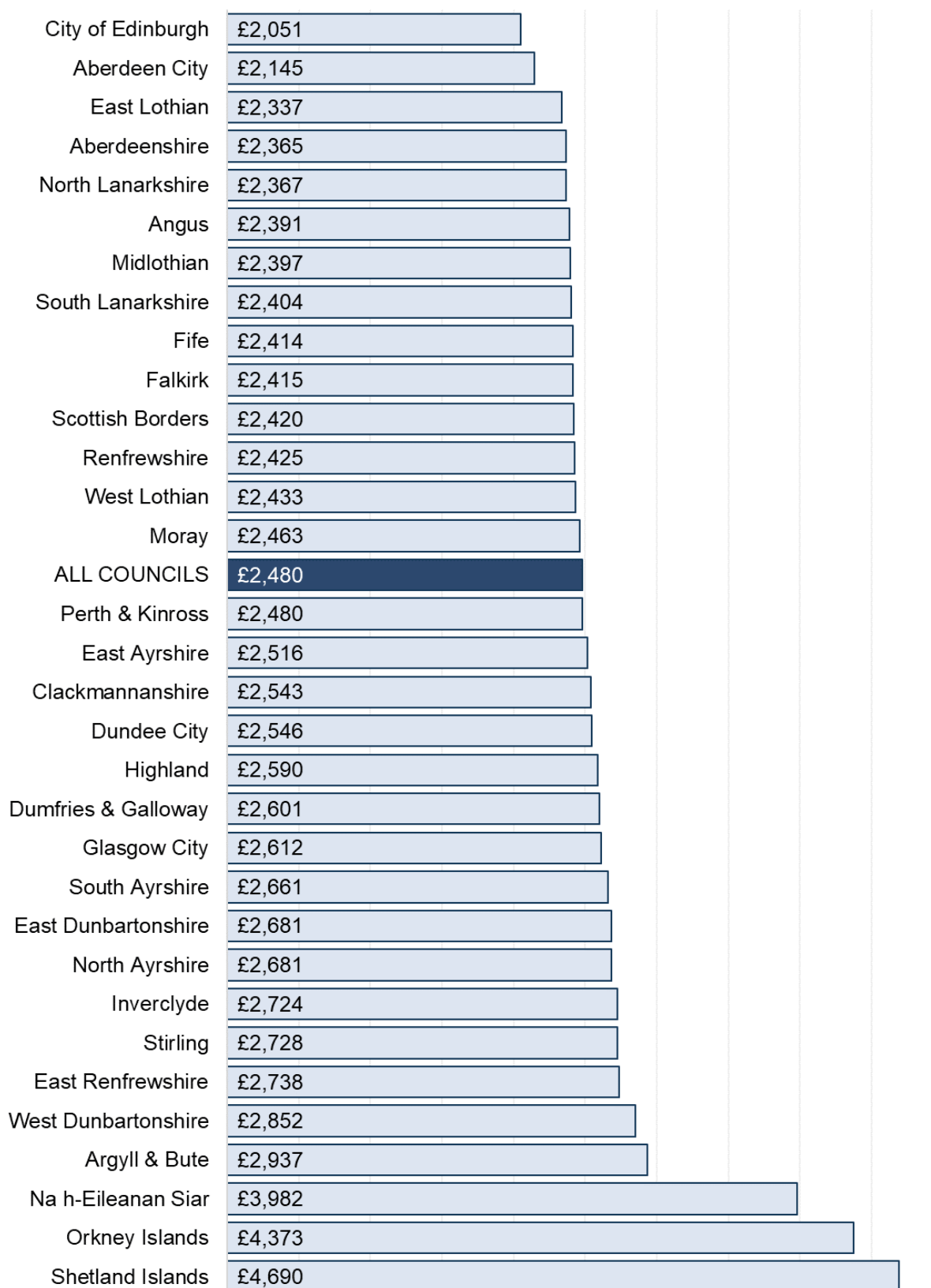
### 2.1.2 General Fund Net Revenue Expenditure by Council

**Chart 2.2** shows net revenue expenditure on General Fund services per person by council. In 2022-23, councils spent on average £2,480 per person, an increase from £2,246 per person in 2021-22. Spend per person varied across councils with island authorities having the highest spend per person.



**Chart 2.2: General Fund Net Revenue Expenditure in 2022-23 by Council, £ per person**

**Source:** LFR 00, Scotland's Census 2022



### 2.1.3 Gross Service Expenditure

Gross Service Expenditure is the total expenditure on local authority services within a financial year, adjusted for any intra / inter-authority transfers. In 2022-23, gross service expenditure was £23,391 million, an increase of 8.3 per cent, or £1,792 million, from 2021-22. **Table 2.3** shows gross service expenditure by type of expenditure from 2018-19 to 2022-23.

**Table 2.3: Gross Service Expenditure from 2018-19 to 2022-23 by Expenditure Type, £ millions**

Source: LFR 00

Expenditure Type	2018-19	2019-20	2020-21	2021-22	2022-23	% change between 2021-22 & 2022-23
Employee Costs	7,196	8,259	8,191	8,611	9,306	8.1%
Operating Costs	7,467	7,562	8,066	8,400	9,046	7.7%
Transfer Payments	4,743	4,771	4,724	5,026	5,432	8.1%
Support Services	735	728	743	785	832	5.9%
Adjustment for Intra / Inter Authority Transfers	-1,275	-1,227	-1,253	-1,223	-1,224	0.1%
<b>Gross Service Expenditure</b>	<b>18,866</b>	<b>20,094</b>	<b>20,471</b>	<b>21,599</b>	<b>23,391</b>	<b>8.3%</b>

In 2022-23, **employee costs** were the largest element of gross service expenditure, accounting for £9,306 million. 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. Employee costs in 2022-23 have increased by 8.1 per cent, or £694 million, from 2021-22. Employee costs have increased by 29.3 per cent, or £2,109 million, over the last five years.

**Operating costs** relate to costs for premises, transport, supplies and services, as well as payments made to third parties. In 2022-23, these accounted for £9,046 million of gross expenditure – an increase of 7.7 per cent, or £646 million, from 2021-22. This increase predominantly relates to an increase in payments to third parties.

**Transfer payments** accounted for £5,432 million of gross service expenditure in 2022-23, an increase of 8.1 per cent, or £406 million, from 2021-22. This expenditure relates to payments for which no goods or services are received in return by the local authority, including payment of Housing Benefit and transfers to IJBs.

**Support services costs** are the smallest component of gross service expenditure, accounting for only £832 million. This is an increase of 5.9 per cent, or £47 million, from 2021-22. 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.

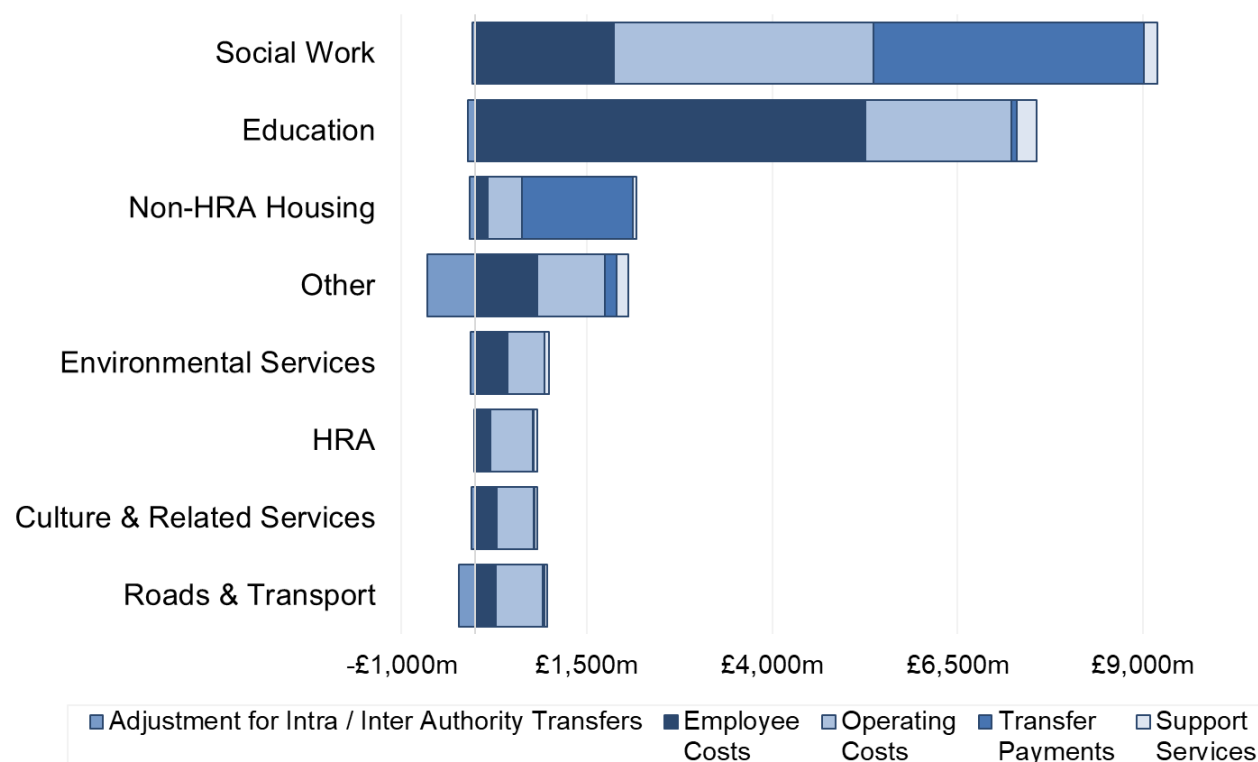
An **adjustment for intra / inter-authority transfers** of -£1,224 million has been made to the aggregate gross service expenditure figure. This is to prevent double counting of expenditure caused by transfers between different services within an authority and between different local authorities. The adjustment removes the total recharge income from other services, contributions from other local authorities and requisition income for VJBs and RTPs. Following the adjustment, expenditure is only reported against the authority or service area that commissioned the service.

**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. Social Work and Non-HRA Housing have high proportions of transfer payments which relates to amounts transferred to IJBs and the payment of Housing Benefits respectively. Other 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 2022-23 by Service and Expenditure Type, £ millions**

Please note that ‘Other’ consists of Building, Planning & Development Services, Central Services and Trading Services.

**Source:** LFR 00



## 2.1.4 Gross Service Income

Gross Service Income is the total income a local authority receives directly in relation to services they provide. In 2022-23, local authorities received £10,440 million in service income, an increase of 6.0 per cent, or £591 million, from 2021-22.

Local authorities receive service income from a variety of sources. **Table 2.4** shows gross service income by type of income from 2018-19 to 2022-23.

**Table 2.4: Gross Service Income from 2018-19 to 2022-23 by Income Type, £ millions**

Source: LFR 00

Income Type	2018-19	2019-20	2020-21	2021-22	2022-23	% change between 2021-22 & 2022-23
Government Grants	2,380	2,559	2,866	2,884	2,857	-1.0%
Other Grants, Reimbursements and Contributions	3,638	3,772	4,003	4,249	4,676	10.1%
Customer and Client Receipts	2,598	2,685	2,494	2,715	2,907	7.1%
<b>Gross Service Income</b>	<b>8,616</b>	<b>9,016</b>	<b>9,363</b>	<b>9,849</b>	<b>10,440</b>	<b>6.0%</b>

**Government grants** relates to grants local authorities receive to support specific services from either the Scottish or UK Governments, including Ring-Fenced Revenue Grants (RFRGs) and grants from the Department for Work & Pensions (DWP) for Housing Benefit payments. These figures will reflect the amount of grants **used** in the year specified – this may not match the amount of grants local authorities received in that year. This category does **not** include General Revenue Grant (GRG) as that is not provided to local authorities to fund a specific service. In 2022-23, government grants accounted for £2,857 million of service income, a decrease of 1.0 per cent, or £28 million, from 2021-22.

**Other grants, reimbursements and contributions** includes contributions from NHS Boards and income from IJBs to commission social care services. This accounted for £4,676 million of service income in 2022-23 – an increase of 10.1 per cent, or £427 million, from 2021-22.

**Customer and client receipts** is income local authorities have received for sales, rents, fees and charges for services they provide. In 2022-23, this accounted for £2,907 million of service income, an increase of 7.1 per cent, or £192 million, from 2021-22.

**Chart 2.4** shows the breakdown of gross service income by service and income type. Social Work has the largest amount of service income, the majority of which is from other grants, reimbursements and contributions. This relates to amounts

received from IJBs to commission social care services, as well as contributions received from NHS Boards.

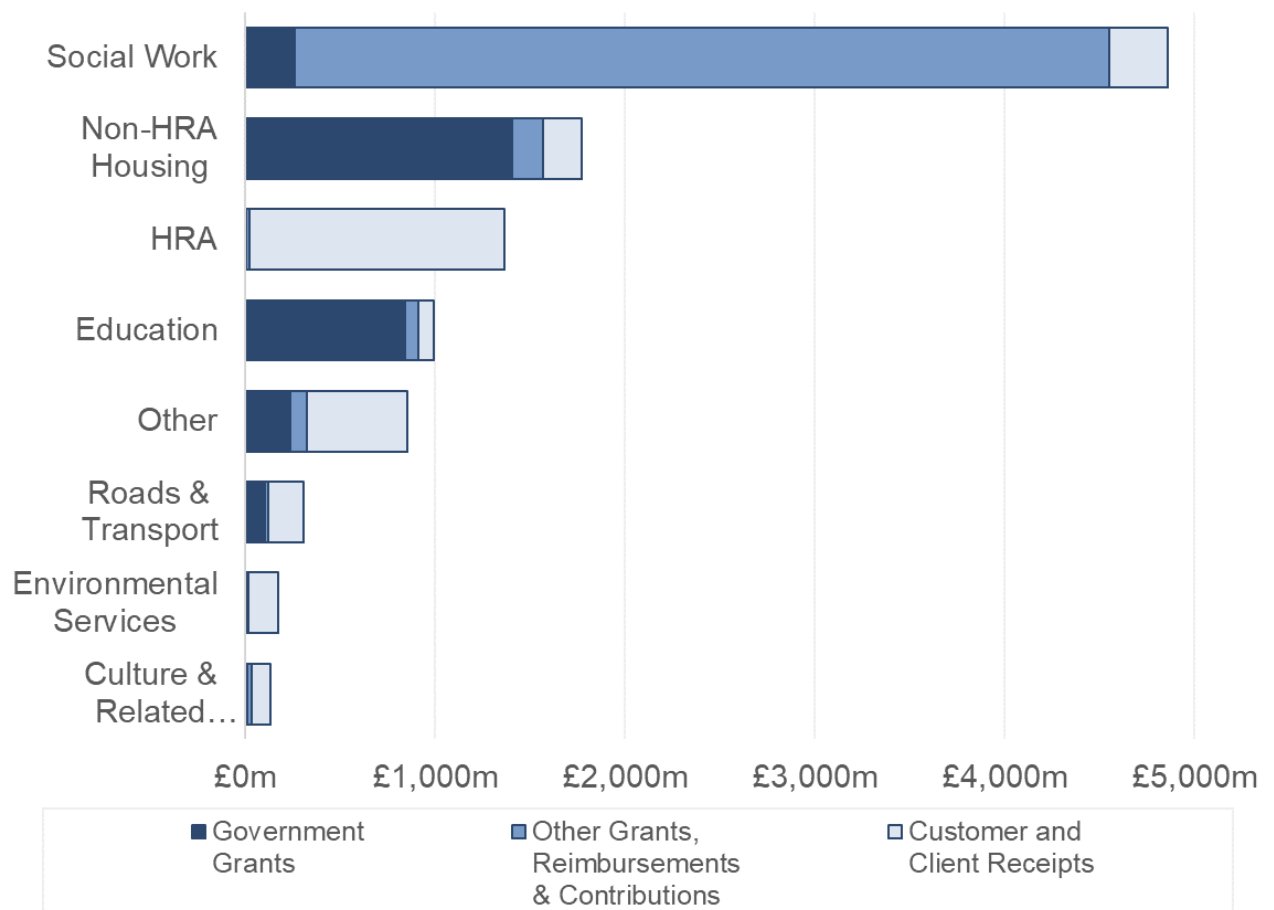
Both Non-HRA Housing and Education have high proportions of service income from government grants. For Non-HRA Housing, this relates to grants from the DWP to fund Housing Benefit payments. For Education, this amount reflects various Education RFRGs that local authorities received from Scottish Government.

Service income for the HRA is almost entirely made up of customer and client receipts which predominantly relates to rent payments received.

**Chart 2.4: Gross Service Income in 2022-23 by Service and Income Type, £ millions**

Please note that 'Other' consists of Building, Planning & Development Services, Central Services and Trading Services.

**Source:** LFR 00



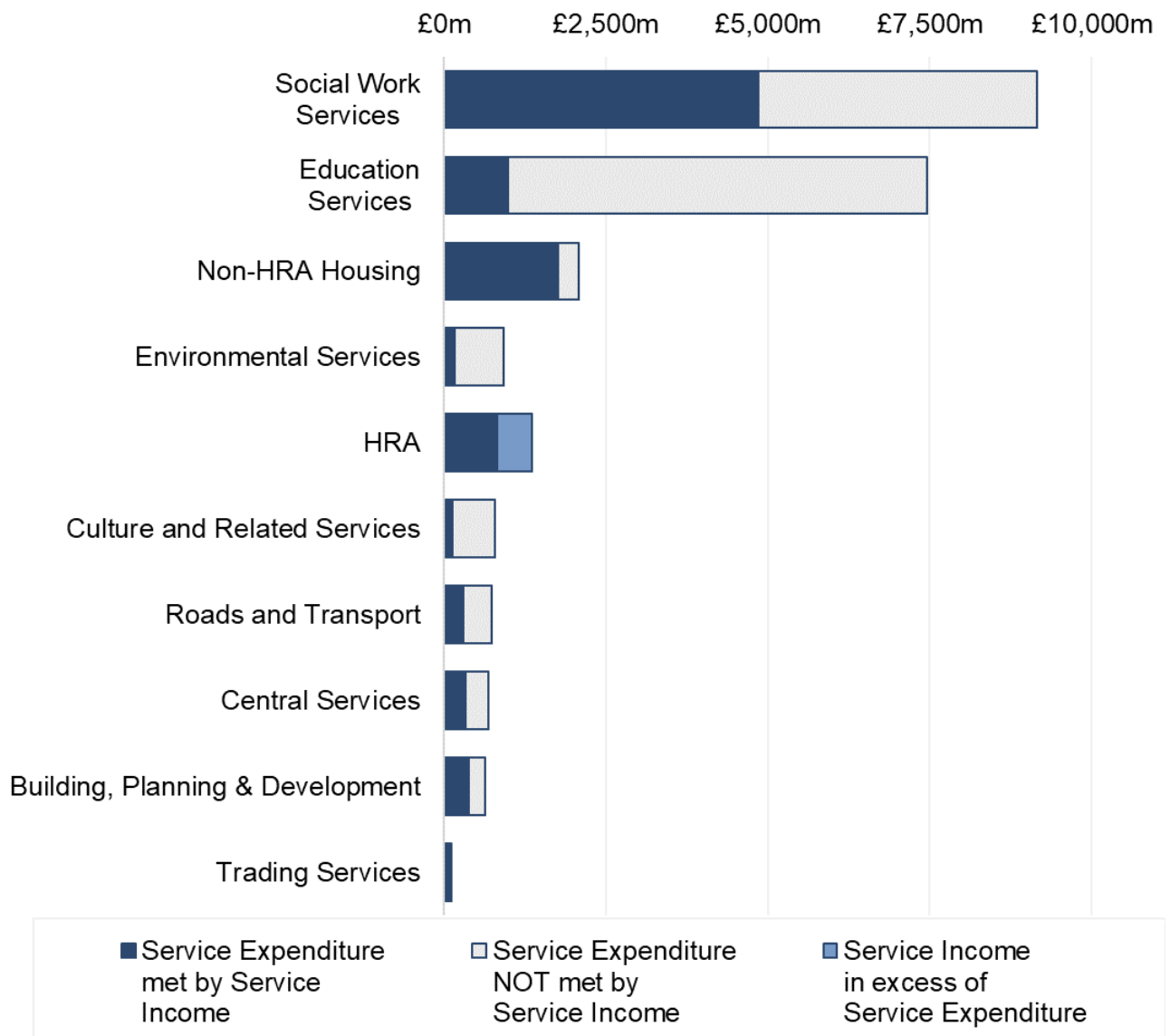
In 2022-23, 45 per cent of service expenditure was met by service income. **Chart 2.5** shows the proportion of service expenditure met by service income for each service. This varies significantly between services as they each receive different levels of grants and contributions, and services have differing abilities to generate service income in the form of customer and client receipts.

Service income **exceeded** service expenditure for HRA and Trading Services, generating surplus income 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 13 per cent for Education Services to 85 per cent for Non-HRA Housing.

**Chart 2.5: Service Expenditure met by Service Income in 2022-23 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 2022-23, local authorities incurred £1,184 million of **other expenditure and income**. **Table 2.5** provides a breakdown of this figure, split by the General Fund and HRA. Total interest paid was £893 million in 2022-23.

**Table 2.5: Other Expenditure and Income in 2022-23, £ millions**

Please note the following:

Income figures are presented as negative in this table.

‘Interest Receivable and Similar Income’ includes losses arising from derecognition of financial assets and recognition of credit losses on financial assets.

‘Statutory Repayment of Debt’ includes repayments relating to lending to other statutory bodies and so will differ to the repayment figures in Chapter 5.

**Source:** LFR A0

Expenditure / Income Type	General Fund	HRA	Total
Interest Payable and Similar Charges	733	161	893
Interest Receivable and Similar Income	-65	-6	-71
Statutory Repayment of Debt	-75	127	53
Capital Expenditure Funded from Revenue	77	186	262
Surplus (-) or Deficit (+) from Trading Operations	46	0	46
Other Operating Expenditure	0	0	0
<b>Total Other Expenditure and Income</b>	<b>716</b>	<b>468</b>	<b>1,184</b>

For 2021-22, statutory repayment of debt totalled £553 million, whereas the figure for 2022-23 is £53 million. Ministers permitted a [statutory flexibility](#), that could be exercised in either 2021-22 or 2022-23, for local authorities to reprofile the repayment term of service concession arrangements (PPP/PFI contracts), to spread the costs over the asset life rather than contract term and thereby make the charge to Council Tax payers for the capital investment more affordable.

The cumulative charges for service concession arrangements at the point of applying this flexibility would be significantly lower, when spreading the cost over the asset life (usually 40 years), than would have been the case when spreading the cost over the contract term (usually 25 years).

This therefore results in an accounting adjustment for the cumulative effect of the reprofiled debt financing costs for service concession arrangements, with the ‘overpayment’ credited to (increasing) General Fund reserves. In 2022-23, this

adjustment was a credit of £75 million during 2022-23, whereas £410 million in debt repayments were made in 2021-22.

## 2.3 General Funding

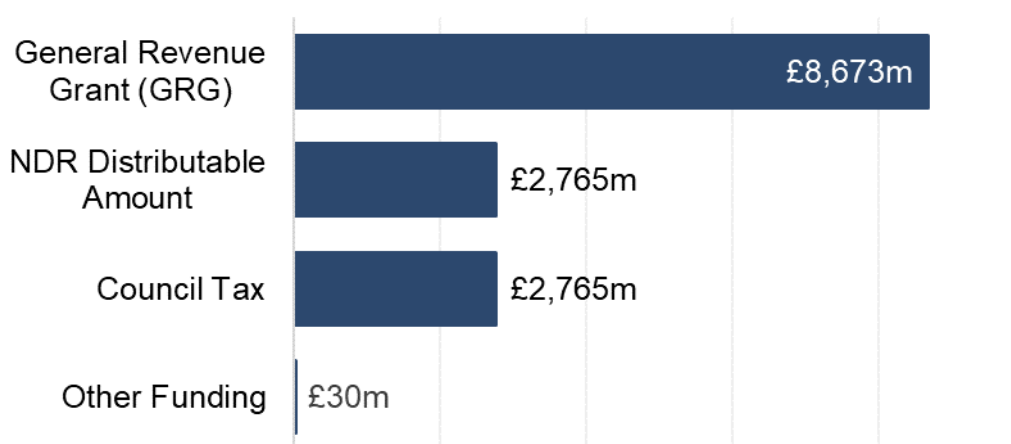
**General funding**, referred to as ‘Taxation and Non-Specific Grant Income’ within local authorities’ accounts, principally consists of the General Revenue Grant (GRG) and local taxation, specifically Non-Domestic Rates (NDR) and Council Tax.

Total general funding available to authorities in 2022-23 was £14,233 million, an increase of 3.2 per cent, or £445 million, from 2021-22. **Chart 2.6** shows the total general funding available to local authorities in 2022-23 by type of funding.

### Chart 2.6: General Funding in 2022-23 by Source, £ millions

Please note that ‘Other Funding’ includes government grants paid to joint boards and income received through NDR TIF and BRIS schemes ([Chapter 2.3.2.3](#)).

**Source:** LFR A0



**General Revenue Grant (GRG)** is the general grant paid to local authorities by the Scottish Government, including monies from the UK Government payable to a local authority, and is the main source of funding for local authorities. In 2022-23, GRG accounted for £8,673 million, or 61 per cent, of general funding. See [Annex C](#) for how this figure is derived.

**NDR** accounted for £2,765 million, or 19 per cent, of general funding. The Scottish Government guarantees the combined sum of GRG and NDR funding to local authorities in each financial year. More detail on NDR is provided in [Chapter 2.3.2](#) and more information on the process to determine local government funding from the Scottish Government is available in the [Local Government Funding: Process Overview publications](#).

**Council Tax** accounted for £2,765 million, or 19 per cent, of general funding in 2022-23 – this is consistent with prior years. More information on Council Tax is provided in [Chapter 2.3.1](#).

**Table 2.6** shows the breakdown of general funding figures between 2018-19 and 2022-23. As the combined total of NDR and GRG provided to local authorities is guaranteed, any decrease in the amount of NDR collected is compensated for by a corresponding increase in GRG.

Council Tax has continued the steady increase seen over the last five years, with an increase of 4.7 per cent, or £125 million, from 2021-22.

**Table 2.6: General Funding from 2017-18 to 2022-23 by Source, £ millions**

Please note the following:

GRG figures for 2018-19 and 2019-20 differ from the Finance Circular allocation due to £10m for Teacher's Pay which was paid as part of the 2019-20 settlement but recorded by local authorities as income in 2018-19.

The 2022-23 GRG figure differs to the Finance Circular allocation. Please see [Annex C](#) for details.

'Other Funding' includes government grants paid to joint boards and income received through NDR TIF and BRIS schemes.

**Source:** LFR A0

General Funding Source	2018-19	2019-20	2020-21	2021-22	2022-23	% change between 2021-22 & 2022-23
GRG	6,885	6,937	9,308	9,014	8,673	-3.8%
NDR Distributable Amount	2,636	2,853	1,868	2,090	2,765	32.3%
Council Tax	2,376	2,493	2,581	2,640	2,765	4.7%
Other Funding	13	40	76	44	30	-32.4%
<b>Total General Funding</b>	<b>11,910</b>	<b>12,323</b>	<b>13,834</b>	<b>13,788</b>	<b>14,233</b>	<b>3.2%</b>

### 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 discounts, exemptions, reductions and increases** 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**

Please note the following:

“n/a” indicates where a total value is not applicable.

The ratios quoted applied from 2017-18 onwards.

**Source:** CTaxbase

Band	Valuation Band Ranges as at 1 April 1991	Ratio to Band D	No. of Chargeable Dwellings as at September 2022	Proportion of Chargeable dwellings
Band A	Under £27,000	6/9	498,334	19.4%
Band B	£27,001 to £35,000	7/9	577,657	22.5%
Band C	£35,001 to £45,000	8/9	415,939	16.2%
Band D	£45,001 to £58,000	9/9	355,115	13.9%
Band E	£58,001 to £80,000	473/360	354,197	13.8%
Band F	£80,001 to £106,000	585/360	211,243	8.2%
Band G	£106,001 to £212,000	705/360	135,840	5.3%
Band H	Over £212,000	882/360	14,032	0.5%
<b>Total</b>			<b>2,562,357</b>	<b>100.0%</b>

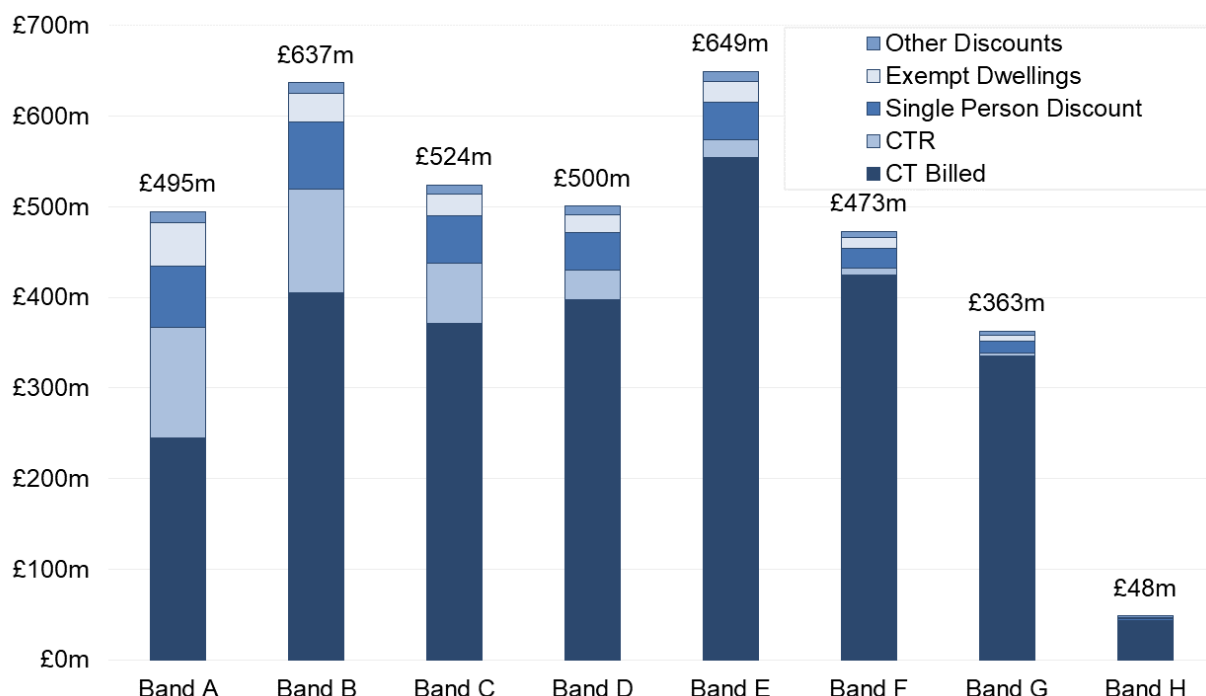
### 2.3.1.1 Collection and Yield of Council Tax

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**.

Council Tax Potential Yield refers to the Council Tax yield if all dwellings paid the full rate for their relevant Band and local authority. **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 2022-23, £ millions**

**Source:** CTaxbase and CTRR



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 in Scotland for 2022-23 was 96.2 per cent – this is the proportion of Council Tax billed for 2022-23 that was collected by 31 March 2023. As published in June 2023, the provisional total amount of Council Tax collected for Scotland after CTR and including late payments of bills from prior years, was £2,728 million. More information about bills issued in 2022-23 and the provisional amounts collected are available in the [Council Tax Collection Statistics, 2022-23](#) publication.

**Table 2.8** shows the amount of Council Tax collected by each local authority in 2022-23 based on, as far as possible, their audited annual accounts. The figure is marginally higher at £2,765 million.



**Table 2.8: Council Tax Income after CTR in 2022-23 by Local Authority, £ thousands**

Please note that figures relate to income collected in 2022-23, which can include amounts that were billed in previous years.

**Source:** LFR A0

<b>Local Authority</b>	<b>Net Council Tax Income</b>
Aberdeen City	133,137
Aberdeenshire	158,715
Angus	54,304
Argyll & Bute	58,230
City of Edinburgh	307,480
Clackmannanshire	24,387
Dumfries & Galloway	73,462
Dundee City	60,970
East Ayrshire	55,488
East Dunbartonshire	69,229
East Lothian	63,051
East Renfrewshire	58,611
Falkirk	72,923
Fife	178,996
Glasgow City	260,233
Highland	136,667
Inverclyde	34,146
Midlothian	53,315
Moray	48,375
Na h-Eileanan Siar	12,497
North Ayrshire	61,989
North Lanarkshire	130,267
Orkney Islands	10,572
Perth & Kinross	92,860
Renfrewshire	90,254
Scottish Borders	63,591
Shetland Islands	10,254
South Ayrshire	64,110
South Lanarkshire	148,958
Stirling	55,111
West Dunbartonshire	39,313
West Lothian	83,769
<b>Scotland</b>	<b>2,765,264</b>

### 2.3.1.2 Chargeable Dwellings

**Table 2.9** shows the number of dwellings in Scotland for each September from 2017-18 to 2022-23. There were a total of 2.699 million dwellings in Scotland in 2022-23, of which 136,683 were exempt for Council Tax purposes. This gave 2.562 million chargeable dwellings in 2022-23, an increase of around 3 per cent, or around 75,256 dwellings, since 2018-19.

**Table 2.9: Total Number of Dwellings from 2018-19 to 2022-23**

**Source:** CTaxbase

Financial Year	Total Dwellings	Exempt Dwellings	Chargeable Dwellings
2018-19	2,614,957	127,856	2,487,101
2019-20	2,636,639	131,706	2,504,933
2020-21	2,653,732	130,845	2,522,887
2021-22	2,674,729	134,096	2,540,633
2022-23	2,699,040	136,683	2,562,357

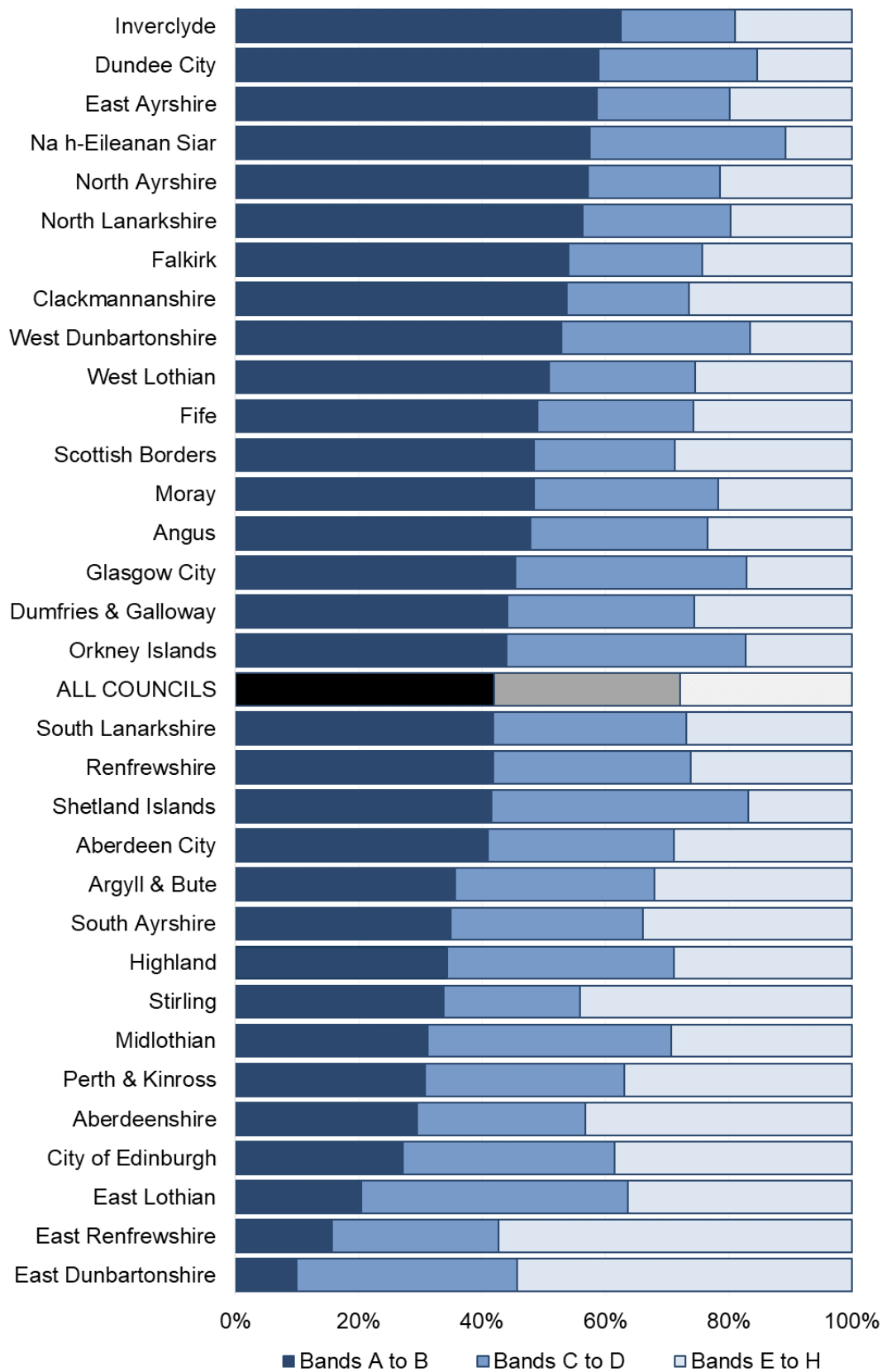
**Chart 2.8** shows the distribution of chargeable dwellings across Council Tax bands in each local authority. Across Scotland, just under three-quarters of all chargeable dwellings are in Bands A to D. The distribution varies across local authorities due to variations in property market values. Na h-Eileanan 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 43 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 City, City of 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 [Council Tax supplementary tables](#).

**Chart 2.8: Proportion of Chargeable Dwellings at September 2022 by Local Authority and Council Tax Band**

**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 2022-23 Band D Council Tax rates for each local authority are shown in **Chart 2.9** ranging from £1,206 in Shetland to £1,443 in Midlothian. The Scotland Average Band D Council Tax Rate was £1,347, compared to £1,308 in 2021-22. This is an increase of 2.98 per cent or £39.

**Chart 2.9: Band D Council Tax Rate in 2022-23 by Local Authority**

**Source:** CTAS

Shetland Islands	£1,206
Na h-Eileanan Siar	£1,229
South Lanarkshire	£1,233
Angus	£1,242
Orkney Islands	£1,245
North Lanarkshire	£1,258
Dumfries & Galloway	£1,259
Falkirk	£1,275
Scottish Borders	£1,292
West Lothian	£1,315
Fife	£1,319
West Dunbartonshire	£1,332
East Renfrewshire	£1,335
Aberdeenshire	£1,340
East Lothian	£1,342
Clackmannanshire	£1,344
<b>ALL COUNCILS</b>	<b>£1,347</b>
East Dunbartonshire	£1,348
Perth & Kinross	£1,351
Renfrewshire	£1,355
Inverclyde	£1,358
Moray	£1,363
Highland	£1,372
City of Edinburgh	£1,379
North Ayrshire	£1,383
South Ayrshire	£1,384
Stirling	£1,385
Argyll & Bute	£1,409
East Ayrshire	£1,417
Aberdeen City	£1,419
Dundee City	£1,419
Glasgow City	£1,428
Midlothian	£1,443

From 2007-08 to 2016-17, 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 cash terms in both 2017-18 and 2018-19. This continued into 2019-20 and 2021-22, when local government agreed Council Tax increases to be capped at three per cent in real terms, which was 4.79 per cent in cash terms in 2019-20 and 4.84 per cent in 2021-22. All 32 local authorities froze their Council Tax rates for 2021-22.

For 2022-23, the overall increase was 2.98 per cent in cash terms, based on the Scotland Average Band D Council Tax Rate.

The average Council Tax bill per dwelling in 2022-23 was £1,238. 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 2018-19<sup>3</sup>.

#### **Table 2.10: Average Council Tax Bill per Dwelling from 2018-19 to 2022-23**

Please note that the minor changes between years where Council Tax was frozen are due to a number of factors, including the distribution of dwellings across bands; discounts and exemptions; new construction and removal of demolished housing from the roll.

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

<b>Financial Year</b>	<b>Before CTR</b>	<b>After CTR</b>
2018-19	£1,106	£973
2019-20	£1,147	£1,013
2020-21	£1,201	£1,053
2021-22	£1,198	£1,057
2022-23	£1,238	£1,096

<sup>3</sup> A longer time series of Average Council Tax per dwelling 1996-97 to 2023-24 (before CTR) can be found at: [Council tax datasets - gov.scot \(www.gov.scot\)](https://www.gov.scot/council-tax-datasets)

#### 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 increased by £38, from £1,057 in 2021-22 to £1,096 in 2022-23. 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.

The Scottish Government provides funding to local authorities to compensate them for the loss in tax receipts associated with the CTR scheme. In 2022-23, CTR funding totalled £351 million.

The amounts distributed to each local authority and the final reduction in liability are shown in **Table 2.11**. The reduction in liability due to the CTR scheme was around £364.8 million across Scotland in 2022-23. This figure is £13.8 million more than the £351 million funding provided by the Scottish Government. The three local authorities with the largest CTR liabilities are Glasgow City, City of Edinburgh and North Lanarkshire.



**Table 2.11: CTR Funding and Reduction in Liability in 2022-23 by Local Authority, £ thousands**

**Source:** CTR Extracts and LFR 12

<b>Local Authority</b>	<b>CTR Funding from SG</b>	<b>Final total reduction in liability</b>
Aberdeen City	11,330	11,541
Aberdeenshire	9,061	9,154
Angus	5,448	5,580
Argyll & Bute	5,457	5,647
City of Edinburgh	26,678	25,993
Clackmannanshire	3,615	3,903
Dumfries & Galloway	9,128	9,742
Dundee City	12,411	13,323
East Ayrshire	9,403	9,879
East Dunbartonshire	4,744	5,055
East Lothian	5,326	5,652
East Renfrewshire	4,062	4,199
Falkirk	8,293	8,892
Fife	21,486	22,403
Glasgow City	70,828	74,017
Highland	12,880	13,326
Inverclyde	6,475	6,841
Midlothian	4,916	5,265
Moray	3,940	4,059
Na h-Eileanan Siar	1,310	1,310
North Ayrshire	12,109	13,070
North Lanarkshire	23,595	24,383
Orkney Islands	903	915
Perth & Kinross	6,761	6,966
Renfrewshire	13,369	13,143
Scottish Borders	5,580	5,574
Shetland Islands	729	729
South Ayrshire	8,156	8,612
South Lanarkshire	20,398	21,917
Stirling	4,206	4,504
West Dunbartonshire	8,257	8,573
West Lothian	10,147	10,621
<b>Scotland</b>	<b>351,000</b>	<b>364,788</b>

### 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. [A full explanation of Council Tax discounts and exemptions is available on the Scottish Government website.](#)

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

Please note that in 2013-14, local authorities gained the discretionary power to remove the discount for Second Homes / Long Term Empty, or set a Council Tax increase of 100% on 'Long Term Empty – More than 12 months' properties.

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 (actual change depends on local authority policy)
Short Term Empty – Less than 12 months (or 24 months for properties for sale or let)	Empty properties not meeting the criteria of a second home, or subject to a separate exemption.	10 - 50% discount (actual change depends on local authority policy)
Long Term Empty – More than 12 months (or 24 months for properties for sale or let)	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% (actual change depends on local authority policy)
Occupied entirely by disregarded adults	Chargeable dwellings occupied entirely by residents who are disregarded for a discount.	50% discount

Exemptions		
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 for 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
Reductions		
Disability reduction	Homes that have been adapted for a disabled person.	One CT Band, for example an eligible Band D property would be charged the Band C rate. Eligible Band A properties are charged 5/9 of the Band D rate.
CTR (Passported)	In receipt of Pension Credit (Guarantee), Jobseeker's Allowance (income based), Employment and Support Allowance (income related) or Income Support.	100% reduction
CTR (Not passported)	Low income household.	Up to 100% reduction (actual change is dependent on a means-test)

**Table 2.13** 13 shows the number of dwellings eligible for Council Tax discounts and reductions. Of the 2.562 million chargeable dwellings in Scotland, just over one million were eligible for a discount in 2022-23. The most common type of discount was the Single Person Discount, with around two-fifths of chargeable dwellings entitled to the discount in 2022-23. The CTR scheme supports almost half a million dwellings, or around one-fifth of chargeable dwellings, in meeting their Council Tax liability. At September 2022, 68,888 dwellings (three per cent) were classified as second homes or empty properties.

More recent data for September 2023 ([Housing Statistics Quarterly Update: September 2023](#)) suggests around 70,278 dwellings are classified as second homes or empty properties.

**Table 2.13: Number of Dwellings in Receipt of Council Tax Discounts and Reductions at September from 2018-19 to 2022-23**

Please note the following:

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.

It is not possible for some local authorities to separately identify Second Homes and Long Term Empty dwellings. For these authorities, the total number of Second Homes and Long Term Empty dwellings has been recorded under Second Homes.

**Source:** CTaxbase and CTR Extract

Type of Support	2018-19	2019-20	2020-21	2021-22	2022-23
Disability reduction	13,903	14,048	14,009	13,988	14,096
Single Person Discount	978,504	988,720	1,004,557	1,025,094	1,037,962
Second Homes	24,828	24,314	24,466	23,890	24,287
Empty Properties	39,110	40,963	47,333	43,766	44,601
Occupied entirely by disregarded adults	1,374	1,517	1,500	1,460	1,434
Dwellings not subject to discount	1,443,285	1,449,419	1,445,031	1,446,423	1,454,073
Council Tax Reduction recipients	481,100	471,790	500,620	482,060	449,905
<b>All chargeable dwellings</b>	<b>2,487,101</b>	<b>2,504,933</b>	<b>2,522,887</b>	<b>2,540,633</b>	<b>2,562,357</b>

### 2.3.2 Non-Domestic Rates (NDR)

Non-Domestic Rates (NDR) are a property tax for which the occupier of a non-domestic property is statutorily liable. 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.

Non-domestic rates generated £2,792 million of net income in 2022-23, as shown in [Table 2.14](#). This is the total **contributable amount** of NDR income (NDRI). The contributable amount is equivalent to the gross amount paid by ratepayers, net of any reliefs which are funded by the Scottish Government. However, the contributable amount is **not** net of any reliefs funded by local authorities themselves, and so it differs from the amount collected from ratepayers (the collectable amount).

Each local authority reports their Provisional Contributable Amount (PCA) to the Scottish Government at the start of the year. This is included in the annual NDR account and published as part of the Scottish Government's overall 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 2022-23, the distributable amount was set at £2,766 million – see [Chart 2.6](#) and [Table 2.14](#).

**Table 2.14: NDR Contributable and Distributable Amounts from 2018-19 to 2022-23, £ millions**

Please note that the NDR Contributable Amounts reflect the final, audited income figures collected by local authorities, except for 2022-23 which are the Notified (provisional outturn) figures as the audits are not yet finalised for all councils. They are net of reliefs paid by Scottish Government, but gross of all local reliefs and top-ups to discretionary amounts paid by councils themselves.

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

NDR Type	2018-19	2019-20	2020-21	2021-22	2022-23
NDR Contributable Amount	2,847	2,753	1,816	2,108	2,792
NDR Distributable Amount	2,636	2,853	1,868	2,090	2,766

Local authorities retain all of the NDRI collected in their area. However, the contributable amount that they report is notionally pooled and then redistributed to councils as the distributable amount of NDRI, allocated to each local authority in proportion to each one's most recent prior year NDRI mid-year estimate. As the combined total of NDRI and General Revenue Grant (GRG) provided to local authorities is guaranteed by the Scottish Government, any decrease in the amount of NDRI collected is compensated for by a corresponding increase in GRG and vice versa. Any changes from the provisional contributable amount reported to the final outturn contributable amount in any year is accounted for in the calculation of future years' distributable amounts.

The distributable amount is based upon the forecast of the NDRI made prior to the year start by the Scottish Fiscal Commission (SFC), and includes prior year adjustments. This is presented in Figure 4.8 (page 58) of the SFC's publication '[Scotland's Economic and Fiscal Forecasts – December 2022](#)'. The distributable amount is therefore not likely to match exactly the NDRI received in any year, as shown in **Table 2.14**, nor the total eventual contributions to the pool for any year. Final contributions to the pool are based on councils' provisional estimates of their contributable amount at the start of the year, their Provisional Contributable Amount (PCA), adjusted by the amount by which the previous year's final outturn differs from the previous year's PCA. Final contributions to the pool (and distributions to councils) are set out in the [non-domestic rating account](#).

### 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.

The RV of a non-domestic property is generally initially established when the property comes into existence, subject to rating exemptions (for instance, agricultural lands and buildings are exempt from rating). Rateable 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 revaluations. The [latest revaluation](#), assigning updated RVs to all non-domestic properties in Scotland, took effect in April 2023, after the end of the period covered by this publication. Prior to this, there was a revaluation in 2017 and an [analysis of changes in the RV of non-domestic properties in Scotland following the 2017 revaluation](#) is available on the Scottish Government website. Revaluations historically took place on a five-year cycle; however, there was a seven-year cycle following the 2010 revaluation and a six-year cycle following the 2017 revaluation, the latest revaluation having been delayed to 2023 due to the Covid-19 pandemic. Future revaluations will take place every three years, as recommended by the [Barclay Review](#).

**Table 2.15** shows the types of properties, and associated RV on the valuation roll, by property type at 1 April 2022. The valuation roll is continually updated, and the NDRI for 2022-23 will not be based solely on the snapshot of the valuation roll at April 2022. The composition of the valuation roll as at 30 March 2023 is also shown

in **Table 2.14b**, **Table 2.15a** and **Chart 2.10a** in the associated Excel file. The [latest valuation roll statistics](#) are available from the Scottish Assessors Association website.

As at 1 April 2022, there were 261,161 properties on the valuation roll, with a total RV of £7.3 billion, as shown in **Table 2.15**. Industrial subjects and shops were the most prevalent types of property on the valuation roll, making up 21.7 per cent and 20.7 per cent of the number of properties, and 17.4 per cent and 21.6 per cent of the total RV respectively. Offices are the next largest category in terms of numbers and RV. Together, these three categories accounted for 60.1 per cent of properties on the valuation roll, and 53.0 per cent of total RV.

**Table 2.15: NDR Properties at 1 April 2022 by Property Class**

Please note, the number of properties includes properties with a zero rateable value.

**Source:** Scottish Assessors Valuation Roll

Category	Number of properties	% of Properties on Valuation Roll	Rateable Value, £ thousands	% of RV on Valuation Roll
Advertising	1,640	0.6%	10,832	0.1%
Care Facilities	3,067	1.2%	125,886	1.7%
Communications	375	0.1%	24,170	0.3%
Cultural	1,335	0.5%	53,400	0.7%
Education and Training	3,596	1.4%	560,084	7.7%
Garages and Petrol Stations	4,128	1.6%	72,532	1.0%
Health and Medical	3,210	1.2%	230,674	3.2%
Hotels	5,848	2.2%	283,951	3.9%
Industrial Subjects	56,773	21.7%	1,269,823	17.4%
Leisure, Entertainment, Caravans etc.	27,466	10.5%	296,480	4.1%
Offices	46,100	17.7%	1,025,885	14.1%
Other	17,590	6.7%	151,599	2.1%
Petrochemical	135	0.1%	109,112	1.5%
Public Houses	3,546	1.4%	120,467	1.7%
Public Service Subjects	9,720	3.7%	345,283	4.7%
Quarries, Mines, etc.	661	0.3%	14,399	0.2%
Religious	5,999	2.3%	57,617	0.8%
Shops	54,135	20.7%	1,573,134	21.6%
Sporting Subjects	14,566	5.6%	32,855	0.5%
Statutory Undertaking	1,271	0.5%	937,963	12.9%
<b>All Non-Domestic Properties</b>	<b>261,161</b>	<b>100.0%</b>	<b>7,296,148</b>	<b>100.0%</b>

**Chart 2.10** provides a breakdown of properties on the valuation roll by local authority and RV band: up to and including £18,000; between £18,001 and up to and including £51,000; between £51,001 and up to and including £95,000; and above £95,000. These RV bands were significant in 2022-23 as £18,000 in RV was the cut-off for properties to be eligible for the Small Business Bonus Scheme (SBBS) (see [Chapter 2.3.2.4](#)); £51,000 was the threshold above which the Intermediate Property Rate (IPR) was applied; and £95,000 was the threshold above which the Higher Property Rate (HPR) was applied (see [Chapter 2.3.2.2](#)).



Across Scotland, 80 per cent of non-domestic properties had a RV of up to £18,000. Eleven per cent had a RV between £18,001 and up to and including £51,000. Eight per cent had a RV higher than £51,000, of which 3.7 per cent had an RV between £51,001 and £95,000 and 4.6 per cent had an RV above £95,000. The number of properties with a rateable value above £95,000 by local authority is provided alongside the data for Chart 2.10 in the associated Excel file.

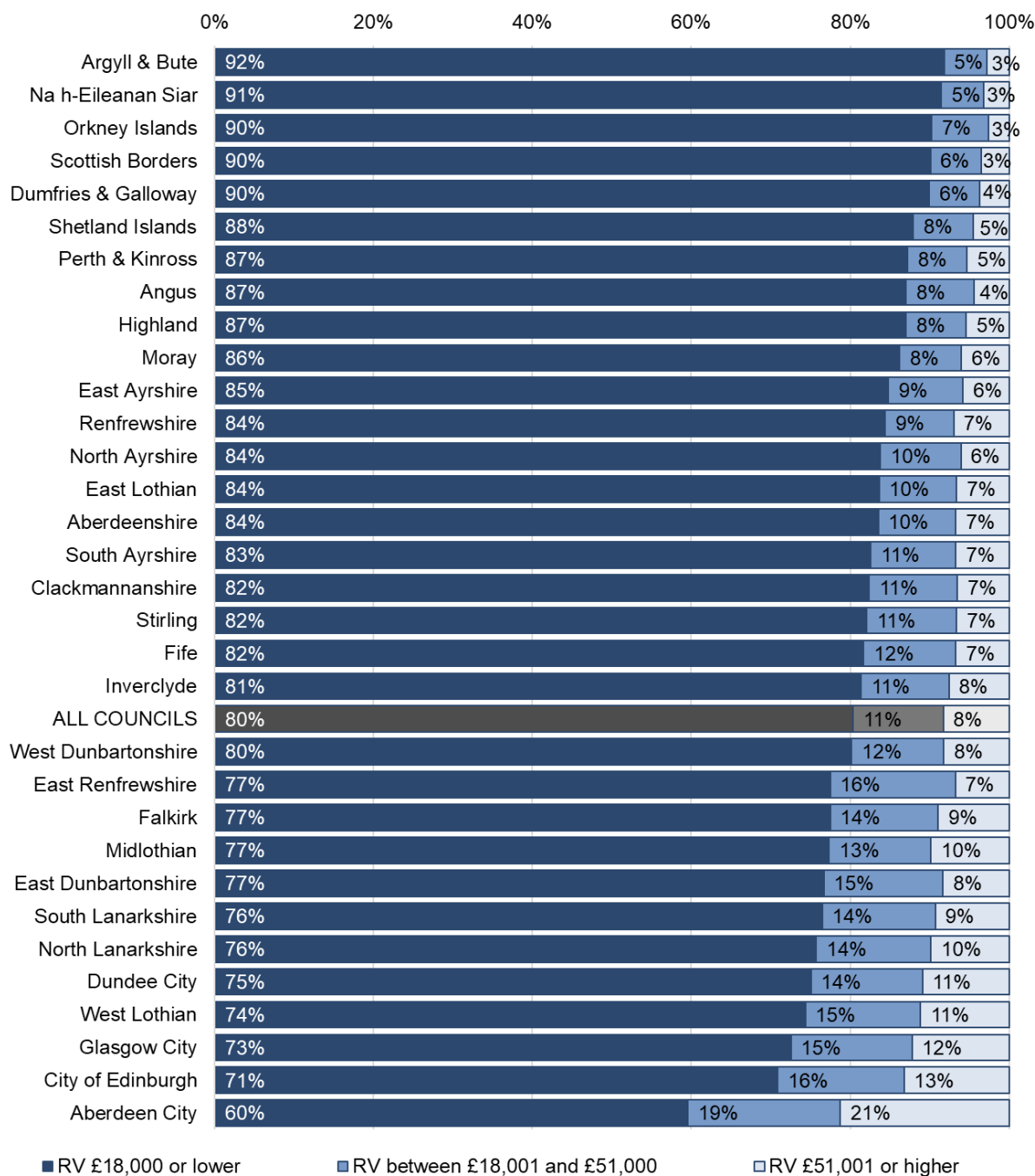
**Chart 2.10: Proportion of NDR Properties at 1 April 2022 by Local Authority and Rateable Value Band**

Please note the following:

The number of properties includes properties with a zero rateable value.

Some percentages are not displayed on the chart for presentational purposes. Percentages for all bands by local authority are available in the Chart 2.10 tab of the associated Excel file.

**Source:** Scottish Assessors Valuation Roll



### 2.3.2.2 NDR Bills

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

$$(\text{NDR Bill})_{\text{Property}} = (\text{RV})_{\text{Property}} \times (\text{Poundage})_{\text{National}} - (\text{Reliefs})_{\text{Property}}.^4$$

Up to 2019-20 the Large Business Supplement (LBS) was applied to properties with an RV greater than the LBS threshold, in addition to the rate applied to properties up to the LBS threshold, effectively increasing the poundage on these properties. In each of the three years 2017-18 to 2019-20 the LBS was 2.6p and the RV threshold was £51,000 i.e. properties with an RV in excess of £51,000 were liable for LBS. On 1 April 2020 the LBS was replaced with two new rates – the Intermediate Property Rate (IPR), equal to the Basic Property Rate (the rate applied to properties with an RV up to and including £51,000) plus 1.3p with an RV threshold of £51,000, and the Higher Property Rate (HPR) equal to the Basic Property Rate plus 2.6p with an RV threshold of £95,000 i.e. properties with an RV in excess of £95,000 were liable for HPR.

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**. Note that the version of Table 2.16 in the associated Excel workbook also shows years prior to 2018-19.

Total RV decreased from £7,358 million at the revaluation on 1 April 2017, to £7,296 million on 1 April 2022. **Table 2.16** also shows that before the 2017 revaluation, total RV had increased from £6,719 million on 1 April 2015 to £6,796 million on 1 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. Statistics on the revaluation appeals are published quarterly in the [NDR Revaluation Appeals Statistics](#) publication.

Historically, inflation was a key driver of growth in NDRI, as changes in the poundage had previously typically been tied to either the Retail Price Index (RPI) or the Consumer Price Index (CPI). However, in recent years this has not been the case; for 2019-20 Scottish Ministers set the poundage at 49.0p, a below-inflation increase from the year before, and for 2020-21 the poundage was again increased by less than inflation, to 49.8p, although the increase was completely offset by a 1.6% universal relief which was automatically applied to all properties, as a response to the Covid-19 pandemic, effectively delivering a poundage freeze for that year. For 2021-22 the poundage was reduced to 49.0p, the same as in 2019-20, and in 2022-23 it was set at 49.8p, again a below-inflation increase compared to the year before.

At a revaluation, the poundage is reset bearing in mind the resulting total RV change and the amount of revaluation appeals anticipated over the forthcoming cycle.

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<sup>4</sup> Following the 2023 revaluation the gross bills for some properties, where large RV increases have occurred, will be subject to annually increasing caps.

Revaluations in and of themselves are not intended to be revenue-generating, in fact the 2017 revaluation the poundage set by the Scottish Government led to a decrease in anticipated revenue in real terms over the 2017 revaluation cycle.

**Table 2.16** presents total RV at the start of each of the past five financial years, and the poundage for that year. The expanded version, available in the associated Excel file, shows that total RV increased from £6,796 million to £7,358 million between 1 April 2016 and 1 April 2017 – mainly as a result of revaluation, with a decrease in the poundage from 48.4p in 2016-17 to 46.6p in 2017-18.

The exemption of certain properties from paying rates, and the existence of relief schemes, such as the SBBS, can significantly reduce the amount paid in NDR bills, and therefore NDRI, see [Chapter 2.3.2.4](#).

**Table 2.16: NDR Income, Total Rateable Value and Poundage from 2018-19 to 2022-23**

Please note the following:

NDRI figures are contributable income and, as such, reflect the final, audited income figures collected by local authorities, except for 2022-23 which are the notified (provisional outturn) figures as the audits are not yet finalised for all councils. They are net of reliefs paid by Scottish Government, but gross of all local reliefs and top-ups to discretionary amounts paid by councils themselves.

“n/a” indicates years prior to the introduction of the IPR where there were no IPR rates or thresholds. The HPR / LBS and the IPR are applied in addition to the poundage for properties with an RV over the HPR / LBS or IPR threshold.

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

Category	2018-19	2019-20	2020-21	2021-22	2022-23
NDRI, £ millions	2,847	2,761	1,816	2,108	2,792
Total RV at 1 April, £ millions	7,439	7,462	7,386	7,325	7,296
Poundage, pence	48.0	49.0	49.8	49.0	49.8
IPR, £	n/a	n/a	1.3	1.3	1.3
IPR threshold, £	n/a	n/a	51,000	51,000	51,000
LBS / HPR, pence	2.6	2.6	2.6	2.6	2.6
LBS / HPR threshold, £	51,000	51,000	95,000	95,000	95,000

### 2.3.2.3 Rates Retention Schemes

Two policy initiatives that directly link to the amount of NDR collected are: the **Business Rates Incentivisation Scheme (BRIS)**, since 2023-24 called the Non-Domestic Rates Incentivisation Scheme (NDRIS), and **Tax Incremental Financing (TIF)**.

**BRIS** was introduced from April 2012 to incentivise local authorities to maximise existing NDRI 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 NDRI. In effect, this means that only 50 per cent of the additional NDRI 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 2021-22, the total amount of additional funding received under this scheme was £1.6 million (relating to 2019-20 payment amounts). The BRIS scheme was suspended for the period 2020-21 to 2022-23, as reliefs introduced during the Covid-19 pandemic significantly decreased NDRI in all local authorities.

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 NDRI that is expected to be generated as a result of attracting more businesses into the area thanks to the upfront public sector enabling investment.

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, Argyll & Bute, Falkirk and Fife reported TIF income in 2022-23. They collectively retained a total of £2.7 million NDRI in 2022-23.

#### 2.3.2.4 NDR Reliefs

There are a number of types of NDR relief that reduce the NDR bill for properties receiving it. More information on [NDR reliefs in 2022-23 can be found in Finance Circular 4/2022](#), and the [NDR Relief Statistics 2022 publication](#) provides details of reliefs awarded as at 1 July 2022.

**Table 2.17** shows the amount of relief provided for the main types of relief available for each year between 2018-19 and 2022-23. Local reliefs and the elements of discretionary reliefs funded by local authorities are not included.

The gross amount of relief provided has increased from £733,801 million in 2018-19 to £781,398 million in 2022-23. 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.

Following the 2017 revaluation, a transitional relief scheme was introduced for pubs, hotels and restaurants (capped at a RV threshold of £1.5 million from 2018-19), and for offices in Aberdeen City and Aberdeenshire. A relief for day nurseries and the Business Growth Accelerator (BGA) relief for new and improved properties were both introduced in 2018-19.

In April 2020, two new reliefs were introduced to help businesses impacted by the Covid-19 pandemic: a 1.6% universal relief, and a 100% relief for Retail, Hospitality, Leisure, and Aviation (RHLA).

RHLA relief continued in 2021-22 though it became application-based (rather than automatically awarded, as it had been in 2020-21). In 2022-23 the relief was no longer available for Aviation (becoming the RHL relief) and was continued for the first 3 months only, capped at £27,500 per ratepayer, and was discontinued from 1 July 2022. The 1.6% universal relief was only available in 2020-21.

While the value of the RHLA relief and the 1.6% universal relief in 2020-21 was just over £1 billion, some ratepayers subsequently returned the value of those reliefs to the Scottish Government. As published in [Coronavirus \(COVID-19\): Scottish business support funding summary](#), the Scottish Government received payments from relief recipients totalling £177.4 million, reflecting the support that was automatically provided through the RHLA relief and 1.6% universal relief in 2020-21 to these ratepayers.

**Table 2.17** shows a decrease in the value of reliefs in 2022-23 compared to 2021-22. As noted above, from 1 April 2022, the RHL relief was available for the first 3 months of the year.

**Table 2.17: Amount of NDR Relief Provided from 2018-19 to 2022-23 by Relief Type, £ thousands**

Please note the following:

Figures include mandatory and discretionary elements of relief where applicable, but exclude backdated payments of relief and exclude councils own contributions to reliefs.

‘Other’ includes Hardship Relief, Enterprise Areas Relief; District Heating Relief; Mobile Mast Relief (from 2018-19); New Fibre Relief (from 2018-19); and Lighthouse Relief (from 2019-20, previously recorded as a deduction).

“n/a” is used for years prior to a relief being introduced or after a relief is discontinued.

**Source:** NDRI Audited Returns

Relief Type	2018-19	2019-20	2020-21	2021-22	2022-23
Empty Property Relief	92,904	87,500	78,670	88,070	95,471
Charity Relief	218,977	224,813	223,189	214,028	215,900
Sports Club Relief	15,739	15,747	14,783	13,140	14,717
Disabled Rates Relief	64,354	64,778	64,266	63,810	63,459
SBBS	261,684	278,055	279,441	271,176	281,542
Religious Exemptions	27,129	27,581	27,402	27,481	27,812
Rural Relief	3,946	3,914	3,822	3,775	3,888
Renewable Energy Relief	7,399	7,266	6,439	8,010	8,062
New Start Relief	447	172	n/a	n/a	n/a
Fresh Start Relief	1,690	3,812	2,321	4,086	5,970
Transitional Relief	11,899	5,243	36	13	169
Day Nursery Relief	9,604	9,788	9,601	9,762	10,095
BGA - Unoccupied New Build	5,660	3,468	2,973	2,304	1,905
BGA - New Occupied & Improved	11,207	31,713	10,519	12,978	22,416
Retail, Hospitality, Leisure (and Aviation for 2020-21 and 2021-22) Relief	n/a	n/a	941,229	640,501	27,715
1.6% Universal Relief	n/a	n/a	60,062	n/a	n/a
Other	1,161	1,211	1,609	1,568	2,276
<b>Gross Amount</b>	<b>733,801</b>	<b>765,062</b>	<b>1,726,363</b>	<b>1,360,702</b>	<b>781,398</b>

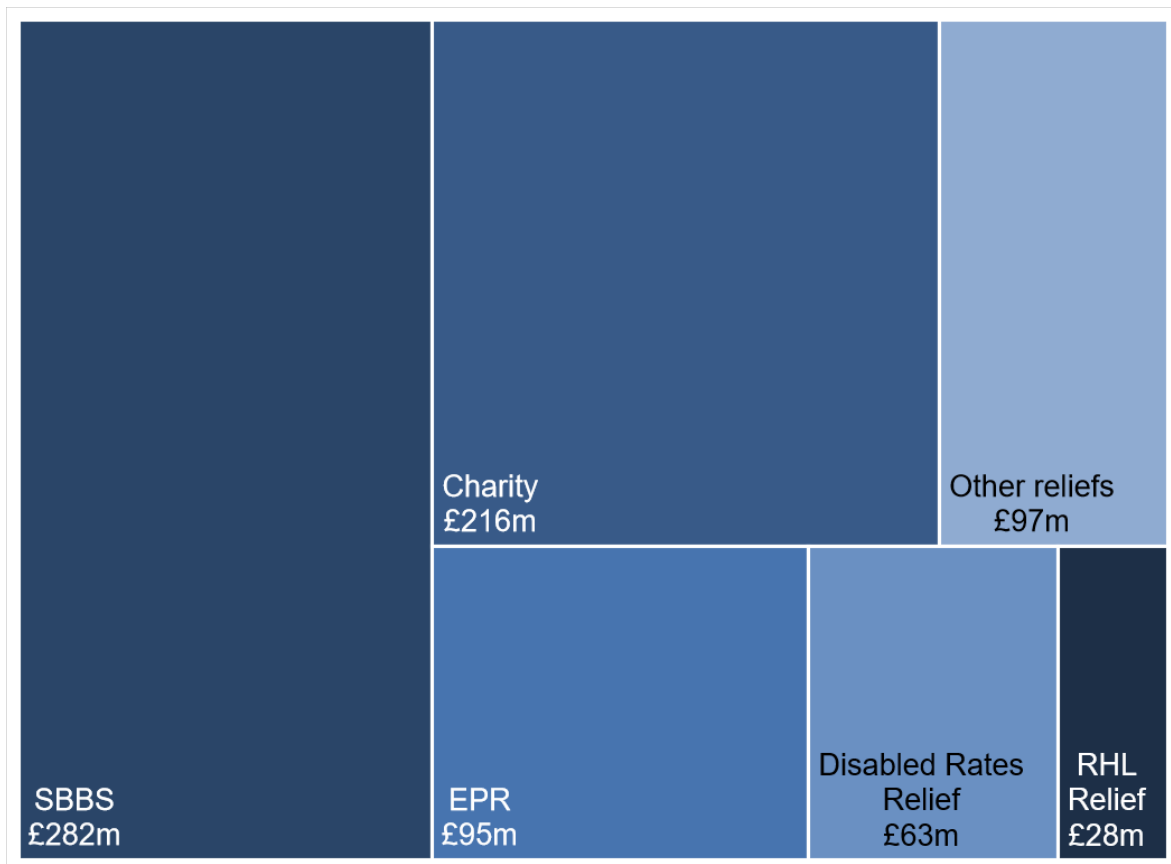
**Chart 2.11** shows the values of reliefs awarded during 2022-23. The SBBS, Empty Property and Charity reliefs, including the mandatory reliefs and the parts of the discretionary reliefs which are funded by the Scottish Government, together accounted for £593 million, or around 76 per cent of the total amount of reliefs awarded.

### Chart 2.11: Value of NDR Reliefs in 2022-23, £ millions

Please note that NDR reliefs reflect the notified income figures collected by local authorities, because the final, audited income figures are not yet available.

Please note that 'Other' includes Sports Club Relief; Religious Exemptions; Rural Relief, Renewable Energy Relief; Fresh Start Relief; Transitional Relief; Day Nursery Relief; BGA Reliefs; Hardship Relief; Enterprise Areas Relief; District Heating Relief; Mobile Mast Relief; New Fibre Relief; Reverse Vending Machines Relief; and Lighthouse Relief.

**Source:** NDRI Notified Returns





## 2.4 Surplus / Deficit to be met from Reserves

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

A **deficit (+)** occurs when a local authority's revenue expenditure is **higher** than the amount of service income and general funding available to them. Any deficit must be met from a local authority's 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 2022-23. At 1 April 2022, local authorities held a total of £3,239 million in their General Fund (including Harbour) and HRA reserves. In year:

- local authorities' income exceeded their revenue expenditure, resulting in a **surplus** of £98 million.
- local authorities transferred a total of £15 million out of the General Fund and HRA to other reserves held.
- local authorities' International Financial Reporting Standard (IFRS) 9 unrealised gains was negligible. IFRS 9 unrealised gains relate to the difference between the fair value of investments compared with their original cost. As the underlying investments have not yet been sold, the net gain is 'unrealised' and so is excluded from the revenue reserves balance as this gain is not available to fund future expenditure.

### Table 2.18: Movement in Reserves in 2022-23, £ millions

Please note that balance figures exclude amounts relating to unrealised gains that have been included in revenue reserves applying under IFRS 9: Financial Instruments.

**Source:** LFR 23

Movement	General Fund	HRA	Total
Balance as at 1 April 2021	3,024	215	3,239
<b>Add:</b> Surplus (+) or Deficit (-) on provision of services <u>after</u> statutory adjustments	29	70	98
<b>Add:</b> Net movements in (+) or out (-) due to transfers between reserves	91	-76	15
<b>Less:</b> Increase (+) or decrease (-) in IFRS 9 unrealised gains	-36	0	-36
<b>Balance as at 31 March 2022</b>	<b>3,179</b>	<b>209</b>	<b>3,388</b>

This meant that, overall, the General Fund and HRA increased by £149 million in year, giving a total balance of £3,388 million at 31 March 2023. More information on local authorities' reserves is provided in [Chapter 4.1](#).

### 3. Capital Expenditure and Financing

Capital expenditure is expenditure that creates an asset, it includes the initial costs of acquisition and construction, and costs incurred subsequently to add to, replace part of, or service the asset. Subsequent costs arising from day-to-day services of an asset, known as repairs and maintenance, is **not** capital expenditure. Capital expenditure purchases or constructs the buildings and infrastructure necessary to provide services, such as schools, care homes, flood defences, roads, vehicles, plant and machinery. Due to the nature of capital expenditure, it can fluctuate substantially between years.

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 a third party.

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.

[Chapter 4.1](#) provides more information on local authorities' capital reserve funds.

### 3.1 Capital Expenditure

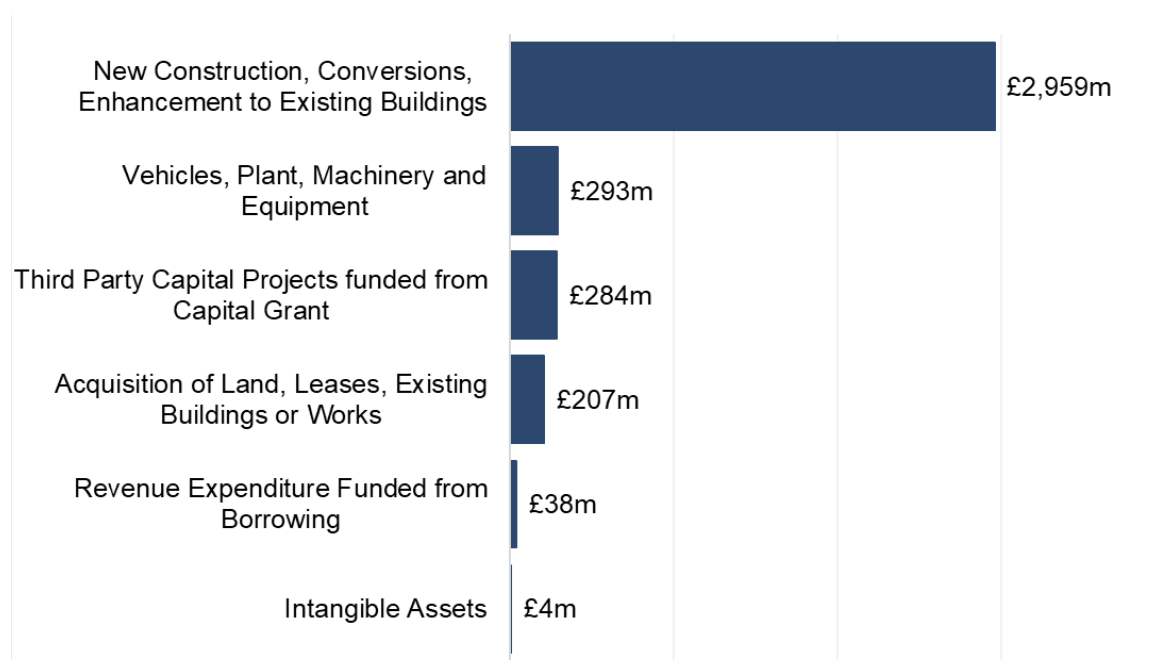
In 2022-23, total capital expenditure was £3,786 million, an increase of 13.3 per cent, or £444 million, from 2021-22. This includes expenditure on the Housing Revenue Account.

**Chart 3.1** shows the split of capital expenditure into these six categories in 2022-23. The majority of capital expenditure, £2,959 million or 78 per cent, related to new construction, conversions & enhancements to existing buildings.

#### Chart 3.1: Capital Expenditure in 2022-23 by Expenditure Type, £ millions

Please note, 'Third party capital projects funded from capital grant' and 'Revenue expenditure funded from borrowing' are also included in authorities' revenue figures.

**Source:** LFR CR



**Table 3.1** shows a breakdown of capital expenditure between 2018-19 and 2022-23. New construction, conversions and enhancements to existing building has consistently accounted for the majority of capital expenditure over this period. This type of capital expenditure has increased by 12.8 per cent, or £336 million, between 2021-22 and 2022-23.

All categories have increased between 2021-22 and 2022-23, with the exception of Intangible Assets which decreased from £30 million to £4 million.

**Table 3.1: Capital Expenditure from 2018-19 to 2022-23 by Expenditure Type, £ millions**

Please note, 'Revenue expenditure funded from capital grant and borrowing' is also included in authorities' revenue figures.

**Source:** LFR CR for 2019-20, 2021-22 and 2022-23, and CR Final for all other years

Expenditure Type	2018-19	2019-20	2020-21	2021-22	2022-23
Acquisition of land, existing buildings or works	169	633	66	151	207
New construction, conversions & enhancements to existing buildings	2,317	2,616	2,013	2,623	2,959
Vehicles, plant, machinery & equipment	225	228	232	222	293
Intangible assets	5	17	20	30	4
Revenue expenditure funded from capital grant and borrowing	262	301	273	316	322
<b>Total Capital Expenditure</b>	<b>2,977</b>	<b>3,794</b>	<b>2,604</b>	<b>3,341</b>	<b>3,786</b>

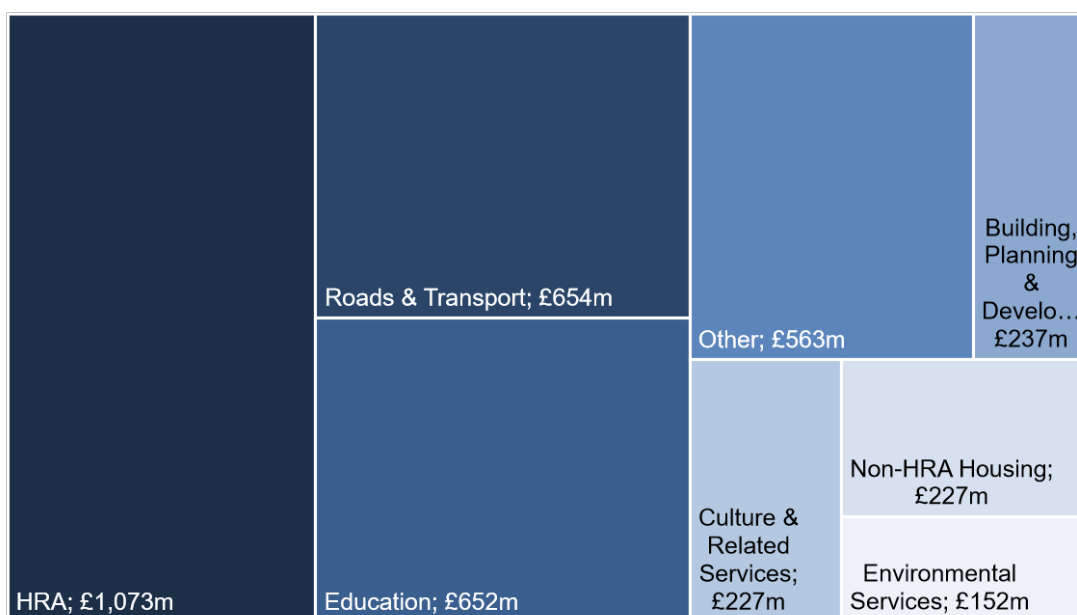
### 3.1.1 Capital Expenditure by Service

**Chart 3.2** shows capital expenditure in 2022-23 by service. HRA had the largest share of expenditure at £1,073 million, followed by Roads & Transport (£654m) and Education (£652 million).

**Chart 3.2: Capital Expenditure in 2022-23 by Service, £ millions**

Please note, 'Other' includes Social Work, Central Services and Trading Services.

**Source:** LFR CR

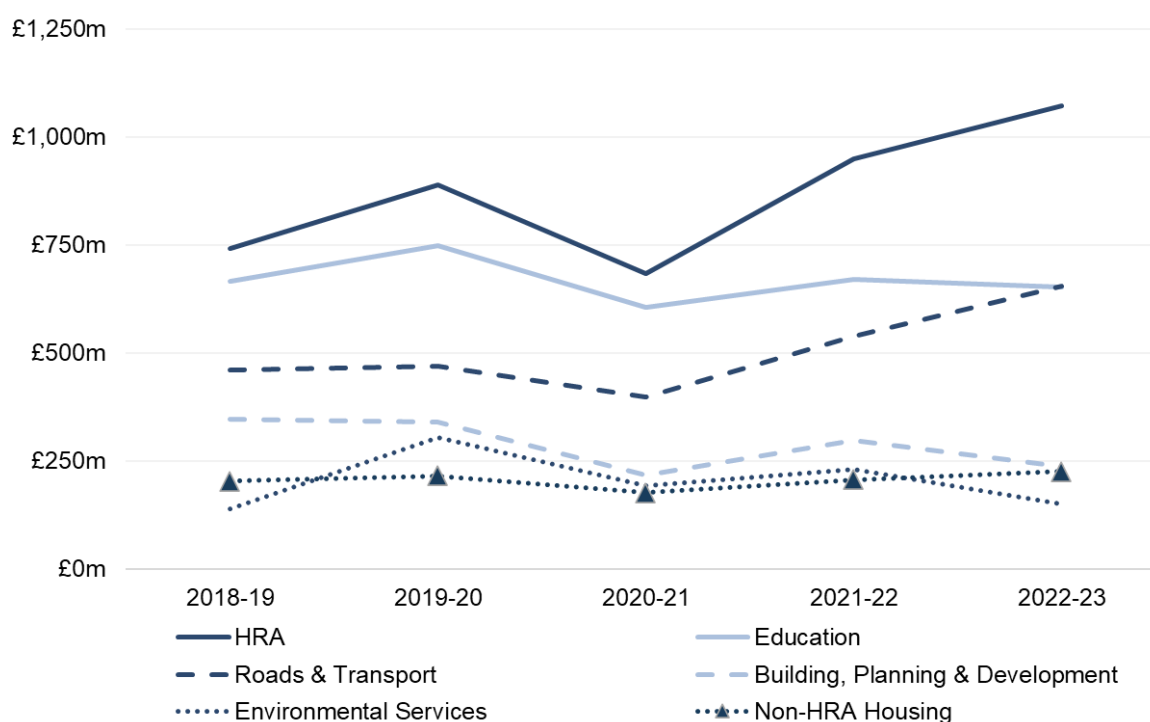


**Chart 3.3** shows capital expenditure for 2018-19 to 2022-23 for the six services with the highest capital expenditure in 2022-23. Roads & Transport increased by 21.5 per cent (£116 million) and Non-HRA Housing increased by 9.2 per cent (£19 million). Capital expenditure reduced for the following services: Environmental Services (-34.6 per cent, -£80 million), Building, Planning & Development (-20.5 per cent, -£61 million) and Education (-2.6 per cent, -£18 million).

### Chart 3.3: Capital Expenditure from 2017-18 to 2022-23 by Service, £ millions

This chart excludes expenditure for Culture & Related Services; Social Work; Trading Services; and Other, including Central Services which, combined, accounted for 21 per cent of total capital expenditure in 2022-23.

**Source:** CR Final for 2018-19, and LFR CR from 2019-20 onwards



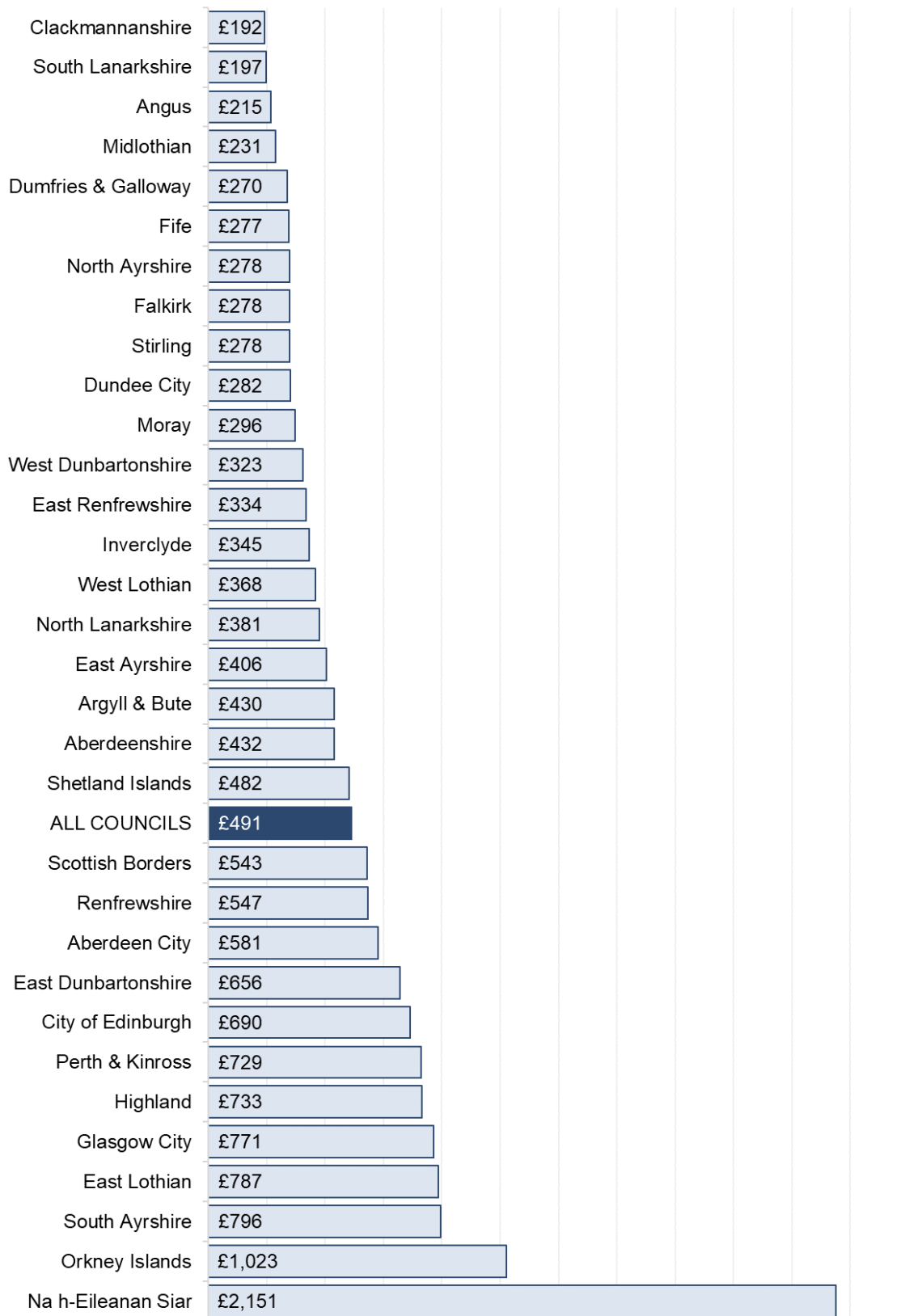
### 3.1.2 General Fund Capital Expenditure by Council

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. In 2022-23, the average capital expenditure per person across all councils was £491, an increase from £432 per person in 2021-22. Spend per person ranged from £192 per person in Clackmannanshire to £2,151 per person in Na h-Eileanan Siar.

**Chart 3.4: General Fund Capital Expenditure in 2022-23 by Council, £ per person**

**Source:** LFR CR and Scotland's Census 2022



### 3.2 Capital Financing

**Chart 3.5** shows how local authorities financed their capital expenditure in 2022-23. This includes expenditure on the Housing Revenue Account. The two main sources of financing were borrowing from the Loans Fund, £1,533 million, and grants & contributions, £1,617 million, which together accounted for over four-fifths (83 per cent) of all capital financing in 2022-23.

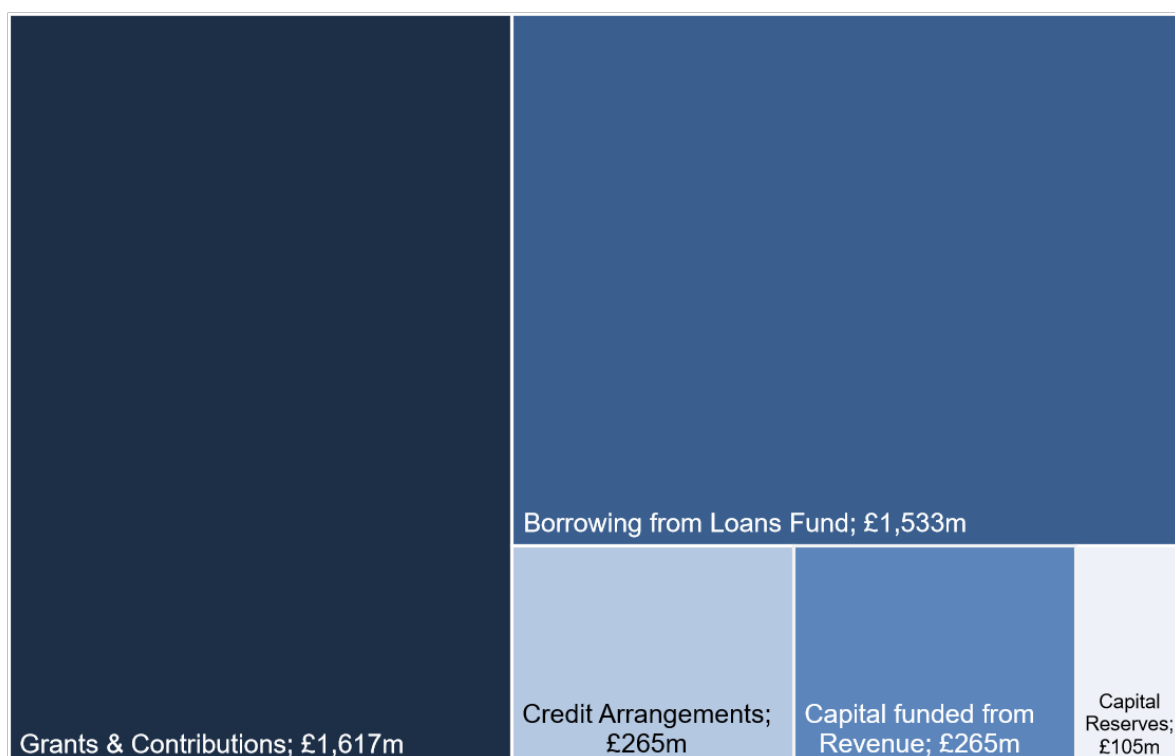
Capital **grants and contributions** are provided to local authorities to fund capital investment. This includes grants and contributions received from the Scottish and UK Governments; other government agencies and Non-Departmental Public Bodies (NDPBs); other local authorities; and private developers. The Scottish Government provides two types of capital grant funding to local authorities – a General Capital Grant (GCG) and a number of specific capital grants. The General Capital Grant accounted for just over two-fifths of grants and contributions in 2022-23<sup>5</sup>.

More information on **borrowing** is provided in [Chapter 3.3](#) and more information on the **Loans Fund** is provided in [Chapter 5.1.1](#).

#### **Chart 3.5: Capital Financing in 2022-23 by Source, £ millions**

Please note that ‘Grants & Contributions’ and ‘Borrowing from Loans Fund’ include amounts used to fund grant to third party capital projects which will also be included in the revenue figures.

**Source:** LFR CR



<sup>5</sup> From [Finance Circular 3/2023 Annex K](#), the General Capital Grant totalled £672.264 million.



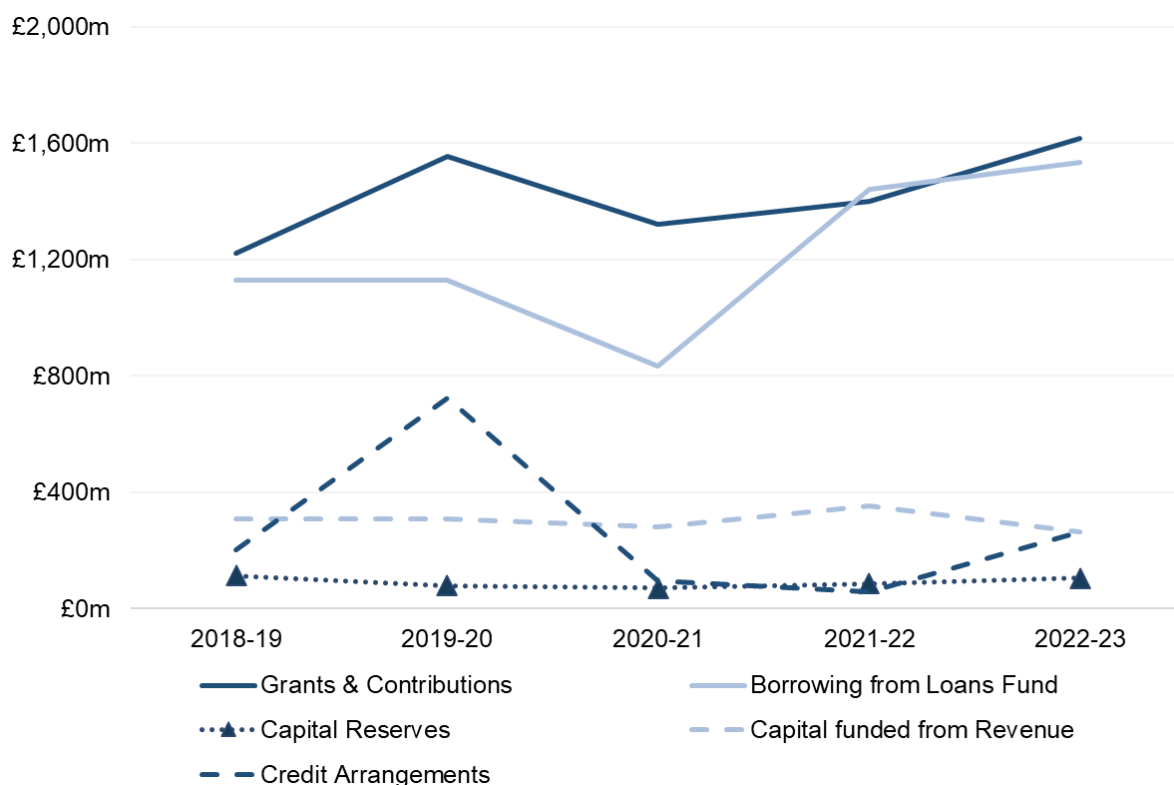
**Chart 3.6** shows capital financing by type from 2018-19 to 2022-23. Except for capital funded from revenue, all types of financing have increased between 2021-22 and 2022-23, reflecting the overall increase in capital expenditure incurred in 2022-23. Grants & contributions and Borrowing from the Loans Fund continue to be the main sources of capital financing.

The fluctuations in borrowing reflect the nature of capital and can be influenced by the type of expenditure being undertaken in each year. In particular, the decrease in borrowing between in 2020-21 will reflect the overall reduction in capital expenditure due to the impacts of the Covid-19 pandemic.

**Chart 3.6: Capital Financing from 2018-19 to 2022-23 by Source, £ millions**

Please note that ‘Grants & Contributions’ and ‘Borrowing from Loans Fund’ include amounts used to fund grants to third party capital projects which will also be included in the revenue figures.

**Source:** CR Final for 2018-19, and LFR CR from 2019-20 onwards



Financing from credit arrangements was notably high in 2019-20 compared to other years, this was due to the significant one-off sale and leaseback transactions for Culture and Related Services by Glasgow City Council. In addition, during 2022-2023, Glasgow City Council secured a further £200 million in credit arrangements as part of a sale and leaseback arrange to fund its £200 million equal pay settlement.

The properties involved included Kelvingrove Art Gallery, Kelvin Hall, the Gallery of Modern Art and the City Chambers<sup>6</sup>.

### 3.3 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 2022-23 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 3.2** provides a summary of borrowing and credit arrangements in 2022-23. Local authorities financed £1,533 million of capital expenditure from borrowing in 2022-23. From **Chart 3.6**, this was an increase of 6.4 per cent, £92 million, compared to 2021-22.

In 2022-23, local authorities also entered into credit arrangements, recognising debt of £265 million, an increase of 349.1 per cent, or £206 million, from 2021-22. Around £200 million of this relates to Glasgow City Council's sale and leaseback transaction.

#### Table 3.2: Borrowing and Credit Arrangement Summary for 2022-23, £ million

Please note that 'Advances for Capital Expenditure' includes borrowing from the Loans Fund used to fund grants to third party capital projects which will also be included in the revenue figures.

**Source:** LFR CR

Category	General Fund	HRA	Total
Advances for Capital Expenditure	932	583	1,515
Advances for Consented Borrowing	18	0	18
<b>Total Loans Fund Borrowing</b>	<b>950</b>	<b>583</b>	<b>1,533</b>
Credit Arrangements	265	0	265
<b>Total Borrowing and Credit Arrangements</b>	<b>1,215</b>	<b>583</b>	<b>1,798</b>

Trends for borrowing from the Loans Fund and credit arrangements between 2018-19 and 2022-23 are shown in **Chart 3.6** and discussed in [Chapter 3.2](#).

<sup>6</sup>

<https://www.glasgow.gov.uk/councillorsandcommittees/viewSelectedDocument.asp?c=P62AFQDNZLUT81Z32U>

### 3.4 Capital Receipts

Capital receipts is the term used to recognise income from the sale or disposal of an asset, such as land or council housing. As shown in **Table 3.3**, local authorities generated £324 million in capital receipts in 2022-23. This is an increase of £258 million compared to 2021-22. Over £226 million of this relates to Glasgow City Council's sale of assets.

**Table 3.3: Capital Receipts raised in 2018-19 to 2022-23, £ millions**

Source: LFR CR

Category	2018-19	2019-20	2020-21	2021-22	2022-23
General Fund	92	537	68	44	292
HRA	19	5	25	22	32
<b>Total</b>	<b>111</b>	<b>541</b>	<b>93</b>	<b>67</b>	<b>324</b>

Capital receipts may only be used to fund capital expenditure or for a purpose specified by statute, or statutory guidance. Local authorities can also hold capital receipts in a capital reserve for future use. This means the value of capital receipts raised in year may not equal the amount used in year. **Table 3.4** sets out how capital receipts were used in 2022-23.

**Table 3.4: Use of capital receipts in 2022-23, £ millions**

Source: LFR CR

Use	General Fund	HRA	Total
Fund capital expenditure	44	32	76
Repay debt	22	1	23
Fund transformation projects	5	0	5
Fund premiums incurred on refinancing	0	0	0
Fund deferred premiums	0	0	0
Fund impact of Covid-19	0	0	0
<b>Total capital receipts used in year</b>	<b>71</b>	<b>33</b>	<b>104</b>

Local authorities used a total of £104 million capital receipts in 2022-23. The majority of these were used to fund capital expenditure and repayment of debt, which accounted for 73 and 22 per cent of capital receipts used respectively.

## 4. Reserves and Fixed Assets

### 4.1 Reserves

**Usable reserves** reflect a local authority's 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 2023, by fund.

#### Chart 4.1: Usable Reserves at 31 March 2023, £ millions

Please note that 'Other' revenue reserves includes the Insurance Fund.

**Source:** LFR 23



The **General Fund** is the principle usable revenue reserve of the local authority. Any **deficit** in a local authority's 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. In this chapter Harbour Account figures are presented separately, however they are included within General Fund figures in other chapters within this publication.

Where a council has housing stock, the accumulation of surplus income relating to housing is separately identified in their **Housing Revenue Account (HRA)**.

In addition to the General Fund a local authority may also hold other statutory usable revenue reserves, such as a **Renewal and Repairs Fund**, an **Insurance Fund**, or other reserves specific 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** – the 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 now 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 funding of 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 summary of the movement in each unusable reserve in 2022-23 is also provided in the 'SLGFS 2022-23 – Additional Analysis – Reserves' supporting excel file.

A change in accounting practice in 2018-19 (IFRS 9) resulted in unrealised gains in the value of investments held by local authorities being included in the General Fund / HRA / Harbour reserve balances, 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 IFRS 9 unrealised gains held as part of the General Fund / HRA balances.

**Table 4.1** sets out the movements across all reserves in 2022-23. Figures relating to the General Fund (including Harbour Account figures) and HRA were also presented in [Chapter 2.4](#).

Local authorities had an increase of £118 million in their revenue reserves, and an increase of £222 million in their capital reserves in 2022-23. This means local authorities' usable reserves increased by £339 million overall, from £4,193 million at 1 April 2022 to £4,532 million at 31 March 2023.

**Table 4.1: Movements in Usable Reserves in 2022-23, £ millions**

Please note that level of reserves held at 1 April and 31 March exclude amounts relating to unrealised gains that are included in revenue reserves in statutory Annual Accounts applying IFRS 9: Financial Instruments.

**Source:** LFR 23

<b>Usable Reserve</b>	<b>Level of reserves held at 1 April 2022</b>	<b>Net increase (+) or decrease (-) in year</b>	<b>Level of reserves held at 31 March 2023</b>
General Fund	<b>2,693</b>	177	<b>2,870</b>
Housing Revenue Account	<b>215</b>	-6	<b>209</b>
Harbour Account	<b>331</b>	-22	<b>309</b>
Renewal and Repairs	<b>190</b>	-24	<b>166</b>
Insurance Fund	<b>95</b>	-4	<b>91</b>
Other Statutory Funds	<b>9</b>	-4	<b>6</b>
<b>Total Revenue Reserves</b>	<b>3,533</b>	<b>118</b>	<b>3,650</b>
Capital Fund / Capital Receipts	<b>466</b>	46	<b>512</b>
Capital Grants and Receipts Unapplied	<b>194</b>	176	<b>370</b>
<b>Total Capital Reserves</b>	<b>660</b>	<b>222</b>	<b>882</b>
<b>Total Usable Reserves</b>	<b>4,193</b>	<b>339</b>	<b>4,532</b>

The majority of the increase in usable reserves relates to an increase in the General Fund of £177 million between 1 April 2022 and 31 March 2023, and an increase in Capital Grants and Receipts Unapplied of £176 million.

Glasgow City Council's Capital Grants and Receipts Unapplied reserves has increased by around £195 million over the year, and was £216 million as at 31 March 2023. Of this, Glasgow City council have set aside £200 million to fund the equal pay settlement.

As part of the annual budget setting process, the Scottish Government commits to providing a level of funding to Councils in the form of general and specific revenue and capital grants.

Specific revenue grants must be used to meet a specific Scottish Government priority and any unused specific grant can only be carried forward with the consent of the Scottish Ministers. General Capital Grant must be spent in the year received and any unspent General Capital Grant is required to be returned to the Scottish Government at the end of the financial year and may not be held in reserves. In both cases therefore, if this funding is not otherwise utilised within the financial year by the Scottish Government, then it will be reported within reserves as part of the Scottish Government Consolidated Accounts. If consent is provided to carry forward a specific revenue grant this will be disclosed in the local authority's annual accounts as an earmarked reserve.

Earmarked reserves are held for a specific purpose, the majority of which will be fully committed to existing spend programmes and represent the extent to which resources are received or generated in advance of the actual spend.

Local authorities are able to **earmark**, or set aside, part of their General Fund reserves for future use for a specific purpose. At 31 March 2023, local authorities' had earmarked 83.3 per cent, or £2,390 million of the £2,870 million General Fund reserves. These figures exclude amounts relating to unrealised gains that are included in revenue reserves in statutory Annual Accounts applying IFRS 9: Financial Instruments.

Councils may hold an additional unearmarked amount to mitigate financial risk. This amount equated to £480 million as at 31 March 2023, or 2.1% of Gross Service Expenditure (£23,391 million).

**Table 4.2** sets out the level of reserves held across all local authorities in Scotland at 31 March 2019 to 31 March 2023. Over this five year period, the most significant change is between 31 March 2020 and 31 March 2021, caused by Covid-19 pandemic money provided late in 2019-20.

**Table 4.2: Level of Usable Reserves held at 31 March 2019 to 31 March 2023, £ millions**

Please note the following:

Figures exclude amounts relating to unrealised gains that are included in revenue reserves in statutory Annual Accounts applying IFRS: Financial Instruments.

Figures for 31 March 2022 may not match the 1 April 2022 figures shown in Table 4.1 due to restatements in local authorities' accounts between years.

Figures for 31 March 2021 and 31 March 2022 may differ from previous publications due to audited accounts being submitted after SLGFS 2021-22 was published. These figures have been revised for this publication. See the [introduction](#) for more information.

**Source:** LFR 23

<b>Usable Reserve</b>	<b>31-Mar-19</b>	<b>31-Mar-20</b>	<b>31-Mar-21</b>	<b>31-Mar-22</b>	<b>31-Mar-23</b>
General Fund	1,143	1,315	2,274	2,687	2,870
HRA	177	188	248	215	209
Harbour Account	314	269	328	331	309
Renewal and Repairs	138	141	177	190	166
Insurance Fund	90	102	99	95	91
Other Statutory Funds	12	13	14	9	6
<b>Total Revenue Reserves</b>	<b>1,874</b>	<b>2,027</b>	<b>3,141</b>	<b>3,527</b>	<b>3,650</b>
Capital Fund / Capital Receipts	491	475	464	461	512
Capital Grants and Receipts Unapplied	180	207	227	175	370
<b>Total Capital Reserves</b>	<b>671</b>	<b>681</b>	<b>691</b>	<b>636</b>	<b>882</b>
<b>Total Usable Reserves</b>	<b>2,546</b>	<b>2,708</b>	<b>3,832</b>	<b>4,163</b>	<b>4,532</b>



## 4.2 Fixed Assets

Capital expenditure creates local authority assets. In 2022-23, the value of local authority fixed assets was £55,261 million, an increase of 3.8 per cent, or £1,999 million, from 2021-22. The value of local authority fixed assets from 2018-19 to 2022-23 is shown in **Table 4.3**.

**Table 4.3: Value of Fixed Assets at 31 March 2019 to 31 March 2023, £ millions**

**Source:** LFR CR for 31 March 2020 onwards, CR Final for 31 March 2019

Fixed Asset Type	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	% change between 31 March 2022 and 31 March 2023
Operational assets	44,242	46,110	47,766	50,822	52,536	3.4%
Non-operational assets	1,875	2,139	2,384	2,336	2,610	11.7%
Intangible assets	65	65	85	103	115	11.3%
<b>Total Assets</b>	<b>46,182</b>	<b>48,315</b>	<b>50,234</b>	<b>53,261</b>	<b>55,261</b>	<b>3.8%</b>

**Operational assets** are assets a local authority can use when providing services, such as a school, council houses, vehicles etc. Almost all of local authorities' fixed assets are operational assets (95 per cent of total assets) and the value of these has increased by 3.4 per cent, or £1,714 million, from 2021-22 to 2022-23.

**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. Non-operational assets and intangible assets together accounted for 4.9 per cent of local authorities' total fixed assets in 2022-23.

## 5. Debt and Prudential Indicators

### 5.1 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. A local authority is required to make loans fund advances in respect of capital expenditure it has determined should be met from borrowing. Loans fund advances are repaid in future years.

**Table 5.1** provides a summary of local authorities' debt at 31 March 2023. **Total debt** across local authorities at 31 March 2023 was £21,801 million, an increase of 6.1 per cent or £1,252 million, from 31 March 2022.

**Table 5.1: Total Debt at 31 March 2023, £ millions**

**Source:** LFR CR

Debt Type	General Fund	HRA	Total
Loans Fund Advances outstanding	13,115	4,971	18,086
Credit Arrangements	3,714	2	3,715
<b>Total Debt</b>	<b>16,829</b>	<b>4,972</b>	<b>21,801</b>

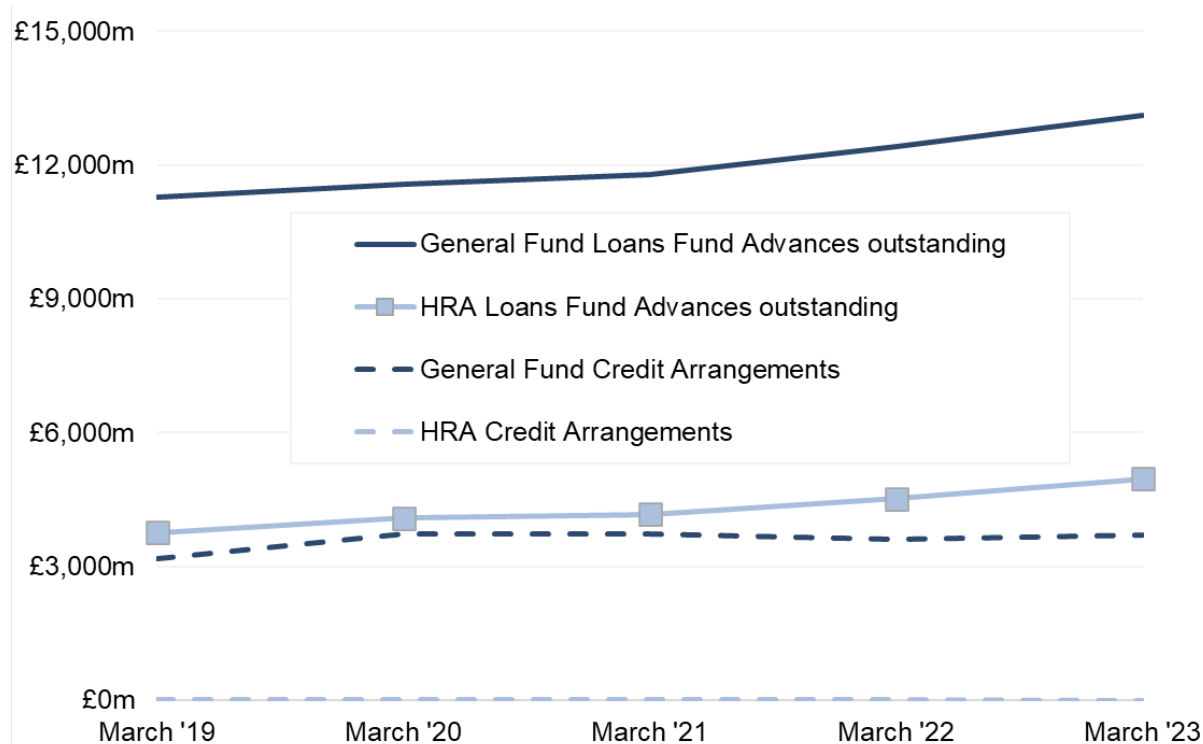
Total General Fund debt equated to £3,095 per person, an increase of £170 (+5.8 per cent) from £2,925 per person compared to 31 March 2022. Total HRA debt equated to £15,659 per HRA dwelling, an increase of £1,359 (+9.5 per cent) from £14,299 per HRA dwelling compared to 31 March 2022.

**Chart 5.1** shows total debt at 31 March 2019 to 31 March 2023 by type of debt and split by General Fund and HRA. Total debt has increased by 19.6 per cent, or £3,577 million, over this five-year period. The split of total debt across the four categories shown has remained fairly consistent across this period with General Fund borrowing accounting for around three-fifths of total debt; HRA borrowing accounting for just over one-fifth; and General Fund credit arrangements accounting for just under one-fifth of total debt.

More information on the Loans Fund and credit arrangements, as shown in **Table 5.1** and **Chart 5.1**, are provided in [Chapters 5.1.1](#) and [5.1.2](#).

**Chart 5.1: Total Debt at 31 March 2019 to 31 March 2023, £ millions**

**Source:** CR Final for March 2019. LFR CR for all other years.



### 5.1.1 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 2022-23. The overall value of the Loans Fund across all local authorities at 31 March 2023 was £18,086 million, an increase of 6.9 per cent, or £1,173 million, from 1 April 2022.

### **Table 5.2: Loans Funds Advances Outstanding in 2022-23, £ millions**

Please note that these figures only reflect local authorities own debt and exclude amounts relating to lending to other statutory bodies.

**Source:** LFR CR

<b>Movement</b>	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
Loans Fund Advances outstanding at 1 April	12,398	4,515	16,913
<b>Add:</b> New advances from the Loans Fund	950	583	1,533
<b>Less:</b> Repayments made in year	233	127	360
<b>Less:</b> Transfer in (+) or out (-) of assets	0	0	0
<b>Loans Fund Advances outstanding at 31 March</b>	<b>13,115</b>	<b>4,971</b>	<b>18,086</b>

### **5.1.2 Credit Arrangements**

Credit arrangements, such as finance leases, Private Finance Initiatives (PFI) and Public Private Partnerships (PPP) including the Scottish Non-Profit Distributing (NPD) model, are not charged to the Loans Fund. However they 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 2022-23. The overall value of credit arrangements outstanding across all local authorities at 31 March 2023 was £3,715 million, an increase of 3.8 per cent, or £137 million, from 1 April 2022. This increase reflects that repayments made was below the value of new credit arrangements taken up in year.

### **Table 5.3: Credit Arrangements in 2022-23, £ millions**

**Source:** LFR CR

<b>Movement</b>	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
Credit Arrangements brought forward at 1 April	3,577	2	3,579
<b>Add:</b> New Credit Arrangements in year	265	0	265
<b>Less:</b> Repayments made in year	128	0	129
<b>Credit Arrangements outstanding at 31 March</b>	<b>3,714</b>	<b>2</b>	<b>3,715</b>

## 5.2 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:

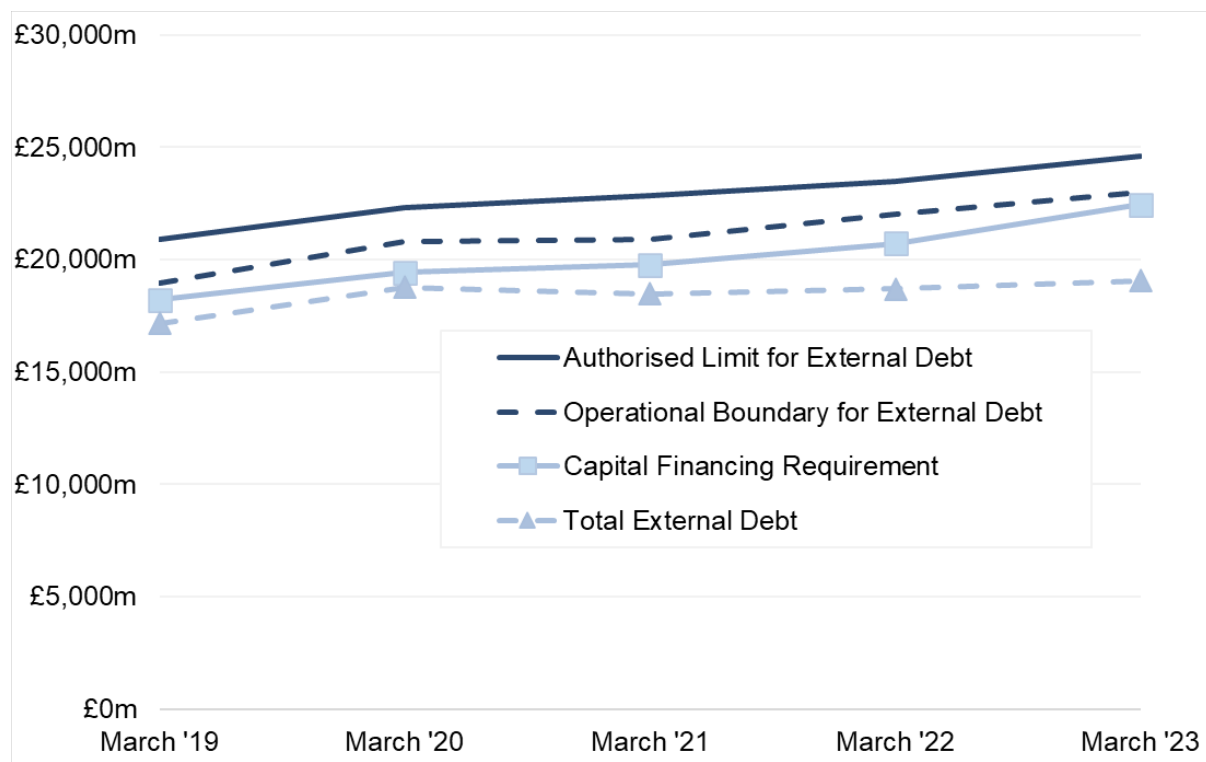
- Capital Financing Requirement
- Total External Debt
- Operational Boundary
- Authorised Limit

**Chart 5.2** shows the change in prudential indicators between 2018-19 and 2022-23. More information on the individual indicators is provided in the remainder of this chapter.

### Chart 5.2: Prudential Indicators at 31 March 2019 to 31 March 2023, £ millions

Please note that the treatment of loans to other statutory bodies in the CFR and Total External Debt figures may vary between local authorities for years prior to 2022-23, however this relates to comparatively small values and so is not material.

**Source:** CR Final for March 2019. LFR CR for all other years.



### 5.2.1 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 authority's underlying need to borrow money.

**Table 5.4** shows the CFR calculation for 2022-23. The CFR increased from £20,706 million at 1 April 2022 to £22,437 million at 31 March 2023, (+£1,731 million, +8.4 per cent). This means that local authorities had a higher amount of new capital expenditure to be financed by borrowing than amounts repaid in 2022-23. This increase in CFR was reflected across both the General Fund and HRA.

#### Table 5.4: Capital Financing Requirement in 2022-23, £ millions

Please note that these figures exclude amounts relating to lending to other statutory bodies.

**Source:** LFR CR

Movement	General Fund	HRA	Total
Capital Financing Requirement at 1 April	16,091	4,615	20,706
<b>Add:</b> Capital expenditure financed by borrowing	950	583	1,533
<b>Add:</b> Capital expenditure financed by credit arrangements	265	0	265
<b>Less:</b> Loans Fund repayments	233	127	360
<b>Less:</b> Credit Arrangements repayments	-294	0	-294
<b>Add:</b> Transfer of assets in (-) / out (+)	2	-2	0
<b>Capital Financing Requirement at 31 March</b>	<b>17,369</b>	<b>5,068</b>	<b>22,437</b>

**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.

## 5.2.2 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 that total external debt at 31 March 2022 was £19,052 million. Around four-fifths (80.5 per cent) of total external debt related to external borrowing, with the remainder relating to credit arrangements outstanding.

**Table 5.5: Total External Debt at 31 March 2019 to 31 March 2023, £ millions**

Please note that these figures reflect actual gross external debt as calculated for comparison to the Capital Financing Requirement as per the Prudential Code.

**Source:** CR Final for March 2019. LFR CR for all other years.

Category	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23
Actual external borrowing	13,996	15,035	14,731	15,076	15,336
Credit arrangements outstanding	3,175	3,731	3,734	3,608	3,715
<b>Total External Debt</b>	<b>17,171</b>	<b>18,767</b>	<b>18,465</b>	<b>18,684</b>	<b>19,052</b>
Capital Financing Requirement (CFR)	18,214	19,422	19,775	20,707	22,437
<b>Total External Debt as a percentage of CFR</b>	<b>94.3%</b>	<b>96.6%</b>	<b>93.4%</b>	<b>90.2%</b>	<b>84.9%</b>

As shown in **Chart 5.2**, the CFR continues to remain above total external debt. 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 2023, total external debt was 84.9% per cent of the CFR, which is in lower than in previous years.

## 5.2.3 Operational Boundary and Authorised Limit

The **Operational Boundary** is based on local 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. At 31 March 2023, the Operational Boundary was £23,008 million across local authorities.

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. The Authorised Limit across all local authorities was £24,608 million at 31 March 2023.

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.

**Table 6.1** shows the movement in net assets of the local government pension funds in 2022-23. The **opening net assets of the pension funds** at 1 April 2022 was £61,826 million. This decreased by 2.4 per cent, or £1,463 million, over the year such that the **closing net assets** at 31 March 2023 was £60,363 million. The majority of this decrease was driven by a total net return on investment in year of minus £1,054 million – this is discussed in more detail in [Chapter 6.4](#).

**Table 6.1: Movement in net assets of pensions funds in 2022-23, £ millions**

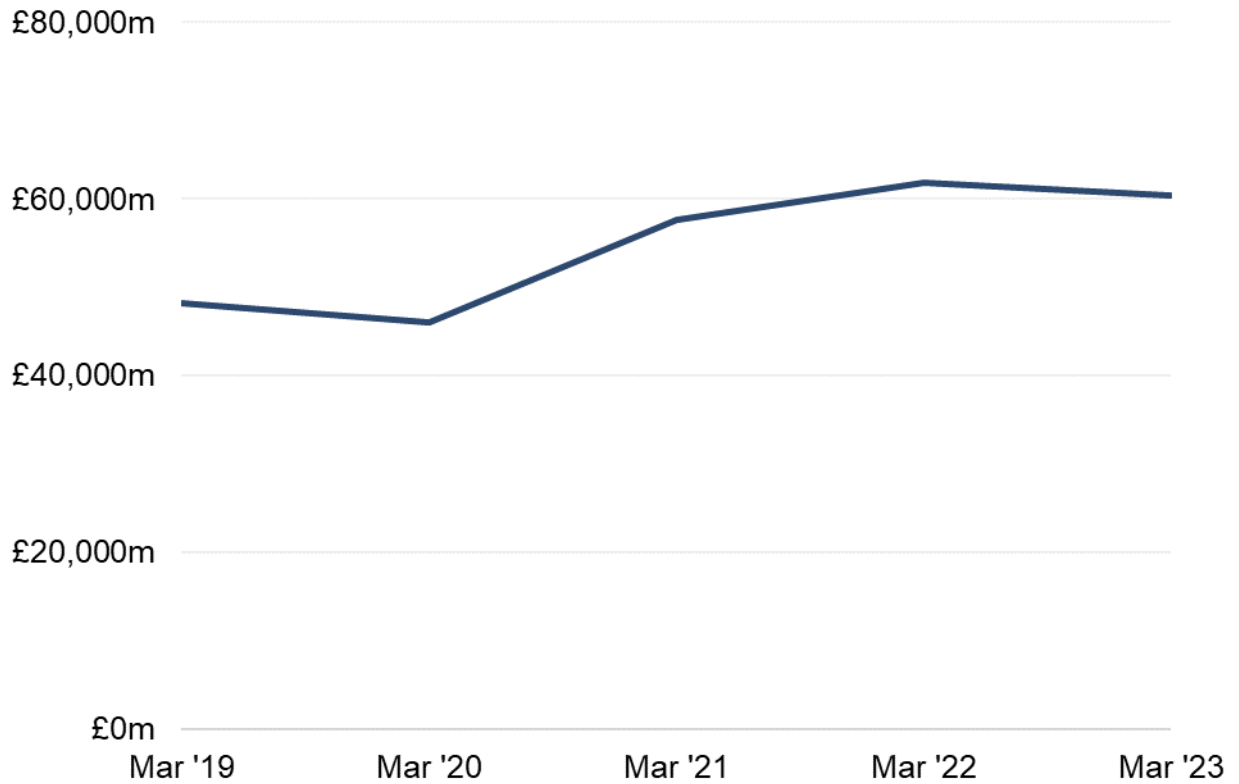
Source: LFR 24

Movement	2022-23
<b>Opening net assets of the fund at 1 April</b>	<b>61,826</b>
<b>Add:</b> Contributions receivable	1,647
<b>Less:</b> Benefits payable	1,665
<b>Less:</b> Payments to and on account of leavers	40
<b>Net additions (+) / withdrawals (-) from dealings with members</b>	<b>-59</b>
<b>Less:</b> Management expenses	316
<b>Add:</b> Net return on investments	-1,054
<b>Less:</b> Revaluation of insurance buy-in contract	35
<b>Net increase (+) / decrease (-) in the fund in year</b>	<b>-1,463</b>
<b>Closing net assets of the fund at 31 March</b>	<b>60,363</b>

**Chart 6.1** shows the closing net asset position of local government pension funds from 2018-19 to 2022-23. Over the five year period, closing net assets have increased by 25.2 per cent, or £12,148 million, from £48,216 million at 31 March 2019 to £60,363 million at 31 March 2023.

**Chart 6.1: Closing Net Assets of the Pension Funds at 31 March 2019 to 31 March 2023, £ millions**

**Source:** LFR 24

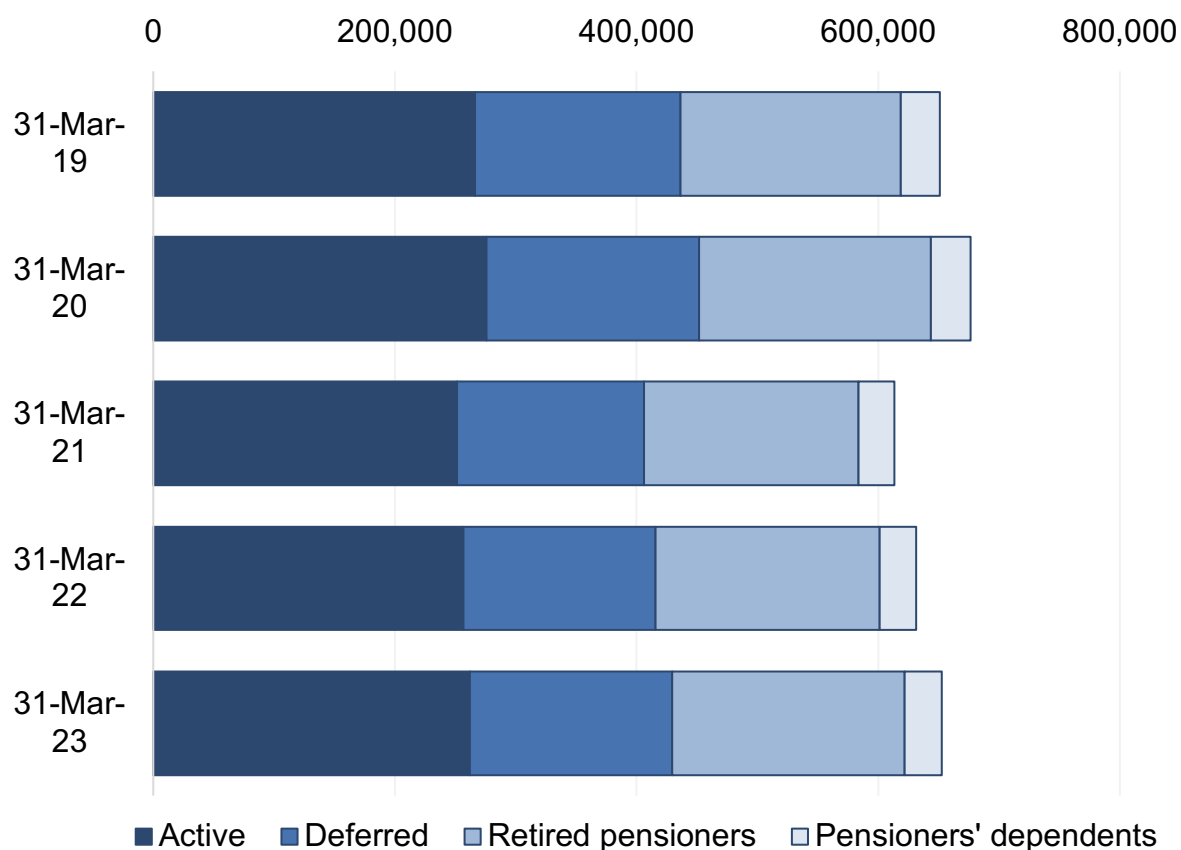


## 6.1 Members, contributions and benefits

**Chart 6.2** shows the number of members enrolled in local government pension schemes between 2018-19 and 2022-23 by type of member. At 31 March 2023, there were a total of 652,753 members enrolled in these pension schemes, an increase of 0.3 per cent, or 1,992 members, from 2018-19.

**Chart 6.2: Number of members at 31 March 2019 to 31 March 2023 by type**

**Source:** LFR 24



The split of types of member has remained broadly consistent across the five year period shown. **Active** members, that is members who are actively contributing to the pension fund, have been the largest category of members across all five years, accounting for just over two-fifths (40.2 per cent) of the total membership in 2022-23. **Deferred pensioners**, that is members who choose to continue to work beyond retirement age, made up around a quarter (25.6 per cent) of the total in 2022-23. **Retired pensioners** have been the second largest group across all five years, accounting for 29.5 per cent of the total in 2022-23. **Pensioners' dependants** are the smallest group and make up only 4.7 per cent.

## 6.2 Contributions from Members

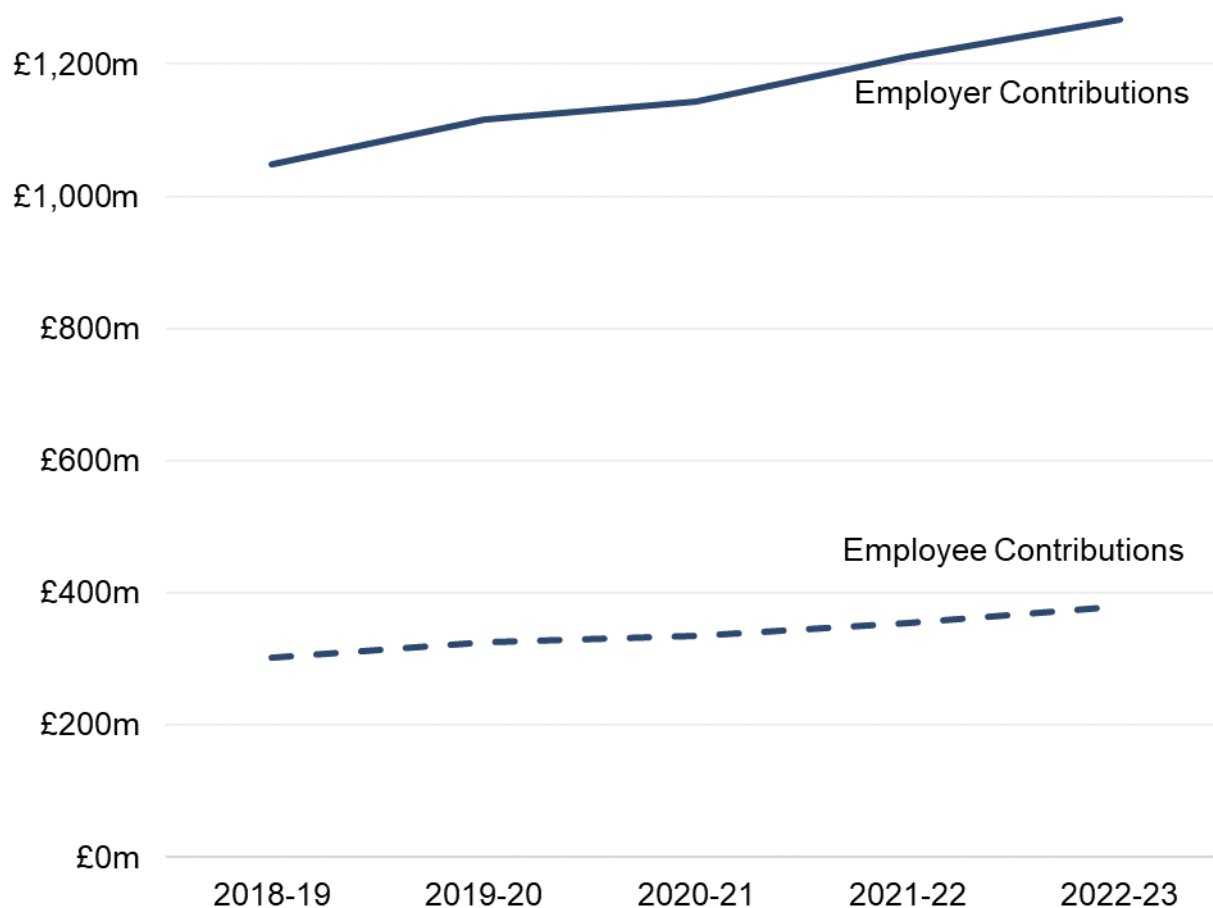
**Contributions from employees and employers** represent payments for pensionable service accrued during the year which will be paid out as part of an overall pension at a future date. These contributions can be thought of as income to the pension fund and are dependent on the number of contributing employees, both full time and part time.

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 tend to remain stable over time, as shown in **Chart 6.3**.

**Chart 6.3: Contributions received from 2018-19 to 2022-23, £ millions**

Please note that contributions include those from other employing authorities.

**Source:** LFR 24



In 2022-23, **total contributions** provided £1,647 million of income, an increase of 5.1 per cent, or £80 million, from 2021-22. Just over three-quarters of total contributions (77.0 per cent or £1,267 million) came from **employers**, with the remainder coming from **employees**. This proportional split of total contributions has been stable over this five year period.

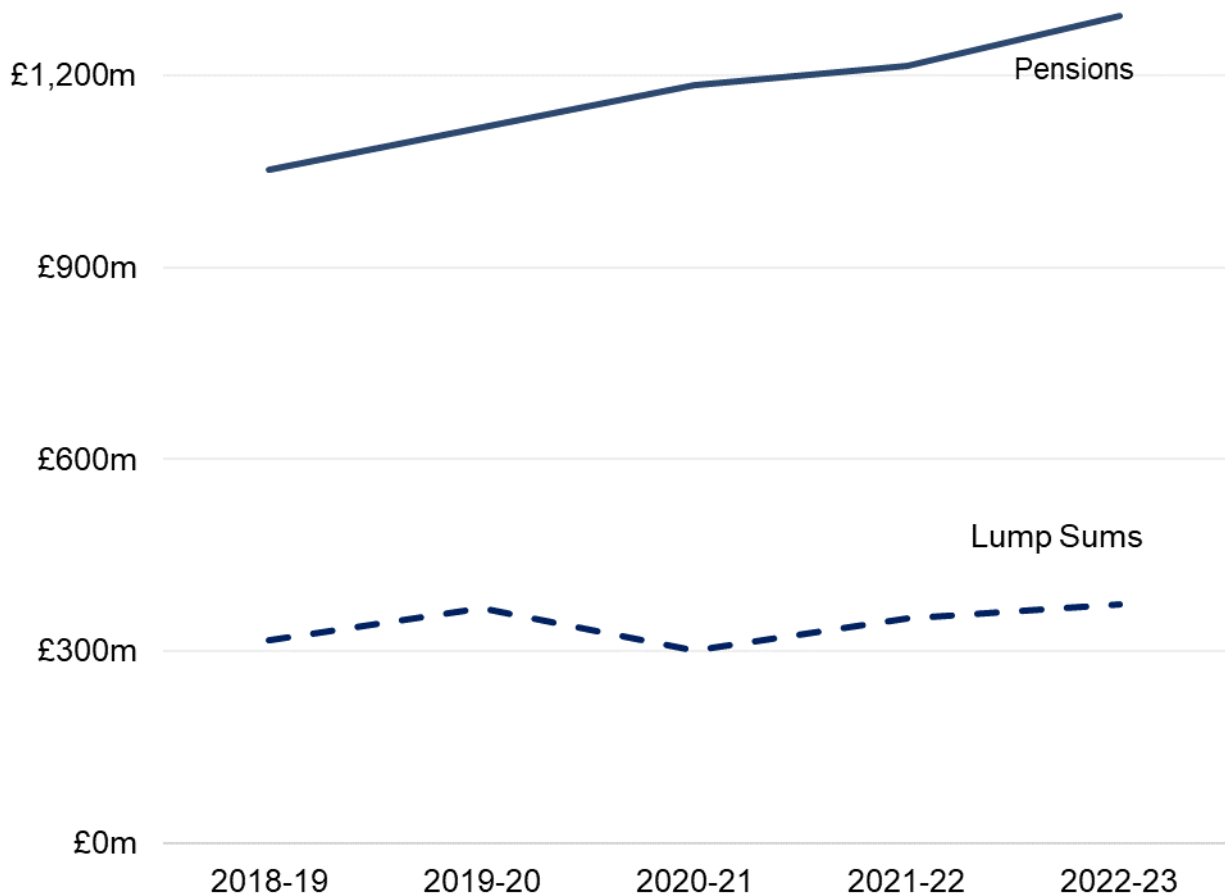
### 6.3 Benefits Paid to Members

**Benefits paid to members** include pension payments to retirees or dependents, as well as lump sum payments made to members on retirement or upon death. Benefits paid may also include payments made for injuries, however these figures are often zero or of small value.

**Chart 6.4** shows the pensions and lump sum payments made to members over the last five years. Total **pensions** paid out in 2022-23 was £1,293 million. This has increased year on year since 2018-19. Total **lump sums** paid out in 2022-23 was £373 million; the highest value since 2018-19.

**Chart 6.4: Pensions and Lump Sums paid out from 2018-19 to 2022-23, £ millions**

**Source:** LFR 24



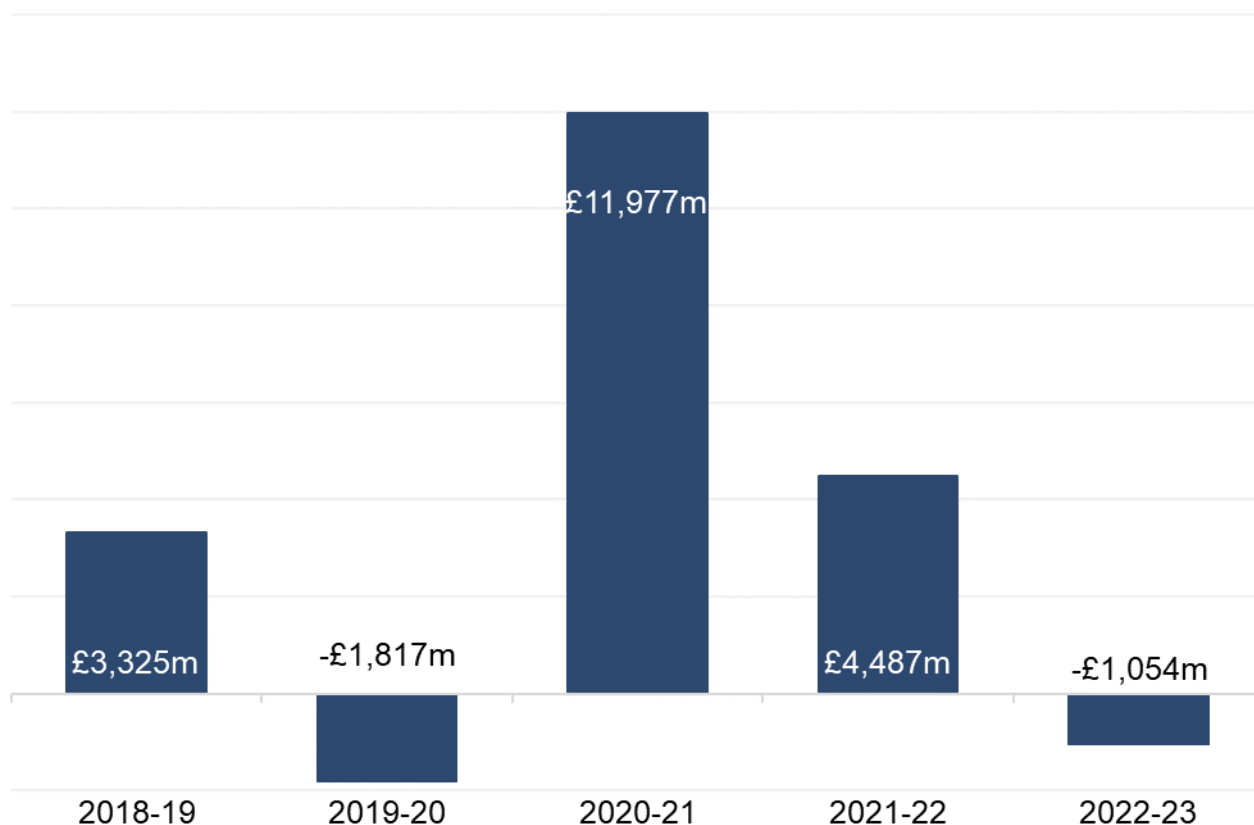
## 6.4 Net Return on Investments

Pension funds invest in financial markets and other assets. These investments are generally managed separately to the administration of contributions and benefits of the scheme. A pension fund's net return on investment reflects income and expenditure incurred directly relating to the investment, as well as any changes in the market value of the investment, in year. This figure does **not** include expenses paid to manage the investment. Therefore, the net return on investment is volatile and is directly influenced by investment conditions; for example, changes in financial markets.

**Chart 6.5** shows the net return on investment from 2018-19 to 2022-23. In 2022-23, net return on investment was a loss of £1,054 million, a decrease of £5,541 million from 2021-22. The negative net return in 2019-20 reflected the impact of the Covid-19 pandemic on financial markets at the start of 2020 and the corresponding decrease in pension investments across all local authorities. The variation in net return on investment between years reflects the volatility of this figure.

**Chart 6.5: Net return on investments from 2018-19 to 2022-23, £ millions**

**Source:** LFR 24



## 7. Data Sources

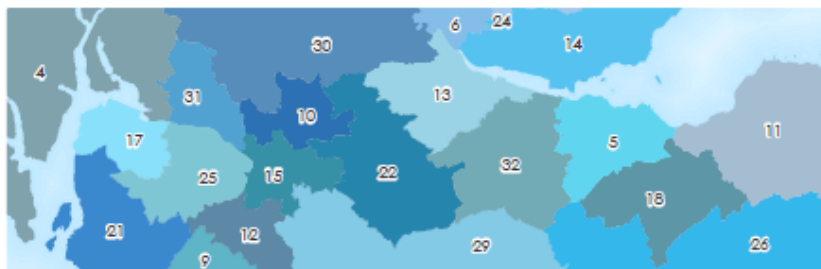
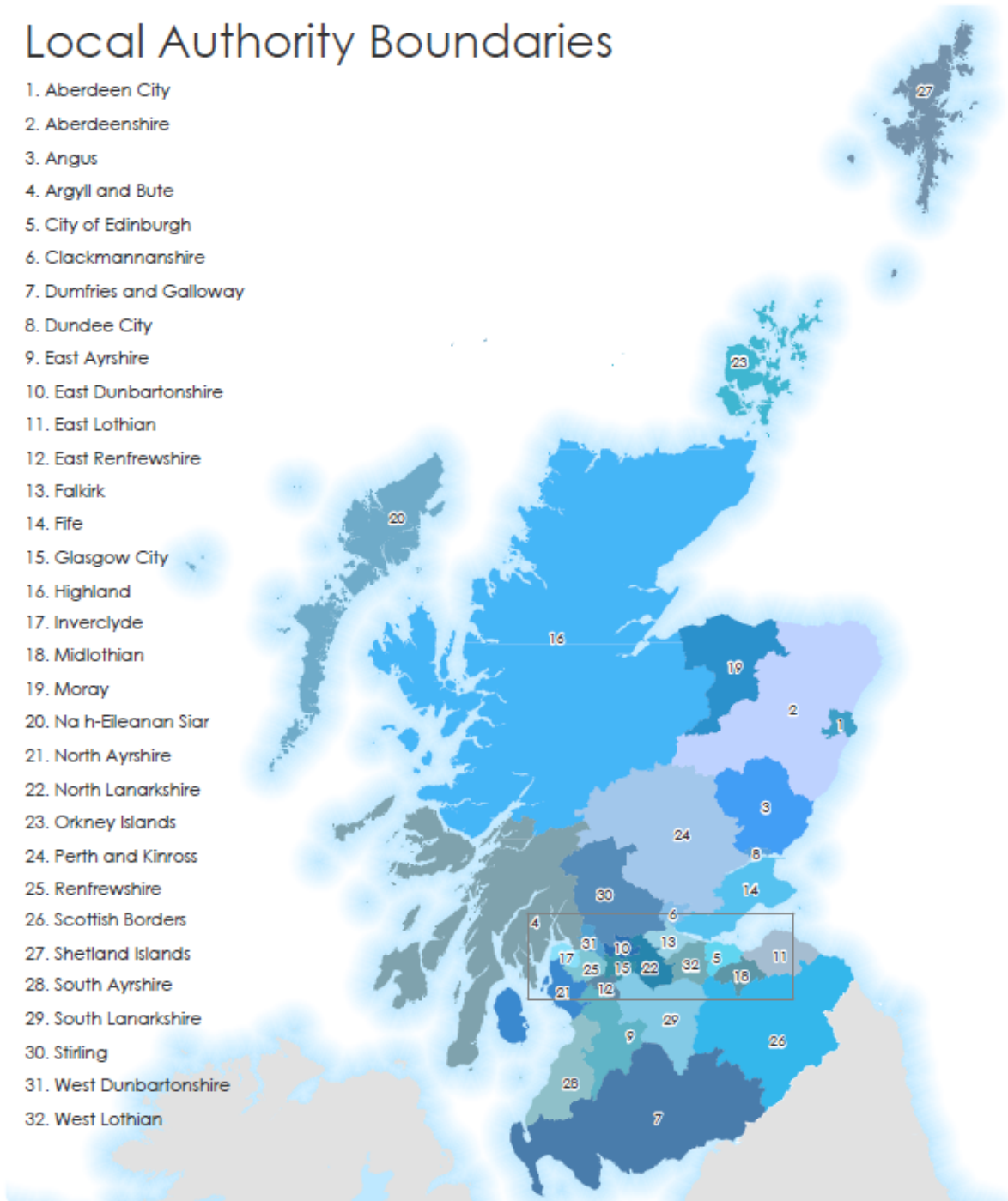
This publication contains data from a range of sources. Information on these data sources is provided in this chapter along with links to relevant web pages for further information.

- The [Local Financial Returns \(LFRs\)](#) 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 main data source for this publication. The full 2022-23 LFR workbooks, which provide all the source data by local authority, have been made available alongside this publication.
- The [Council Tax Receipts Return \(CTRR\)](#) 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.
- The [Council Tax Base \(CTaxbase\)](#) figures give the number of properties in each council tax band in each council area, including those with exemptions and discounts.
- The [Council Tax Assumptions \(CTAS\) 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.
- Local authorities are asked to provide individual [Council Tax Reduction \(CTR\) 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.
- The [Non-Domestic Rates Income \(NDRI\) 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.
- The [Scottish Assessors Valuation Roll](#) is a public document that contains an entry for all non-domestic properties except those specifically excluded by law.
- [Local Government Finance Circulars](#) provide financial advice and guidance to local government, including details of local government settlements.
- [Mid-year population estimates](#) for Scotland are produced by National Records for Scotland (NRS) on an annual basis, together with [Scotland's Census 2022](#).
- [Annual Housing Revenue Account \(HRA\) statistics](#) provide an estimate of the number of HRA dwellings.

## 8. 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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Ordnance Survey (OS Licence number  
100024655).

Scale: 1:2,930,000

Scottish Government GI Science & Analysis Team, May  
2021. R534221sl



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## 9. Annex B: Local Authority Joint Board Membership

Please note that Helensburgh and Lomond are part of SPT, while the rest of Argyll & Bute is part of HITRANS.

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
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	ZetTrans
South Ayrshire	Ayrshire	SPT
South Lanarkshire	Lanarkshire	SPT
Stirling	Central	TACTRAN
West Dunbartonshire	Dunbartonshire & Argyll & Bute	SPT
West Lothian	Lothian	SESTRAN

## 10. Annex C: Calculation of GRG for SLGFS 2022-23

The General Revenue Grant (GRG) for SLGFS 2022-23 is derived as follows. A breakdown by Local Authority can also be found in Annex C of Scottish Local Government Finance Statistics (SLGFS) 2022-23 - Publication Tables.

Council	Value £m	Notes
<b><u>Finance Circular 3/2023</u></b>		
General Revenue Funding	8,698.9	Annex C: Col K
<b>Add:</b> 85% Floor	10.1	Annex C: Col N
<b>Add:</b> Council Tax Freeze		Not applicable
<b>GRG Subtotal 1</b>	<b>8,709.0</b>	
<b>Scottish Child Bridging Payments</b>		
<b>Ignore:</b> LA Administration Costs (Already included in GRG Subtotal 1)	1.2	
<b>Remove:</b> Payments to Individuals	73.8	Agency Grant
<b>GRG Subtotal 2</b>	<b>8,635.2</b>	
<b>Miscellaneous Adjustments</b>		
<b>Add:</b> Cost of Living Payments – Admin Costs only	4.5	
<b>Add:</b> Teacher’s Pay Worthy Cause Payment	33.0	Not in FC 3/2023
<b>Add:</b> Other Adjustments	0.1	
<b>Total GRG in SLGFS 2022-23</b>	<b>8,672.7</b>	

Note: Totals may not sum exactly due to rounding.

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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/).

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ISBN 978-1-83601-010-4

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The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-83601-010-4 (web only)

Published by The Scottish Government, March 2024

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS1412374 (03/24)

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