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# Scottish Local Government Financial Statistics 2015-16



A National Statistics publication for Scotland

PEOPLE, COMMUNITIES AND PLACES

SG/2017/14

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## EXECUTIVE SUMMARY

### Revenue Expenditure and Funding

Scottish local authorities reported an overall revenue surplus on the provision of services of £0.45 billion (2.7% of total revenue expenditure) at 31<sup>st</sup> March 2016. Of this surplus, £0.34 billion was transferred to the Capital Fund to be used for Capital expenditure and £0.03 billion was transferred to other reserves (e.g. Insurance Fund), resulting in a £0.07 billion increase in revenue reserves.

Gross revenue expenditure on services was £15.33 billion in 2015-16 (up 0.7% on 2014-15). Of this, £0.66 billion (up 0.7% on 2014-15) of expenditure relates to the provision of housing through the Housing Revenue Account (HRA) and £14.67 billion (up 0.7% on 2014-15) relates to the General Fund.

Net revenue expenditure on services was £10.10 billion in 2015-16 (up 0.7% on 2014-15). The highest spending service in the General Fund is education which had net expenditure of £4.74 billion (45% of General Fund net revenue expenditure). Social Work is the next largest service with net expenditure of £3.17 billion (30%).

Total Finance and investment expenditure (interest and debt repayments net of investment income) was £1.45 billion in 2015-16 (up 2.5% on 2014-15).

Total General Funding in 2015-16 was £12.00 billion. This is made up of Scottish Government General Revenue Grant £7.15 billion (60%), Non Domestic Rates £2.79 billion (23%), Council

tax £2.05 billion (17%), and other funding of £0.001 billion (rounds to 0%).

### Council Tax

- The average Band D Council Tax in Scotland was £1,149 in 2015-16.
- Council Tax income was £2.05 billion in 2015-16 (after Council Tax Reduction).

The total number of chargeable dwellings (i.e. the tax base) has increased slightly each year, rising from 2.39 million in September 2011 to 2.46 million in September 2016.

As a result of the Council Tax freeze, Council Tax levels have remained fixed since 2007-08 (except in Stirling where there was a slight drop in the Council Tax level in 2008-09 and 2012-13).

### Non-domestic Rates

Non-domestic rates bills are calculated using the rateable value (RV) of a non-domestic property, multiplied by the poundage rate (48.0p in 2015-16) plus any relevant supplements (such as Large Business Supplement), less any rates reliefs.

- Non-domestic rate income collected increased from £2.511 billion in 2014-15 to £2.58 billion in 2015-16. This is due to the net effect of several factors such as the inflationary increase in the poundage rate, the impact of revaluation appeals, changes to rates relief schemes and other changes to the tax base (e.g. new or demolished properties).
- Non-domestic rates reliefs provided relief of £0.63 billion in 2015-16, up from £0.61 billion in 2014-15. Increases in

Small Business Bonus Scheme and Charity relief were the main factors which contributed to the increased total.

- As at 1st April 2016, the non-domestic rate tax base comprised of 225,259 non-domestic properties on the Valuation Roll with a total rateable value of £6.796 billion.
- The non-domestic rates 'Distributable Amount' was £2.79 billion in 2015-16.

### **Capital Expenditure**

Total capital expenditure was £2.54 billion in 2015-16 (£0.64 billion in the HRA and £1.89 billion in the General Fund), compared to £2.40 billion in 2014-15 – an increase of 5.6% or £0.14 billion. The majority of capital expenditure went on new construction, conversions and enhancements to existing buildings, this category accounted for 83% of expenditure.

General Fund capital expenditure in 2015-16 was £1.89 billion (up 9.1% on 2014-15). The service with the highest capital expenditure was Education with £0.65 billion (34% of General Fund capital expenditure), which has increased by 17% since 2014-15. Roads and transport is the service area with the second highest capital expenditure with £0.43 billion (23% of General Fund capital expenditure), and is slightly down (-0.2%) on 2014-15.

### **Reserves**

On 1 April 2015 local authorities had total revenue reserves of £1.84 billion; over the course of the year this increased by £0.05 billion (2.6%) to stand at £1.89 billion on 31<sup>st</sup> March 2016.

Capital reserves increased by £0.10 billion (18.3%), from £0.53 billion at the 1<sup>st</sup> April 2015 to £0.63 billion at the 31<sup>st</sup> March 2016.

### **Assets**

The total value of assets held by local authorities at 31<sup>st</sup> March 2016 was £40.69 billion. This is an increase of 3.3% (£1.29 billion) since 31<sup>st</sup> March 2015. The vast majority of the assets were operational assets (£39.12 billion, 96% of total assets), including £11.28 billion of council dwellings (28% of total assets) and £19.00 billion (47%) of other land and buildings.

### **Loans Fund Borrowing**

The total value of Loans Fund advances outstanding at 31<sup>st</sup> March 2016 was £13.41 billion (of which £10.05 billion was General Fund and £3.36 billion was HRA). General Fund Loans Fund advances outstanding increased by £0.09 billion (0.9%) between 31<sup>st</sup> March 2015 and 31<sup>st</sup> March 2016. HRA loans fund advances outstanding rose by £0.14 billion (4.5%) between 31<sup>st</sup> March 2015 and 31<sup>st</sup> March 2016.

At 31<sup>st</sup> March 2016, the Scottish average General Fund loans fund advances outstanding was equal to £1,870 per person (up 0.4% on 31<sup>st</sup> March 2015) and the average HRA loans fund advances outstanding was equal to £10,609 per HRA dwelling (up 4.6% on 31<sup>st</sup> March 2015).

## **Local Government Pensions**

Total Local Government Pension Scheme Fund income in 2015-16 was £1.94 billion. This is down 64% (£2.17 billion) on 2014-15 due to investment income which is highly volatile. Contributions from employees and employers total £1.24 billion, an increase of £0.02 billion or 4.7% on 2014-15.

Local Government Pension Fund Expenditure in 2015-16 was £1.24 billion, an increase of £0.05 billion or 4.6%. The majority (95%) of this expenditure is on benefits, of which £0.27 billion was on lump sum payments and £0.91 billion was on pensions.

## Glossary

Revenue expenditure covers the costs of maintaining local services and primarily consists of *employee costs* and *operating costs*. The benefits of revenue expenditure are received within one financial year. All revenue expenditure, except expenditure on local authority housing, is accounted for through the General Fund.

*Employee costs* include salaries and wages, national insurance and superannuation contributions, cash allowances paid to employees, redundancy and severance payments and other employee costs.

*Operating costs* include property costs, supplies and services costs, transport (including car allowances) and plant costs, payments to agencies and other bodies, and direct administration costs (including training).

*Support Service costs* are those paid for services that support the provision of services to the public, e.g. IT, Human Resources, Legal Services, Procurement Services and Corporate Services.

*Transfer payments* are those made to individuals for which no goods or services are received in return by the local authority.

*Revenue Contributions to Capital (RCC)* are the revenue contributions towards capital expenditure on capital assets which were met directly from the service revenue within the current

year. RCC can also be referred to as capital financed from current revenue (CFCR) in discussions of Capital accounts.

*Adjustment for inter-account and inter-authority transfers* is an adjustment made for the contributions made by one authority to another, i.e. inter-authority transfers, and the recharges, or income from other accounts within an authority, i.e. inter-account transfers. The adjustment is equal to the total of inter-authority transfers and the total of inter-account transfers.

*Grants to third parties funded by General Capital Grant (GCG)* come under both revenue and capital expenditure. The General Capital Grant was introduced for the first time in 2008-09. It is a Scottish Government grant paid to the 32 local authorities. The grant may be used to fund the capital expenditure of the local authority. With certain limitations, the grant may also be used to fund third party capital expenditure (either through direct spend or the provision of grant). Where the GCG is used to finance the capital expenditure of the council, this expenditure is considered strictly as capital expenditure. Where the GCG is used to fund third party capital projects the GCG is treated as revenue income and the corresponding third party grant or direct payment is treated as revenue expenditure.

*Gross revenue expenditure* is the total expenditure on local authority services within a financial year less inter-authority and inter-account transfers.

*Net revenue expenditure* is gross revenue expenditure, less other government grants, customer and client receipts, grants to third parties funded by General Capital Grant, and other grants, reimbursements and contributions. It is therefore the net revenue

expenditure that is to be financed from General Revenue Funding, non-domestic rates, council tax and balances.

*Common Good Fund* income and expenditure is recorded in a separate set of accounts. Some property held within a local authority's Common Good Fund can be sold, while some must be maintained in trust for the community. The fund is used for projects that are for the common good of all residents.

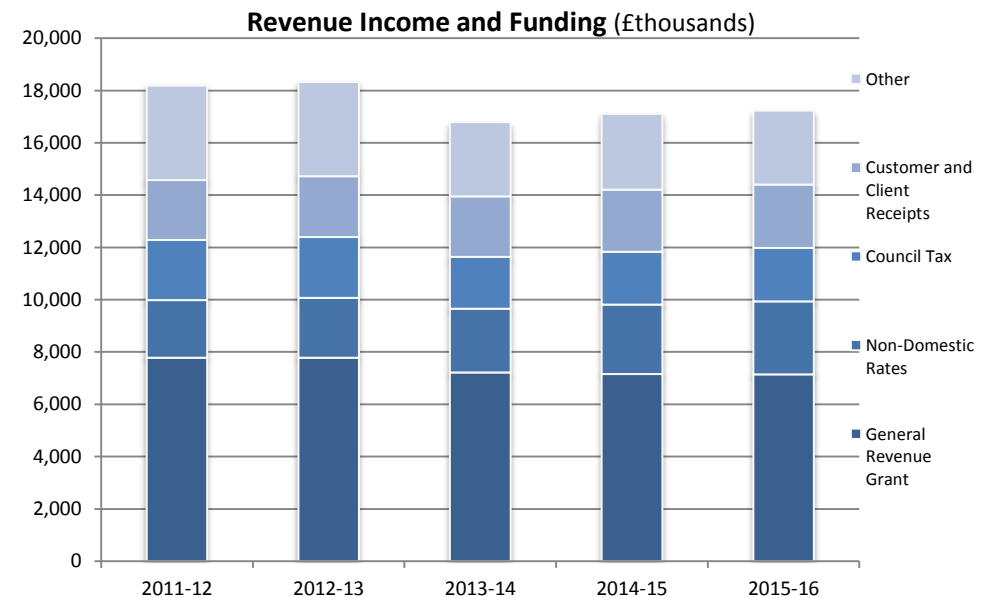
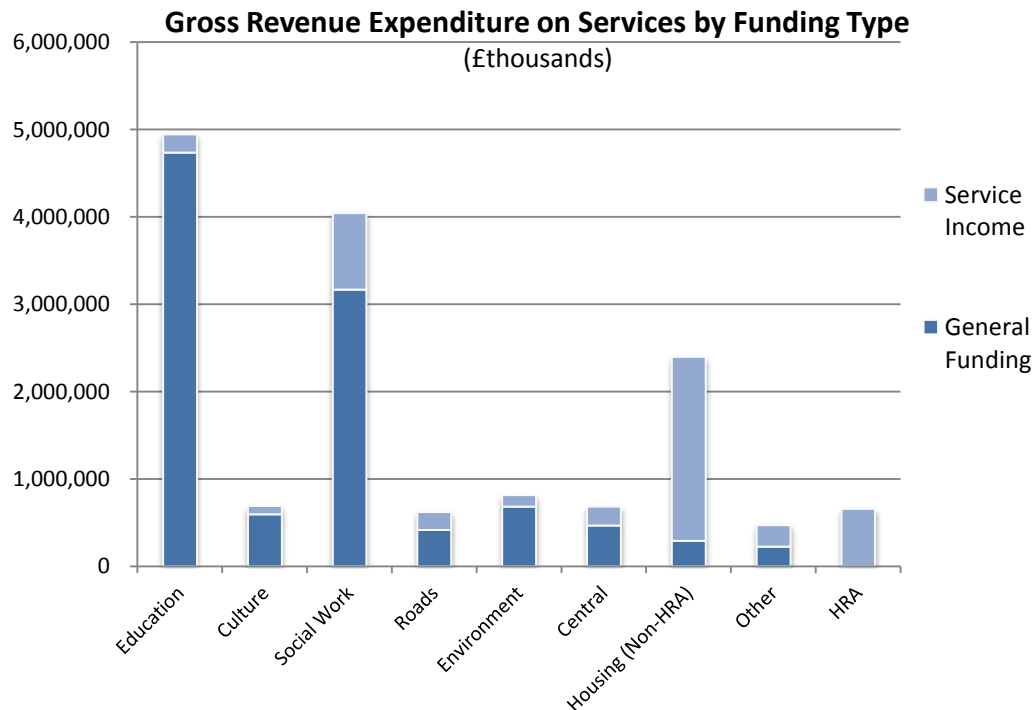
*The Housing Revenue Account (HRA)* records income and expenditure relating to local authority housing stock. Whilst most other local authority services are funded through a combination of non-domestic rates and council tax income plus Government grants, the HRA is a ring-fenced account, and expenditure is funded by housing rents and Government subsidies.

# 1. Local Government Revenue Expenditure and Funding

Day-to-day expenditure of the local authority is referred to as revenue expenditure.

Net Revenue Expenditure is the element funded through General Funding (which is made up of General Revenue Grant, Council Tax and Non-Domestic Rates).

Gross Revenue Expenditure is the total expenditure less inter/intra-authority transfers.



- **Gross revenue expenditure on services increased by 0.7%** to £15.3 billion in 2015-16;
- **Net revenue Expenditure on services increased by 0.7%** to £10.1 billion;
- Net Revenue Expenditure on **Education increased by 2.7%** to £4.7 billion;
- Net Revenue Expenditure on **Social work increased by 1.9%** to £3.2 billion;
- **Financing and Investment expenditure increased by 2.5%** to £1.5 billion;
- **General Funding increased by 0.7%** to £12 billion;
- **Service income increased by 0.9%** to £5.2 billion.



## 1.1 Total Revenue Expenditure and Funding

The two main local authority accounts are the revenue account and the capital account. The revenue account is used for day-to-day costs, such as paying salaries, bills and rent. The capital account is used to fund expenditure that creates an asset, such as building schools or new roads. Capital income and expenditure are presented in Chapter 2.

Figures are presented in cash terms throughout the publication, i.e. they have not been adjusted for inflation. Where income is presented alongside expenditure, the convention of presenting income in (brackets) and expenditure without brackets is used.

Table 1.1 summarises revenue income, expenditure, funding and balances for 2015-16.

Total Gross Revenue Expenditure on services by Scottish local authorities in 2015-16 was £15,335 million, 0.7% higher than in 2014-15. Of this, £660 million was for the provision of housing through the Housing Revenue Account (HRA).

Total service income raised by local authorities in 2015-16 was £5,230 million, an increase of 0.9% on the previous year. £1,150 million of this was raised through the Housing Revenue Account.

Net Revenue Expenditure is the element of expenditure on services to be funded by taxation and non-specific grant income (General Revenue Grant, Council Tax and Non-Domestic Rates), with any remaining expenditure to be met from reserves. Net revenue expenditure is calculated as gross service expenditure minus service income. This is sometimes referred to as the Net

Cost of Service. Total Net Revenue Expenditure in 2015-16 is £10,105 million, which is an increase of 0.7% on 2014-15.

The largest service area is education with gross expenditure of £4,946 million and service income of £210 million in 2015-16, which gives a net revenue expenditure on education of £4,736 million, an increase of 2.7% on 2014-15.

The second largest service area is social work with gross expenditure of £4,044 million and £875 million of service income. Net Revenue Expenditure on social work is £3,169 million, 1.9% higher than in 2014-15.

Education and Social work account for three quarters of General Fund net revenue expenditure on services, with Education accounting for 45% and Social Work accounting for 30% of General Fund net revenue expenditure.

Total net Financing and Investment Expenditure for 2015-16 was £1,451 million, an increase of 2.5% on the previous year. Of this, £832 million was for paying interest on debt and £715 million was for repaying debt. Authorities received income from investments and trading operations of £96 million.

Total taxation and non-specific grant income available to authorities in 2015-16 was £12,003 million, 0.7% higher than in 2014-15. Of this, £7,147 million was General Revenue Grant, £2,791 million was Non-Domestic Rates and £2,055 million was from Council Tax with £10 million of other funding.

The surplus or deficit on the provision of services is calculated by taking the net revenue expenditure on services then adding to this financing and investment costs, then deducting funding from taxation and non-specific grant income, which gives a revenue surplus of £448 million in 2015-16. £340 million of this was used to finance capital expenditure and £34 million was transferred to

other reserves (see Chapter 3 for more detail). The remaining £74 million was added to General Fund and HRA reserves which increased from £1,265 million on the 1<sup>st</sup> April 2015 to £1,339 million on the 31<sup>st</sup> March 2016.

(Surplus)/Deficit on Provision of Services:



General Fund and HRA Revenue Reserves:



**Table 1.1 – Revenue Expenditure, Income and Balances, 2015-16**

	<i>£thousands</i>		
	Gross Expenditure	Gross Income	Net Expenditure
<b>EXPENDITURE ON SERVICES</b>			
Education Services	4,945,624	(209,836)	4,735,788
Culture and Related Services	690,792	(92,615)	598,177
Social Work Services	4,044,181	(874,836)	3,169,345
Roads and Transport	620,464	(202,187)	418,277
Road Bridges	1,427	(1,404)	23
Environmental Services	816,944	(132,809)	684,135
Planning and Development Services	424,310	(181,394)	242,916
Central Services	685,713	(217,646)	468,067
Housing Services (Non-HRA)	2,398,253	(2,104,025)	294,228
Trading Services	46,778	(63,308)	(16,530)
<b>General Fund</b>	<b>14,674,486</b>	<b>(4,080,060)</b>	<b>10,594,426</b>
Housing Revenue Account	660,183	(1,150,011)	(489,828)
<b>Net Cost of Services</b>	<b>15,334,669</b>	<b>(5,230,071)</b>	<b>10,104,598</b>
<b>FINANCING AND INVESTMENT</b>			
Interest Payable and Similar Charges			831,736
Interest Receivable and Similar Income			(56,035)
Statutory Repayment of Debt			714,878
(Surplus) or Deficit from Trading Operations			(40,002)
<b>Financing and Investment Income and Expenditure</b>			<b>1,450,577</b>
<b>GENERAL FUNDING</b>			
General Revenue Grant			(7,146,854)
Non-Domestic Rates			(2,791,322)
Council Tax			(2,054,823)
Other			(9,727)
<b>Total Funding</b>			<b>(12,002,726)</b>
<b>Surplus (-) / Deficit on Provision of Services</b>			<b>(447,551)</b>
<b>RESERVES</b>			
<b>Balance at 1 April 2015</b>			<b>(1,265,418)</b>
(Surplus) or Deficit for the year			(447,551)
Capital Expenditure Funded from General Fund/HRA			339,864
Movement in Reserves			34,033
<i>(Increase) or decrease in reserves</i>			<i>(73,654)</i>
<b>Balance 31 March 2016</b>			<b>(1,339,072)</b>

## 1.2 General Fund Revenue Expenditure and Income

Chart 1.1 provides a breakdown of General Fund net revenue expenditure by service. The HRA has been excluded from this analysis as it is a separate, self-financing account. Education and social work account for three quarters of General Fund net revenue expenditure. The largest is Education with 45% (£4,736 million) of General Fund net revenue expenditure. Of this, £1,834 million was spent on primary education and £1,865 million on secondary education with the remainder spent on pre-primary, special and community education.

Social work is the next largest service with net revenue expenditure of £3,169 million (30% of General Fund net revenue expenditure). Data on social work expenditure is collected on the basis of client groups. Of the client groups identified in the Local Financial Returns (LFRs), older persons has the highest expenditure with £1.344 million followed by children and families with £900 million and adults with learning disabilities with £527 million.

A full breakdown of expenditure by sub-service is available in the accompanying excel tables.

**Chart 1.1: General Fund Net Revenue Expenditure on Services: 2015-16**

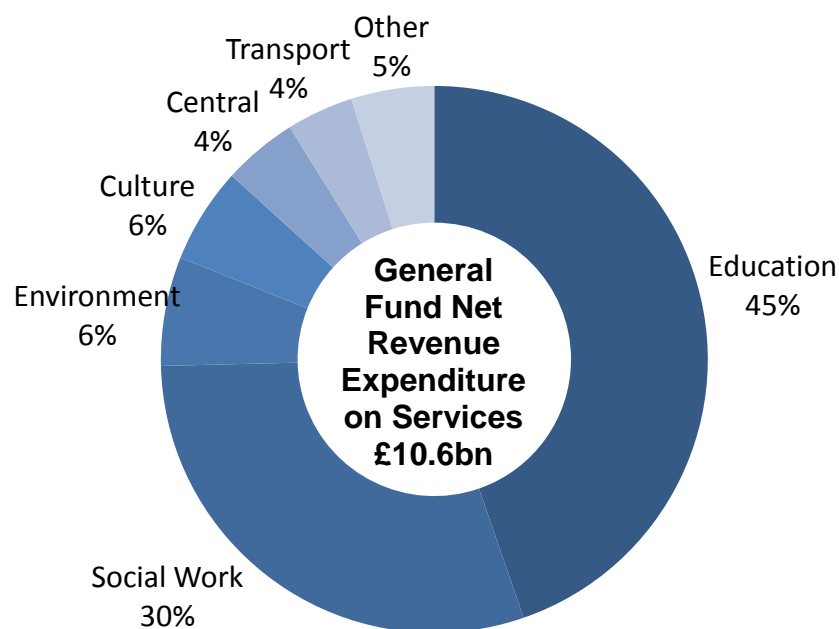


Table 1.2 provides a time series of net revenue expenditure by service. Education and Social Work are the only service areas that have shown increases in expenditure each year since 2011-12. Roads and Transport is the only service area where expenditure has decreased each year since 2011-12.

Over the period from 2011-12 to 2015-16, net revenue expenditure on Social Work increased by 10% from £2,871 million in 2011-12 to £3,169 million in 2015-16. Planning & Development Services showed the largest percentage fall (16%) from £289 million in 2011-12 to £243 million in 2015-16.

**Table 1.2 – Net Revenue Expenditure by Service, 2011-12 to 2015-16**

	<i>£millions</i>				
	2011-12	2012-13	2013-14	2014-15	2015-16
Education	4,538	4,571	4,579	4,612	4,736
Cultural & Related Services	613	609	614	643	598
Social Work	2,871	2,959	3,031	3,110	3,169
Roads & Transport	460	457	436	420	418
Environmental Services	646	644	659	666	684
Planning & Development Services	289	279	279	278	243
Central Services <sup>1,2</sup>	428	386	484	439	468
Non-HRA Housing	323	306	321	342	294
Trading Services	(13)	(4)	(2)	(5)	(17)
<b>General Fund Net Expenditure</b>	<b>10,156</b>	<b>10,208</b>	<b>10,400</b>	<b>10,504</b>	<b>10,594</b>
Housing Revenue Account	(389)	(425)	(439)	(465)	(490)
<b>General Fund + HRA Net Revenue Expenditure</b>	<b>9,767</b>	<b>9,783</b>	<b>9,961</b>	<b>10,039</b>	<b>10,105</b>
Police <sup>1</sup>	516	517			
Fire <sup>1</sup>	280	291			
Central Services (Police & Fire) <sup>1,2</sup>	(22)	(50)			
<b>General Fund + HRA Net Revenue Expenditure</b>	<b>10,540</b>	<b>10,540</b>	<b>9,961</b>	<b>10,039</b>	<b>10,105</b>

1. Police and Fire Board expenditure has been separated out of the General Fund to allow for time series comparison. Previous publications will have included Police and Fire board expenditure as General Fund Expenditure; however the Police and Fire Reform (Scotland) Act 2012 replaced Police and Fire Boards with Police Scotland and the Scottish Fire and Rescue Service which are classified as Central Government.

Source: Local Financial Returns – LFR 00

## **Type of Expenditure**

The element with the highest gross revenue expenditure is operating costs (which includes property costs, supplies and services costs, transport and payments to agencies and other bodies) which account for £6,723 million of expenditure. The second largest element was employee costs which account for £6,284 million.

Transfer payments are those made to individuals for which no goods or services are received in return by the local authority. The majority of transfer payments are housing benefits which make up around £1,875 million of the total of £2,077 million.

An adjustment for Inter Account and Inter Authority Transfers is made to the gross expenditure to take account of transfers between local authorities and between different services within

an authority. This adjustment ensures that expenditure is not counted twice.

Support services include Finance, Legal, Human Resources, IT, Internal Audit, Procurement and Asset Management.

Local authorities can receive service income from a variety of sources.

The largest element of service income is Customer and Client Receipts, with £2,423 million of income. Of this, £1,141 million is from the Housing Revenue Account, the vast majority of which will be rent income.

The second largest element of service income is Government Grants (excl General Revenue Grant) with £2,036 million, however £1,835 million of this is under Non-HRA Housing which will mostly be a grant from the DWP to be used by authorities to pay out Housing Benefit.

**Table 1.3 Net Revenue Expenditure by Service and Type of Income / Expenditure, 2015-16**

£thousands

	Education	Culture and Related Services	Social Work	Roads and Transport	Environmental Services	Housing (non-HRA)	Central and Other	Total General Fund	Housing Revenue Account	Total General Fund plus HRA
<b>EXPENDITURE</b>										
Employee Costs	3,380,917	217,699	1,319,072	181,213	303,719	103,945	647,311	<b>6,153,876</b>	130,278	<b>6,284,154</b>
Operating Costs	1,377,107	445,456	2,473,921	579,852	480,190	414,952	505,059	<b>6,276,537</b>	446,948	<b>6,723,485</b>
Transfer Payments	38,266	16,758	101,802	(17,958)	7,291	1,875,136	32,348	<b>2,053,643</b>	23,269	<b>2,076,912</b>
Support Services	186,747	41,032	201,633	37,319	55,198	30,838	239,350	<b>792,117</b>	75,016	<b>867,133</b>
<i>Adjustment for Inter Account and Inter Authority Transfers</i>	<i>(37,413)</i>	<i>(30,153)</i>	<i>(52,247)</i>	<i>(158,535)</i>	<i>(29,454)</i>	<i>(26,618)</i>	<i>(267,267)</i>	<b><i>(601,687)</i></b>	<i>(15,328)</i>	<b><i>(617,015)</i></b>
<b>Gross Expenditure</b>	<b>4,945,624</b>	<b>690,792</b>	<b>4,044,181</b>	<b>621,891</b>	<b>816,944</b>	<b>2,398,253</b>	<b>1,156,801</b>	<b>14,674,486</b>	<b>660,183</b>	<b>15,334,669</b>
<b>INCOME</b>										
Government Grants (excl GRG)	(47,330)	(5,461)	(85,098)	(4,440)	(1,878)	(1,834,648)	(50,293)	<b>(2,029,148)</b>	(6,553)	<b>(2,035,701)</b>
Other Grants, Reimbursements and Contributions	(40,029)	(18,326)	(525,659)	(12,322)	(7,106)	(109,738)	(51,618)	<b>(764,798)</b>	(2,738)	<b>(767,536)</b>
Customer and Client Receipts	(122,477)	(68,826)	(264,079)	(182,978)	(123,825)	(159,635)	(360,153)	<b>(1,281,973)</b>	(1,140,720)	<b>(2,422,693)</b>
Other Income	0	(2)	0	(3,851)	0	(4)	(284)	<b>(4,141)</b>	0	<b>(4,141)</b>
<b>Total Income</b>	<b>(209,836)</b>	<b>(92,615)</b>	<b>(874,836)</b>	<b>(203,591)</b>	<b>(132,809)</b>	<b>(2,104,025)</b>	<b>(462,348)</b>	<b>(4,080,060)</b>	<b>(1,150,011)</b>	<b>(5,230,071)</b>
<b>Net Revenue Expenditure</b>	<b>4,735,788</b>	<b>598,177</b>	<b>3,169,345</b>	<b>418,300</b>	<b>684,135</b>	<b>294,228</b>	<b>694,453</b>	<b>10,594,426</b>	<b>(489,828)</b>	<b>10,104,598</b>

**Chart 1.2: Gross Expenditure by Service, 2015-16, £thousands**

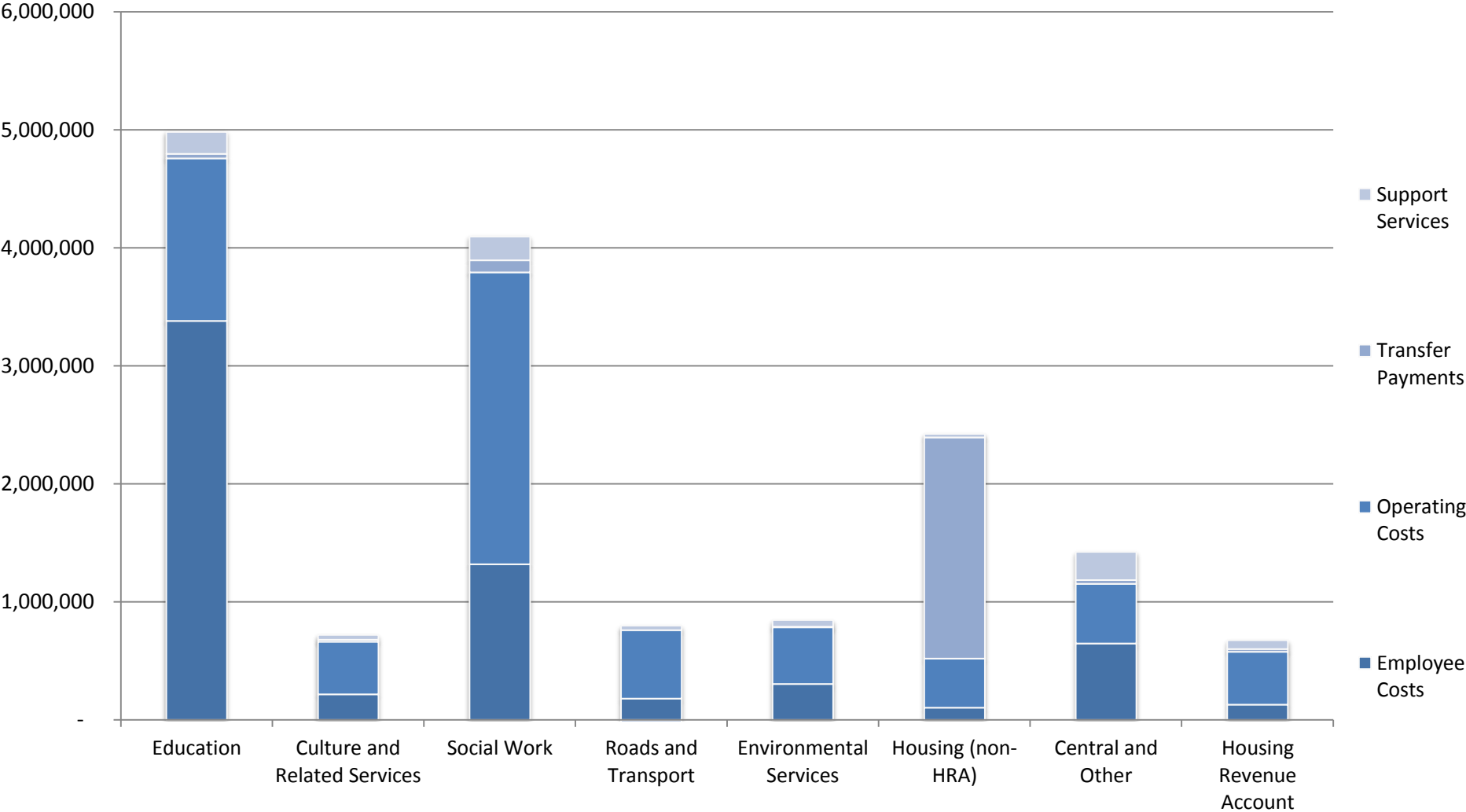
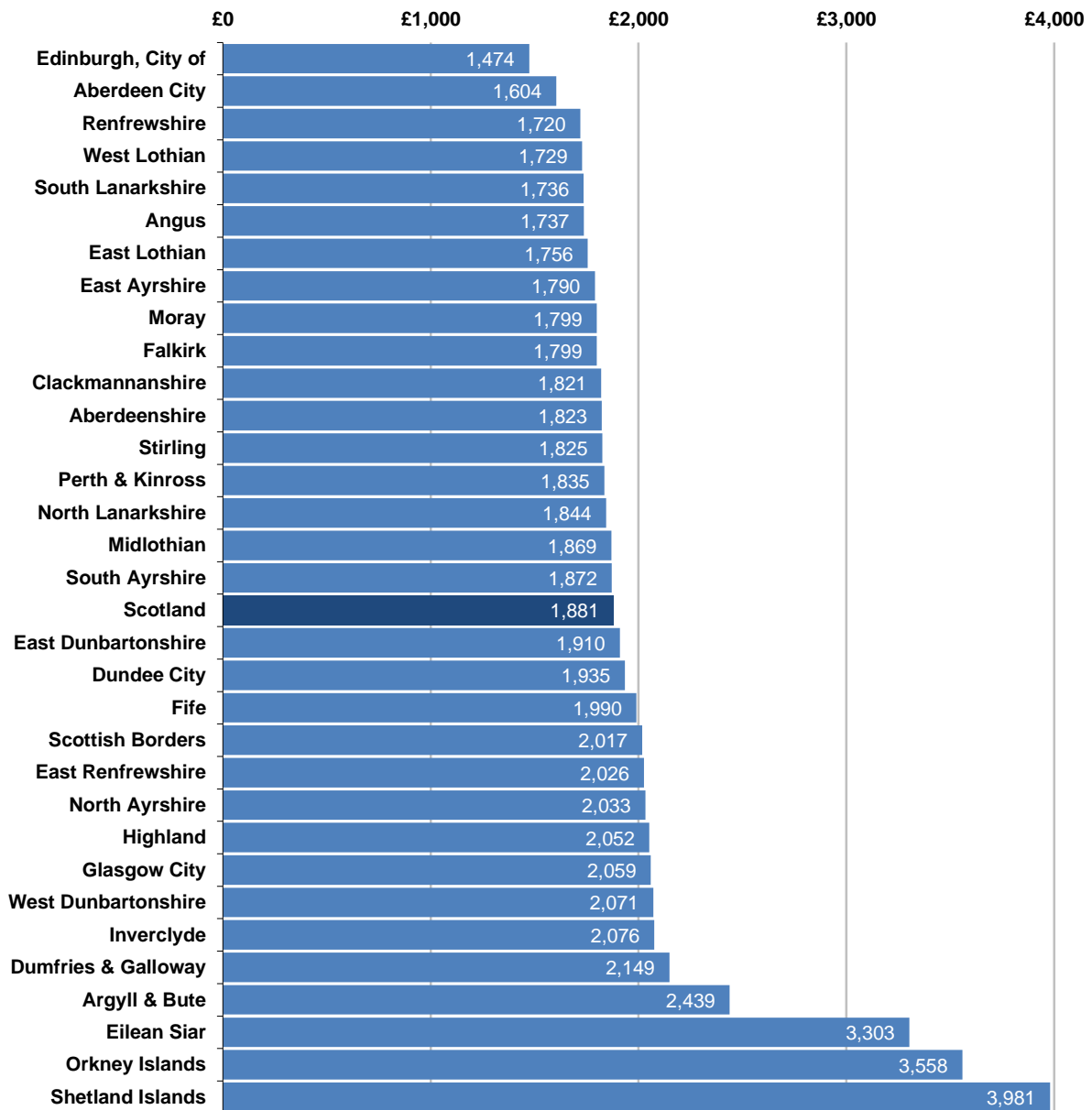




Chart 1.3 shows net revenue expenditure on services per head of population by council. Valuation Joint Boards, Tay Road Bridge and Regional Transport Partnerships have been excluded from the figure here. The chart shows that on average in Scotland local government spent £1,881 per person in 2015-16, up slightly from £1,877 in 2014-15.

**Chart 1.3 – Net Revenue Expenditure per Head Population by Local Authority, 2015-16 (£)**



Source: Local Financial Returns – LFR 00 and NRS Mid-Year Population Estimates (2015)

### 1.3 Funding Revenue Expenditure

Revenue expenditure by local authorities is funded by three main sources:

- Grants from Central Government
- Local Taxation (Council Tax and Non Domestic Rates)
- Sales, fees and charges for services (Customer and Client Receipts)

The main source of revenue income for local government is General Revenue Grant, (formerly referred to as the Revenue

Support Grant). General Revenue Grant (GRG) is paid by the Scottish Government to support the delivery of local services.

Local taxation contributed almost £4.8 billion to the funding of local government in 2015-16 and further information on these taxes is set out in the following sections. General Revenue Grant and local taxation combined together are referred to as “Taxation and non-specific grant income”. Other income is mostly composed of grants and subsidies received from central government and other parts of the public sector.

**Table 1.4 – Revenue Income by Source, 2011-12 to 2015-16**

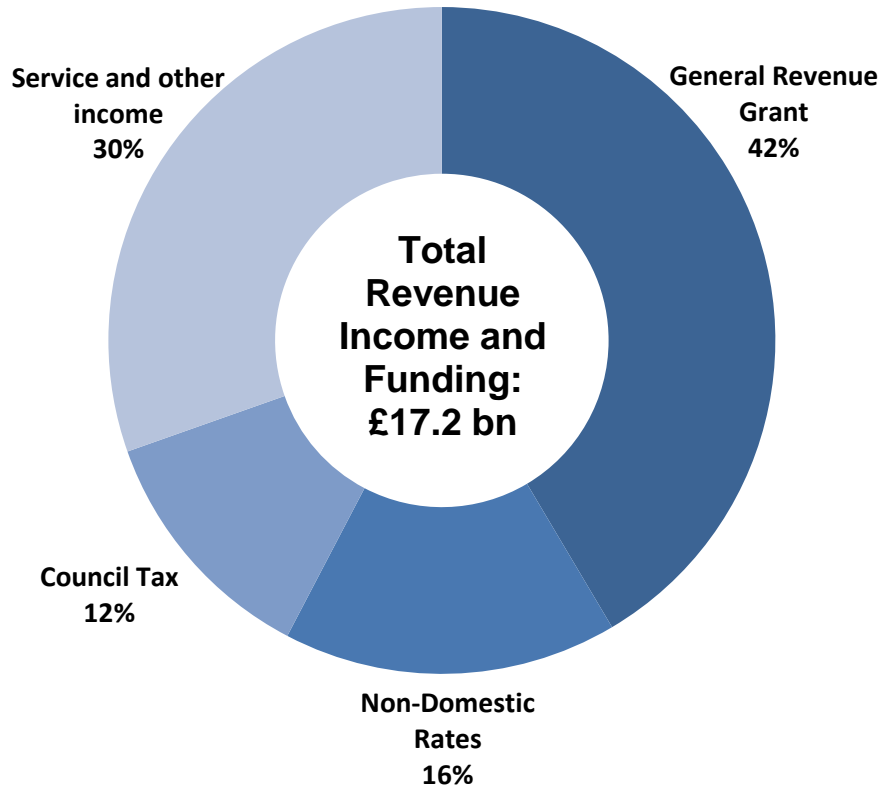
	<i>£millions</i>				
	2011-12	2012-13	2013-14 <sup>a</sup>	2014-15	2015-16
<b>General Funding:</b>	<b>12,483</b>	<b>12,543</b>	<b>11,724</b>	<b>11,923</b>	<b>12,003</b>
General Revenue Grant	7,790	7,782	7,225	7,167	7,147
Non-Domestic Rates	2,203	2,297	2,436	2,656	2,791
Council Tax <sup>2</sup>	2,301	2,319	1,978	2,022	2,055
Other Funding	189	145	85	78	10
<b>Service Income:</b>	<b>5,704</b>	<b>5,777</b>	<b>5,066</b>	<b>5,185</b>	<b>5,230</b>
Government Grants (excl GRG)	2,561	2,640	1,974	1,984	2,040
Other Grants, Reimbursements and Contributions	856	807	774	833	768
Customer and Client Receipts	2,287	2,330	2,317	2,368	2,423
<b>Total Revenue Income</b>	<b>18,188</b>	<b>18,320</b>	<b>16,790</b>	<b>17,108</b>	<b>17,233</b>

1. Figures for 2013-14 and later are not comparable with prior years due to changes to the way that Police and Fire are funded following the formation of Police Scotland and the Scottish Fire and Rescue Service. See section 5.2 for more details.

2. Pre-2013-14 Council Tax figures are not comparable with later years as Council Tax Reduction (CTR) was introduced from 1 April 2013 to replace Council Tax Benefit (CTB), which was abolished by the UK Government as part of its welfare reform programme. Due to differences in the administration of the two schemes, Council Tax figures before 2013-14 include CTB, whereas figures from 2013-14 onwards do not include CTR.

Source: Local Financial Returns (LFRs): LFR 00

**Chart 1.4 – Revenue Income and Funding, 2015-16**



Source: Local Financial Returns (LFRs): LFR A0 and 00

## 1.4 Council Tax

In 2015-16, Council Tax bills were issued to 2.46 million dwellings in Scotland. Over £2 billion of Council Tax revenue was raised across all local authorities in Scotland in 2015-16.

Council Tax was introduced in Scotland on the 1<sup>st</sup> April 1993 to replace the Community Charge. It is a tax system based on dwellings and is used as a source of funding in addition to that received from other sources (General Revenue Grant, Non-Domestic Rates, ring-fenced revenue grants and other locally raised income from rent, fees and charges).

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

1. **The market value of the dwelling as at the 1<sup>st</sup> 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. These ratios will change after 2016-17.
3. **A range of exemptions, discounts and reductions** that are available in certain circumstances, or in some cases an increase in Council Tax due to the application of a levy.

The valuation range and ratio for each band is given in Table 1.5.

**Table 1.5 – Council Tax data by band**

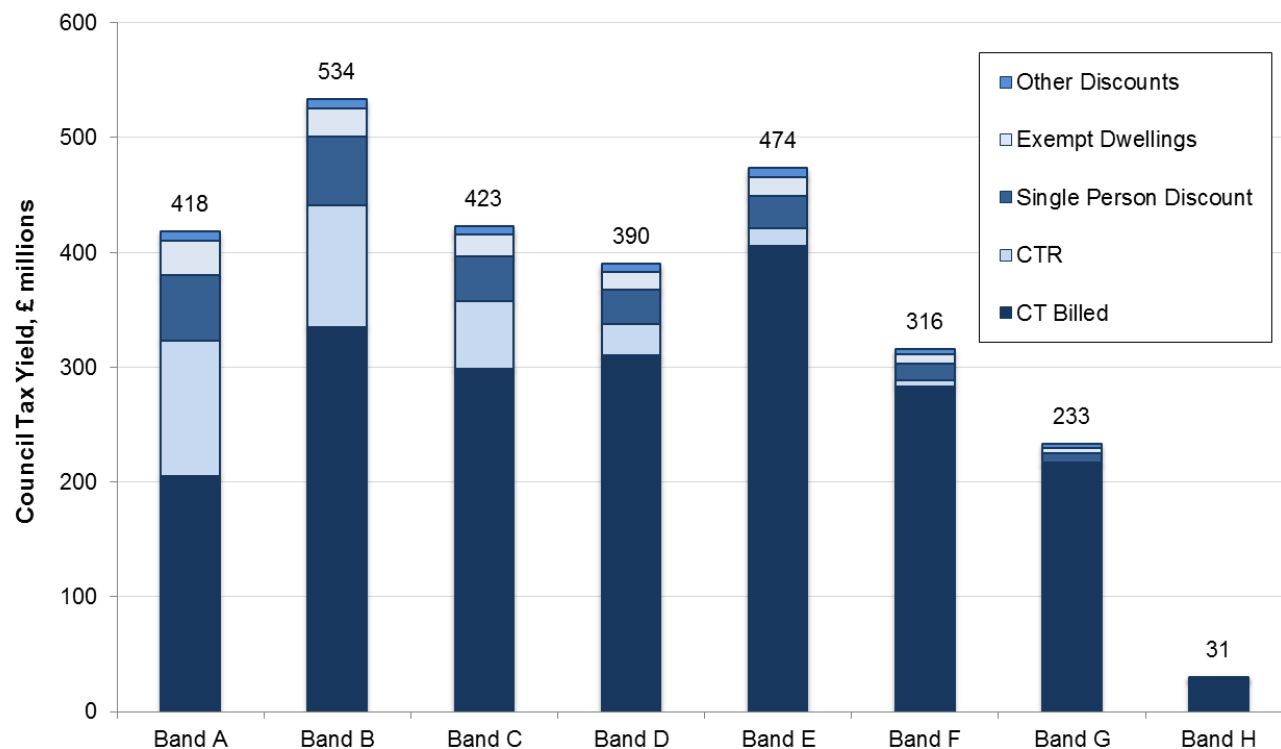
	Valuation band ranges as at 1 <sup>st</sup> April 1991	Ratio to Band D (to 2016-17)	No. of chargeable dwellings as at September 2016	Proportion of chargeable dwellings
Band A	Under £27,000	6/9	504,715	21%
Band B	£27,001 to £35,000	7/9	571,217	23%
Band C	£35,001 to £45,000	8/9	397,023	16%
Band D	£45,001 to £58,000	9/9	328,309	13%
Band E	£58,001 to £80,000	11/9	329,682	13%
Band F	£80,001 to £106,000	13/9	189,367	8%
Band G	£106,001 to £212,000	15/9	122,158	5%
Band H	Over £212,000	18/9	12,936	1%
<b>Total</b>			<b>2,455,406</b>	<b>100%</b>

### Collection and Potential 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 dwellings. 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 1.10 and 1.11. Chart 1.4 illustrates the breakdown of the gross Council Tax potential yield into Council Tax billed and the amounts not billed due to Council Tax Reduction (CTR), discounts and exemptions.

**Chart 1.5 – Council Tax Potential Yield (£ millions), 2015-16**



Local authorities collect Council Tax relating to these bills over the year, and also continue to collect late amounts from previous billing years. The provisional in-year Council Tax collection rate for 2015-16 was 95.7 per cent and the total amount collected for Scotland as a whole (after CTR) was £2.055 billion, including late amounts for previous years. Table 1.6 shows the amount of Council Tax collected by each local authority in 2015-16. More information about bills issued in 2015-16 and the provisional amounts collected are

available in the statistics publication 'Council Tax Collection Statistics, 2015-16' which is available at: <http://www.gov.scot/stats/bulletins/01224>

**Table 1.6 – Council Tax income after CTR by local authority, 2015-16 <sup>a</sup>**

<b>Local Authority</b>	<b>Net Council Tax income (£'000s)</b>
Aberdeen City	106,170
Aberdeenshire	117,755
Angus	42,549
Argyll & Bute	43,373
Clackmannanshire	18,658
Dumfries & Galloway	56,228
Dundee City	47,596
East Ayrshire	41,444
East Dunbartonshire	50,364
East Lothian	42,790
East Renfrewshire	41,966
Edinburgh, City of	216,351
Eilean Siar	9,376
Falkirk	54,384
Fife	135,955
Glasgow City	186,803
Highland	104,358
Inverclyde	27,730
Midlothian	35,364
Moray	35,447
North Ayrshire	47,718
North Lanarkshire	101,644
Orkney Islands	7,879
Perth & Kinross	69,494
Renfrewshire	66,148
Scottish Borders	46,593
Shetland Islands	8,492
South Ayrshire	46,566
South Lanarkshire	112,413
Stirling	41,564
West Dunbartonshire	30,714
West Lothian	60,937
<b>Scotland</b>	<b>2,054,823</b>

<sup>a</sup> Figures relate to income collected in financial year 2015-16, which can include amounts that were billed in previous years.

Source: Local Financial Returns, 2015-16

## Chargeable Dwellings

Table 1.7 shows the number of dwellings in Scotland for each September from 2011 to 2016. There was a total of 2.575 million dwellings in Scotland in 2016, of which 120,000 dwellings were exempt for Council Tax purposes. This gave 2.455 million chargeable dwellings in 2016: an increase of around 2.8 per cent (66,000 dwellings) since 2011.

**Table 1.7 – Total number of dwellings in Scotland, 2011 to 2016**

	Total Dwellings	Exempt Dwellings	Chargeable Dwellings
2011	2,500,769	111,740	2,389,029
2012	2,515,042	113,173	2,401,869
2013	2,526,703	116,372	2,410,331
2014	2,540,330	112,525	2,427,805
2015	2,557,365	116,847	2,440,518
2016	2,575,495	120,089	2,455,406

Source: CTAXBASE Return

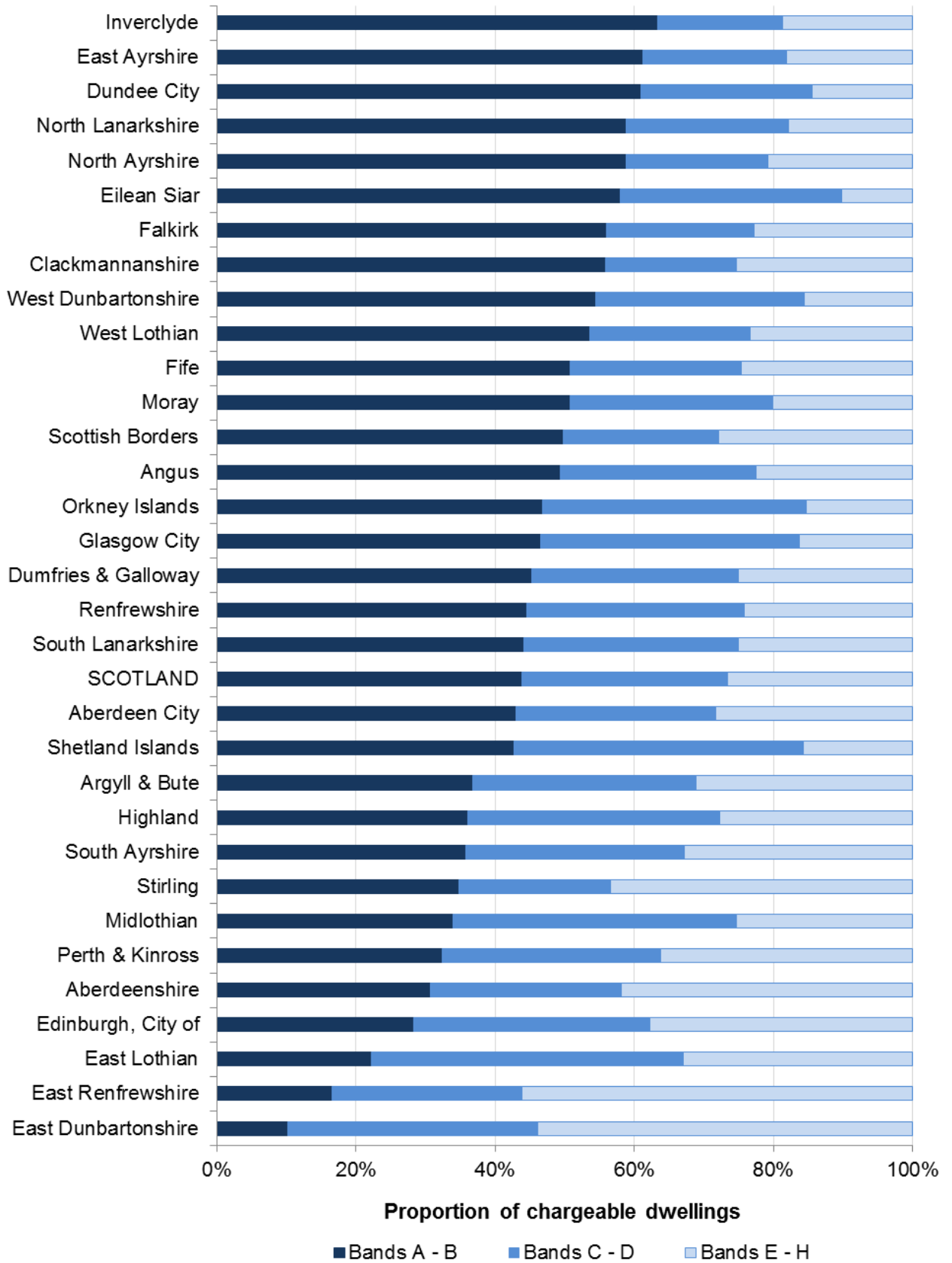
Chart 1.5 shows the distribution of chargeable dwellings across Council Tax bands in each local authority. Across the whole of Scotland, just under three-quarters of all chargeable dwellings are in Bands A to D. The distribution varies across local authorities due to variations in property market values.

Eilean Siar has the largest proportion of dwellings in Bands A to D (90 per cent), whereas East Renfrewshire has the lowest proportion in Bands A to D (44 per cent). Dwellings in Band E to H, just over a quarter of the total, will be subject to revised ratios, and therefore higher charges, from 2017-18.

The three local authorities with the highest number of chargeable dwellings were Glasgow, Edinburgh and Fife, with over a quarter of the chargeable dwellings in Scotland between them. Further data on the number of chargeable dwellings by local authority and Council Tax band can be found in the supplementary tables.



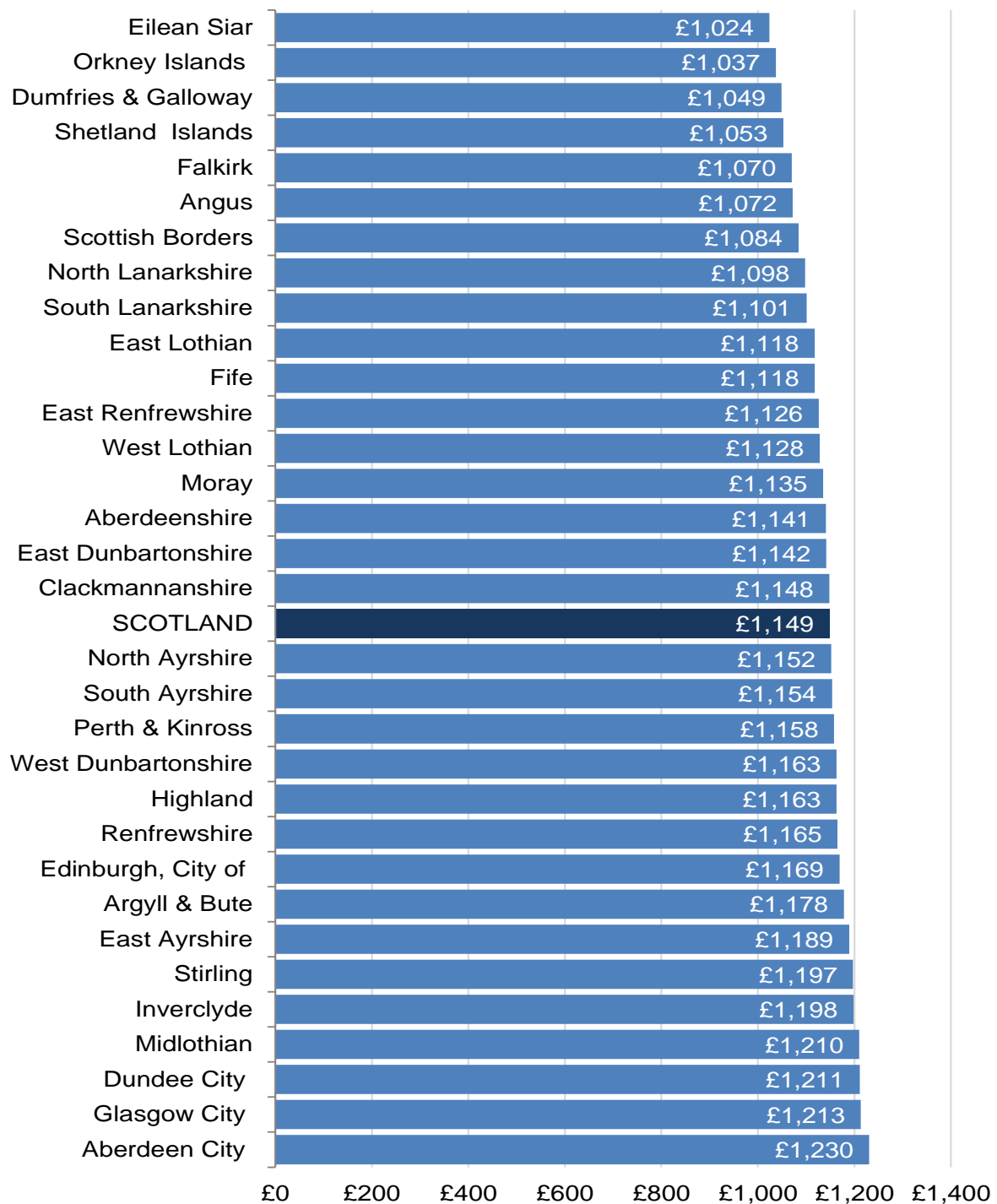
**Chart 1.6 - Percentage of chargeable dwellings by Council Tax band for each local authority as at September 2016**



## **Council Tax Rates & 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: the ratios up to and including 2016-17 can be found in Table 1.5. As a result, each local authority has different Council Tax rates. The Band D Council Tax levels for each local authority are shown in Chart 1.6, and range from £1,024 in Eilean Siar to £1,230 in Aberdeen City.

**Chart 1.7 – Band D Council Tax rate by local authority, 2015-16 (£)**



Since 2007-08, Scottish Government and local government have worked in partnership to freeze Council Tax rates each year. The one exception is Stirling, where the council reduced the 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 has caused the Scotland average Band D Council Tax rate to remain steady at £1,149 since 2007-08 – a fall in real terms.

Table 1.8 shows how the average Band D Council Tax bill for Scotland has changed each year from 2010-11. The average Council Tax bill per dwelling in 2015-16 was £991. This differs from the average Band D rate due to the distribution of dwellings across Council Tax bands, as can be seen in Table 1.5 and Chart 1.5, and the application of discounts.

**Table 1.8 – Average Council Tax bills, 2010-11 to 2015-16**

	Average CT bill per dwelling	
	Before CTB/CTR	After CTB/CTR
2010-11	£985	£827
2011-12	£984	£826
2012-13	£985	£830
2013-14	£988	£838
2014-15	£989	£846
2015-16	£991	£856

Source: CTAS, CTAXBASE Returns and Local Financial Returns (LFR 12)

## Council Tax Reduction (CTR)

Scotland's CTR scheme was introduced in 2013 following localisation of Council Tax support and the UK Government's abolition of Council Tax Benefit (CTB). The CTR scheme reduces the Council Tax liability of vulnerable people in Scotland, including people on low incomes, pensioners and lone parents. The impact of CTB/CTR on the average Council Tax bill is also shown in Table 1.8. After taking these reductions in liability into account, the average bill per dwelling for 2015-16 reduced by £135 from £991 to £856.

Scotland's CTR scheme is funded by the UK Government, Scottish Government and local government. In 2015-16, CTR funding from government totalled £343 million (£320 million from UK Government and £23 million from Scottish Government). Local authorities agreed to contribute up to £17 million additional funding from their own budgets to the cost of the scheme, as part of the joint commitment between Scottish Government and local government to mitigate the 10% funding cut by the UK Government.

The amounts distributed to each local authority and the final total costs are shown in Table 1.9. The total cost of the CTR scheme across Scotland in 2015-16 was around £330 million. This figure is £13 million less than the £343 million funding provided by the UK Government and Scottish Government.

**Table 1.9 – CTR funding and final liability for local authorities, 2015-16**

Local Authority	UKG and SG funding (£'000s)	Final total reduction in liability (£'000s)
Aberdeen City	£9,239	£9,051
Aberdeenshire	£7,251	£7,072
Angus	£5,185	£5,153
Argyll & Bute	£5,485	£5,269
Clackmannanshire	£3,520	£3,428
Dumfries & Galloway	£8,497	£8,326
Dundee City	£12,359	£11,898
East Ayrshire	£9,479	£8,988
East Dunbartonshire	£4,537	£4,378
East Lothian	£5,291	£5,156
East Renfrewshire	£3,744	£3,590
Edinburgh, City of	£26,621	£24,927
Eilean Siar	£1,498	£1,387
Falkirk	£8,259	£7,882
Fife	£20,465	£20,036
Glasgow City	£68,628	£66,245
Highland	£12,099	£11,675
Inverclyde	£6,693	£6,457
Midlothian	£5,183	£4,887
Moray	£3,742	£3,638
North Ayrshire	£11,397	£11,267
North Lanarkshire	£24,309	£23,052
Orkney Islands	£741	£733
Perth & Kinross	£6,628	£6,287
Renfrewshire	£13,180	£12,623
Scottish Borders	£5,539	£5,179
Shetland Islands	£638	£616
South Ayrshire	£8,481	£8,123
South Lanarkshire	£20,659	£20,076
Stirling	£4,355	£4,186
West Dunbartonshire	£9,384	£8,907
West Lothian	£9,913	£9,387
<b>Scotland</b>	<b>£343,000</b>	<b>£329,879</b>

Source: Local Financial Returns, 2015-16

## **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 vulnerable people in meeting their Council Tax liabilities. Table 1.10 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 1.10 are typical but not exhaustive. For a full explanation of Council Tax discounts and exemptions, go to:

[www.gov.scot/Topics/Government/local-government/17999/counciltax/Secondhomes](http://www.gov.scot/Topics/Government/local-government/17999/counciltax/Secondhomes).

**Table 1.10 – Council Tax discounts, exemptions, reductions and increases**

Type of Support	Typical dwellings that are exempt	Reduction in liability
<b>Discounts</b>		
Single Person Discount	Occupied by only one CT liable adult	25%
Second Homes	Occupied by those living in tied accommodation (e.g. farm workers, members of the clergy), when they are contributing to the local economy.	10 – 50% <sup>1</sup>
Long Term Empty (6 – 12 months)	Empty and unfurnished for > 6 months.	50%
Long Term Empty (> 12 months)	Empty and unfurnished for > 12 months.	10 – 50% or an increase <sup>1</sup>
Occupied entirely by disregarded adults	Dwellings occupied entirely by disregarded adults	50%
<b>Exemptions</b>		
Occupied	Persons who are exempt from Council Tax	100%
Unoccupied	Empty for < 6 months; cannot be occupied because in need of repair; residents have moved out due to care needs.	100%
<b>Reductions</b>		
Disability Reduction	Homes that have been adapted for a disabled person.	One CT band <sup>2</sup>
CTR - Passported	In receipt of Pension Credit (Guarantee), JSA (income based), ESA (income related) or Income Support.	100%
CTR - Not passported	Low income household	Up to 100% <sup>3</sup>

<sup>1</sup> The actual change in liability depends on local authority policy. In 2013-14, local authorities gained the discretionary power to remove the empty properties discount or set a Council Tax increase of 100% on properties which have been empty for more than 12 months.

<sup>2</sup> For example, an eligible Band D rate property would be charged the Band C rate.

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

Table 1.11 shows the number of dwellings eligible for Council Tax discounts and reductions. Of the 2.46 million chargeable dwellings in Scotland, around 1 million were eligible for a discount in 2016. The most common type of discount was the Single Person Discount, with around two-fifths of chargeable dwellings entitled to the discount in 2016. The CTR scheme supports half a million dwellings, or around one-fifth of chargeable dwellings, in meeting their Council Tax liability.

Around 62,000 dwellings are classified as second homes or long term empty properties: further statistics on these are available at: [www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/LTemptysecondhomes](http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/LTemptysecondhomes).



**Table 1.11 – Number of dwellings<sup>1</sup> in receipt of Council Tax discounts and reductions as at September**

Type of Support	2011	2012	2013	2014	2015	2016
<b>All chargeable dwellings</b>	<b>2,389,029</b>	<b>2,401,869</b>	<b>2,410,331</b>	<b>2,427,805</b>	<b>2,440,518</b>	<b>2,455,406</b>
Disability reduction	13,999	13,994	13,791	13,736	13,505	13,463
Single Person Discount	945,515	948,208	952,251	953,612	955,505	963,297
Second Homes <sup>2</sup>	39,250	40,599	35,734	27,879	27,317	26,140
Long Term Empty (empty > 6 months)	25,356	25,454	27,327	31,884	36,419	35,725
Occupied entirely by disregarded adults	1,910	1,809	1,579	2,802	1,378	1,411
Dwellings not subject to a discount	1,376,998	1,385,799	1,393,440	1,411,628	1,419,899	1,428,833
CTR/CTB <sup>3</sup>	565,730	560,880	548,070	533,980	512,340	495,660

<sup>1</sup> Some dwellings may be eligible for more than one type of support, in these cases the dwelling will be counted under each type of support it is eligible for.

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

<sup>3</sup> CTB figures to 2012 were published by DWP and are available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/229795/hbctb\\_release\\_may13\\_revised.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/229795/hbctb_release_may13_revised.xls)

**Source:** CTAXBASE Return, CTR Extract and DWP CTB figures

## 1.5 Non-Domestic Rates

Non-Domestic Rates (NDR) is a property tax paid by the owner/occupier or tenant of a non-domestic property.

In 2015-16, the income raised from NDR was £2.581 billion.

The principles of non-domestic rates were established in the Lands Valuation (Scotland) Act of 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. A non-domestic property is an individual property used for non-domestic purposes. Examples include business premises and third and public sector properties.

The value given to a property for NDR purposes is called its rateable value (RV).

The RV of a property is a legally defined valuation provided by the Assessor, broadly based on the rental values the property could achieve. As such it is not necessarily a reflection of the profitability, turnover or output of the business. It is established at revaluation where the Scottish Assessors assess rateable values for all non-domestic properties in Scotland, taking account of the type and nature of the property. All non-domestic properties and their corresponding RVs are listed on the Valuation Roll, which is maintained by the [Scottish Assessors](#). Rateable values are periodically updated at non-domestic rate revaluations. Scottish Assessors will undertake a non-domestic rates revaluation in 2017, assigning updated rateable values to all non-domestic properties in Scotland.

NDR bills are calculated using the rateable value (RV) of non-domestic properties, multiplied by a poundage set nationally by Scottish Ministers, less any relief or exemption entitlement.

$$\begin{aligned} (\mathbf{NDR\ bill})_{Property} &= (\mathbf{RV})_{Property} \times (\mathbf{Poundage})_{National} \\ &\quad - (\mathbf{Reliefs})_{Property} \end{aligned}$$

For properties with a rateable value greater than £35,000, the Large Business Supplement (LBS) applies in addition to the poundage (the poundage is effectively increased slightly by adding the LBS). From 2017/18, the Large Business Supplement will apply to properties with rateable value greater than £51,000.

Table 1.12 shows the composition of properties (and associated RV) on the Valuation Roll by property type. As at 1<sup>st</sup> April 2016, there were 225,259 properties with a total RV of £6.8 billion. Shops were the most prevalent type of property on the valuation roll, making up nearly a quarter (24%) of the number of properties and RV on the roll. Industrial subjects and offices are the next two largest categories in terms of numbers and RV. Together, these three categories account for 63% of properties on the valuation roll, and 58% of the RV.

**Table 1.12 – Non-Domestic Rates Properties by Classification (as at 1 April 2016)**

CATEGORY	Number of properties	Rateable value	% of Properties on Valuation Roll	% of RV on Valuation Roll
	1st April 2016	1st April 2016	1st April 2016	1st April 2016
Advertising	1,940	7,968,074	1%	0%
Care Facilities	2,994	107,649,054	1%	2%
Communications	357	22,955,960	0%	0%
Cultural	1,393	46,820,470	1%	1%
Education and Training	3,710	513,986,635	2%	8%
Garages and Petrol Stations	4,281	65,180,995	2%	1%
Health and Medical	3,196	207,582,765	1%	3%
Hotels	5,334	193,044,807	2%	3%
Industrial Subjects	48,153	1,153,575,289	21%	17%
Leisure, Entertainment, Caravans etc.	21,758	243,908,733	10%	4%
Not in Use	1	36,000	0%	0%
Offices	40,291	1,145,269,453	18%	17%
Other	13,198	97,744,138	6%	1%
Petrochemical	141	117,752,030	0%	2%
Public Houses	3,746	109,755,560	2%	2%
Public Service Subjects	10,011	321,714,128	4%	5%
Quarries, Mines, etc.	686	19,933,315	0%	0%
Religious	6,203	55,171,137	3%	1%
Shops	53,591	1,627,380,125	24%	24%
Sporting Subjects	3,371	17,895,000	1%	0%
Statutory Undertaking	904	720,634,607	0%	11%
<b>TOTAL ALL NON-DOMESTIC PROPERTIES</b>	<b>225,259</b>	<b>6,795,958,275</b>	<b>100%</b>	<b>100%</b>

Source: Scottish Assessors Valuation Roll, 1st April 2016

Table 1.13 provides a breakdown of properties on the Valuation Roll by local authority and RV band.

In terms of the Small Business Bonus Scheme and the application of the Large Business Supplement, £18,000 and

£35,000 currently represent the rateable value thresholds for small and large businesses respectively<sup>1</sup>.

Around 78% of all properties (176,216 properties) have a Rateable Value less than or equal to £18,000.

<sup>1</sup> From 1<sup>st</sup> April 2017 the large business threshold is changing to £51,000

**Table 1.13 – Non-Domestic Rates Subjects by Local Authority (as at 1 April 2016)<sup>1</sup>**

Local Authority	Rateable Value Band			Total Non-Domestic Properties
	<= £18,000	£18,001 to £35,000	> £35,000	
<b>Scotland</b>	<b>176,216</b>	<b>19,924</b>	<b>29,119</b>	<b>225,259</b>
Aberdeen City	5,172	1,150	2,324	8,646
Aberdeenshire	10,041	831	1,107	11,979
Angus	4,055	345	405	4,805
Argyll & Bute	7,712	352	349	8,413
Clackmannanshire	1,284	126	144	1,554
Dumfries & Galloway	8,271	483	552	9,306
Dundee City	4,185	604	944	5,733
East Ayrshire	3,214	315	415	3,944
East Dunbartonshire	1,766	292	302	2,360
East Lothian	2,812	260	325	3,397
East Renfrewshire	1,296	214	225	1,735
Edinburgh, City of	13,918	2,411	3,910	20,239
Eilean Siar	2,221	112	117	2,450
Falkirk	3,689	484	676	4,849
Fife	10,559	1,199	1,618	13,376
Glasgow City	17,789	2,933	4,740	25,462
Highland	15,310	1,011	1,396	17,717
Inverclyde	1,819	208	303	2,330
Midlothian	2,293	245	369	2,907
Moray	4,019	259	364	4,642
North Ayrshire	4,140	396	500	5,036
North Lanarkshire	7,180	1,075	1,548	9,803
Orkney Islands	1,871	139	96	2,106
Perth & Kinross	7,191	572	720	8,483
Renfrewshire	4,700	585	963	6,248
Scottish Borders	6,399	406	421	7,226
Shetland Islands	1,741	111	146	1,998
South Ayrshire	3,822	428	564	4,814
South Lanarkshire	7,285	1,090	1,476	9,851
Stirling	4,022	420	571	5,013
West Dunbartonshire	2,184	269	415	2,868
West Lothian	4,256	599	1,114	5,969

1. Includes a small percentage of properties with zero rateable value.

Source: Scottish Assessors Valuation Roll, 1st April 2016

Table 1.14 shows a time series of annual NDR Income, total Rateable Value, and Poundage Rate. Revaluations typically take place on a 5-year cycle and are intended to be 'revenue neutral'. As a consequence of the 2010 revaluation, the poundage was reduced from 48.1p in 2009-10 to 40.7p in 2010-

11 and the total RV of non-domestic properties (the tax base) increased from £5.3 billion in 2009-10 to £6.6 billion in 2010-11. The next revaluation was delayed, and is taking place this year and new rateable values come into effect in April 2017.

**Table 1.14 – Non-Domestic Rates Income, Total Rateable Values and Poundage Rate**

	2009-10	2010-11 <sup>1</sup>	2011-12	2012-13	2013-14	2014-15	2015-16
Non Domestic Rates Income (£m) <sup>2</sup>	2,010	2,138	2,251	2,347	2,367	2,511	2,579
Total Rateable Value (£m)	5,299	6,612	6,678	6,718	6,716	6,681	6,719
Poundage Rate (pence)	48.1	40.7	42.6	45.0	46.2	47.1	48.0
Large Business Supplement (pence) <sup>3</sup>	0.4	0.7	0.7	0.8	0.9	1.1	1.3

1. Revaluation occurred in 2010

2. All income figures, including 2015-16, are the final audited income collected by councils, and paid to SG. These figures are net of reliefs awarded by the SG, but gross of any local reliefs, or top-ups to discretionary reliefs that the councils award themselves.

3. The Large Business Supplement is applied in addition to the poundage for properties with a rateable value over £35,000

Source: NDR Income – Non-domestic Rate Income Returns, Rateable Value – Scottish Assessors Valuation Roll as at 1st April

Table 1.14 also shows that the total RV has increased slightly since the 2010 revaluation from £6.61 billion to £6.72 billion in 2015-16. This is due to the net impact of several factors including increases in the tax base from new properties or extension of existing properties and decreases as demolished properties are deleted from the valuation roll or as the RV is reduced as a result of appeals<sup>2</sup>. As Non-Domestic Rates bills in Scotland are directly related to the rateable values of individual non-domestic properties, changes in the total RV impact on the amount of NDR available for collection, along with other factors such as the poundage rate and backdated revaluation appeals losses which also affect the final income.

Inflation is a key driver of growth in NDR income as the poundage rate, set nationally by Scottish Ministers<sup>3</sup>, is typically tied to the Retail Price Index (other than in the first year of a revaluation). NDR bills are calculated by multiplying the RV of a property by the poundage rate, and then applying discounts and exemptions. Large business properties (those with a RV greater than £35,000) also pay a supplement to the poundage rate, known as the Large Business Supplement (LBS), which is used to fund a portion of the Small Business Bonus Scheme (SBBS). The LBS was 1.3p in 2015-16. For the period 2012-13 to 2014-15, large retailers with RV of £300,000 or more that sold both alcohol and tobacco also paid the Public Health Supplement (PHS) - an additional 13p on the poundage rate in 2014-15.

<sup>2</sup> Statistics on revaluation appeals are published quarterly in the [Non-Domestic Rates Revaluation Appeal Statistics](#) publication.

<sup>3</sup> Since 2007-08, Scottish Ministers have committed to equalisation of the Scottish poundage rate with that in England.

These supplements increase the amount paid in NDR bills. Conversely, exempt properties (which do not pay rates), and relief schemes such as the Small Business Bonus Scheme can significantly reduce the amount paid in NDR bills, and therefore the NDR income.

Table 1.15 summarises the total number of properties and rateable value as at 1<sup>st</sup> April 2016 and the NDR income collected in 2015-16 by local authority (net of reliefs). This is net of reliefs paid by Scottish Government, but gross of all local reliefs and top-ups to discretionary reliefs paid by councils themselves. Consequently, it is slightly greater than the net amount actually paid by businesses.

**Table 1.15 – Non-Domestic Rates Properties, Rateable Values and Income By Local Authority<sup>1</sup>**

Authority	Non-Domestic Properties <sup>2</sup> Apr-16	Non-Domestic Rateable Values Apr-16 (£000s)	Non-Domestic Rate Income 2015-16 <sup>3</sup> (£000s)
<b>Scotland</b>	<b>225,259</b>	<b>6,795,958</b>	<b>2,578,770</b>
Aberdeen City	8,646	479,314	199,123
Aberdeenshire	11,979	235,655	92,109
Angus	4,805	78,280	26,826
Argyll & Bute	8,413	89,955	31,364
Clackmannanshire	1,554	38,240	14,574
Dumfries & Galloway	9,306	118,827	43,961
Dundee City	5,733	187,521	66,710
East Ayrshire	3,944	80,981	27,710
East Dunbartonshire	2,360	67,872	23,515
East Lothian	3,397	68,688	22,457
East Renfrewshire	1,735	41,073	13,942
Edinburgh, City of	20,239	908,513	341,540
Eilean Siar	2,450	23,525	7,483
Falkirk	4,849	172,070	65,008
Fife	13,376	435,577	171,419
Glasgow City	25,462	999,479	360,621
Highland	17,717	316,759	117,390
Inverclyde	2,330	60,030	20,240
Midlothian	2,907	76,695	25,529
Moray	4,642	90,579	35,408
North Ayrshire	5,036	108,059	36,239
North Lanarkshire	9,803	298,898	109,654
Orkney Islands	2,106	26,326	9,136
Perth & Kinross	8,483	148,938	52,824
Renfrewshire	6,248	235,867	94,224
Scottish Borders	7,226	91,251	30,982
Shetland Islands	1,998	55,548	17,454
South Ayrshire	4,814	109,608	40,068
South Lanarkshire	9,851	649,089	281,787
Stirling	5,013	114,282	42,807
West Dunbartonshire	2,868	172,572	76,450
West Lothian	5,969	215,887	80,218

1. Rates bills for specific utilities are collected by specified councils on behalf of all 32 councils, and appear on the valuation roll for those councils: South Lanarkshire (Electricity), West Dunbartonshire (Gas), Fife (Water), Falkirk (Docks and Harbours), Highland (Railways), Renfrewshire (Telecommunications). This increases the take for those authorities.

2. Includes properties with a zero rateable value

3. Audited income collected by councils. This is net of reliefs paid by Scottish Government, but gross of all local reliefs, and top-ups to discretionary reliefs paid by councils themselves.

Source: Number of Properties and Rateable Value - Scottish Assessors Valuation Roll 1st April 2016 NDR Income - Non-domestic Rate Income Returns provided by Councils

Table 1.15 shows geographical variations in the number of properties, rateable value and NDR income. It should be noted however that some councils have responsibility for collection of NDR for specific utilities as detailed in the footnote to the table. For these councils, the entries on the valuation roll and NDR income include Scotland-wide data for the specified utilities sectors. To avoid the need for revisions, only final (audited) NDR income figures are included in this publication. The deadline for NDR income returns was accelerated for 2014-15 and subsequent years to allow audited NDR income data to be included.

There are a number of types of NDR relief that reduce the NDR bill for qualifying properties. Table 1.16 shows the main types of relief available<sup>4</sup> and the amount of relief provided each year from 2010-11 to 2015-16. It should be noted that the reliefs here are both mandatory reliefs, and the element of discretionary relief paid by Scottish Government. Local reliefs and any top-ups to discretionary reliefs awarded by the local authorities themselves are not included.

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<sup>4</sup> More information on NDR relief can be found on the Scottish Government Website at:

<http://www.scotland.gov.uk/Topics/Government/local-government/17999/11199>



**Table 1.16 – Amount of Non-Domestic Rates Relief Provided by Relief Type<sup>1,2</sup>**

	<i>£thousands</i>					
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 <sup>2</sup>
Empty Property Relief	145,936	157,862	169,134	146,496	140,962	141,604
Charities	136,731	151,276	164,979	173,623	181,242	189,312
Sports Clubs	11,476	12,059	12,431	12,911	13,487	13,852
Disabled persons relief	51,901	54,372	57,580	58,299	59,648	60,599
SBBS	123,259	134,719	150,196	161,002	170,635	179,544
Religious Properties	24,016	22,960	24,573	25,205	26,113	26,625
Rural Rate Relief	4,129	4,218	4,305	4,323	4,244	4,235
Renewable Energy Relief Scheme <sup>3</sup>	3,560	4,126	4,811	7,333	9,280	9,545
New Start <sup>4</sup>				130	484	188
Fresh Start <sup>5</sup>				189	536	573
Other <sup>6</sup>	4	43	10	63	221	422
<b>Gross Amount</b>	<b>501,013</b>	<b>541,635</b>	<b>588,018</b>	<b>589,574</b>	<b>606,852</b>	<b>626,497</b>

1. Estimates include mandatory and discretionary elements of relief where applicable, but exclude backdated payments of relief

2. Reliefs for all years, including 2015-16, are final audited figures.

3. The Renewable Energy Relief Scheme was introduced at 1 April 2010.

4. The new start relief scheme was introduced at 1 April 2013 and will run for 3 years.

5. The fresh start relief scheme was introduced at 1 April 2013.

6. Other includes Hardship and Enterprise Areas.

Source: Non-domestic Rate Income Returns from Councils

The gross amount of relief provided has increased substantially from £501 million in 2010-11 to £626 million in 2015-16. Key reasons for this are increases in the poundage rate (due to normal annual inflation) and an increase in relief provided through the Small Business Bonus Scheme, with expansion of the scheme thresholds and greater awareness of the scheme likely to be contributory reasons. Other reasons for change are likely to include growth in the tax base over this period (i.e. an increase in the overall Rateable Value) and changes to

amounts awarded for other reliefs (for example the introduction of the new relief schemes). Changes were made to Empty Property Relief (EPR) in 2013, reducing the amount of EPR for non-industrial properties from 100% for 3 months and then 50% thereafter to 100% for 3 months then 10% thereafter, resulting in decreases to the cost of Empty Property Relief in the last three years.

Table 1.16a shows the amount of relief paid in each local authority area in 2015-16.

**Table 1.16a – Amount of Non-Domestic Rates Relief Provided by Relief Type, by Local Authority, 2015-16<sup>1,2</sup> £thousands**

Authority	Empty Property Relief	Charities	Sports Clubs	Disabled persons relief	SBBS	Religious Exemption	Rural Rate Relief	Renewable Energy Relief Scheme <sup>3</sup>	Other <sup>4</sup>	All reliefs
Aberdeen City	5,965	10,696	318	2,870	4,873	1,054	-	-	20	25,797
Aberdeenshire	2,078	2,222	1,151	2,516	8,245	925	1,197	2,216	33	20,584
Angus	1,934	1,841	514	1,360	3,916	556	71	135	35	10,362
Argyll & Bute	568	2,197	238	623	5,280	441	245	737	3	10,332
Clackmannanshire	623	884	93	469	1,465	119	6	8	-	3,668
Dumfries & Galloway	2,068	2,019	352	1,053	6,346	478	254	371	7	12,947
Dundee City	5,074	9,121	123	2,278	5,060	726	-	-	27	22,410
East Ayrshire	1,759	2,472	128	1,217	3,366	461	11	9	26	9,451
East Dunbartonshire	473	2,549	405	884	2,698	560	1	-	9	7,579
East Lothian	1,041	2,667	934	962	3,128	424	38	63	8	9,265
East Renfrewshire	688	1,328	241	782	1,785	466	-	111	1	5,403
Edinburgh, City of	20,248	33,833	1,477	7,297	18,092	3,769	-	-	127	84,843
Eilean Siar	267	928	56	376	1,364	286	117	242	8	3,645
Falkirk	3,686	3,216	109	1,486	4,307	445	5	13	10	13,277
Fife	9,714	9,574	558	4,321	11,453	1,468	38	333	123	37,583
Glasgow City	36,142	44,300	645	8,195	21,593	3,325	-	36	204	114,440
Highland	3,981	8,410	328	3,629	12,001	1,300	1,184	1,231	40	32,104
Inverclyde	1,798	2,157	295	742	2,253	307	-	-	-	7,552
Midlothian	1,287	3,349	278	416	2,380	359	10	-	-	8,078
Moray	635	1,507	213	914	2,954	435	146	503	7	7,313
North Ayrshire	3,048	2,715	290	1,546	4,061	485	54	425	67	12,692
North Lanarkshire	7,737	8,512	410	2,524	8,662	2,427	-	210	104	30,586
Orkney Islands	327	855	53	225	1,274	161	259	400	28	3,582
Perth & Kinross	1,453	5,093	383	2,448	6,920	803	101	766	9	17,975
Renfrewshire	6,987	5,024	302	2,374	5,416	769	-	-	6	20,877
Scottish Borders	1,955	1,701	991	1,183	5,443	524	119	606	51	12,573
Shetland Islands	1,353	1,201	730	347	882	160	171	56	1	4,901
South Ayrshire	2,610	2,147	215	1,553	4,138	549	44	30	146	11,433
South Lanarkshire	5,553	7,779	503	3,241	8,664	1,544	52	889	40	28,264
Stirling	1,721	3,362	987	829	3,844	317	103	110	16	11,289
West Dunbartonshire	1,370	2,229	73	579	2,628	371	1	-	3	7,252
West Lothian	7,462	3,424	459	1,359	5,051	611	8	44	24	18,442
<b>Scotland</b>	<b>141,604</b>	<b>189,312</b>	<b>13,852</b>	<b>60,599</b>	<b>179,544</b>	<b>26,625</b>	<b>4,235</b>	<b>9,545</b>	<b>1,183</b>	<b>626,497</b>

1. Estimates include mandatory and discretionary elements of relief where applicable, but exclude backdated payments of relief. Figures exclude local reliefs, or top-ups to discretionary reliefs which the local authorities award themselves.

2. Figures are final audited figures.

3. The Renewable Energy Relief Scheme was introduced at 1 April 2010.

4. Other includes Hardship and Enterprise Areas, new start and fresh start.

Source: Non-domestic Rate Income Returns from Councils

Most of the NDR income collected by local authorities is pooled at the Scotland level and then redistributed back to local authorities. There are two exceptions to this.

A Business Rates Incentivisation Scheme (BRIS) was introduced from April 2012 to incentivize councils to maximise existing business rates income and attract new economic growth by allowing all authorities that exceed their annual business rates target to retain 50% of any additional income. In 2015-16 the amount retained under this scheme was £1.9 million (£5.4 million in 2014-15).

The Scottish Government is also piloting Tax Incremental Financing (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 business rates that are generated as a result of attracting more businesses into the area because of upfront public sector enabling investment.

Six pilot TIF schemes were developed through secondary legislation under existing provisions of the Local Government Finance Act (1992). The pilot approach has allowed this model to be tested in Scotland, with four pilot projects currently in place, of which three have received full approval (Argyll & Bute, Falkirk and Glasgow) and one (Fife) has received approval in principle. In 2015-16 the amount of NDR retained by local authorities for TIF projects was £0.9 million (£0.9 million in 2014-15).

Each council reports to the Scottish Government the amount of NDR collected which is to be included in the central pool. The amount to be re-distributed to each authority from the pool is known as the Distributable Amount (DA) and is set by the Scottish Government before the start of the financial year in question.

From 1<sup>st</sup> April 2011, the distribution methodology sees Councils retain the amount estimated they will collect in business rates (the previous policy saw NDR redistributed on the basis of population shares). As the combined total of NDR income and General Revenue Grant (GRG) provided to councils is guaranteed by the Scottish Government, any reduction in the amount of NDR collected is compensated for by a corresponding increase in GRG and vice versa. Any changes from the assumed collection amount in any year is paid out or recovered from Councils in the calculation of future years distributable business rates totals. The Distributable Amount is based upon an estimate of the NDR income made prior to the year start, and includes prior year adjustments. It will not therefore match exactly the income received by the Scottish Government in any year (as given in tables 1.14 and 1.15), nor the total eventual contributions to the pool for any year.

The calculation of the distributable amount for 2015-16 is given in Annex F and the 2015-16 distributable amount per local authority is shown in Table 1.17.

**Table 1.17 – Non-Domestic Rates Distributable Amount<sup>1</sup> by Local Authority, 2015-16**

	<b>Non-Domestic Rate Distributable Amount (£000s)<sup>1</sup></b>
<b>Scotland</b>	<b>2,788,500</b>
Aberdeen City	210,116
Aberdeenshire	92,096
Angus	30,792
Argyll & Bute	27,840
Clackmannanshire	15,853
Dumfries & Galloway	50,827
Dundee City	60,431
East Ayrshire	32,850
East Dunbartonshire	25,188
East Lothian	26,079
East Renfrewshire	16,553
Edinburgh, City of	390,862
Eilean Siar	7,920
Falkirk	62,336
Fife	166,642
Glasgow City	382,435
Highland	127,403
Inverclyde	23,642
Midlothian	31,822
Moray	36,789
North Ayrshire	42,931
North Lanarkshire	122,426
Orkney Islands	9,490
Perth & Kinross	59,337
Renfrewshire	102,915
Scottish Borders	33,707
Shetland Islands	16,882
South Ayrshire	42,683
South Lanarkshire	315,984
Stirling	45,400
West Dunbartonshire	84,053
West Lothian	94,216

Source: Amendment Order Scotland (2015)

1. The Distributable Amount is the amount distributed to local authorities as part of the GAE; it is based upon an estimate of the NDR income, including prior year adjustments. It is not guaranteed to match the income eventually received by the SG that year (as given in tables 1.14 and 1.15)

## 1.6 Customer and Client Receipts

Local authorities receive income from sales, rents, fees and charges as a result of providing a range of services. The amount of income associated with each service is detailed in Table 1.18 below.

The total customer and client receipts received by local authorities has increased by 2.3%, from £2.37 billion in 2014-15 to £2.42 billion in 2015-16. In the General Fund this has increased by 2.1%, from £1.26 billion in 2014-15 to £1.28 billion in 2015-16. Almost half (47%) of customer and client receipts are attributable to the HRA which has seen receipts increase by 2.6% from £1.11 billion to £1.14 billion in 2015-16.

**Table 1.18 – Customer and Client Receipts – 2011-12 to 2015-16**

	<i>£thousands</i>				
	2011-12	2012-13	2013-14 <sup>b</sup>	2014-15	2015-16
Education	115,017	113,355	120,563	124,200	122,477
Cultural & Related Services	77,479	70,728	71,185	72,567	68,826
Social Work	268,101	276,450	276,012	275,301	264,079
Roads & Transport	171,756	154,197	175,384	182,690	182,978
Environmental Services	117,767	117,969	117,457	112,180	123,825
Planning & Development Services	118,518	116,541	121,077	120,161	134,682
Central Services	143,521	110,889	131,709	143,806	162,394
Non-HRA Housing	179,116	165,412	160,800	155,076	159,635
Trading Services	63,526	58,045	69,843	69,639	63,077
<b>Total General Fund (GF) Customer and Client Receipts excluding Police &amp; Fire</b>	<b>1,254,801</b>	<b>1,183,586</b>	<b>1,244,030</b>	<b>1,255,620</b>	<b>1,281,973</b>
Housing Revenue Account (HRA) <sup>1</sup>	965,920	1,034,306	1,073,362	1,112,210	1,140,720
<b>Total GF + HRA Customer and Client Receipts, excluding Police &amp; Fire</b>	<b>2,220,721</b>	<b>2,217,892</b>	<b>2,317,392</b>	<b>2,367,830</b>	<b>2,422,693</b>
Police, Fire & Emergency Planning	66,575	111,992			
<b>Total GF + HRA Customer and Client Receipts</b>	<b>2,287,296</b>	<b>2,329,884</b>	<b>2,317,392</b>	<b>2,367,830</b>	<b>2,422,693</b>

1. The Housing Revenue Account (HRA) records income and expenditure relating to the provision of Local Authority housing.

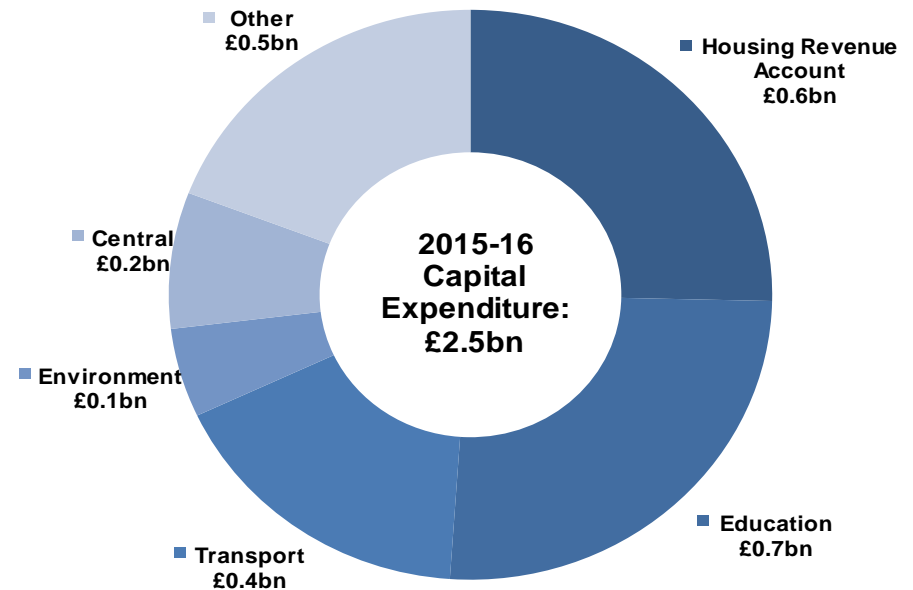
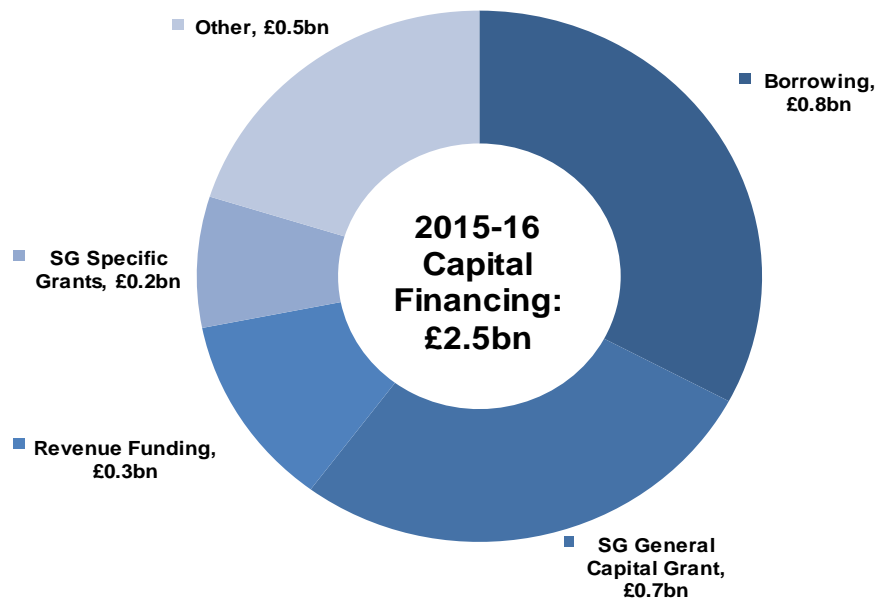
b. The Police and Fire Reform (Scotland) Act 2012 created Police Scotland and Fire Scotland, which replaced the former Police and Fire Boards. These new bodies are classified as Central Government, rather than Local Government.

Source: Local Financial Returns (LFRs)

## 2. Capital Expenditure and Financing

Spend which creates an asset that the authority will use over several years, such as building schools or buying vehicles, is known as Capital Expenditure.

Whilst a local authority cannot borrow to finance day-to-day expenditure, capital expenditure may be funded from borrowing. The costs of repaying the debt, including the interest costs, is met from the revenue account.



- Total Capital Expenditure: **£2.5 billion** - an increase of **5.6%** on 2014-15;
- **Education** has the largest share (**26%**) of capital expenditure with **£0.7bn** - an increase of **17%** on 2014-15;
- The **Housing Revenue Account (HRA)** is the second largest service area with **25% (£0.6bn)** of capital expenditure - a fall of **3%** from 2014-15;
- **83%** of capital expenditure is on **constructing or enhancing buildings**;
- **33% (£0.8bn)** of expenditure is financed through **borrowing**;

## 2.1 Total Capital Expenditure and Financing

Capital expenditure by local authorities is mainly for purchasing, constructing or enhancing physical assets, such as buildings (e.g. care homes or schools), land (e.g. playing fields), infrastructure (e.g. roads and flood defences), and vehicles, plant and machinery. Capital expenditure also includes expenditure that the Scottish Ministers have permitted the local authorities to treat as capital expenditure and meet from capital resources.

Capital expenditure is 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 asset sales.

The Local Government (Scotland) Act 1973, provides councils with a general power to borrow. Other local authorities' powers are set out in legislation specific to that authority. The Local Government (Scotland) Act 1975 sets out the purpose for which a local authority may borrow. This includes borrowing to finance capital expenditure of the authority. The Local Government in Scotland Act 2003 places a local authority under a statutory duty to set their own maximum capital expenditure limits. These limits must be set with regard to the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code, which requires that capital expenditure plans by local authorities must be affordable, prudent and sustainable. Detailed breakdowns of Capital Expenditure can be found in Annexes G and H.

**Table 2.1 – Total Capital Expenditure and Financing, 2015-16**

	<i>£thousands</i>		
	<b>General Fund Services</b>	<b>Housing Revenue Account</b>	<b>Total</b>
Acquisition of land, leases, existing buildings or works	46,810	11,390	58,200
New construction, conversions & enhancement to existing buildings	1,476,364	620,178	2,096,542
Vehicles, machinery & equipment	175,704	6,797	182,501
Intangible assets	5,998	157	6,155
<b>Total Gross Capital Expenditure</b>	<b>1,704,876</b>	<b>638,522</b>	<b>2,343,398</b>
Revenue Expenditure funded from Capital Resources	187,686	4,132	191,818
<b>Total Expenditure to be met from Capital Resources</b>	<b>1,892,562</b>	<b>642,654</b>	<b>2,535,216</b>
Scottish Government General Capital Grant	691,659	2,687	694,346
Scottish Government Specific Capital Grants	148,933	52,981	201,914
Grants from Scottish Government Agencies and NDPBs	92,268	19,749	112,017
Other Grants and Contributions	121,705	21,713	143,418
Borrowing from Loans Fund	558,669	272,658	831,327
Capital receipts used from asset sales/disposals	95,355	78,037	173,392
Capital Reserves (Capital Fund)	60,374	0	60,374
Capital funded from revenue reserves	101,873	194,829	296,702
Assets acquired under credit arrangements (e.g. finance leases, PPP/PFI)	21,726	0	21,726
<b>Total Financing</b>	<b>1,892,562</b>	<b>642,654</b>	<b>2,535,216</b>

Source: Capital Returns (CR Final)



In 2015-16 total gross capital expenditure was £2.34 billion. In addition to this, local authorities funded £0.19 billion of revenue expenditure from capital resources – this was mostly funding third party capital housing projects. The total expenditure funded from capital resources was £2.54 billion in 2015-16, with £0.64 billion in the housing revenue account and £1.89 billion in the General Fund. The majority (83%) of capital expenditure went on new construction, conversions and enhancements to existing buildings.

Local authorities received a total of £1.15 billion (45% of total financing) in grants and contributions to fund capital expenditure (£1.05 billion in the General Fund and £0.10 billion for the HRA). The second most significant source of financing was borrowing (advances from the Loans Fund). This funded £0.83 billion (33% of total financing, £0.56 billion in the General Fund and £0.27 billion in the HRA) of capital expenditure, an increase of 0.2% on 2014-15.

**Table 2.2 – Total Capital Expenditure and Financing, 2011-12 to 2015-16**

	2011-12	2012-13	2013-14 <sup>a</sup>	2014-15	2015-16
					<i>£thousands</i>
Acquisition of land, leases, existing buildings or works	137,332	146,930	90,335	63,604	58,200
New construction, conversions & enhancement to existing buildings	2,142,293	2,037,385	1,967,310	1,948,992	2,096,542
Vehicles, machinery & equipment	194,836	197,022	189,509	174,443	182,501
Intangible assets	6,052	6,638	13,119	14,061	6,155
<b>Total Gross Capital Expenditure</b>	<b>2,480,513</b>	<b>2,387,975</b>	<b>2,260,273</b>	<b>2,201,100</b>	<b>2,343,398</b>
Revenue Expenditure funded from Capital Resources	181,021	161,349	199,728	199,002	191,818
<b>Total Expenditure to be met from Capital Resources</b>	<b>2,661,534</b>	<b>2,549,324</b>	<b>2,460,001</b>	<b>2,400,102</b>	<b>2,535,216</b>
Scottish Government General Capital Grant	565,541	450,088	438,163	680,491	694,346
Scottish Government Specific Capital Grants	234,365	217,281	180,549	203,444	201,914
Grants from Scottish Government Agencies and NDPBs	82,764	141,311	150,761	108,610	112,017
Other Grants and Contributions	85,714	124,311	142,077	107,731	143,418
Borrowing from Loans fund	1,261,468	1,165,387	1,105,526	829,701	831,327
Capital receipts used from asset sales/disposals	94,020	105,937	92,167	107,919	173,392
Capital Fund applied	21,653	36,867	24,798	34,595	60,374
Capital funded from current revenue	209,122	294,087	295,335	284,911	296,702
Assets acquired under credit arrangements (e.g. finance leases, PPP/PFI)	106,888	14,055	30,625	42,701	21,726
<b>Total Financing</b>	<b>2,661,534</b>	<b>2,549,324</b>	<b>2,460,001</b>	<b>2,400,102</b>	<b>2,535,216</b>

a. Following the Police and Fire Reform (Scotland) Act 2012 figures from 2013-14 onwards may not be comparable with previous years. See section 5.2 for details.  
Source: Capital Returns (CR Final)

Because of the changes in accounting practice noted above and Police and Fire Reform, it is difficult to draw conclusions about changes in capital expenditure and financing over the time period presented in Table 2.2 and Chart 2.1. Figures from 2013-14 onwards do not include Police or Fire Boards, which were replaced by new national bodies that are not classified as local government.

Between 2014-15 and 2015-16, total capital expenditure to be met from capital resources increased by 5.6% (£0.14 billion). The amount of capital expenditure that is financed by grants from the Scottish Government, including Scottish Government Agencies and Non-Departmental Public Bodies has increased by 4.7% (£0.05 bn) between 2014-15 and 2015-16.

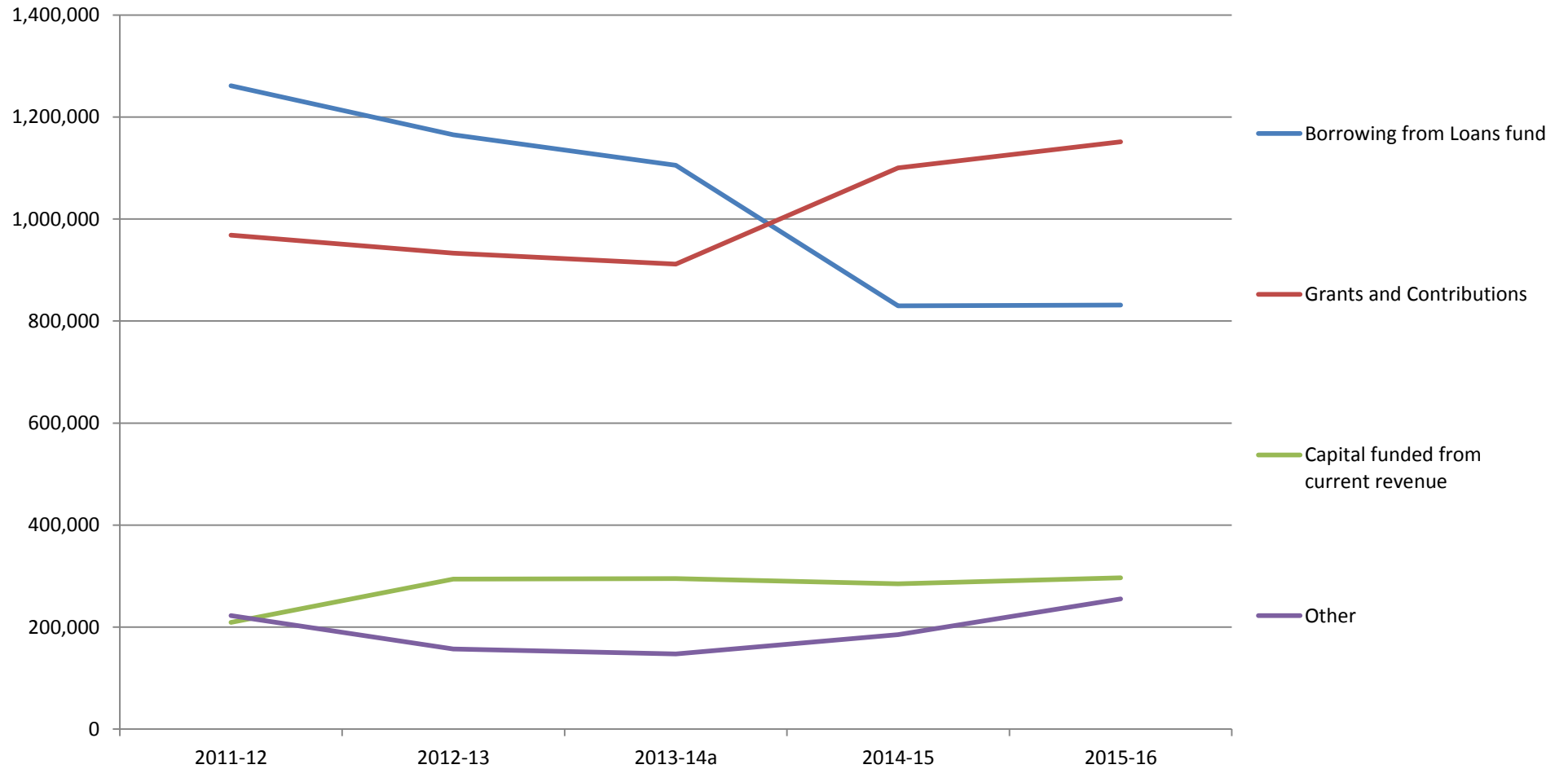
The amount of capital expenditure financed through Borrowing from the Loans Fund has increased by 0.2% between 2014-15 and 2015-16.

Over the spending review period, the grant allocations for individual years were adjusted as follows: -£120m in 2012-13, -£100m in 2013-14 and +£120m in 2014-15 with the remaining £94.2m allocated in 2015-16. Although the sum to be added back was originally £100 million this was reduced proportionately to £94.2 million following the transfer of the police and fire functions to the Scottish Government.

The profile of the capital grant allocations largely explain the increase in grant funding and corresponding fall in borrowing, shown in Chart 2.1 below.

**Chart 2.1 – Capital Expenditure Financing**

*£thousands*



a. Following the Police and Fire Reform (Scotland) Act 2012 figures for 2013-14 onwards may not be comparable with previous years. See Background to Local Government section for details.

Source: Capital Returns (CR Final)

**Table 2.3 – Capital Expenditure by Service, 2011-12 to 2015-16**

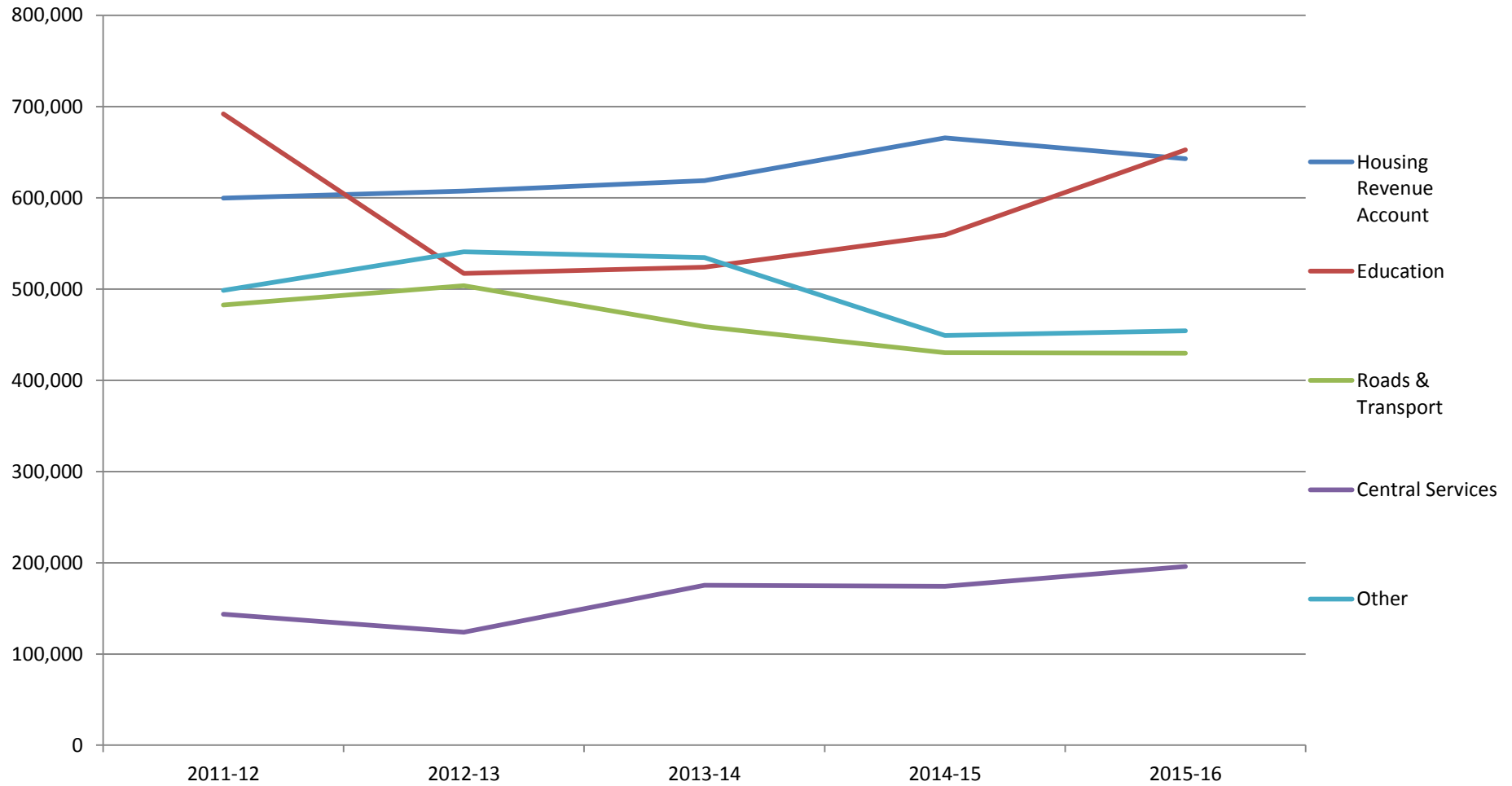
*£thousands*

	2011-12	2012-13	2013-14	2014-15	2015-16
Education	691,878	517,158	523,776	559,309	652,552
Cultural & Related Services	245,371	257,040	148,933	121,778	160,315
Social Work	46,487	73,812	80,849	73,690	62,553
Roads & Transport	482,554	503,480	458,876	430,265	429,569
Environmental Services	105,036	126,631	188,525	138,267	128,063
Planning & Development Services	113,476	118,282	94,415	66,488	90,416
Central Services	143,678	123,740	175,153	174,094	195,922
Non-HRA Housing	149,002	136,363	156,699	165,543	166,452
Trading Services	10,390	18,419	14,059	5,171	6,720
<b>Total General Fund Capital Expenditure</b> (excl. Police & Fire)	<b>1,987,872</b>	<b>1,874,925</b>	<b>1,841,285</b>	<b>1,734,605</b>	<b>1,892,562</b>
Housing Revenue Account	599,618	607,279	618,716	665,497	642,654
<b>Total Capital Expenditure</b> (excl. Police & Fire)	<b>2,587,490</b>	<b>2,482,204</b>	<b>2,460,001</b>	<b>2,400,102</b>	<b>2,535,216</b>
Police	30,188	45,365			
Fire	43,856	21,755			
<b>Total Capital Expenditure</b>	<b>2,661,534</b>	<b>2,549,324</b>	<b>2,460,001</b>	<b>2,400,102</b>	<b>2,535,216</b>

*Source: Capital Returns (CR Final)*

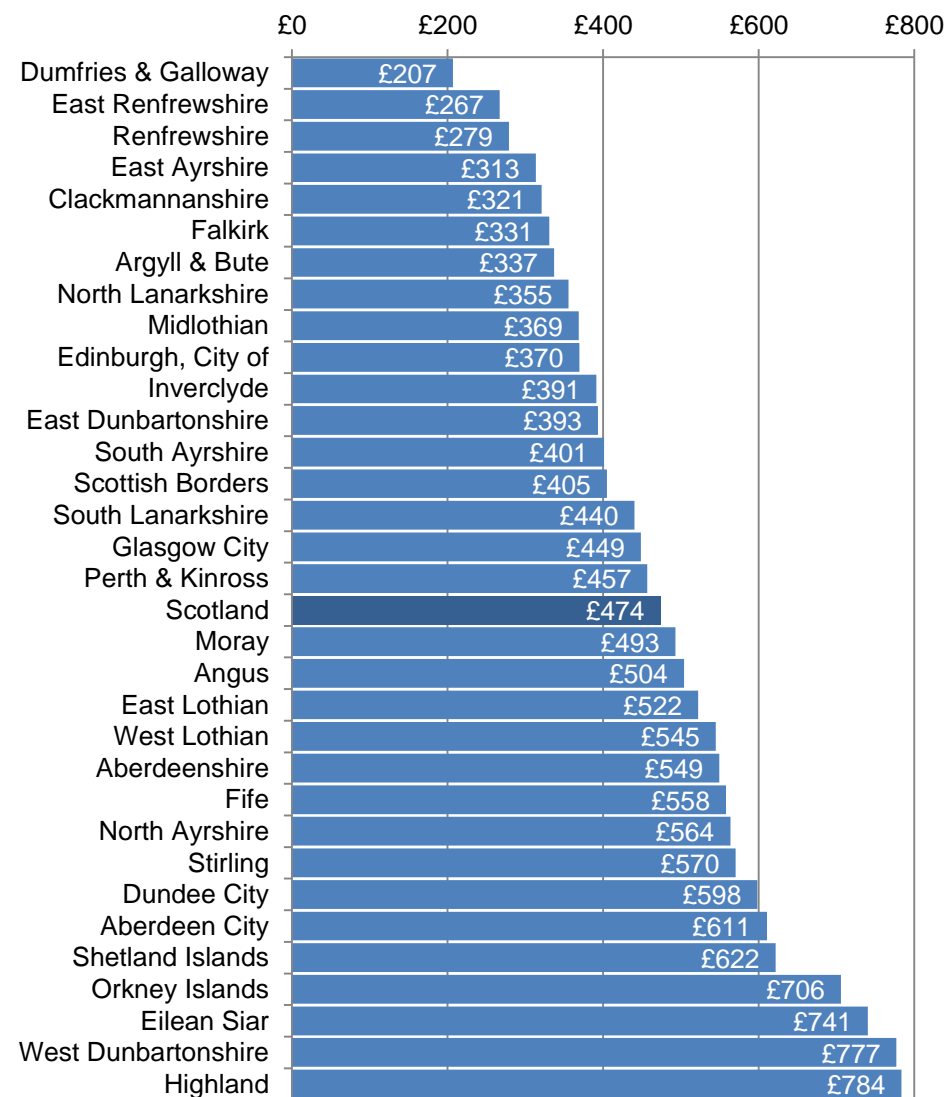
**Chart 2.2 – Capital Expenditure by Service, 2011-12 to 2015-16**

*£thousands*



In any given year capital expenditure per capita 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 'lumpy' and expenditure per head in local authority areas will move (possibly substantially) from year to year as projects begin or wind down.

**Chart 2.3 – Capital Expenditure per Head by Local Authority Area, 2015-16**



Source: Capital Returns (CR Final) & National Records of Scotland Mid-Year Population Estimates (2015)

## 2.2 Capital Financing

### Capital Grants

Capital grants are grants provided to local authorities to fund capital investment. The Scottish Government provides two types of grant funding to local authorities – a General Capital Grant and a number of specific or ring-fenced grants. Scottish Government Agencies, such as Transport Scotland, and Non-Departmental Bodies such as sportscotland may also award grants for projects. Other grants and contributions include grants from other local authorities, European Structural Funds, contributions from private developers or persons, and the use of council tax discounts from second homes or long term empty properties. Table 2.1 (above) provides time series of grant income from 2011-12 to 2015-16.

### Capital Receipts

‘Capital receipts’ is the term used to recognise income from the sale or disposal of a fixed asset, such as land or council housing. Under statute capital receipts may only be used to fund capital expenditure or for the repayment of debt.

Table 2.4 details capital receipts categorised by service from 2011-12 to 2015-16. In order to reflect the corporate nature of assets and to promote good asset management practices local authorities commonly move assets to "Central Services" (which includes "Other Services" categorisation in this table) when they become identified as surplus for disposal. This can be seen from the table where in recent years for General Fund services, the greatest value of capital receipts has generally been reported against "Central Services". A detailed breakdown of Capital Receipts by Service for 2015-16 can be found in Annex J.

Total Capital Receipts raised increased by 51%, from £165 million in 2014-15 to £250 million in 2015-16. This increase is largely due to one council which sold a high value asset. Had this sale not taken place, capital receipts would have fallen by 12%. The Housing (Scotland) Act 2014 repeals the Right-to-Buy provisions, and this came into force from the 1<sup>st</sup> August 2016. This will affect the value of Housing Revenue Account capital receipts from 2016-17.

**Table 2.4 – Capital Receipts Raised by Service, 2011-12 to 2015-16**

	<i>£thousands</i>				
	2011-12	2012-13	2013-14	2014-15	2015-16
Education	20,177	5,623	13,798	15,498	16,324
Culture & Related Services	746	3,574	3,574	1,526	2,696
Social Work	3,477	3,155	2,632	5,574	1,306
Roads & Transport	6,087	2,778	1,742	21,398	2,086
Environmental Services	611	507	1,378	1,538	1,669
Planning & Development Services	13,962	15,011	58,276	22,163	117,742
Central Services	15,663	23,925	28,128	25,930	18,781
Non-HRA Housing	344	81	198	666	138
Trading Services	1	35	6	8	7,552
<b>Total GF Capital Receipts</b>	<b>61,068</b>	<b>54,689</b>	<b>109,732</b>	<b>94,302</b>	<b>168,294</b>
Housing Revenue Account	46,326	42,369	53,529	70,594	81,385
<b>Total Capital Receipts</b>	<b>107,394</b>	<b>97,058</b>	<b>163,261</b>	<b>164,896</b>	<b>249,679</b>
Police & Fire <sup>1</sup>	4,926	7,206			
<b>Total Capital Receipts</b>	<b>112,320</b>	<b>104,264</b>	<b>163,261</b>	<b>164,896</b>	<b>249,679</b>

1. In 2012-13 fire boards had £41k in education capital receipts raised.

Source: Capital Returns (CR Final)



Capital receipts can be used to finance capital expenditure and repay debt (principal but not interest). These receipts are generated through the sale or disposal of assets, such as a council house or other local authority land/building. Authorities

are able to transfer capital receipts to a Capital Fund for future use. As such, capital receipts received and capital receipts used are not necessarily equal.

**Table 2.5 – Capital receipts summary, 2015-16**

	<i>£thousands</i>		
	General Fund	Housing Revenue Account	TOTAL
Capital Receipts brought forward at 1 April 2015	69,952	5,656	<b>75,608</b>
Capital receipts from the sale/ disposal of fixed assets	168,294	81,385	<b>249,679</b>
<b>Total capital receipts available for use</b>	<b>238,246</b>	<b>87,041</b>	<b>325,287</b>
Capital receipts used from asset sales/disposals	95,355	78,037	<b>173,392</b>
Capital receipts used to repay debt	5,694	5,054	<b>10,748</b>
Capital receipts transferred to Capital Fund	56,539	0	<b>56,539</b>
<b>Capital receipts held 31 March 2016</b>	<b>80,658</b>	<b>3,950</b>	<b>84,608</b>

*Source: Capital Returns (CR Final)*

Table 2.5 shows that authorities had a total of £325 million of capital receipts available for use during 2015-16, of which £76 million was the balance brought forward at 1<sup>st</sup> April 2015 and £250 million was raised during the year from the sale/disposal of fixed assets.

The main use of capital receipts in 2015-16 was to finance capital expenditure (£173 million), with a further £11 million used to repay debt and £57 million transferred to the Capital Fund. This resulted in a Capital receipts balance of £85 million at the 31<sup>st</sup> March 2016.

## 2.3 Borrowing and Credit Arrangements

Local authorities may borrow for the purposes of:

- Acquiring land;
- Construction of buildings;
- Undertaking permanent work or provision of plant and machinery;
- Lending to relevant authorities or Community Councils;
- Any other purpose for which the authority is authorised under any enactment to borrow;

Local authorities are required by legislation to maintain a Loans Fund. All money borrowed by local authorities must be paid into this Loans Fund, which then makes advances to service accounts to fund capital expenditure. The Scottish Government monitors the value of debt recorded in the Loans Fund (rather

than the level of external debt) because it is this amount of debt that is charged to services over a period of time. The value of external debt is monitored as part of the prudential indicators of the local authority. See section 3.4 for more details.

The total amount of Loans Fund borrowing in 2015-16 was £831 million. This is an increase of 0.2% on 2014-15. When interpreting the pattern of borrowing over the period from 2011-12 to 2015-16, the reprofiling of the capital grant allocations over the spending review period should be kept in mind (-£120m in 2012-13, -£100m in 2013-14 and +£120m in 2014-15 with the remaining £94.2m allocated in 2015-16). Of the total Loans Fund borrowing, £559 million (up 8%) was in the General Fund and £273 million (down 12%) was in the HRA.

**Table 2.6 – Loans Fund Borrowing to Finance Capital Expenditure – 2011-12 to 2015-16**

	2011-12	2012-13	2013-14	2014-15	2015-16
	<i>£thousands</i>				
<b>General Fund</b>	<b>918,890</b>	<b>852,238</b>	<b>788,568</b>	<b>518,296</b>	<b>558,669</b>
Advances for Capital Expenditure	915,766	846,269	751,634	489,774	536,044
Advances for Consented Borrowing	3,124	5,969	36,934	28,522	22,625
<b>Housing Revenue Account</b>	<b>342,578</b>	<b>313,149</b>	<b>316,958</b>	<b>311,404</b>	<b>272,658</b>
Advances for Capital Expenditure	342,578	313,053	316,815	311,404	272,658
Advances for Consented Borrowing	0	96	143	0	0
<b>Total Loans Fund Borrowing</b>	<b>1,261,468</b>	<b>1,165,387</b>	<b>1,105,526</b>	<b>829,701</b>	<b>831,327</b>
<b>Credit Arrangements</b>	<b>106,888</b>	<b>14,055</b>	<b>30,625</b>	<b>42,701</b>	<b>21,726</b>
<b>Total Borrowing and Credit Arrangements</b>	<b>1,368,356</b>	<b>1,179,442</b>	<b>1,136,151</b>	<b>872,402</b>	<b>853,053</b>

Source: Capital Returns (CR Final)

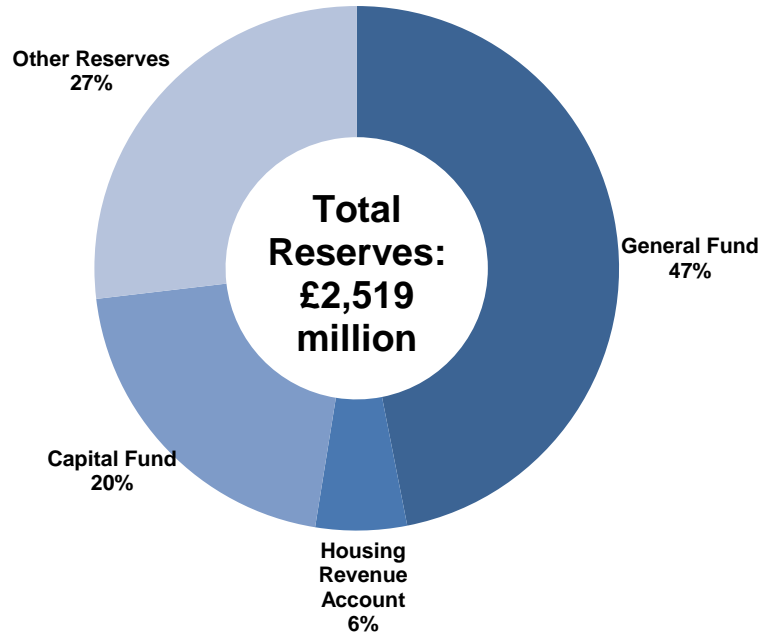
The costs of servicing debt is mostly met from taxation and non-specific grant income, while the costs of servicing Housing Revenue Account (HRA) debt are met principally through income from rents. The costs of servicing debt are detailed in Table 1.1

which shows interest payable and the cost of repayments (Statutory Repayment of Debt).

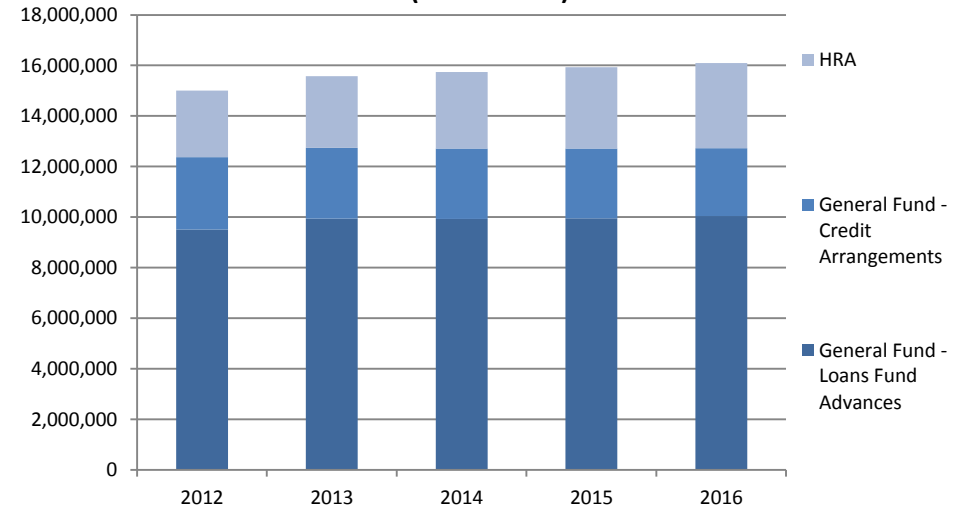
### 3. Local Government Reserves, Fixed Assets and Debt

Local authorities can hold reserves to spend on services in the future and borrow to fund capital expenditure that will create an asset.

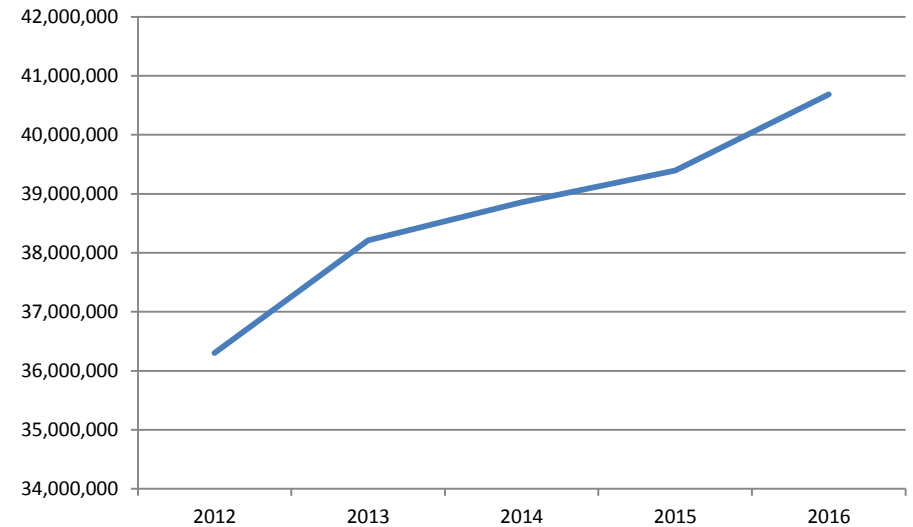
- Total reserves increased by 6% during the year;
- Total debt increased by 1% on the previous year;
- Value of fixed assets increased by 3%.



**Total Debt, 31st March 2012 to 31st March 2016 (£thousands)**



**Value of Fixed Assets, 31st March 2012 - 31st March 2016 (£thousands)**



### 3.1 Local Authority Debt

Local authority capital expenditure is financed from a number of sources. When this is by borrowing money or a credit arrangement (e.g. a finance lease or a Public-Private Partnership (PPP) or Private Finance Initiative (PFI)) a debt liability is created to be repaid by a local authority from future revenues.

The Local Government (Scotland) Act 1975 Act requires 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 is the amount to be met in each financial year from a local authority revenue budget.

The expenditure recorded in the loans fund is expenditure which has been deferred (i.e. not met by taxpayers or housing tenants when it is incurred) and is to be charged to taxpayers or housing tenants over a number of future years. 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 the loans fund will reduce when loans fund advances are repaid by making a charge to the General Fund or Housing Revenue Account. The balance on a loans fund at 31 March each year represents the amount of past expenditure a local authority has a liability to fund from its future revenue budgets.

A local authority will borrow externally to fund the expenditure that is deferred and recorded in the loans fund. The balance on the loans fund should be similar to the value of external

borrowing. There may be 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.

The value of Loans Fund advances outstanding is set out in Table 3.1 and the level of credit arrangements outstanding is set out in Table 3.2.

Following a review of the Capital forms in 2015, the timing of the data collection was changed to allow for final, audited capital data to be collected. Prior to this, near-final data was collected and, as such, the loans fund advances outstanding on 31st March may not match the loans fund advances outstanding on 1st April.

The all Scotland value of loans fund advances outstanding at 31st March 2016 was £13.41 billion (of which £10.05 billion was General Fund and £3.36 billion was HRA). General Fund loans fund advances outstanding increased by £93.3 million (0.9%) between 1st April 2015 and 31st March 2016. HRA loans fund advances outstanding rose by £143 million (4.5%) between 1<sup>st</sup> April 2015 and 31<sup>st</sup> March 2016.

At 31st March 2016, the Scottish average General Fund loans fund advances outstanding was equal to £1,870 per person (up 0.4% on 31st March 2015) and the average HRA loans fund advances outstanding was equal to £10,609 per HRA dwelling (up 4.6% on 31st March 2015).

**Table 3.1 – General Fund and HRA Loans Fund Advances Outstanding, 2011-12 to 2015-16**

	<i>£thousands</i>				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>General Fund</b>					
Loans Fund advances outstanding 1 April	9,118,442	9,608,327	9,650,825	9,932,872	9,954,276
<b>ADD New advances from the Loans Fund</b>	<b>918,890</b>	<b>852,238</b>	<b>788,568</b>	<b>518,296</b>	<b>558,669</b>
LESS: Repayments in year	455,689	475,952	469,823	462,945	456,449
LESS: Additional Voluntary Repayments in Year	68,547	45,299	34,546	27,437	8,934
Transfer of assets between funds (transfers out are negative)	258	-292	-1,411	-1,773	-65
<b>Total Loans Fund advances outstanding (£ thousands)</b>	<b>9,513,353</b>	<b>9,939,022</b>	<b>9,933,613</b>	<b>9,959,013</b>	<b>10,047,542</b>
Per Head (£)	1,810	1,870	1,865	1,862	1,870
<b>Housing Revenue Account</b>					
Loans Fund advances outstanding 1 April	2,384,118	2,619,354	2,835,741	3,024,509	3,219,673
<b>ADD New advances from the Loans Fund</b>	<b>342,578</b>	<b>313,149</b>	<b>316,958</b>	<b>311,404</b>	<b>272,658</b>
LESS: Repayments in year	97,820	96,475	127,585	105,602	112,504
LESS: Additional Voluntary Repayments in Year	7,414	2,920	9,956	12,411	16,931
Transfer of assets between funds (transfers out are negative)	-258	292	1,411	1,773	65
<b>Total Loans Fund advances outstanding (£ thousands)</b>	<b>2,621,205</b>	<b>2,833,400</b>	<b>3,016,569</b>	<b>3,219,673</b>	<b>3,362,961</b>
Per HRA dwelling (£)	8,284	8,973	9,533	10,138	10,609
<b>Total (GF + HRA) Loans Fund advances outstanding</b>	<b>12,134,558</b>	<b>12,772,422</b>	<b>12,950,182</b>	<b>13,178,687</b>	<b>13,410,504</b>

Source: Capital Returns (CR Final), Housing Revenue Account: Local authority housing income and expenditure, NRS Mid-Year Population Estimates (2013)

**Table 3.2 – Credit Arrangements, 2011-12 to 2015-16**

	<i>£thousands</i>				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>General Fund</b>					
Balance brought forward 1 April	2,846,858	2,865,124	2,845,843	2,800,193	2,750,910
<b>ADD: New credit arrangements in year</b>	<b>106,888</b>	<b>14,055</b>	<b>30,625</b>	<b>42,701</b>	<b>21,726</b>
LESS: Repayments of principal in year	97,269	84,955	90,802	92,895	87,933
<b>Credit arrangements outstanding 31 March</b>	<b>2,856,476</b>	<b>2,794,224</b>	<b>2,785,666</b>	<b>2,749,999</b>	<b>2,684,703</b>
Per Head (£)	544	526	523	514	500
<b>Housing Revenue Account</b>					
Balance brought forward 1 April	14,226	10,508	7,132	4,965	3,469
<b>ADD: New credit arrangements in year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
LESS: Repayments of principal in year	3,683	3,380	2,167	1,496	790
<b>Credit arrangements outstanding 31 March</b>	<b>10,543</b>	<b>7,128</b>	<b>4,965</b>	<b>3,469</b>	<b>2,679</b>
Per Head (£)	33	23	16	11	8
<b>Total (GF + HRA) Credit Arrangements Outstanding</b>	<b>2,867,019</b>	<b>2,801,352</b>	<b>2,790,631</b>	<b>2,753,468</b>	<b>2,687,382</b>

Source: Capital Returns (CR Final)

**Table 3.3 – Total Debt, 31<sup>st</sup> March 2012 to 31<sup>st</sup> March 2016**

	<i>£thousands</i>				
	31st March 2012	31st March 2013	31st March 2014	31st March 2015	31st March 2016
<b>General Fund</b>					
Loans Fund Advances Outstanding	9,513,353	9,939,022	9,933,613	9,959,013	10,047,542
Credit Arrangements	2,856,476	2,794,224	2,785,666	2,749,999	2,684,703
<b>Total General Fund Debt</b>	<b>12,369,830</b>	<b>12,733,246</b>	<b>12,719,279</b>	<b>12,709,012</b>	<b>12,732,245</b>
Per Head (£)	2,354	2,396	2,387	2,377	2,370
<b>Housing Revenue Account</b>					
Loans Fund Advances Outstanding	2,621,205	2,833,400	3,016,569	3,219,673	3,362,961
Credit Arrangements	10,543	7,128	4,965	3,469	2,679
<b>Total HRA Debt</b>	<b>2,631,748</b>	<b>2,840,528</b>	<b>3,021,534</b>	<b>3,223,142</b>	<b>3,365,640</b>
Per HRA Dwelling (£)	8,317	8,995	9,549	10,149	10,617
<b>Total Debt</b>	<b>15,001,577</b>	<b>15,573,774</b>	<b>15,740,813</b>	<b>15,932,155</b>	<b>16,097,885</b>

Source: Capital Returns (CR Final)



### 3.2 Prudential Indicators

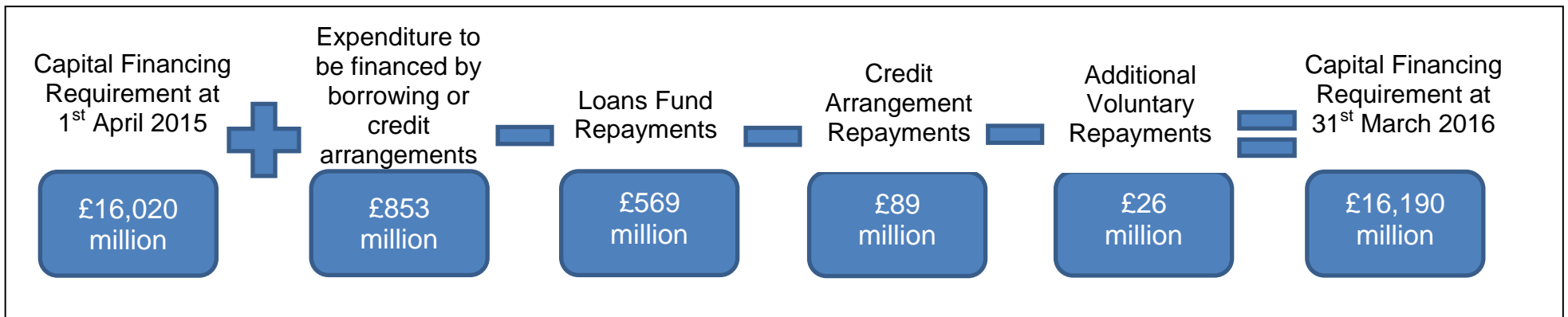
The CIPFA Prudential Code sets out a framework for a local authority to demonstrate its capital investment plans are affordable, prudent and sustainable. A number of prudential indicators are set and monitored against three year capital expenditure plans.

Key prudential indicators are:

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

The Capital Financing Requirement (CFR) represents the amount of capital expenditure which a local authority has

determined should be met from borrowing with the repayment of that borrowing to be met from future local authority budgets. Each year the CFR will increase by the amount of new capital expenditure which a local authority has determined should be met by borrowing (which includes both borrowing money and credit arrangements such as PPP/PFI) and decrease by the amounts repaid. The CFR only represents an authority's underlying need to borrow to finance capital expenditure. The actual Total External Debt may be less than the CFR where a local authority has chosen to utilise internal cash reserves rather than borrow externally. The Total External Debt may exceed the CFR where a local authority has chosen to borrow in advance of actual capital expenditure. The Prudential Code limits borrowing in advance to the CFR plus up to 2 years planned capital expenditure to be funded from borrowing.



Local authorities are also required to set limits on external debt. The Operational Boundary is based on the authority's capital spending plans and should reflect the most likely, i.e. 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 the operational boundary would be significant.

The authorised limit represents the maximum amount that the authority may borrow and is set at a level that reflects capital

expenditure plans but includes headroom to allow for unusual cash movements i.e. treasury management.

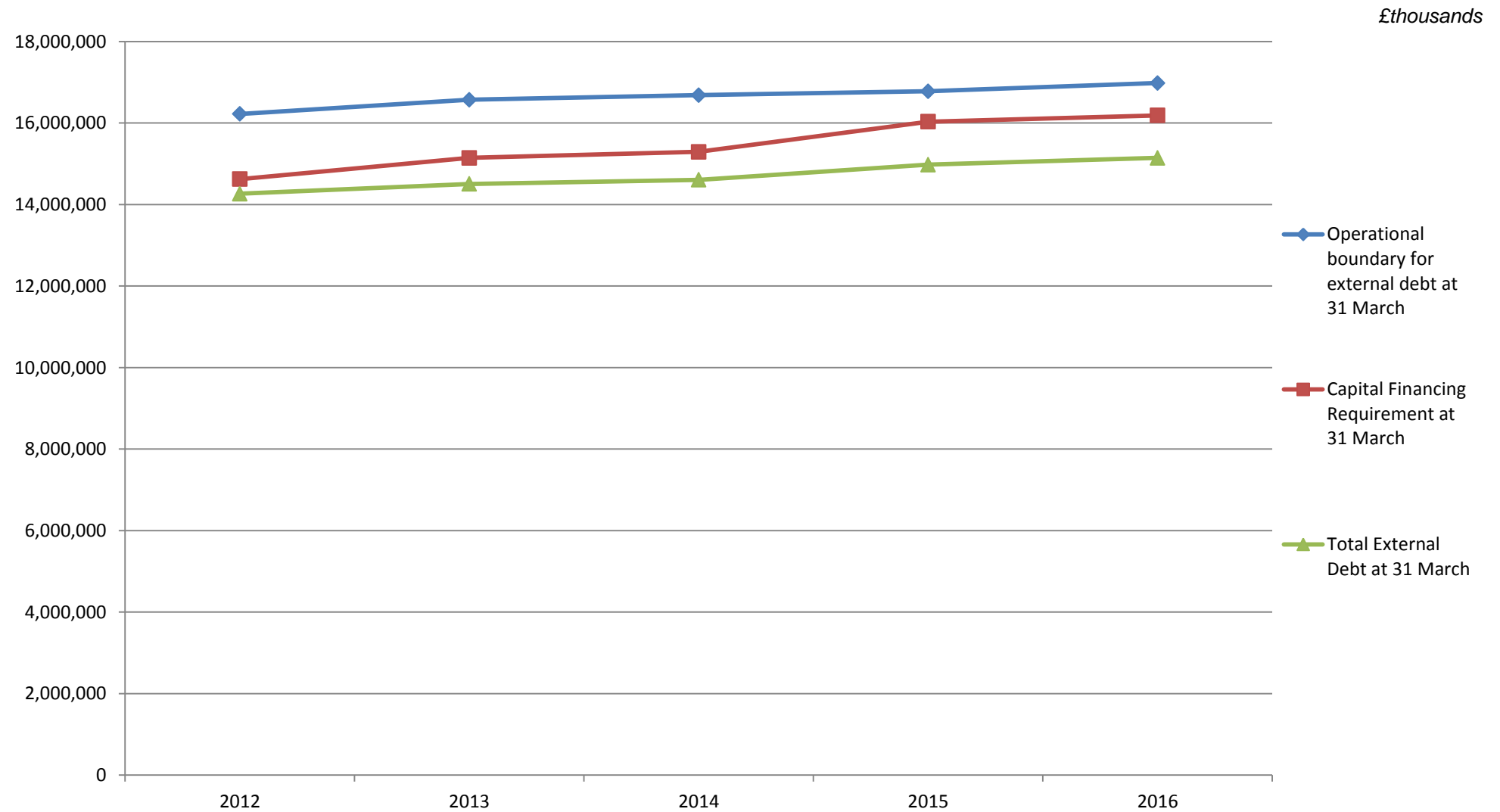
Local authority Total External Debt increased by £0.17 billion (1.1%), from £14.98 billion at the 31<sup>st</sup> March 2015 to £15.15 billion at the 31<sup>st</sup> March 2016. Local authorities are currently under-borrowed, i.e. utilising internal cash reserves rather than external borrowing, with total external debt as a percentage of the Capital Financing Requirement falling from 98% at 31<sup>st</sup> March 2012 to 94% at 31<sup>st</sup> March 2016.

**Table 3.4 - Prudential Information, 2011-12 to 2015-16**

	2011-12	2012-13	2013-14	2014-15	£thousands 2015-16
<b>Capital Financing Requirement at 1 April</b>	<b>13,988,396</b>	<b>14,674,452</b>	<b>14,893,146</b>	<b>15,863,207</b>	<b>16,020,231</b>
Capital Expenditure to be financed by borrowing or credit arrangements	1,368,356	1,179,442	1,136,151	872,402	853,053
Capital Expenditure to be financed by borrowing	1,261,468	1,165,387	1,105,526	829,701	831,327
Capital Expenditure to be financed by credit arrangements	106,888	14,055	30,625	42,701	21,726
Loans Fund principal repayments	553,509	572,427	597,408	568,548	568,953
Credit arrangements principal repayments	100,952	88,335	92,969	94,391	88,723
Additional voluntary contributions of principal repayments	75,961	48,219	44,502	39,848	25,865
Change in Capital Financing Requirement	637,934	470,461	401,272	169,615	169,512
<b>Capital Financing Requirement at 31 March</b>	<b>14,626,330</b>	<b>15,144,913</b>	<b>15,294,418</b>	<b>16,032,822</b>	<b>16,189,743</b>
Borrowing at 1 April	10,800,370	11,290,176	11,558,504	11,897,475	12,378,022
Other long term liabilities at 1 April	2,920,001	2,875,632	2,852,975	2,690,905	2,648,120
<b>Total External Debt at 1 April</b>	<b>13,720,371</b>	<b>14,165,808</b>	<b>14,411,479</b>	<b>14,588,380</b>	<b>15,026,142</b>
Borrowing at 31 March	11,340,431	11,706,550	11,816,384	12,332,169	12,465,804
Other long term liabilities at 31 March	2,925,936	2,801,352	2,790,631	2,645,977	2,680,311
<b>Total External Debt at 31 March</b>	<b>14,266,367</b>	<b>14,507,902</b>	<b>14,607,015</b>	<b>14,978,146</b>	<b>15,146,115</b>
Operational boundary for external debt at 31 March	16,223,733	16,571,358	16,684,872	16,779,418	16,982,303
Authorised limit for external debt at 31 March	17,223,932	17,553,906	17,749,541	17,787,296	17,733,442
Total External debt as a percentage of the Capital Financing Requirement at 31 March	98%	96%	96%	93%	94%

Source: Capital Returns (CR Final)

**Chart 3.1 – Prudential Indicators: 31<sup>st</sup> March 2012 to 31<sup>st</sup> March 2016**



Source: Capital Returns (CR Final)

### 3.3 Fixed Assets

Capital Expenditure creates local authority assets. The value of local authority fixed assets is shown in Table 3.5 below. At 31<sup>st</sup>

March 2016, local authorities held a total of £40.7 billion of assets, an increase of 3.3% (£1,293 million) on 31<sup>st</sup> March 2015.

**Table 3.5 – Value of Fixed Assets, 31<sup>st</sup> March 2012 to 31<sup>st</sup> March 2016**

	<i>£thousands</i>				
	Value of fixed assets as at 31 March 2012 <sup>a</sup>	Value of fixed assets as at 31 March 2013	Value of fixed assets as at 31 March 2014 <sup>b</sup>	Value of fixed assets as at 31 March 2015	Value of fixed assets as at 31 March 2016
<b>Operational Assets</b>					
Council dwellings	9,475,119	10,450,805	10,839,706	10,535,999	11,281,473
Other land and buildings	18,955,480	18,978,739	18,276,923	18,866,921	18,995,354
Vehicles, plant and machinery	937,152	1,022,046	1,003,162	1,178,814	1,197,642
Infrastructure assets	4,432,109	4,751,596	4,987,041	5,361,011	5,608,853
Community assets	165,502	168,819	161,728	169,971	184,156
Heritage assets	417,174	1,804,230	1,803,074	1,840,245	1,848,685
<b>Total operational assets</b>	<b>34,382,536</b>	<b>37,176,235</b>	<b>37,071,634</b>	<b>37,952,961</b>	<b>39,116,163</b>
<b>Non-operational assets</b>					
Assets under construction	1,456,501	1,271,111	1,200,830	845,627	1,011,066
Surplus assets held for disposal	397,053	377,632	365,120	336,021	314,377
Investment properties	205,613	205,220	197,445	207,027	197,382
<b>Total non-operational assets</b>	<b>2,059,167</b>	<b>1,853,963</b>	<b>1,763,395</b>	<b>1,388,675</b>	<b>1,522,825</b>
<b>Intangible Assets</b>	<b>77,184</b>	<b>19,747</b>	<b>23,913</b>	<b>52,306</b>	<b>48,437</b>
<i>Total Assets excluding Police &amp; Fire</i>	<i>36,299,949</i>	<i>38,214,124</i>	<i>38,858,942</i>	<i>39,393,942</i>	<i>40,687,425</i>
<b>Total Assets</b>	<b>37,168,112</b>	<b>39,049,945</b>	<b>38,858,942</b>	<b>39,393,942</b>	<b>40,687,425</b>

a. Total Assets for 2011-12 includes £649,225 thousand for South Ayrshire Council that couldn't be broken down into the above categories.

b. Following the Police and Fire Reform (Scotland) Act 2012 figures for 2013-14 onwards may not be comparable with previous years.

See the Background chapter for details.

Source: Capital Returns (CR Final)

## 4. Reserves

Revenue reserves reflect an accumulation of surplus income. These are used to finance future spending on services. The surplus or deficit on the provision of service is laid out in Table 1.1. Income is shown in brackets and expenditure as positive in the following tables.

On 1 April 2015 local authorities had total revenue reserves of £1.84 billion. Over the course of the year, total reserves increased by £0.048 billion (2.6%) to £1.89 billion on 31 March 2016. Capital reserves increased by £0.097 billion (18%), from £0.53 billion to £0.63 billion.

**Table 4.1 – Movements in Reserves by Account, 2015-16**

*£thousands*

	<u>Revenue Reserves</u>					<b>Total Revenue Reserves</b>
	<b>General Fund</b>	<b>Housing Revenue Account</b>	<b>Renewal and Repairs</b>	<b>Insurance Fund</b>	<b>Other Statutory Funds</b>	
<b>Level of Reserves held 1 April 2015</b>	<b>(1,133,850)</b>	<b>(129,470)</b>	<b>(206,056)</b>	<b>(86,495)</b>	<b>(287,644)</b>	<b>(1,843,515)</b>
Surplus or Deficit on provision of services	350,450	206,948				557,398
Statutory Adjustments	(441,490)	(219,483)				(660,973)
<b>Total Surplus or Deficit</b>	<b>(91,040)</b>	<b>(12,535)</b>				<b>(103,575)</b>
Movement between Revenue Reserves	72,508	4,957	2,056	26	5,533	85,080
Repayment of Debt from Capital Reserves	(39,313)	(4,353)				(43,666)
Other Movements in Reserves	9,819	(319)	3,345	1,152	0	13,997
<b>Movement in Reserve</b>	<b>43,014</b>	<b>285</b>	<b>5,401</b>	<b>1,178</b>	<b>5,533</b>	<b>55,411</b>
<b>Level of Reserves held 31 March 2016</b>	<b>(1,181,876)</b>	<b>(141,720)</b>	<b>(200,655)</b>	<b>(85,317)</b>	<b>(282,111)</b>	<b>(1,891,679)</b>

Source: Local Financial Returns (LFR 23)

**Table 4.1 (continued) – Movements in Reserves by Account, 2015-16**

*£thousands*

	<u>Capital Reserves</u>			<b>Total Capital Reserves</b>
	<b>Capital Fund</b>	<b>Capital Receipts</b>	<b>Capital Grants Unapplied</b>	
<b>Level of Reserves held 1 April 2015</b>	<b>(441,041)</b>	<b>(51,748)</b>	<b>(37,845)</b>	<b>(530,634)</b>
Increase of Decrease in year			(12,248)	(12,248)
Movement between Reserves	(155,117)	52,435		(102,682)
Capital receipts for the year	(2,376)	(159,403)		(161,779)
Capital Expenditure funded from Reserves	44,607	95,979		140,586
Repayment of Debt from Capital Reserves	39,313	4,353		43,666
Other Movements in Reserves	(4,407)	(205)		(4,612)
<b>Movement in Reserve</b>	<b>(77,980)</b>	<b>(6,841)</b>	<b>(12,248)</b>	<b>(97,069)</b>
<b>Level of Reserves held 31 March 2016</b>	<b>(519,021)</b>	<b>(58,589)</b>	<b>(50,093)</b>	<b>(627,703)</b>

Source: Local Financial Returns (LFR 23) and Capital Return Final

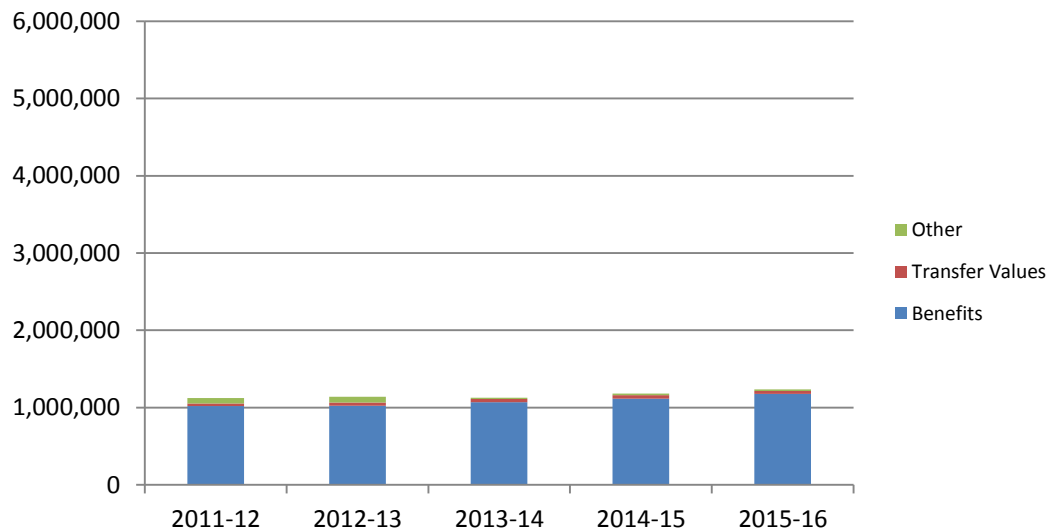
## 5. Local Government Pensions

The income and expenditure from local authority pension funds are entirely separate from the income and expenditure of the authorities themselves. Income from employer and employee contributions is paid into the Pension Fund, which also generates investment income. Expenditure on pensions, lump sums and the costs of managing the pension are paid for from this fund.

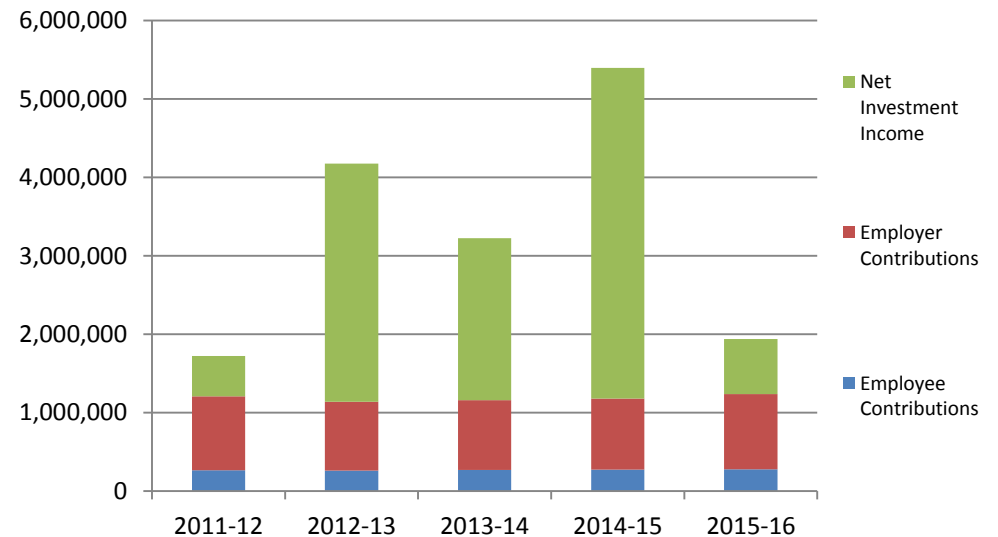
The income/expenditure figures should not be used to gauge the health of a pension fund as the ratio of income to expenditure will depend on a number of factors including the age of the fund and whether it is open or closed to new members. The relative financial health of the pension scheme is gauged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

- **Total Expenditure was £1.2 billion** in 2015-16, an increase of 4.6%;
- **Total Income was £1.9 billion**, a decrease of 64%;
- **95% of expenditure was on benefits**, an increase of 5.4% on the previous year;
- Income from investment and other income was £0.7 billion, a decrease of 83% on the previous year. Investment income can be highly volatile and has ranged from negative £1 billion to plus £4.2 billion over the past 10 years;
- Excluding investments, income increased by 5% on the previous year.

**Pensions Expenditure (£thousands)**



**Pensions Income (£thousands)**





Local Government Pension Scheme Funds are operated as separate funds to other accounts. In accordance with regulation 4 of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, and regulation 35 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, employer and employee contributions are paid into the fund, along with income from investments, and pensions and lump sum benefits are paid out of the fund. The income and expenditure from these funds are therefore entirely separate from the income and expenditure of the authorities that administer the funds.

Tables 5.1 and 5.2 show the collective income and expenditure for the Local Government Pension Scheme for the year in question, with income from contributions representing payments for pensionable service accrued during the year which will be paid out (as part of an overall pension) at a future date and expenditure on pensions representing payments of previously accrued pension rights. The relative financial health of the pension scheme is gauged through three-yearly actuarial valuations of each of the eleven funds.

**Table 5.1 – Local Government Pension Scheme Funds Expenditure 2011-12 to 2015-16**

	<i>£thousands</i>				
	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Total Benefits including Payments under Pensions (Increase) Acts:	1,021,142	1,025,525	1,069,643	1,116,100	1,176,592
Pensions <sup>1</sup>	651,085	601,299	642,755	671,634	676,667
Lump Sums <sup>1</sup>	300,705	242,232	235,963	238,777	269,346
Other Benefits <sup>1</sup>	2,883	2,838	0	0	9,305
Payments under Pensions (Increase) Acts <sup>1</sup>	66,469	179,156	190,925	205,688	221,274
Transfer Values <sup>2</sup>	33,839	41,701	42,061	44,295	39,289
Other <sup>3</sup>	69,225	72,343	16,282	20,820	19,411
<b>TOTAL EXPENDITURE<sup>4</sup></b>	<b>1,124,206</b>	<b>1,139,569</b>	<b>1,127,986</b>	<b>1,181,215</b>	<b>1,235,292</b>

1. Payments under the Pensions (Increase) Act 1971 relate to costs associated with uprating of pensions. In some cases local authorities were unable to separately identify this cost and included it within pensions, lump sums & other benefits.

2. Transfer Values are due to scheme members transferring to other pension schemes (for example where a scheme member has moved to a different employer).

3. "Other Benefits" includes, Fund Administration and Management Costs (the largest component); Refunds of Contributions; Adjustments; and Premiums.

Source: Local Financial Returns: LFR 24

Table 5.1 details the total expenditure of the Local Government Pension Scheme Funds in Scotland since 2011-12. Total expenditure increased by 4.6% (£54 million) between 2014-15 and 2015-16, with the vast majority (95%) of expenditure being

on benefits. The increases in Pensions and Payments under Pensions (Increase) Acts should be interpreted with care, as much of this can be attributed to improved reporting.

**Table 5.2 – Local Government Pension Scheme Funds Income 2011-12 to 2015-16**

		<i>£thousands</i>				
		2011-12	2012-13	2013-14	2014-15	2015-16
Total Contributions		1,206,509	1,135,927	1,157,698	1,179,595	1,235,364
Contributions from:	Employees	262,811	258,219	266,780	271,320	277,008
	Employers	943,698	877,708	890,918	908,275	958,356
Net Investment and Other Income <sup>1</sup>		516,367	3,040,095	2,063,964	4,215,940	700,626
<b>TOTAL INCOME<sup>1</sup></b>		<b>1,722,876</b>	<b>4,176,022</b>	<b>3,221,662</b>	<b>5,395,535</b>	<b>1,935,990</b>

Source: Local Financial Returns – LFR 24

Table 5.2 shows local government pension scheme funds income since 2011-12. Contributions from employees and employers are both dependent on the number of contributing employees (full time and part-time) and increased by 4.7% between 2013-14 and 2014-15. 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.

Net investment and other income has fallen by 83% compared with 2014-15, however investment income in 2014-15 was at a historic high and this line is highly volatile. Investment income is heavily influenced by investment conditions (e.g. changes in the stock market) and ranged from £516 million in 2011-12 to £5,396 million in 2014-15.

## 6. Background to Scottish Local Government Financial Statistics

Scottish Local Government Financial Statistics is an annual publication that provides a comprehensive overview of Scottish local authority financial activity. The publication covers local authority income, revenue and capital expenditure, outstanding debt, local taxation and local authority pensions. Further information on Scottish Local Government Finance Statistics can be found at:

<http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance>

### Structure and Functions of Local Government

Local government is responsible for delivering a wide range of services including education, social services, transport, housing, environmental services, cultural services, planning and development and central services. Further information on local government in Scotland is available at:

<http://www.gov.scot/Topics/Government/local-government>

Local government in Scotland is comprised of 32 local authorities as shown in Map 6.1. In addition to these 32 local authorities, there are also Valuation Joint Boards, Regional Transport Partnerships and the Tay Bridge Board. Most of these Boards are the collective responsibility of two or more Councils. See Table 6.1 for listings of Boards and constituent local authorities.

Regional Transport Partnerships (RTPs) were established by the Transport (Scotland) Act 2005. Seven statutory regional

transport partnerships were created across Scotland to lead on regional transport strategy and delivery.

Valuation Joint Boards provide valuation services, primarily maintaining the Valuation Roll for non-domestic properties, and the Council Tax Valuation List for domestic dwellings. The Valuation Roll and Council Tax Valuation Lists are used as the basis for local taxation billing liability (council tax and non-domestic rates).

Since 2003, local authorities have been required to undertake **Community Planning** in partnership with other agencies (such as health boards, enterprise, police and fire bodies) responsible for public service delivery in an area. More recently, the Public Bodies (Joint Working) (Scotland) Act 2014 put in place a requirement for NHS Boards and local authorities to work together to deliver integrated health and social care services through Health and Social Care Partnerships.

### Police and Fire Services

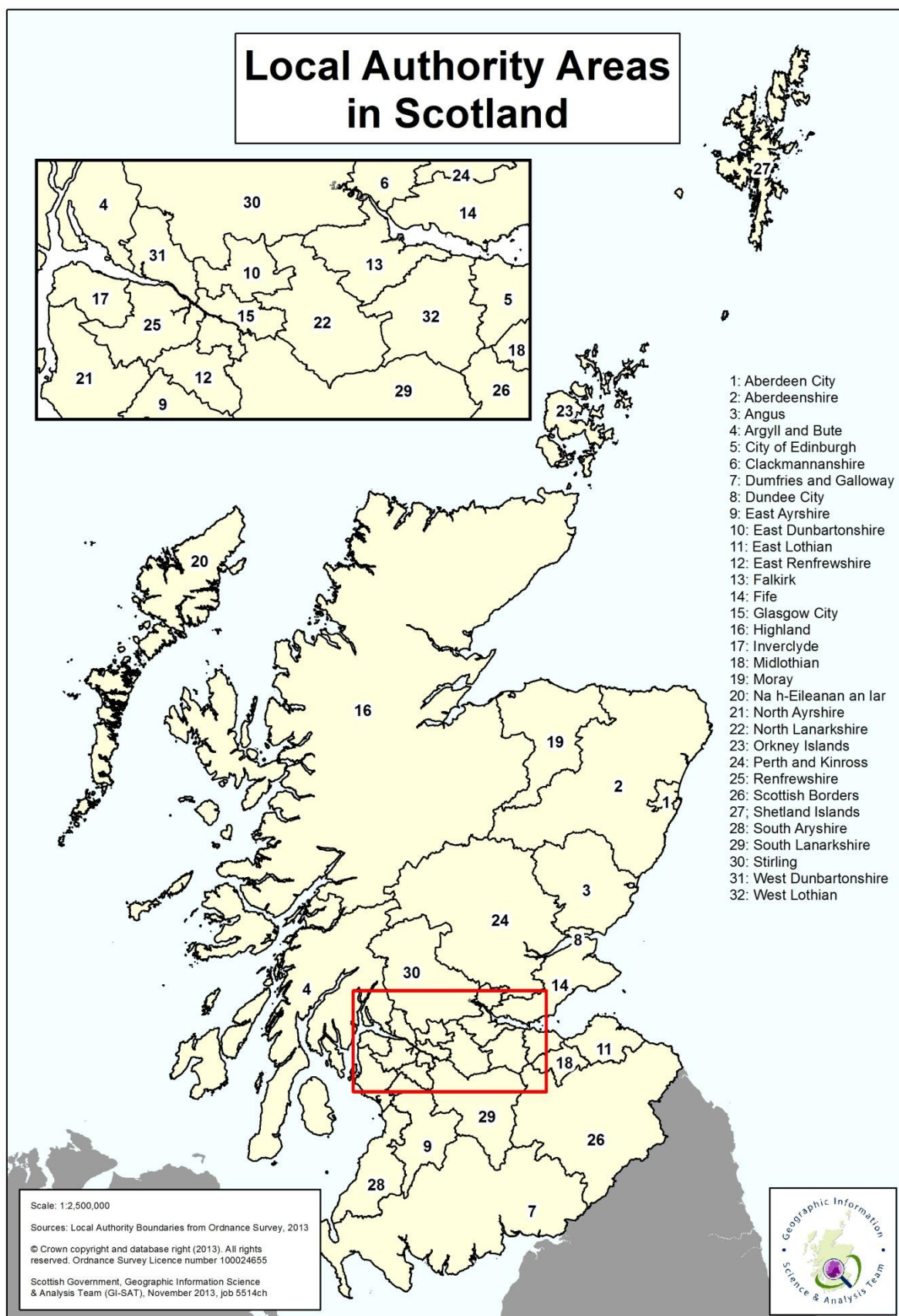
Police and Fire Boards were until 31st March 2013 responsible for providing police and fire services for their constituent Councils. The Police and Fire Reform (Scotland) Act 2012 created Police Scotland and the Scottish Fire and Rescue Service, which replaced the former Police and Fire Boards. These new bodies are classified as central government, so are no longer included in figures on local government from 2013-14 onwards. Due to the way that Police and Fire Boards were funded, it is not possible to exclude Police and Fire income from a number of analyses. As such, figures from 2013-14 and later are not strictly comparable with figures from earlier years.

**Table 6.1 – Local Authority Joint Board Membership**

Local Authority	Regional Transport Partnerships	Valuation Joint Boards
Aberdeen City	NESTRANS	Grampian
Aberdeenshire	NESTRANS	Grampian
Angus	TACTRAN	Tayside
Argyll & Bute <sup>1</sup>	SPT/HITRANS	Dunbartonshire & Argyll& Bute
Clackmannanshire	SESTRAN	Central
Dumfries & Galloway	SWESTRANS	Dumfries & Galloway
Dundee City	TACTRAN	Tayside
East Ayrshire	SPT	Ayrshire
East Dunbartonshire	SPT	Dunbartonshire & Argyll& Bute
East Lothian	SESTRAN	Lothian
East Renfrewshire	SPT	Renfrewshire
Edinburgh, City of	SESTRAN	Lothian
Eilean Siar	HITRANS	Highland and Western Isles
Falkirk	SESTRAN	Central
Fife	SESTRAN	Fife
Glasgow City	SPT	Glasgow
Highland	HITRANS	Highland and Western Isles
Inverclyde	SPT	Renfrewshire
Midlothian	SESTRAN	Lothian
Moray	HITRANS	Grampian
North Ayrshire	SPT	Ayrshire
North Lanarkshire	SPT	Lanarkshire
Orkney Islands	HITRANS	Orkney & Shetland
Perth & Kinross	TACTRAN	Tayside
Renfrewshire	SPT	Renfrewshire
Scottish Borders	SESTRAN	Borders
Shetland Islands	ZetTrans	Orkney & Shetland
South Ayrshire	SPT	Ayrshire
South Lanarkshire	SPT	Lanarkshire
Stirling	TACTRAN	Central
West Dunbartonshire	SPT	Dunbartonshire & Argyll& Bute
West Lothian	SESTRAN	Lothian

*1. Helensburgh and Lomond are part of SPT while the rest of Argyll and Bute is part of HITRANS.*

Map 6.1 – Local Authority Areas



## 7. Sources

### Scottish Government

Scottish Government Local Government Finance Statistics  
Collections from local authorities

Empty data collection forms, which illustrate what is collected can be viewed on the Scottish Government website [Local Government Finance – Data Supplier Area](#) pages.

### Local Financial Returns (LFR)

Final outturn expenditure statistics relating to each Local Authority, Joint Board and Regional Transport Partnership are collected on an annual basis in this series of detailed returns.

### Council Tax Receipts Return (CTRR)

The CTRR return monitors councils' collection levels relating to council tax and community charge. Information is collected relating to the amounts billed and received and the year to which the payment refers.

### Council Tax Base (CTAXBASE)

The CTAXBASE figures give the number of properties in each council tax band in each local authority area, including those with exemptions and discounts.

### Council Tax Assumptions (CTAS)

The CTAS form 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.

### Non Domestic Rates Income Returns (NDRI)

The Non-Domestic Rates Returns (NDRI returns) collect data on the amount of NDR income each year. For this there is a cycle of 4 returns to collect estimates and then final amounts of NDR income – The Provisional Contributable Amount, Mid-year Estimate, Notified and Audited (Certified) Returns.

### Capital Expenditure Returns (CRFinal)

The capital return collects final, audited income and expenditure statistics relating to the capital account for each local authority and joint board.

### National Records of Scotland

Mid-Year Population Estimates

<http://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2014>

### Data sources and Suitability

A “Data Sources and Suitability” section of the local government finance statistics website is under currently development and will be available soon via the above link. The section will provide key information on Local Government Finance data sources including the use made of the data, decisions they inform and the quality and reliability of data.



## **A National Statistics publication for Scotland**

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

## **Correspondence and enquiries**

For enquiries about this publication please contact:

Euan Smith,  
Local Government Finance Statistics,  
Telephone: 0131 244 7033,  
e-mail: [lgfstats@gov.scot](mailto:lgfstats@gov.scot)

For general enquiries about Scottish Government statistics please contact:

Office of the Chief Statistician, Telephone: 0131 244 0442,  
e-mail: [statistics.enquiries@gov.scot](mailto:statistics.enquiries@gov.scot)

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

The data collected for this statistical bulletin:

- are available in more detail through Scottish Neighbourhood Statistics
- are available via an alternative route
- may be made available on request, subject to consideration of legal and ethical factors. Please contact [lgfstats@gov.scot](mailto:lgfstats@gov.scot) for further information.
- cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller.

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APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
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