

# Notes for LFR & SLGFS Users

## Time Series with Service-level LFRs: 2011-12 to 2019-20

### Introduction

The Local Financial Returns (LFRs) are a series of detailed returns that collect final, audited financial data for all councils, Valuation Joint Boards (VJBs), Regional Transport Partnerships (RTPs) and the Tay Road Bridge Joint Board on an annual basis. Information on the LFRs, including the latest blank return and guidance for completion, is available at [www.gov.scot/publications/local-financial-return/](http://www.gov.scot/publications/local-financial-return/).

Scotland level data captured by the LFRs is summarised within the [Scottish Local Government Finance Statistics \(SLGFS\) publication](#). Workbooks for each LFR, containing detailed local authority level data, have been published alongside the SLGFS from 2017-18 onwards. At present, workbooks for LFRs prior to 2017-18 must be requested from [lgfstats@gov.scot](mailto:lgfstats@gov.scot).

The 2019-20 SLGFS and associated excel files contain the following tables which provide comparable Scotland-level figures from 2015-16 to 2019-20:

- **Publication, Table 2.2:** Net revenue expenditure by service
- **Additional Analysis, Table A1:** Gross service expenditure by subservice
- **Additional Analysis, Table A2:** Gross service income by subservice
- **Additional Analysis, Table A3:** Net revenue expenditure by subservice

However, users of the LFRs may wish to produce time series at local authority level or for longer time periods.

This document has been produced to support users of the LFRs / SLGFS to produce comparable time series. In particular, it sets out the adjustments that must be made to key figures in service-level LFR workbooks from 2011-12 to 2018-19 to ensure they are comparable to the equivalent figures collected in the 2019-20 LFRs.

The adjustments described in this document can be applied to all service-level LFRs, that is LFRs which collect revenue expenditure and income figures for services provided by local authorities. These are:

- LFR 01: Education
- LFR 02: Culture & Related Services
- LFR 03: Social Work
- LFR 05: Roads & Transport
- LFR 06: Environmental Services
- LFR 07: Planning & Development Services
- LFR 09: Central Services
- LFR 20: Non-HRA Housing
- LFR SS: Support Services (introduced in 2017-18)

The general principles of the adjustments set out in this document could also be applied to LFR 00, however the row references would differ to those stated below.

All the LFRs covered by this document present figures on a funding basis and in cash terms. All year references in this document refer to the relevant financial year, for example 2019-20 refers to the year from 1 April 2019 to 31 March 2020.

## Definitions

For the purposes of this document, the following terms are defined as set out below:

**Funding Basis (FB):** The figures have been adjusted for certain accounting transactions that have been charged to services, such as depreciation and pension costs. Funding basis figures are used by local authorities when making financial decisions, such as setting budgets. All the LFRs covered by this document present figures on a funding basis.

**Cash terms:** Figures presented in cash terms have not been adjusted for inflation.

**Revenue Expenditure:** The cost of delivering services each year, including operating costs and overheads, plus costs that cannot be directly attributed to a service, such as the repayment of debt.

**Gross Service Expenditure:** Total expenditure incurred in relation to the provision of a service.

**Gross Service Expenditure Adjusted for LFR Purposes:** Total expenditure incurred in relation to the provision of a service, adjusted to exclude inter and intra-authority transfers. This figure must be used when calculating aggregate figures, such as Scotland or Council level, to ensure there is no double counting due to transfers between or within local authorities.

**Gross Service Income:** The total income a local authority receives in relation to services, for example customer and client receipts and specific grants.

**Gross Service Income Adjusted for LFR Purposes:** Gross service income adjusted to exclude inter and intra-authority transfers. This figure must be used when calculating aggregate figures, such as Scotland or Council level, to ensure there is no double counting due to transfers between or within local authorities.

**Net Revenue Expenditure:** The element of service expenditure funded by general funding, such as General Revenue Grant (GRG) and local taxation, and / or from reserves. This is calculated as the difference between Gross Service Expenditure and Gross Service Income.

**Integrated Joint Board (IJB):** Thirty IJBs were established in Scotland under the Public Bodies (Joint Working) (Scotland) Act 2014. They are responsible for the planning of integrated arrangements and onward services delivery of health and social care for their constituent councils and health boards.

## Changes to LFRs Over Time

The LFRs are reviewed each year ahead of the returns being issued for completion, with revisions to the return made where required. Changes to the LFRs between years can impact comparability over time.

The 2011-12 LFRs saw the introduction of LFR 00 and a substantial change to the format and content of the service-level LFRs. This document, therefore focuses on LFRs from 2011-12 onwards. If users require comparable data prior to 2011-12, they should contact [lgfstats@gov.scot](mailto:lgfstats@gov.scot) for advice.

The following changes have been made to the LFRs since 2011-12 and can be adjusted for to provide figures comparable to the 2019-20 LFRs. The specific adjustments required are detailed in the next section.

**Signage for Income:** From 2016-17 onwards, income is presented as negative figures within the LFRs to mirror the signage used in local authorities' accounts. The adjustments set out in this document reflect the appropriate signage to allow direct comparisons to 2019-20 LFRs.

**Recharges:** This relates to **income** generated by one service area for specific work provided to another service within the same local authority. Prior to 2016-17, recharges were included within the Gross Service Income figure. From 2016-17 onwards, recharges are included in Gross Expenditure to better reflect the expenditure attributable to each service and eliminate double counting within expenditure figures due to intra-authority transfers.

**Contributions to / from IJBs:** Following the establishment of IJBs, LFRs from 2015-16 to 2018-19 included lines relating to contributions to and from IJBs in gross expenditure and income calculations respectively. The recording of transfer payments to and from IJBs was [reviewed ahead of the 2019-20 LFR](#).

In 2019-20, transfer payments **to** IJBs were recorded in total against a new 'Integration Joint Board (IJBs)' subservice in LFR 03, rather than across all subservices as in prior years. This means that an adjustment must be made to exclude transfer payments to IJBs from all subservices for 2015-16 to 2018-19.

In 2019-20, 'Income **from** IJB to commission services' (previously called 'Contributions from IJBs') was retained across all subservices and so no adjustments need to be made in relation to this.

Further information on the impact of this change on key figures is provided in the 'Notes' tab of the 2019-20 LFR 03 workbook.

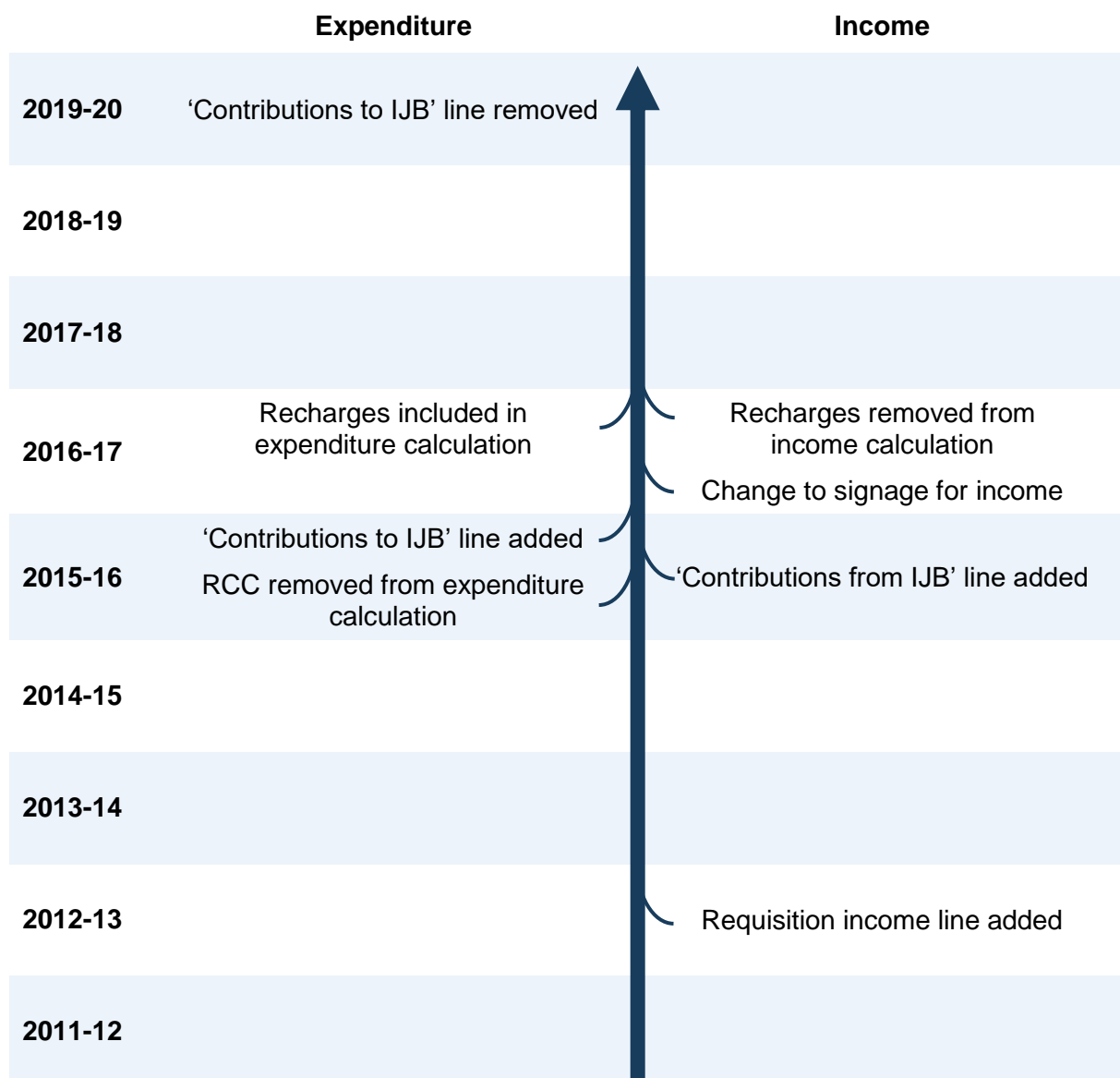
**Revenue Contributions to Capital (RCC):** RCC is revenue expenditure that has been used to fund capital projects. Prior to 2015-16, this was included in the Gross Expenditure calculation within the LFRs. However, RCC is also captured within the capital data provided by local authorities (via LFR CR in 2019-20) and presented in SLGFS. From the 2015-16 LFRs onwards, it was therefore excluded from revenue expenditure calculations entirely to avoid double counting.

**Requisitions:** Requisition income refers to income received by a joint board from its constituent councils. The payment of requisition income is recorded by the constituent councils as a third party payment to joint boards. To eliminate double counting in aggregate LFR figures, an adjustment relating to requisition income is made when calculating the ‘adjusted for LFR purposes’ figures.

The only service-level LFRs completed by joint boards are LFR 05 and LFR 09, and so, strictly speaking, adjustments relating to requisitions only need to be made when working with these LFRs. However, requisition rows are blank in all other service-level LFRs and so the adjustments as detailed in the next section can be used across all service-level LFRs without error.

In the 2011-12 service-level LFRs, requisition figures were not detailed specifically. However, requisition income was included in the ‘Contributions from other local authorities’ line and so appropriate adjustments can still be made to provide 2011-12 figures on a comparable basis to 2019-20.

**Figure 1: Summary of Changes to LFRs Over Time**



## Adjustments Required

This section details the specific adjustments required to calculate key figures that are comparable to 2019-20 for each year from 2011-12 to 2018-19. Whilst these adjustments can be used for any of the service-specific LFRs, particular comparability issues for specific LFRs are noted on the next page.

### 2016-17 to 2018-19

Gross exp. on a funding basis	Row 13 – Row 10
Gross exp. adjusted for LFRs	Row 16 – Row 15
Gross income on a funding basis	Row 23
Gross income adjusted for LFRs	Row 21 + Row 22
Net revenue expenditure	Row 28 – Row 10

### 2015-16

Gross exp. on a funding basis	Row 14 – Row 10 – Row 22
Gross exp. adjusted for LFRs	Row 14 – Row 10 – Row 19 – Row 20 – Row 22
Gross income on a funding basis	– Row 24 + Row 22
Gross income adjusted for LFRs	– Row 21 – Row 23
Net revenue expenditure	Row 27 – Row 10

### 2012-13 to 2014-15

Gross exp. on a funding basis	Row 12 – Row 9 – Row 16
Gross exp. adjusted for LFRs	Row 12 – Row 9 – Row 14 – Row 15 – Row 16
Gross income on a funding basis	– Row 18 + Row 16
Gross income adjusted for LFRs	– Row 17
Net revenue expenditure	Row 20 – Row 9

### 2011-12

Gross exp. on a funding basis	Row 11 – Row 9 – Row 14
Gross exp. adjusted for LFRs	Row 11 – Row 9 – Row 13 – Row 14
Gross income on a funding basis	– Row 16 + Row 14
Gross income adjusted for LFRs	– Row 15
Net revenue expenditure	Row 18 – Row 9

**Please note**, the adjustments set out in this document reflect the appropriate signage to allow direct comparisons to 2019-20.

## Comparability Issues for Specific LFRs

### LFR 03

- From 2012-13 onwards, 'Adults with addictions / substance misuse', 'HIV / AIDS' and 'Services to Asylum Seekers and Refugees' are grouped into the 'Adults with Other Needs' subservice.
- In 2019-20, 'Older Persons', 'Adults with physical or sensory disabilities', 'Adults with learning disabilities', 'Adults with mental health needs' and 'Adults with other needs' are grouped into the 'Adult Social Care' subservice.
- The new 'Integration Joint Boards (IJBs)' subservice introduced in 2019-20 can be compared to LFR 00, Cell P40 in 2016-17 to 2018-19; and to LFR 00, Cell O41 in 2015-16.

### LFRs 05 & 09

- In 2015-16, figures for VJBs and RTPs may include income from Central Government grant that was not allocated to services within their statutory accounts. The relevant amounts of this income for each service can be found in LFR 00, Row 97. These amounts are included under General Funding (non-service income) in all other years'.

## Comparability of 'Additional Information' Figures

Some service-level LFRs collect 'Additional Information' – that is information collected in addition to the standard figures collected within each service-level LFR. Generally, these lines are recorded on a consistent basis with the main LFR figures for that year, for example gross expenditure additional information figures will align to the gross expenditure definition within that years' LFR. This means that any changes to calculations of gross expenditure, gross income or net revenue expenditure within the LFR, will be reflected in the additional information figures.

As the level of detail required for comparability adjustments is not available for additional information figures, it is **not possible** to ensure strict comparability between years' where there has been a change in calculation. In particular:

- **2016-17 to 2018-19:** Additional information lines for gross expenditure and net revenue expenditure will not be strictly comparable to 2019-20 due to the adjustment for payments to IJBs (Row 10).
- **2015-16:** Additional information lines for gross expenditure, gross income and net revenue expenditure will not be strictly comparable to 2019-20 due to the adjustments for payments to IJBs (Row 10) and recharges (Row 22).
- **2012-13 to 2014-15:** Additional information lines for gross expenditure, gross income and net revenue expenditure will not be strictly comparable to 2019-20 due to the adjustments for RCC (Row 9) and recharges (Row 16).
- **2011-12:** Additional information lines for gross expenditure, gross income and net revenue expenditure will not be strictly comparable to 2019-20 due to the adjustments for RCC (Row 9) and recharges (Row 14).

Users should consider the value of the adjustments for the subservice, local authority and year(s) of interest to establish the potential impact these adjustments would likely have on the comparability of additional information figures.

## **Data Interpretation**

Local authorities are asked to complete the LFRs in line with the guidance provided to ensure returns are completed on a consistent basis to allow for a reasonable degree of comparability. However, there is the potential for inconsistent reporting between local authorities for lower level figures where local accounting practices may vary.

Changes in accounting standards between financial years may impact on the categorisation of expenditure which can lead to discontinuities in the data collected. Where there has been a significant change that affects multiple local authorities, this will be noted in the commentary and notes for the relevant year.

Service expenditure and income will be affected by demand for services and the resources available to deliver those services, which will vary between local authorities. Expenditure can also be affected by large one-off payments in any year, for example Equal Pay back-pay settlement expenditure.

It is important to consider the above factors when making comparisons between local authorities and over time.

Historic LFR data may be revised following publication to correct any errors that are subsequently identified. LFR workbooks available on the Scottish Government website will be updated to reflect any changes to the data and will be clearly marked as revised. Please note, LFR workbooks provided directly to users upon request will be the most up-to-date copy of the workbook at the time, however users will not be informed directly of any revisions to already published data.

Users should ensure that they are working with the most up-to-date version of the LFR workbooks available. Future publications will pick up any revisions to source data for prior years and so, where possible, figures should be checked against the latest publication to ensure they are still up-to-date. However, if in doubt, please contact [lgfstats@gov.scot](mailto:lgfstats@gov.scot).

## **Enquiries**

If you have any questions on the information in this document or on the LFRs more generally, please email [lgfstats@gov.scot](mailto:lgfstats@gov.scot).

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