



Scottish Government
Riaghaltas na h-Alba
gov.scot

A National Statistics publication for Scotland

SG/2019/1

PUBLIC SERVICES AND GOVERNMENT

Scottish Local Government Finance Statistics, 2017-18

Glossary.....	5
1. Local Government Revenue Expenditure and Funding	7
1.1 Total Revenue Expenditure and Funding	8
1.2 General Fund Revenue Expenditure and Income	12
1.3 Revenue Income and Funding	18
1.4 Council Tax.....	20
1.5 Non-Domestic Rates.....	36
1.6 Customer and Client Receipts.....	47
2. Capital Expenditure and Financing.....	48
2.1 Total Capital Expenditure and Financing.....	49
2.2 Capital Financing.....	58
2.3 Borrowing and Credit Arrangements	61
3. Local Government Reserves, Fixed Assets and Debt.....	63
3.1 Local Authority Debt	64
3.2 Prudential Indicators.....	69
3.3 Fixed Assets	73
4. Reserves.....	74
5. Local Government Pensions	75
6. Background to Scottish Local Government Financial Statistics	78
7. Sources.....	81

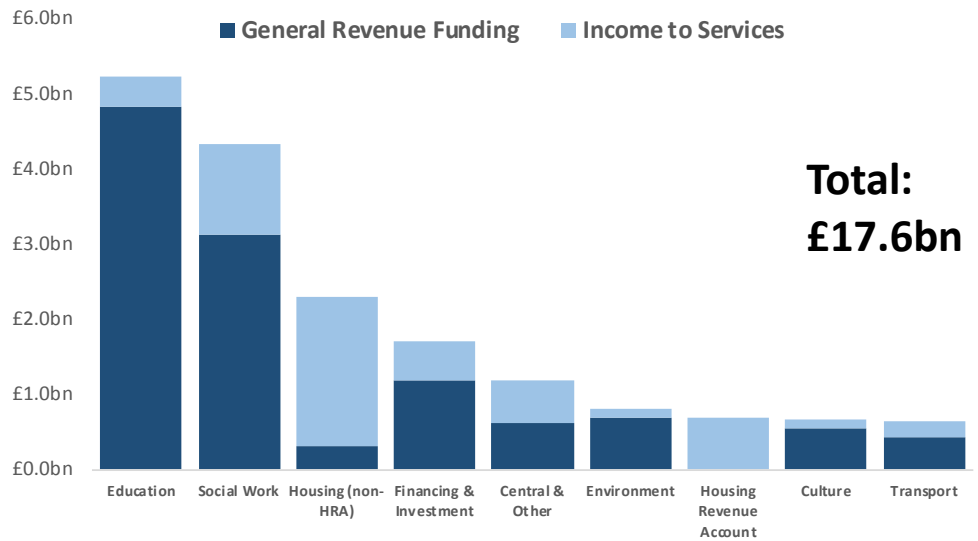
How does local government spend its money?

Revenue expenditure consists of the day-to-day costs of running local authority services, such as paying salaries and bills.

This expenditure can be funded either by General Funding such as Council Tax or the General Revenue Grant, or Income to Services such as rent or specific grants.

Education and Social Work are the largest local government services, together accounting for more than half of gross revenue expenditure.

Revenue Expenditure by Funding Source, 2017-18



**Total:
£17.6bn**

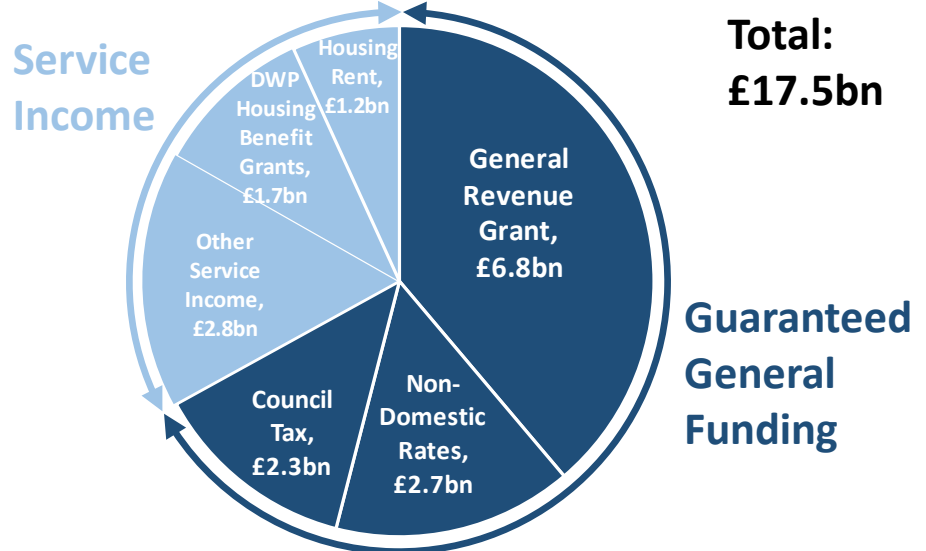
Where does the money come from?

The main source of revenue income for local government is the General Revenue Grant from the Scottish Government, worth £6.8bn.

Local Taxation (Council Tax and Non-Domestic Rates) contributed a further £4.9bn to the funding of local government in 2017-18

Service Income (e.g. fees and charges on services, rental income, other government grants) makes up the remaining £5.8bn.

Revenue Income by Source, 2017-18



**Total:
£17.5bn**

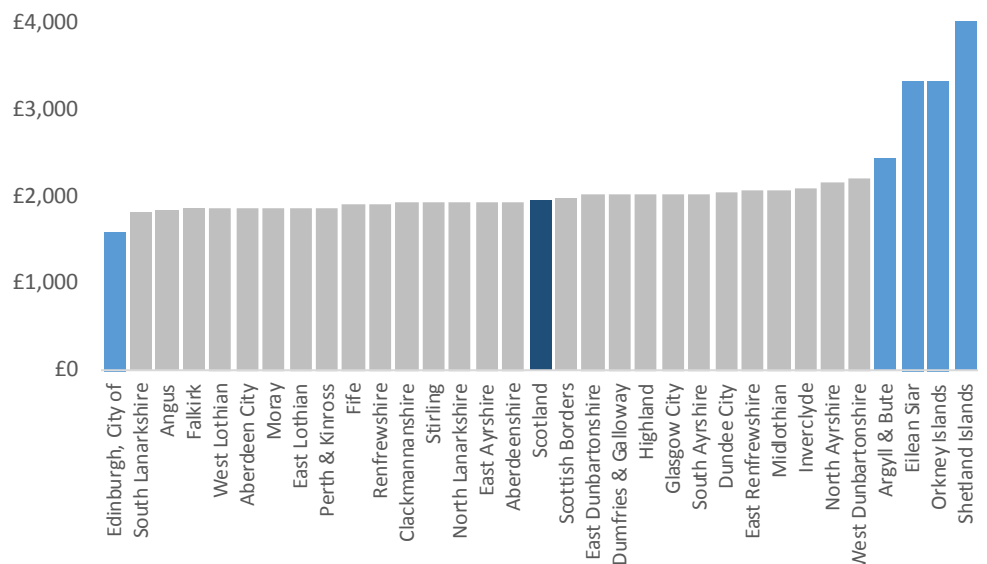
**Guaranteed
General
Funding**

Where is the money spent?

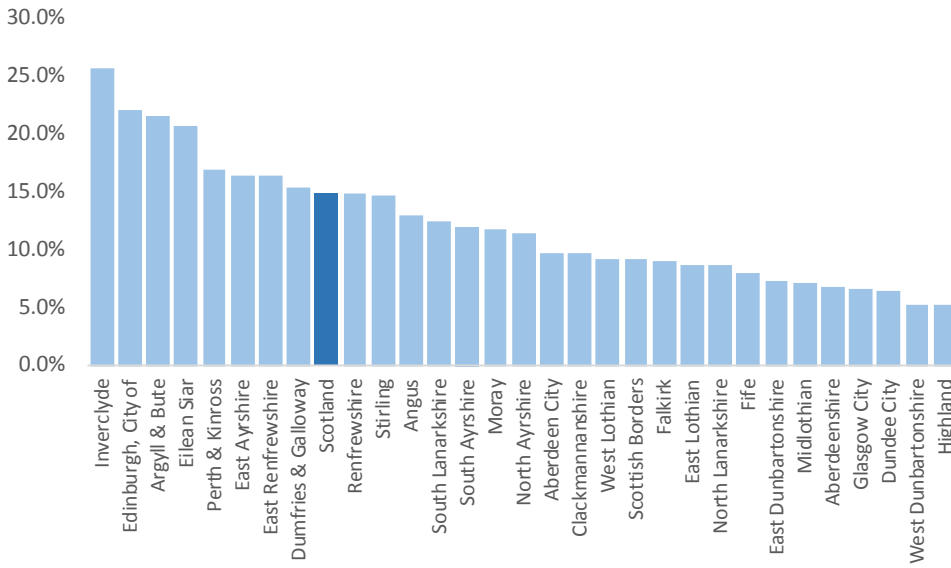
Most authorities spend a similar amount per head of population - only five authorities spend £250 more or less per head than the Scottish average.

The island authorities spend the greatest amount per head, with Shetland spending £3,936 per person in 2017/18 – more than double the Scottish average of £1,869. These authorities receive extra funding in recognition of the additional costs they face in providing services.

Net Revenue Expenditure per Person, 2017-18



General Fund Reserves as a percentage of expenditure, 2017-18

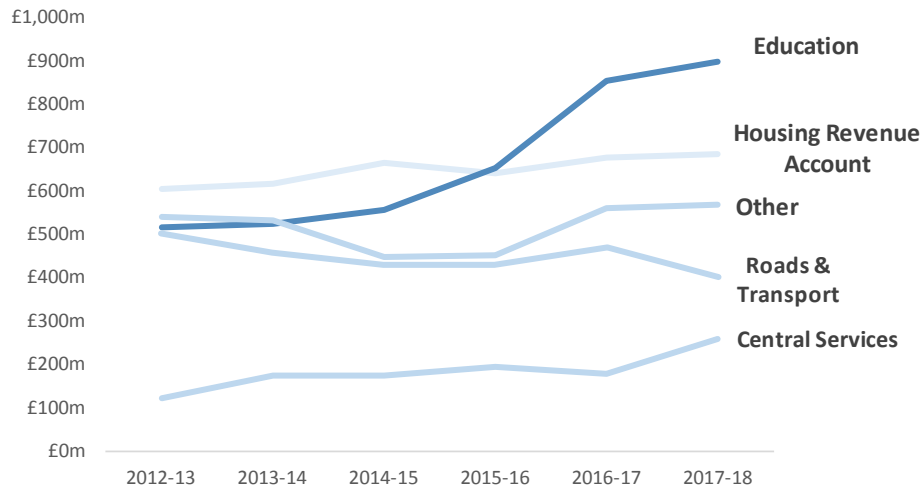


What savings do councils have?

If there is a difference between what councils spend and what they receive, the difference must be met from or contribute to reserves. In 2017-18, councils held reserves equal to an average of 9% of total annual expenditure, with values ranging between 3% and 15% for individual councils.

Orkney and Shetland have been excluded from this analysis, as both have large reserves relating to oil, gas and harbour related activities.

Capital Expenditure by Service, 2012-13 to 2017-18

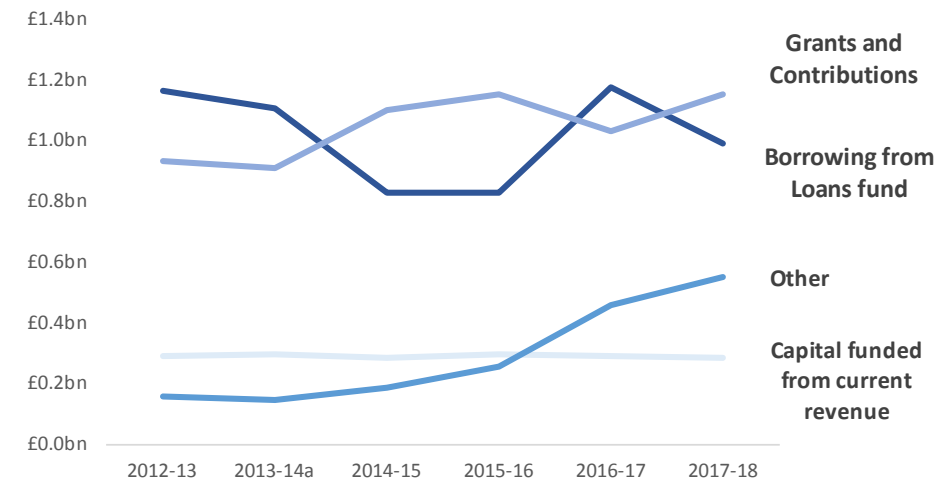


Is Local Government investing in infrastructure?

Spending which creates an asset to be used over several years (e.g. buildings or machinery) is known as capital expenditure.

Education capital expenditure increased to £898 million in 2017-18, continuing an increasing trend in recent years. Education capital expenditure has increased 74% since 2012-13, and now makes up about a third of all capital expenditure.

Capital Expenditure Financing, 2012-13 to 2017-18



How is capital expenditure funded?

Unlike revenue expenditure, local authorities can borrow to fund capital expenditure. Local authorities borrowed £1.0bn in 2017-18 to supplement £1.2bn which they received in Grants & Contributions.

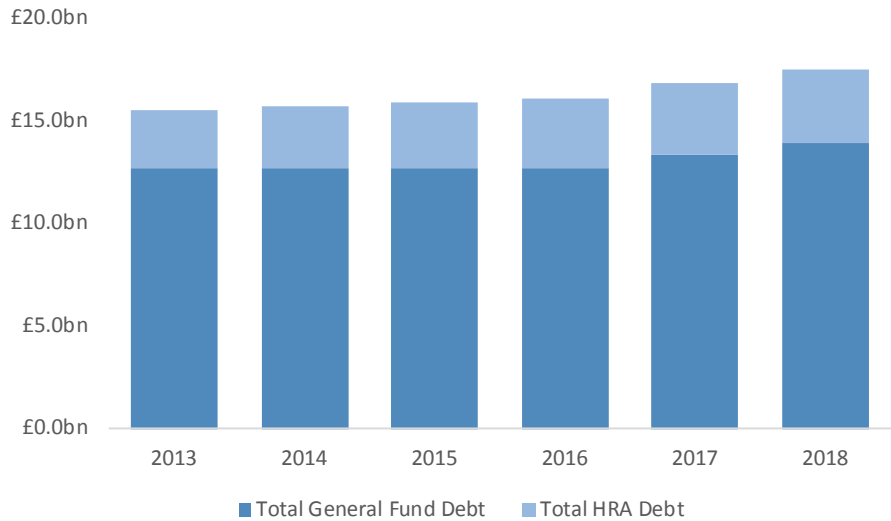
“Other” capital expenditure financing has grown in recent years, largely due to an increase in infrastructure projects funded through the Non-Profit Distributing model.

Do councils have a lot of debt?

Local authorities can borrow to fund capital expenditure. Total debt increased by 4% from £16.8bn on the 31st March 2017 to £17.6bn on the 31st March 2018.

Of this, £14.0bn was in the General Fund and £3.6 billion was in the Housing Revenue Account – a separate account relating to local authority provision of housing.

Total Local Government Debt, as at 31st March, 2013 to 2018

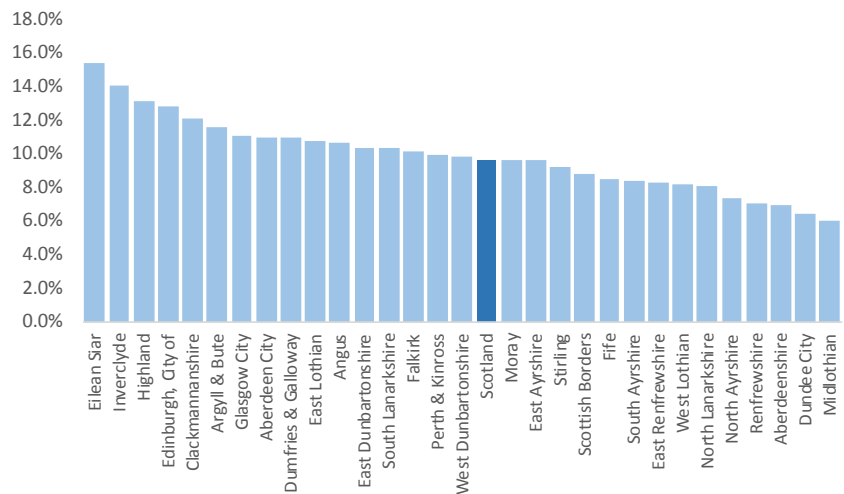


What about debt for individual councils?

Local authority debt is repaid from future revenue budgets. Councils in Scotland spent an average of 10% of their General Funding on debt repayments in 2017-18, with values for individual authorities ranging between 6% and 15%.

Orkney and Shetland have been excluded from this analysis, as they have large levels of investment income.

Debt Costs as a % of General Funding, 2017-18



Where can I find out more?

What are you looking for?	Where is it?
A longer summary	Main publication
The full publication tables	Excel tables
Other publications about Local Government Finance	Local Government Finance Statistics

Glossary

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

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.

All authorities are required to maintain a *General Fund*. This is the main revenue account, it receives the majority of the authorities revenue income (including General Funding) and is used to pay out the majority of the authorities revenue expenditure.

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 and plant costs, payments to agencies and other bodies, and direct administration costs.

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, such as paying Housing Benefits or social work Direct Payments.

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. In the revenue account, RCC is excluded from the service expenditure figures and instead counted as 'other income and expenditure'.

Adjustment for intra/inter-authority transfers is an adjustment made to prevent double counting due to money moving between accounts within the authority or due to money moving between authorities. The adjustment is equal to the total of recharge income from other services, contributions from other local authorities, contributions from Integration Joint Boards and requisition income. This adjustment results in the expenditure

being reported against the authority or service area that commissions the service.

Grants to third parties funded by General Capital Grant (GCG) is treated as revenue 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. In addition to funding 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 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 intra/inter-authority 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 reserves.

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.

General Funding is sometimes referred to as "Taxation and non-specific grant income" and comprises General Revenue Grant, Non-Domestic Rates and Council Tax.

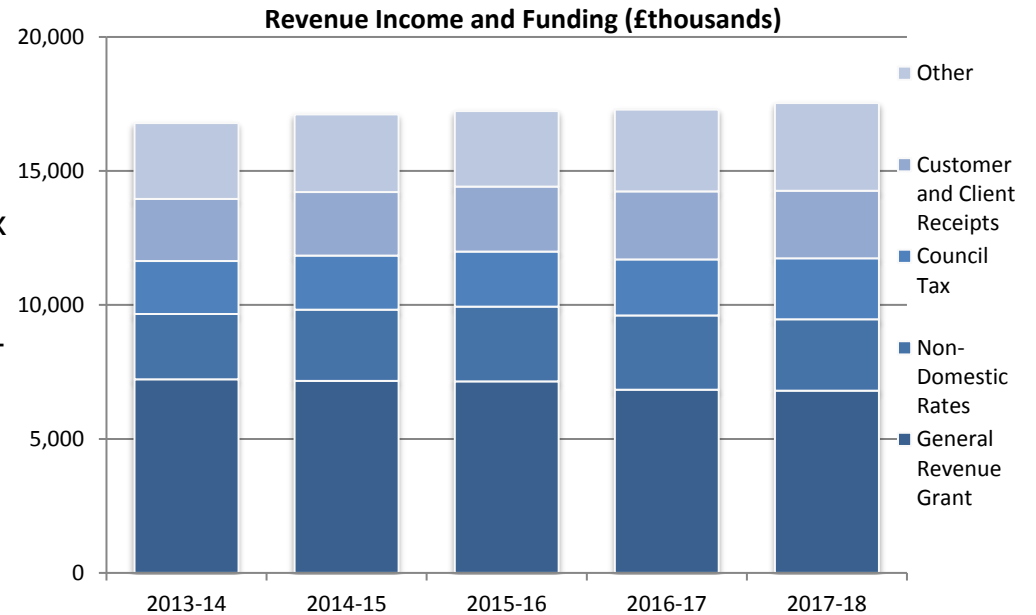
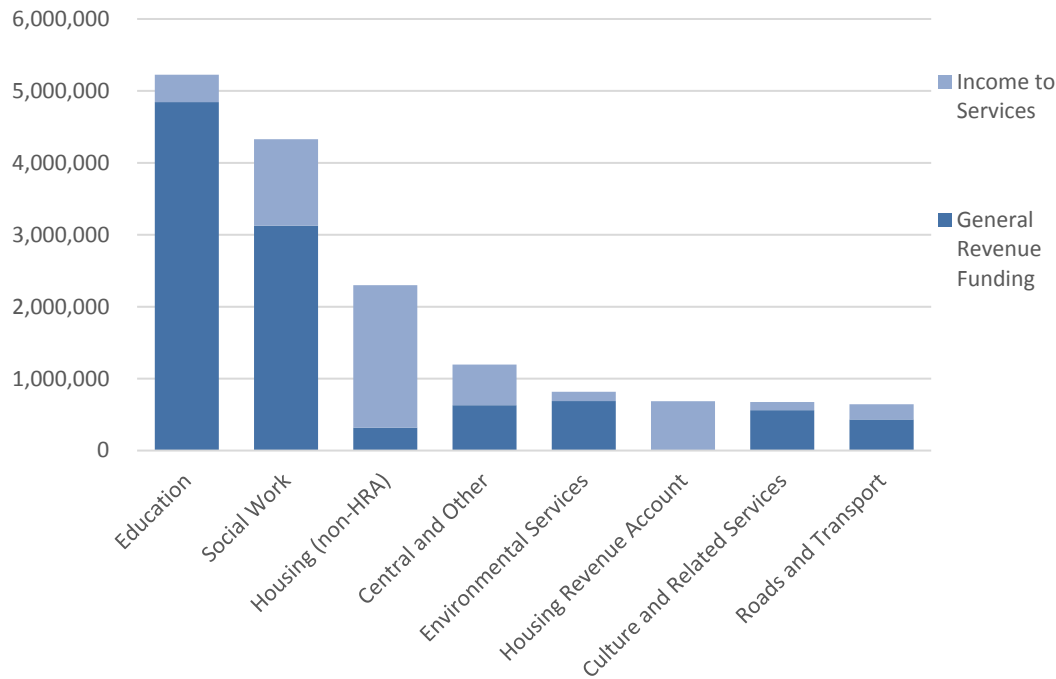
1. Local Government Revenue Expenditure and Funding

The revenue account is used for day-to-day costs, such as paying salaries, bills and rent.

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 Expenditure by Funding Source, 2017-18, £thousands



- **Gross Revenue Expenditure on services increased by 1.8% to £15.9 billion in 2017-18;**
- **Net Revenue Expenditure on services increased by 0.8% to £10.1 billion;**
- Net Revenue Expenditure on **Education increased by 0.3%** to £4.8 billion;
- Net Revenue Expenditure on **Social work decreased by 0.3%** to £3.1 billion;
- **General Funding increased by 0.4%** to £11.8 billion;
- **Service income increased by 3.6%** to £5.8 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 a school, road or care home. 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, a convention of presenting income in (brackets) and expenditure without brackets is used.

Table 1.1 summarises revenue income, expenditure, funding and reserves for 2017-18.

Total Gross Revenue Expenditure on services by Scottish local authorities in 2017-18 was £15,870 million, 1.8% higher than in 2016-17. Of this, £686 million was for the provision of housing through the Housing Revenue Account (HRA).

Total service income raised by local authorities in 2017-18 was £5,780 million, an increase of 3.6% on the previous year. Of this, £1,197 million was raised through the HRA.

Net Revenue Expenditure is the element of expenditure on services to be funded by taxation and non-specific grant income (General Revenue Funding, 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 2017-18 was £10,090 million, which is an increase of 0.8% on 2016-17.

The largest service area is education with gross expenditure of £5,224 million (an increase of 3.0% on the previous year) and service income of £380 million (an increase of 58.2%) in 2017-18, which gives a net revenue expenditure on education of £4,844 million, an increase of 0.3% compared with 2016-17. The sharp increase in service income is due to the expansion of the Attainment Scotland Fund (ASF), notably the introduction of Pupil Equity Funding, which is a ring-fenced revenue grant. The ASF underspent in 2017-18 which had a negative impact on net expenditure. As a result the net expenditure growth rate is lower than the gross expenditure growth rate.

The second largest service area is social work with gross expenditure of £4,329 million and £1,202 million of service income. Net Revenue Expenditure on social work is £3,127 million, 0.3% lower than in 2016-17.

Education and Social work account for three quarters of General Fund net revenue expenditure on services, with Education accounting for 46% and Social Work accounting for 29% of General Fund net revenue expenditure.

Total Other Income and Expenditure for 2017-18 was £1,702 million, an increase of 0.4% on the previous year. Of this, £828 million was spent on interest charges and £656 million was used to repay debt. Authorities used £296 million of revenue resources to fund capital expenditure. Interest received, surplus or deficit

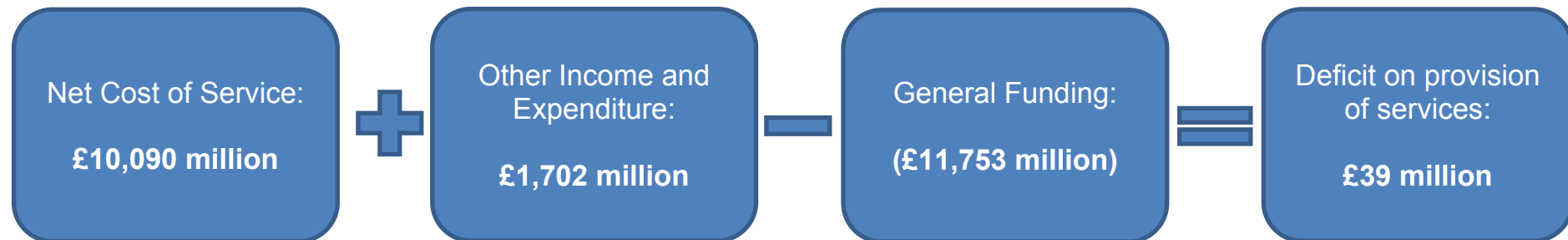
from trading operations and other operating expenditure totalled income of £78 million.

Total General Funding available to authorities in 2017-18 was £11,753 million, 0.4% higher than in 2016-17. Of this, £6,799 million was General Revenue Funding, £2,666 million was Non-Domestic Rates Distributable Amount and £2,278 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 cost of service, adding Other Income and Expenditure, then deducting General Funding, which gives a revenue deficit of £39 million in 2017-18. This comprises a £35 million deficit in the General Fund and a £4 million deficit in the Housing Revenue Account.

This deficit must be met from local authority reserves. At the 1st of April 2017, Local Authorities held £1,664 million of General Fund and HRA reserves. They transferred £18 million into General Fund and HRA reserves from other accounts within the authority, which meant that reserves decreased by £21 million to give a closing balance at the 31st March 2018 of £1,642 million. Unrounded figures are available in Table 1.1.

(Surplus)/Deficit on Provision of Services:



General Fund and HRA Revenue Reserves:

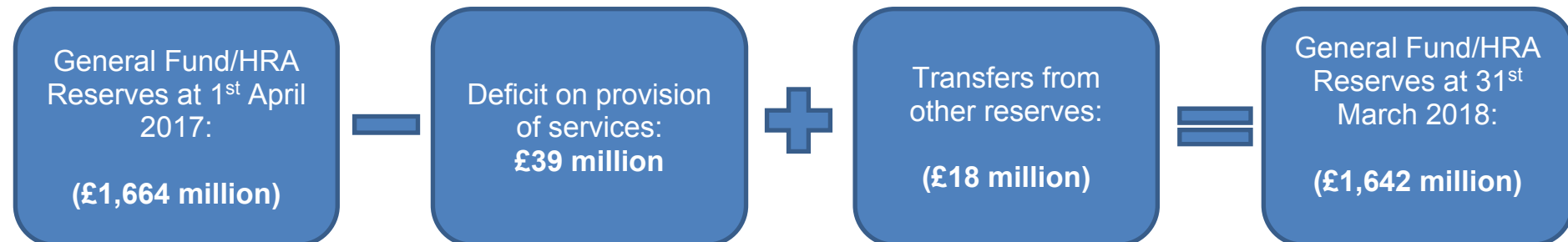


Table 1.1 – Revenue Expenditure, Income and Reserves, 2017-18
£thousands

	General Fund	Housing Revenue Account	Total
INCOME AND EXPENDITURE ON SERVICES			
Gross Expenditure	15,184,242	686,235	15,870,477
Gross Income	(4,582,971)	(1,197,371)	(5,780,342)
Net Cost of Service	10,601,271	(511,136)	10,090,135
OTHER INCOME AND EXPENDITURE			
Interest Payable and Similar Charges	686,212	141,539	827,751
Interest Receivable and Similar Income	(71,973)	(2,418)	(74,391)
Statutory Repayment of Debt	524,324	131,834	656,158
Capital Expenditure Funded from Revenue	51,890	244,128	296,018
(Surplus) or Deficit from Trading Operations	(10,164)	(281)	(10,445)
Other Operating Expenditure	6,295	562	6,857
Other Income and Expenditure	1,186,584	515,364	1,701,948
Funding Requirement	11,787,855	4,228	11,792,083
GENERAL FUNDING			
General Revenue Funding	(6,798,956)	0	(6,798,956)
Non-Domestic Rates	(2,665,800)	0	(2,665,800)
Council Tax	(2,278,037)	0	(2,278,037)
Other	(10,340)	0	(10,340)
Total Funding	(11,753,133)	0	(11,753,133)
(Surplus) / Deficit to be met from reserves	34,722	4,228	38,950
RESERVES			
Balance at 1 April 2017	(1,494,107)	(169,438)	(1,663,545)
(Surplus) or Deficit for the year	34,722	4,228	38,950
Movement in Reserves	(5,650)	(12,230)	(17,880)
<i>(Increase) or decrease in reserves</i>	29,072	(8,002)	21,070
Balance 31 March 2018	(1,465,035)	(177,440)	(1,642,475)

Source: Local Financial Returns – LFR A0

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 46% (£4,844 million) of General Fund net revenue expenditure. Of this, £1,905 million was spent on primary education and £1,869 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 £3,127 million (29% 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 £1,331 million followed by children and families with £917 million and adults with learning disabilities with £522 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: 2017-18

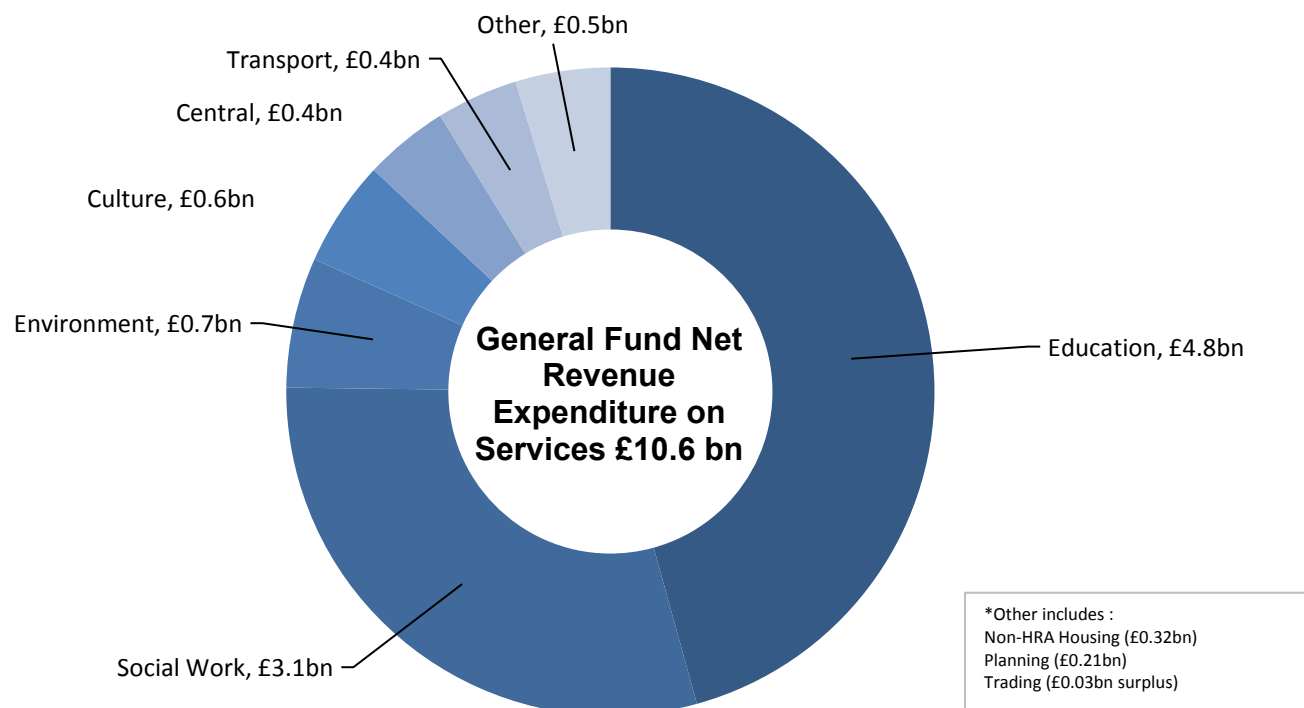


Table 1.2 provides a time series of net revenue expenditure by service. Education is the only service area that has shown increases in expenditure each year since 2013-14, increasing by 6% from £4,579 million in 2013-14 to £4,844 million in 2017-18. Over the period from 2013-14 to 2017-18, net revenue expenditure on Social Work increased by 3% from £3,031 million in 2013-14 to £3,127 million in 2017-18. Planning & Development Services showed the largest percentage fall (-24%) from £279 million in 2013-14 to £213 million in 2017-18.

Table 1.2 – Net Revenue Expenditure by Service, 2013-14 to 2017-18

	<i>£millions</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
Education	4,579	4,612	4,736	4,830	4,844
Cultural & Related Services	614	643	598	577	561
Social Work	3,031	3,110	3,169	3,136	3,127
Roads & Transport	436	420	418	399	432
Environmental Services	659	666	684	679	688
Planning & Development Services	279	278	243	234	213
Central Services	484	439	465	390	448
Non-HRA Housing	321	342	294	292	319
Trading Services	(2)	(5)	(17)	(27)	(30)
General Fund Net Expenditure	10,400	10,504	10,590	10,511	10,601
Housing Revenue Account	(439)	(465)	(490)	(499)	(511)
General Fund + HRA Net Revenue Expenditure	9,961	10,039	10,101	10,012	10,090

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 £7,088 million of expenditure. The second largest element was employee costs which account for £6,866 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 under Non-HRA Housing, which will include the payment of Housing Benefits, and make up around £1,706 million of the total £2,178 million of transfer payments.

An adjustment for Inter-Account and Inter-Authority Transfers is made to the gross expenditure to eliminate transfers between

different services within an authority and between local authorities. This prevents double counting expenditure when aggregating the individual returns.

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 £2,520 million of income. Of this, £1,187 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 Funding) with £2,225 million, however £1,746 million of this is under Non-HRA Housing, which will include the grant from the DWP to be used by authorities to pay out Housing Benefits.

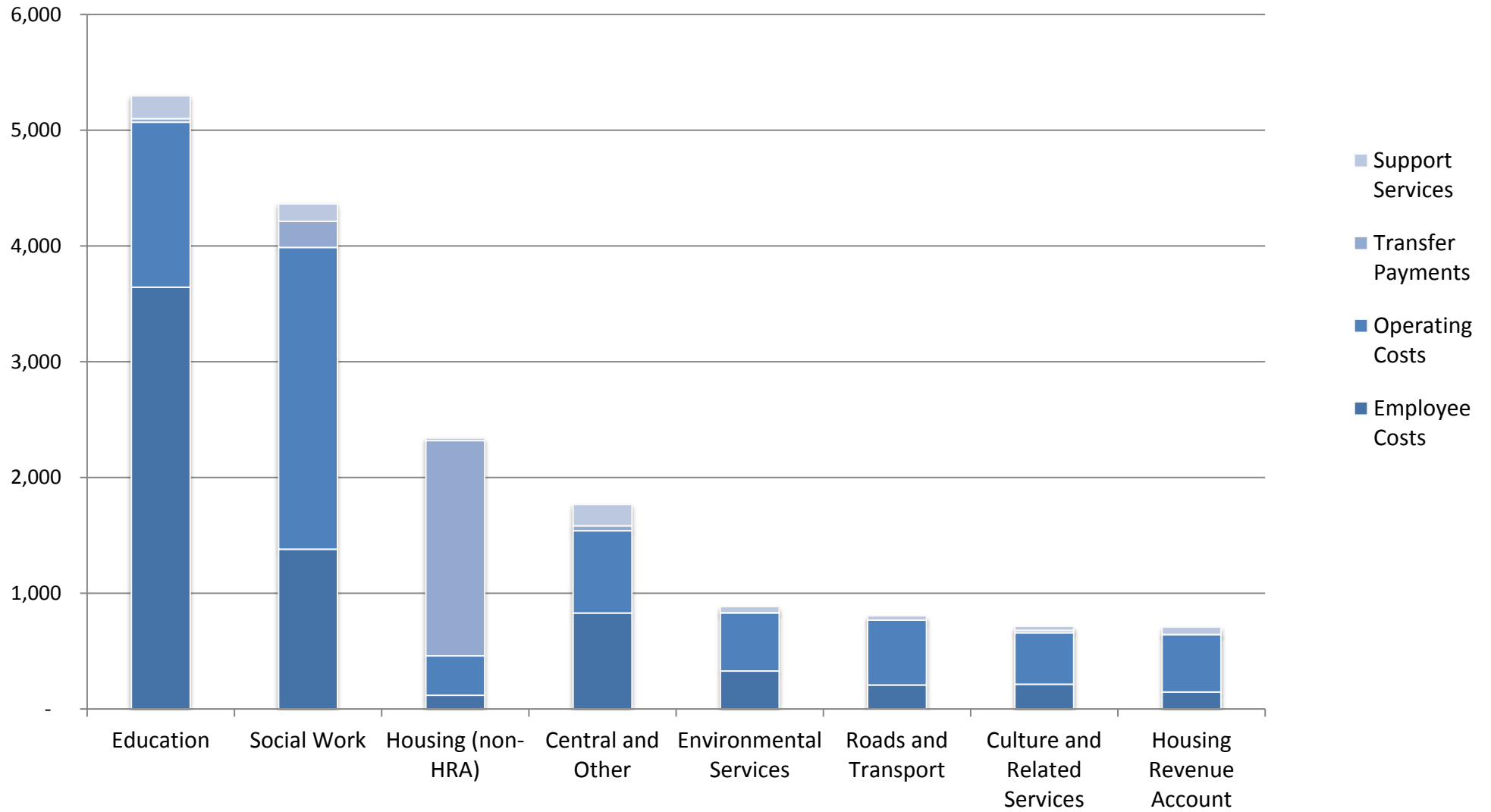
Table 1.3 Net Revenue Expenditure by Service and Type of Income / Expenditure, 2017-18

£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
EXPENDITURE										
Employee Costs	3,644,050	213,183	1,380,739	207,548	327,462	117,668	828,513	6,719,163	146,405	6,865,568
Operating Costs	1,425,908	446,409	2,606,479	559,487	502,781	341,222	711,538	6,593,824	494,641	7,088,465
Transfer Payments	30,207	19,523	226,034	(6,060)	2,377	1,859,712	42,710	2,174,503	3,515	2,178,018
Support Services	197,049	35,574	150,601	37,406	51,801	22,602	184,608	679,641	63,518	743,159
<i>Adjustment for Inter Account and Inter Authority Transfers</i>	<i>(73,044)</i>	<i>(40,308)</i>	<i>(34,590)</i>	<i>(155,186)</i>	<i>(65,945)</i>	<i>(42,305)</i>	<i>(571,511)</i>	(982,889)	<i>(21,844)</i>	(1,004,733)
Gross Expenditure	5,224,170	674,381	4,329,263	643,195	818,476	2,298,899	1,195,858	15,184,242	686,235	15,870,477
INCOME										
Government Grants (excl GRG)	(205,480)	(5,461)	(123,898)	(10,664)	(6,742)	(1,797,038)	(71,831)	(2,221,114)	(4,171)	(2,225,285)
Other Grants, Reimbursements and Contributions	(49,121)	(17,122)	(805,853)	(30,198)	(6,132)	(35,397)	(84,946)	(1,028,769)	(6,086)	(1,034,855)
Customer and Client Receipts	(125,302)	(90,980)	(272,355)	(170,851)	(117,169)	(147,559)	(408,602)	(1,332,818)	(1,187,114)	(2,519,932)
Other Income	0	(28)	0	30	0	(218)	(54)	(270)	0	(270)
Total Income	(379,903)	(113,591)	(1,202,106)	(211,683)	(130,043)	(1,980,212)	(565,433)	(4,582,971)	(1,197,371)	(5,780,342)
Net Revenue Expenditure	4,844,267	560,790	3,127,157	431,512	688,433	318,687	630,425	10,601,271	(511,136)	10,090,135

Source: Local Financial Returns – LFR 00

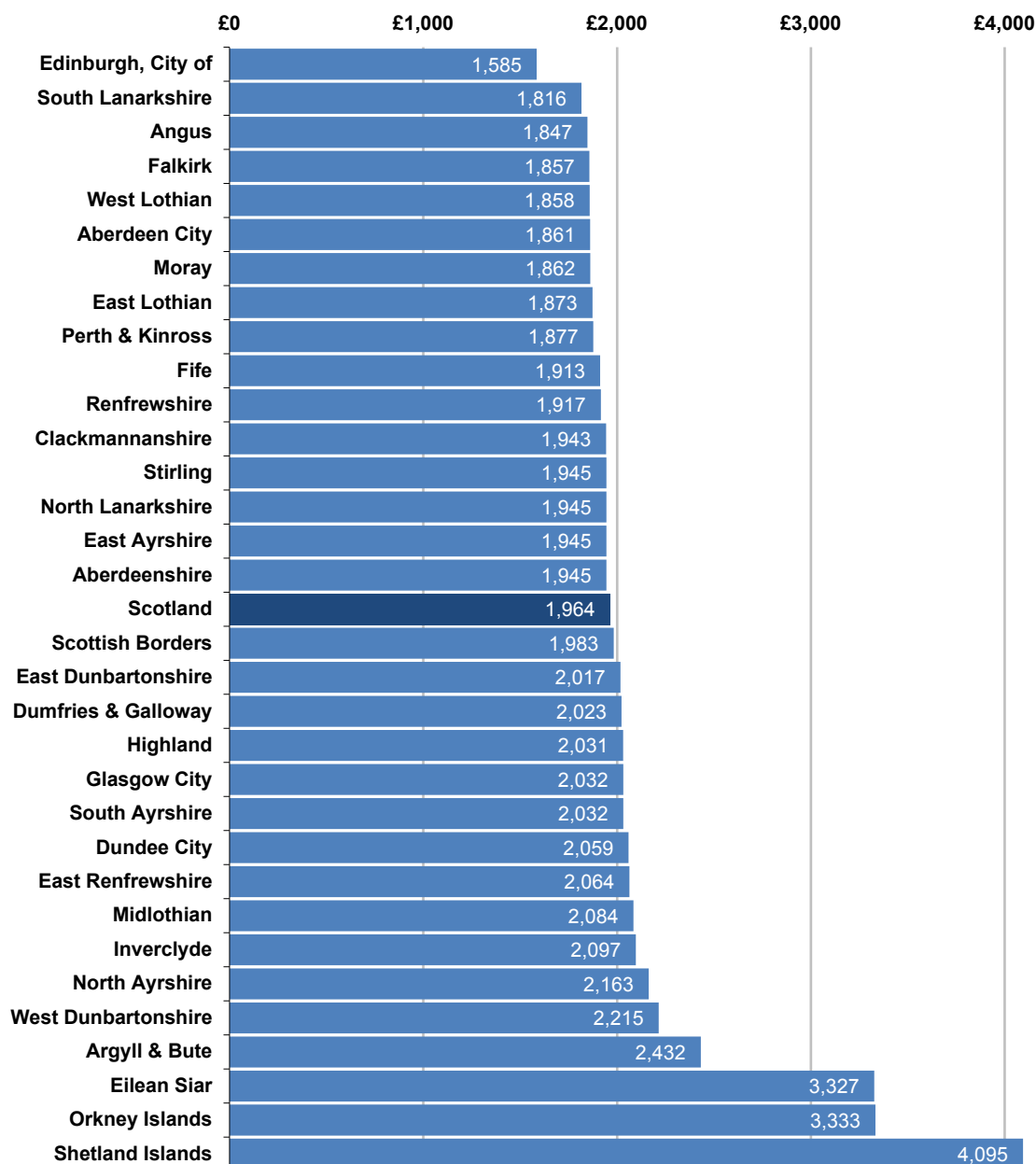
Chart 1.2: Gross Expenditure by Service, 2017-18, £millions



Source: Local Financial Returns – LFR 00

Chart 1.3 shows net revenue expenditure on General Fund 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 council's spent £1,964 per person in 2017-18, up slightly from £1,958 in 2016-17. Spend per head ranged from £1,585 per person in Edinburgh to £4,095 per person in Shetland.

Chart 1.3 – General Fund Net Revenue Expenditure per Head Population by Council, 2017-18 (£)



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

1.3 Revenue Income and Funding

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 Funding, (formerly referred to as the Revenue

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

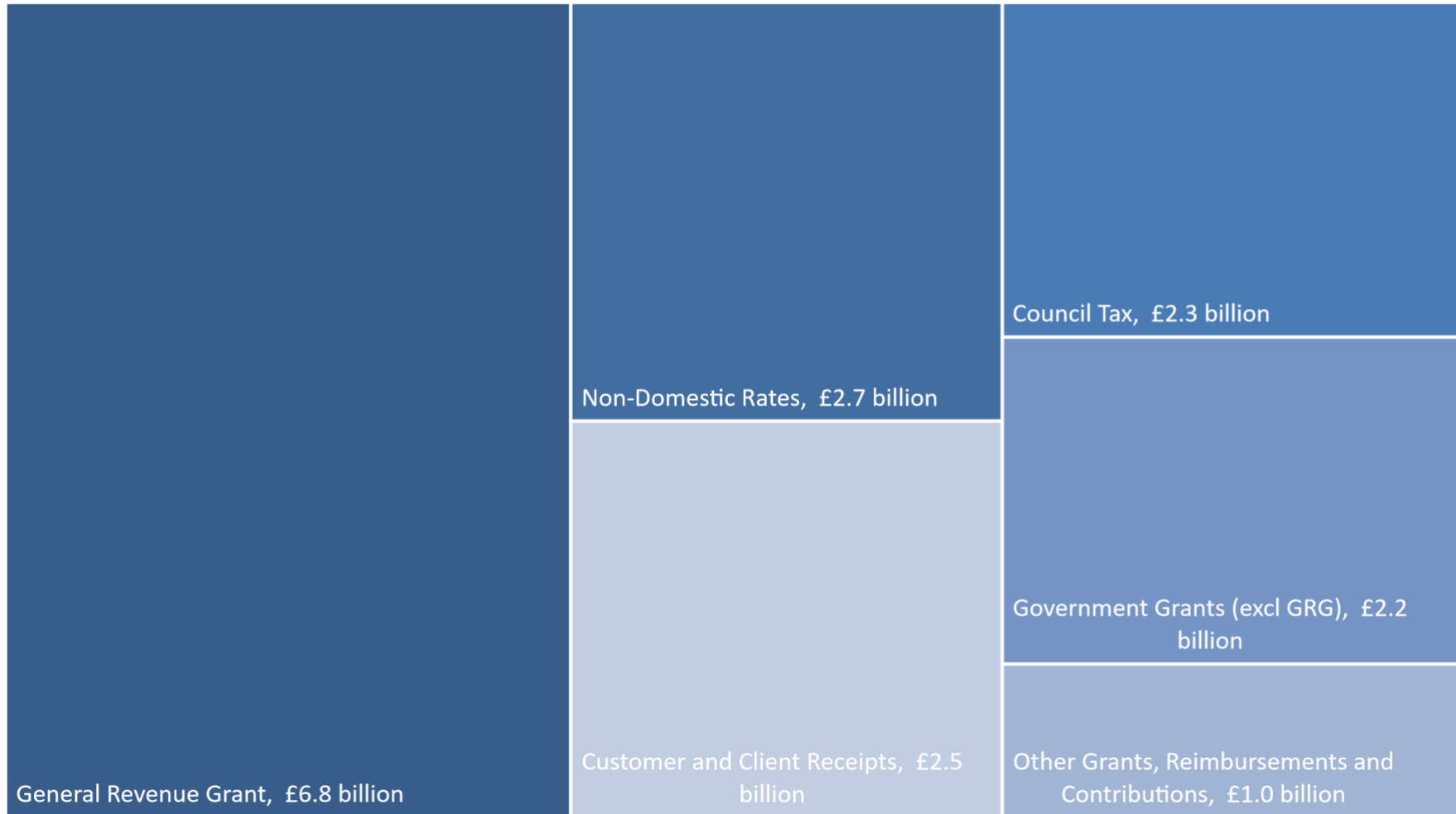
Local taxation contributed £4.9 billion to the funding of local government in 2017-18 and further information on these taxes is set out in the following sections. General Revenue Funding and local taxation combined together are sometimes referred to as “Taxation and non-specific grant income”. Other 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, 2013-14 to 2017-18

	<i>£millions</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
General Funding:	11,724	11,923	12,003	11,708	11,753
General Revenue Funding	7,225	7,167	7,147	6,839	6,799
Non-Domestic Rates Distributable Amount	2,436	2,656	2,791	2,769	2,666
Council Tax	1,978	2,022	2,055	2,091	2,278
Other Funding	85	78	10	10	10
Service Income:	5,066	5,185	5,230	5,578	5,780
Government Grants (excl GRG)	1,974	1,984	2,040	2,138	2,225
Other Grants, Reimbursements and Contributions	774	833	768	902	1,035
Customer and Client Receipts	2,317	2,368	2,423	2,537	2,520
Total Revenue Income	16,790	17,108	17,233	17,286	17,533

Source: Local Financial Returns – LFR 00

Chart 1.4 – Revenue Income and Funding, 2017-18



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

1.4 Council Tax

In 2017-18, Council Tax bills were issued to 2.49 million dwellings in Scotland. Over £2.278 billion of Council Tax revenue was raised across all local authorities in Scotland in 2017-18.

Council Tax was introduced in Scotland on the 1st 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 1st April 1991.** Each dwelling is placed into one of eight bands from A to H, with Band A dwellings liable for the lowest rates of Council Tax and Band H attracting the highest.
2. **The Band D rate** which is set by the local authority, with other bands calculated as a ratio to Band D. The ratios determining the charges for properties in bands E-H changed for the 2017-18 Council Tax year.
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 valuation range and ratios by band

	Valuation band ranges as at 1st April 1991	Ratio to Band D (to 2017-18)	No. of chargeable dwellings as at September 2018	Proportion of chargeable dwellings
Band A	Under £27,000	6/9	503,209	20%
Band B	£27,001 to £35,000	7/9	572,175	23%
Band C	£35,001 to £45,000	8/9	401,847	16%
Band D	£45,001 to £58,000	9/9	336,392	14%
Band E	£58,001 to £80,000	473/360	337,232	14%
Band F	£80,001 to £106,000	585/360	196,377	8%
Band G	£106,001 to £212,000	705/360	126,529	5%
Band H	Over £212,000	882/360	13,340	1%
Total			2,487,101	100%

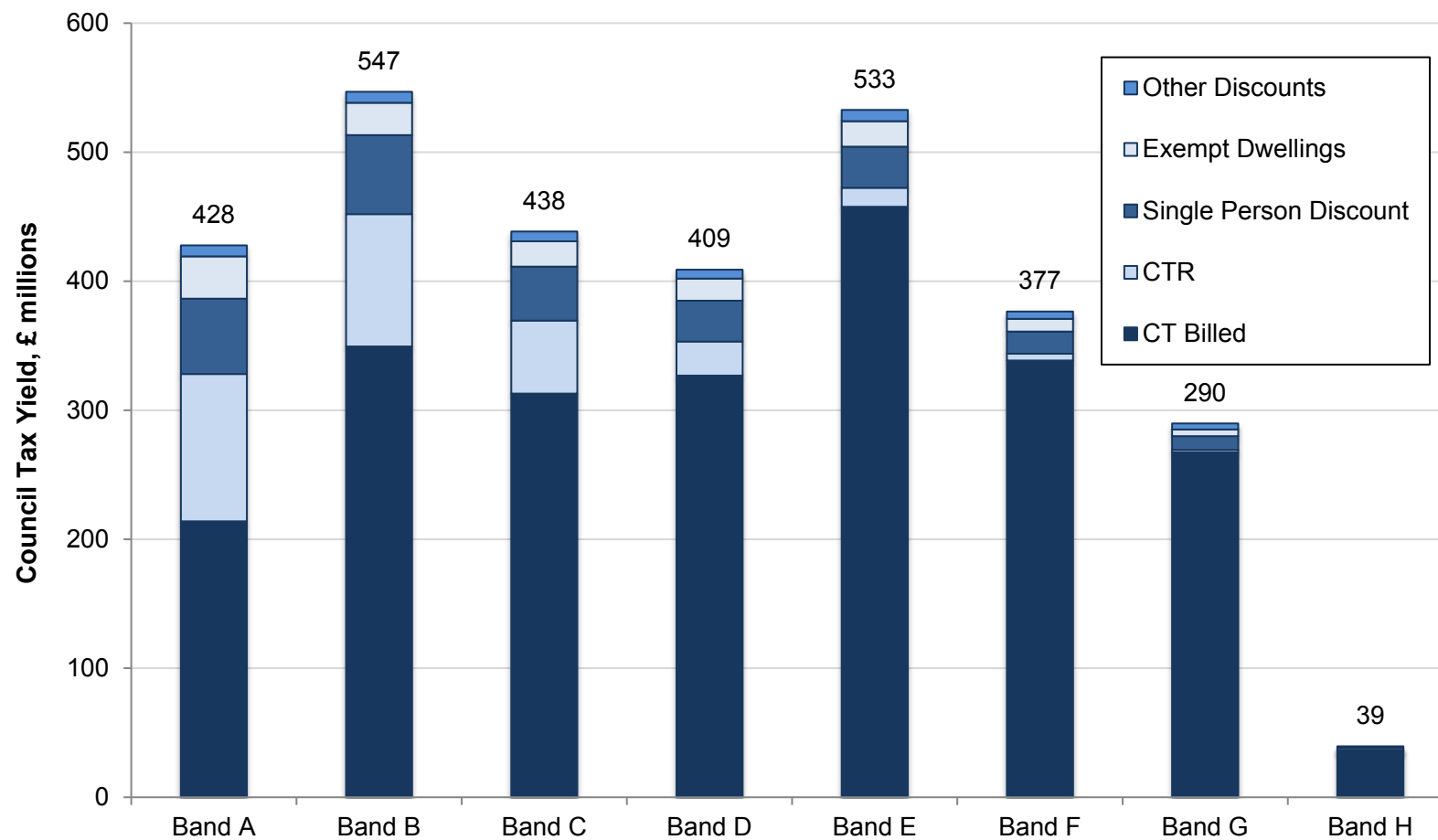
Source: CTAXBASE 2018 Return

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 dwelling. Each bill is calculated by applying the appropriate band rate for the local authority, then applying any discounts,

exemptions, reductions or increases: further details are provided in Tables 1.10 and 1.11. Chart 1.5 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), 2017-18



Source: CTAXBASE 2017 Return and CTRR 2017-18 Q4 Returns

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 2017-18 was 96.0 per cent and the total amount collected for Scotland as a whole (after CTR) was £2.278 billion, including late amounts for previous years.

Table 1.6 shows the amount of Council Tax collected by each local authority in 2017-18. More information about bills issued in 2017-18 and the provisional amounts collected are available in the statistics publication 'Council Tax Collection Statistics, 2017-18' which is available at:

<https://www.gov.scot/publications/council-tax-collection-statistics-2017-18-9781788519847/>

Table 1.6 – Council Tax income after CTR by local authority, 2017-18 ^a

Local Authority	Net Council Tax income (£'000s)
Aberdeen City	110,472
Aberdeenshire	134,199
Angus	46,596
Argyll and Bute	48,080
Clackmannanshire	20,702
Dumfries and Galloway	61,454
Dundee City	50,538
East Ayrshire	45,992
East Dunbartonshire	58,042
East Lothian	49,406
East Renfrewshire	48,072
Edinburgh, City of	249,248
Eilean Siar	10,145
Falkirk	61,682
Fife	149,839
Glasgow City	208,966
Highland	115,476
Inverclyde	29,726
Midlothian	40,698
Moray	39,130
North Ayrshire	51,646
North Lanarkshire	108,198
Orkney Islands	8,573
Perth and Kinross	76,171
Renfrewshire	73,238
Scottish Borders	52,712
Shetland Islands	9,042
South Ayrshire	52,039
South Lanarkshire	123,719
Stirling	46,049
West Dunbartonshire	32,607
West Lothian	65,580
Scotland	2,278,037

^a Figures relate to income collected in financial year 2017-18, which can include amounts that were billed in previous years.

Source: Local Financial Returns, 2017-18

Chargeable Dwellings

Table 1.7 shows the number of dwellings in Scotland for each September from 2013 to 2018. There were a total of 2.615 million dwellings in Scotland in 2018, of which 127,900 dwellings were exempt for Council Tax purposes. This gave 2.487 million chargeable dwellings in 2018: an increase of around 3.0 per cent (77,800 dwellings) since 2013.

Table 1.7 – Total number of dwellings in Scotland, 2013 to 2018

	Total Dwellings	Exempt Dwellings	Chargeable Dwellings
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
2017	2,594,821	121,324	2,473,497
2018	2,614,957	127,856	2,487,101

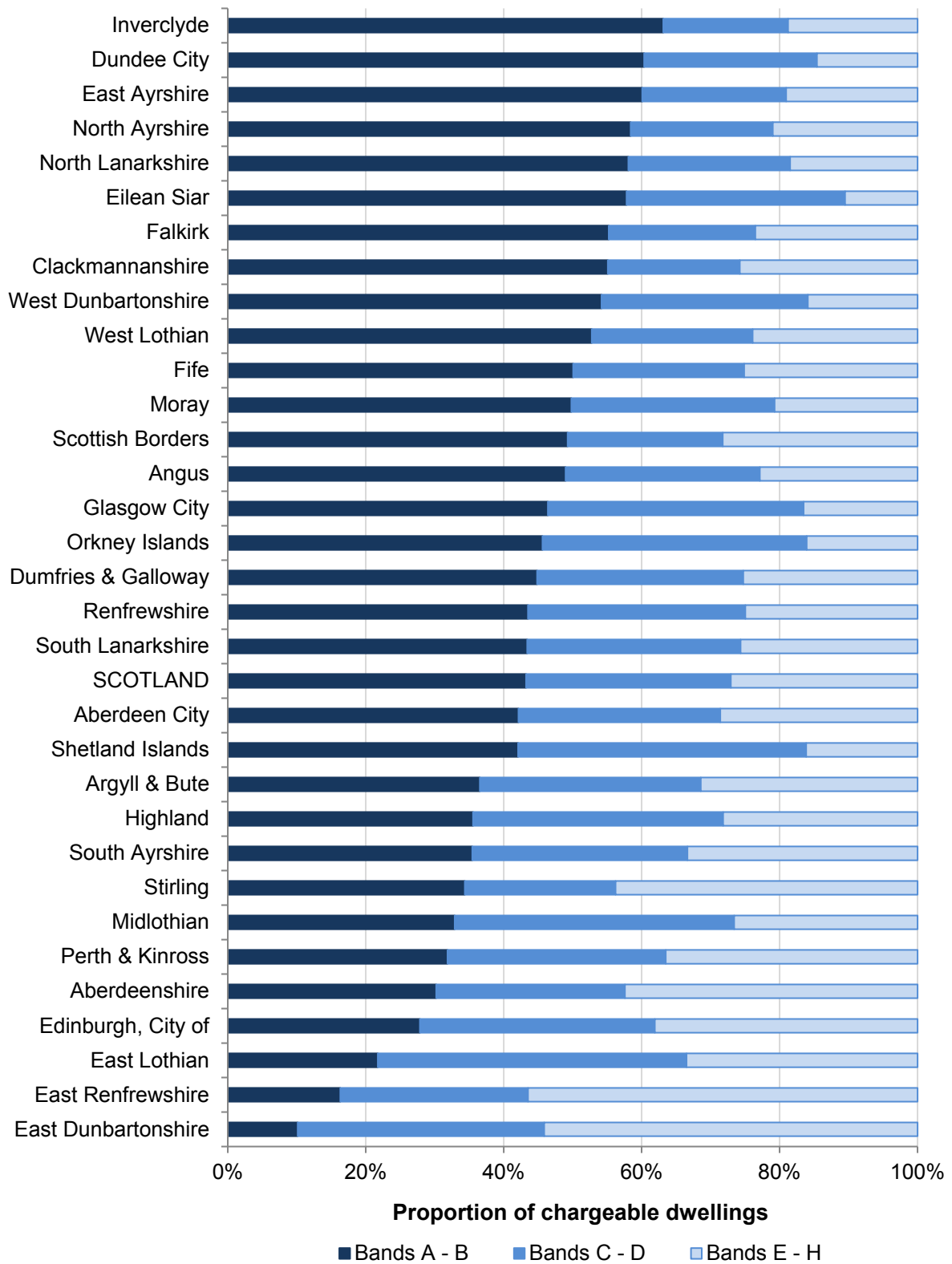
Source: CTAXBASE Returns

Chart 1.6 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. Comhairle nan 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, are 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 at the link below.
<http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/DatasetsCouncilTax>

Chart 1.6 - Percentage of chargeable dwellings by Council Tax band for each local authority as at September 2018

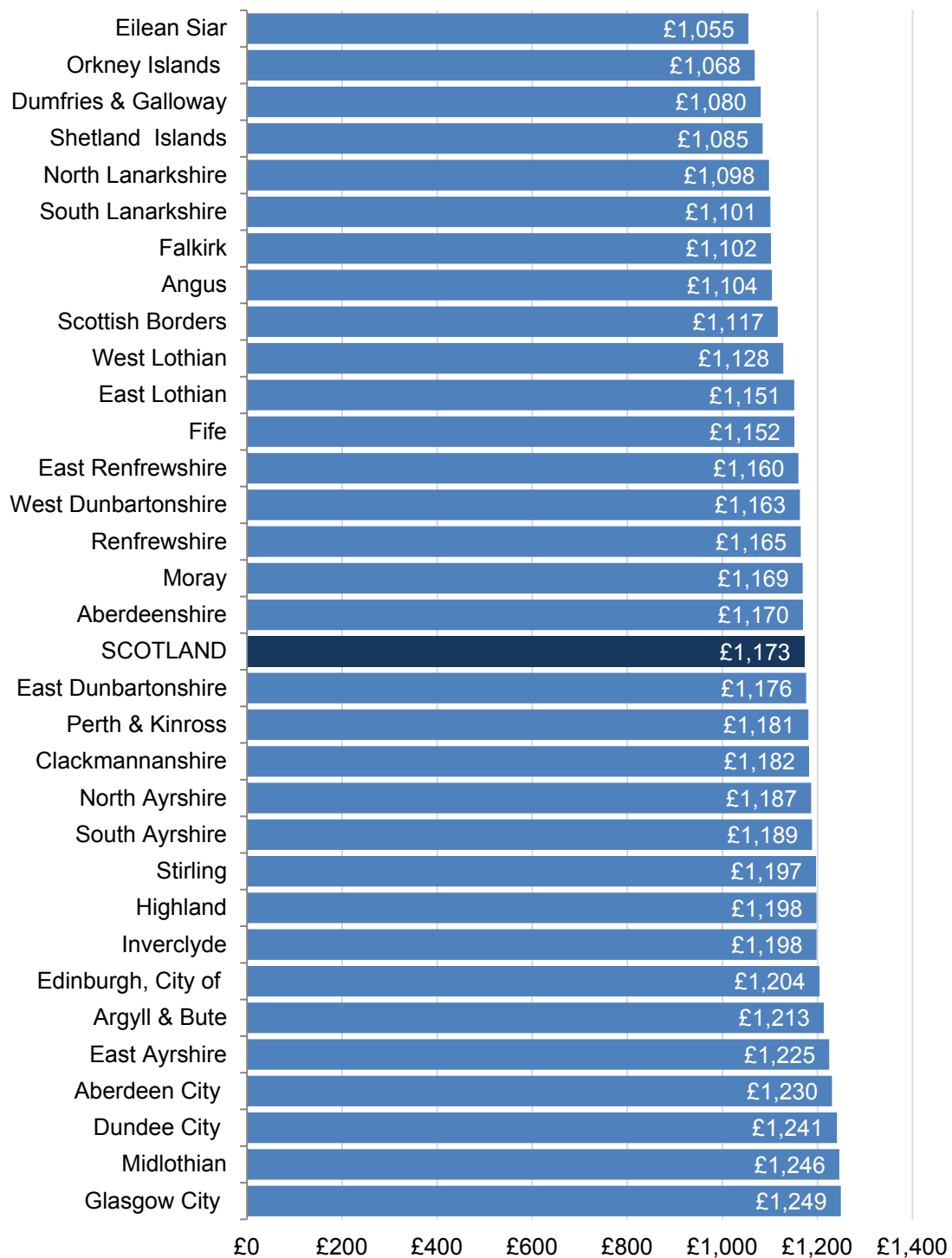


Source: CTAXBASE 2018 Return

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 used from 2017-18 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 1.7, and range from £1,055 in Comhairle nan Eilean Siar to £1,249 in Glasgow City.

Chart 1.7 – Band D Council Tax rate by local authority, 2017-18 (£)



Source: CTAS 2017 Return

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

In 2017-18, the Council Tax freeze ended and the Local Government Finance settlement included an agreement between the Scottish Government and local government for locally determined Council Tax increases to be capped at 3 per cent.

In 2017-18, eight local authorities did not increase their Band D council tax rate, one increased it by 2 per cent, two by 2.5 percent and the remaining 21 local authorities increased their Band D rate by 3 per cent.

Table 1.8 shows how the average Band D Council Tax bill for Scotland has changed each year from 2012-13. The average Council Tax bill per dwelling in 2017-18 was £1,069. 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, 2012-13 to 2017-18

	Average ¹ CT bill per dwelling	
	Before CTB/CTR	After CTB/CTR
2012-13	£985	£830
2013-14	£988	£838
2014-15	£989	£846
2015-16	£991	£856
2016-17	£997	£867
2017-18	£1,069	£936

Source: CTAS, CTAXBASE Returns and Local Financial Returns (LFR12)

Council Tax Reduction (CTR)

Scotland's CTR scheme was introduced in 2013 following the UK Government's abolition of Council Tax Benefit (CTB) and localisation of Council Tax support. 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 2017-18 reduced by £133 from £1,069 to £936.

Scotland's CTR scheme is funded by the Scottish Government. In 2017-18, CTR funding totalled £351 million. This included

additional funding for the 25 per cent increase in the child premium within the CTR scheme introduced in April 2017, and the extension of the CTR scheme to provide relief for low to middle income households from the impact of the council tax reforms on properties in Bands E - H.

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 2017-18 was around £327 million. This figure is £23.7 million less than the £351 million funding provided by the UK Government and Scottish Government.

Table 1.9 – CTR funding and final liability for local authorities, 2017-18

Local Authority	SG Funding (£'000s)	Final total reduction in liability (£'000s)
Aberdeen City	10,304	9,592
Aberdeenshire	8,577	7,621
Angus	5,612	5,283
Argyll and Bute	5,592	5,238
Clackmannanshire	3,626	3,400
Dumfries and Galloway	8,953	8,422
Dundee City	12,770	11,947
East Ayrshire	9,455	8,733
East Dunbartonshire	4,619	4,323
East Lothian	5,238	4,942
East Renfrewshire	3,902	3,654
Edinburgh, City of	26,672	24,718
Eilean Siar	1,462	1,316
Falkirk	8,491	7,838
Fife	21,352	20,220
Glasgow City	70,692	65,910
Highland	12,916	11,982
Inverclyde	6,605	6,238
Midlothian	5,234	4,759
Moray	3,975	3,739
North Ayrshire	12,059	11,342
North Lanarkshire	23,725	22,238
Orkney Islands	786	739
Perth and Kinross	6,701	6,188
Renfrewshire	13,051	12,187
Scottish Borders	5,584	5,086
Shetland Islands	674	625
South Ayrshire	8,677	8,144
South Lanarkshire	20,370	19,288
Stirling	4,282	4,005
West Dunbartonshire	9,040	8,428
West Lothian	10,004	9,164
Scotland	351,000	327,309

Source: Local Financial Returns (LFR23), CTR Extract

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: <https://www.gov.scot/policies/local-government/council-tax/>

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

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

¹ The actual change in liability depends on local authority policy. In 2013-14, local authorities gained the discretionary power to remove the empty properties discount or set a council tax increase of 100 per cent on properties which have been empty for more than 12 months.

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

³ 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 2.49 million chargeable dwellings in Scotland, around 1 million were eligible for a discount in 2018. The most common type of discount was the Single Person Discount, with around two-fifths of chargeable dwellings entitled to the discount in 2018. The CTR scheme supports almost half a million dwellings, or around one-fifth of chargeable dwellings, in meeting their Council Tax liability.

Around 64,000 dwellings are classified as second homes or long term empty properties: further statistics on these are available at:

<https://www.gov.scot/publications/housing-statistics-quarterly-update-december-2018/>

Table 1.11 – Number of dwellings¹ in receipt of Council Tax discounts and reductions as at September

Type of Support	2013	2014	2015	2016	2017	2018
All chargeable dwellings	2,410,331	2,427,805	2,440,518	2,455,406	2,473,497	2,487,101
Disability reduction	13,791	13,736	13,505	13,463	13,705	13,903
Single Person Discount	952,251	953,612	955,505	963,297	972,537	978,504
Second Homes ²	35,734	27,879	27,317	26,140	22,101	24,907
Long Term Empty (empty > 6 months)	27,327	31,884	36,419	36,236	37,135	39,110
Occupied entirely by disregarded adults	1,579	2,802	1,378	1,411	1,352	1,374
Dwellings not subject to discount	1,393,440	1,411,628	1,419,899	1,428,322	1,440,372	1,443,206
Council Tax Reduction/Benefit ³	548,070	533,980	512,340	495,660	489,560	481,100

¹ 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.

² 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.

³ Council Tax Benefit figures from 2010 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

Source: CTAXBASE Returns, 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 2017-18, the income raised from NDR was £2.76 billion.

The principles of non-domestic rates were established in the Lands Valuation (Scotland) Act 1854. This act also provided for the appointment of the [Scottish Assessors](#), who are responsible for determining the classification and valuation of non-domestic and domestic properties, and are independent of both the Scottish Government and local authorities. 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). RV is based on a legally defined valuation and broadly corresponds to the notional rental value the property could achieve in the open market if it were vacant and to let, taking account of the type and nature of the property. As such it is not necessarily a reflection of the profitability, turnover or output of the ratepayer. RVs are generally initially established when a non-domestic property comes into existence. Non-domestic properties and their corresponding RVs are listed on the Valuation Roll, which is maintained by the Scottish

¹ An analysis of changes in the RV of non-domestic properties in Scotland following the 2017 revaluation can be found at <https://beta.gov.scot/publications/revaluation-2017-scotland/>

² An exception to this was the 7 year cycle following the 2010 revaluation. The current cycle will be 5 years with the next revaluation scheduled for 2022.

Assessors. RVs are periodically updated at non-domestic rate revaluations. Scottish Assessors undertook the last revaluation in 2017, assigning updated rateable values to all non-domestic properties in Scotland.¹ Revaluations typically have taken place on a 5-year cycle²

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

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

In 2017-18, for properties with an RV greater than £51,000, the Large Business Supplement (LBS) applied in addition to the poundage (the poundage is effectively increased by adding the LBS).

In England revenue-neutral revaluations are a statutory requirement, with the poundage generally decreasing in line with average RV increases (or vice versa). This is not the case in Scotland, with the 2017 revaluation and poundage actually leading to a decrease in anticipated revenue over the following cycle.

Table 1.12 shows the composition of properties (and associated RV) on the Valuation Roll by property type. As at 1st April 2017³,

However, following that revaluations will take place every 3 years - the Barclay Review recommendation having been accepted.

³ The Valuation Roll is continually updated and the non-domestic rates income for 2017-18 won't be based solely on the snapshot of the Roll at April 2017. The composition of the Roll as at April 2018 is also shown in Annex L.

there were 233,386 properties with a total RV of £7.4 billion. Shops were the most prevalent type of property on the Valuation Roll, making up nearly a quarter (23%) 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 54% of the RV.

2017. The composition of the Roll as at April 2018 is also shown in Annexes L, M and N.

Table 1.12 – Non-Domestic Rates Properties by Classification (as at 1 April 2017)

CATEGORY	Number of properties 1st April 2017	Rateable value (£) 1st April 2017	% of Properties on Valuation Roll 1st April 2017	% of RV on Valuation Roll 1st April 2017
Advertising	1,924	10,538,430	1%	0%
Care Facilities	2,975	118,542,034	1%	2%
Communications	349	24,645,995	0%	0%
Cultural	1,419	53,810,920	1%	1%
Education and Training	3,705	559,765,675	2%	8%
Garages and Petrol Stations	4,245	74,937,080	2%	1%
Health and Medical	3,233	228,000,365	1%	3%
Hotels	5,469	275,073,193	2%	4%
Industrial Subjects	49,050	1,256,125,440	21%	17%
Leisure, Entertainment, Caravans etc.	22,299	281,406,378	10%	4%
Offices	44,061	1,082,525,979	19%	15%
Other	16,156	141,617,533	7%	2%
Petrochemical	142	122,224,305	0%	2%
Public Houses	3,732	132,642,075	2%	2%
Public Service Subjects	10,082	356,549,995	4%	5%
Quarries, Mines, etc.	660	17,990,509	0%	0%
Religious	6,101	56,293,665	3%	1%
Shops	53,709	1,611,664,302	23%	22%
Sporting Subjects	3,010	18,120,492	1%	0%
Statutory Undertaking	1,065	935,200,808	0%	13%
TOTAL ALL NON-DOMESTIC PROPERTIES	233,386	7,357,675,173	100%	100%

Source: Scottish Assessors Valuation Roll, 1st April 2017

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 (SBBS) and the application of the Large Business Supplement (LBS), £18,000 and £51,000 currently (2017/18) represent the rateable value thresholds for small and large businesses respectively.

Around 78% of all properties (180,886 properties) have a rateable value less than or equal to £18,000, and around 9% of properties have a rateable value of more than £51,000.

Table 1.13 – Non-Domestic Rates Subjects by Local Authority (as at 1 April 2017)¹

Local Authority	Rateable Value Band			Total Non-Domestic Properties
	<= £18,000	£18,001 to £51,000	> £51,000	
Scotland	180,886	30,498	22,002	233,386
Aberdeen City	5,435	1,962	2,146	9,543
Aberdeenshire	9,488	1,430	966	11,884
Angus	4,135	475	274	4,884
Argyll & Bute	7,686	564	266	8,516
Clackmannanshire	1,234	206	113	1,553
Dumfries & Galloway	8,310	698	388	9,396
Dundee City	4,280	881	692	5,853
East Ayrshire	3,229	447	277	3,953
East Dunbartonshire	1,813	377	198	2,388
East Lothian	2,836	394	253	3,483
East Renfrewshire	1,314	301	136	1,751
Edinburgh, City of	15,876	3,863	3,116	22,855
Eilean Siar	2,221	159	90	2,470
Falkirk	3,765	737	496	4,998
Fife	10,811	1,801	1,032	13,644
Glasgow City	19,143	4,507	3,596	27,246
Highland	15,242	1,528	1,091	17,861
Inverclyde	1,880	275	190	2,345
Midlothian	2,323	394	306	3,023
Moray	3,853	435	321	4,609
North Ayrshire	4,124	586	353	5,063
North Lanarkshire	7,426	1,542	1,045	10,013
Orkney Islands	1,919	185	71	2,175
Perth & Kinross	7,275	807	539	8,621
Renfrewshire	4,889	900	714	6,503
Scottish Borders	6,244	630	317	7,191
Shetland Islands	1,768	178	110	2,056
South Ayrshire	3,844	611	386	4,841
South Lanarkshire	7,358	1,557	1,046	9,961
Stirling	4,195	687	420	5,302
West Dunbartonshire	2,290	369	267	2,926
West Lothian	4,680	1,012	787	6,479

1. Includes properties with a zero rateable value.

Source: Scottish Assessors Valuation Roll, 1st April 2017

Table 1.14 shows a time series of annual NDR Income, total rateable value and poundage rate. As a consequence of the 2017 revaluation, the poundage was reduced from 48.4p in

2016-17 to 46.6p in 2017-18 and the total RV of non-domestic properties (the tax base) increased from £6.8 billion in 2016-17 to £7.4 billion in 2017-18.

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

	2009-10	2010-11 ¹	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 ¹
Non Domestic Rates Income (£m) ²	2,010	2,138	2,251	2,347	2,367	2,511	2,579	2,731	2,762
Total Rateable Value (£m) ³	5,299	6,612	6,678	6,718	6,716	6,681	6,719	6,796	7,358
Poundage Rate (pence)	48.1	40.7	42.6	45.0	46.2	47.1	48.0	48.4	46.6
Large Business Supplement (pence) ⁴	0.4	0.7	0.7	0.8	0.9	1.1	1.3	2.6	2.6

1. Revaluations occurred in 2010 and 2017.

2. All income figures, including 2017-18, 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. As at start of financial year

4. The Large Business Supplement is applied in addition to the poundage for properties with a rateable value over £51,000

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

Table 1.14 also shows that between the 2010 and 2017 revaluations the total RV had increased slightly from £6.6 billion in 2010-11 to £6.8 billion in 2016-17. This was 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 appeals⁴. 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 Ministers⁵, has previously typically been tied to the Retail Price Index⁶ (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 £51,000 in 2017-18) also pay a

⁴ Statistics on revaluation appeals are published quarterly in the [Non-Domestic Rates Revaluation Appeal Statistics](#) publication.

⁵ Since 2007-08, Scottish Ministers have committed to equalisation of the Scottish poundage rate with that in England, although in 2019-20 a poundage of 49.0p, which is around 0.1p less than that for England.

⁶ Although for 2018-19 the poundage (rate of tax) was updated by the Consumer Prices Index (CPI), to give a poundage of 48.0p and for 2019-20 Ministers have set the poundage at 49.0p a below inflation increase.

supplement to the poundage rate, known as the Large Business Supplement (LBS). The LBS was 2.6p in 2017-18⁷. 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. 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 1st April 2017 and the NDR income collected in 2017-18 by local authority. This is net of reliefs, apart from those for which the cost is met by local authorities.

Consequently, amounts reported are slightly greater than those actually paid.

Some councils have responsibility for collection of NDR for specific utilities. For these councils, the entries on the valuation roll and NDR income include Scotland-wide data for the specified utilities sectors.

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 available⁸ and the amount of relief provided each year from 2010-11 to 2017-18. Local reliefs and the elements of discretionary reliefs funded by local authorities are not included.

⁷ And remains at 2.6p in 2018-19. The LBS threshold also remains at £51,000. The supplement and threshold will also remain at these levels in 2019-20.

The gross amount of relief provided has increased substantially from £501 million in 2010-11 to £684 million in 2017-18. Key reasons for change in total relief costs include changes to the poundage, changes to the tax base (recent growth in overall RV and increase in overall RV at revaluation), changes in relief entitlement, increased awareness of a relief scheme, or introduction of new reliefs. For example the Small Business Bonus Scheme (SBBS) has been expanded in recent years and a greater awareness of the scheme will have contributed to the rise in cost of SBBS. Following the 2017 revaluation a transitional relief scheme was introduced for pubs, hotels and restaurants with rateable value below £1.5 million, and for offices in Aberdeen and Aberdeenshire. Table 1.16a shows the amount of relief paid in each local authority area in 2017-18.

⁸ More information on NDR relief can be found at:
<https://www.mygov.scot/business-rates-relief/overview/>

Table 1.15 – Non-Domestic Rates Properties, Rateable Values and Income By Local Authority¹

Authority	Non-Domestic Properties ² Apr-17	Non-Domestic Rateable Values Apr-17 (£000s)	Non-Domestic Rate Income 2017-18 ³ (£000s)
Scotland	233,386	7,357,675	2,762,249
Aberdeen City	9,543	593,767	242,635
Aberdeenshire	11,884	286,633	113,584
Angus	4,884	80,431	25,141
Argyll & Bute	8,516	109,931	36,101
Clackmannanshire	1,553	42,498	16,070
Dumfries & Galloway	9,396	123,270	46,058
Dundee City	5,853	186,886	66,203
East Ayrshire	3,953	80,366	26,617
East Dunbartonshire	2,388	68,991	22,973
East Lothian	3,483	74,989	24,042
East Renfrewshire	1,751	43,253	14,505
Edinburgh, City of	22,855	945,618	349,501
Eilean Siar	2,470	26,491	7,516
Falkirk	4,998	184,691	72,134
Fife	13,644	427,587	160,833
Glasgow City	27,246	1,016,782	359,289
Highland	17,861	359,803	130,418
Inverclyde	2,345	57,341	19,165
Midlothian	3,023	84,100	32,641
Moray	4,609	108,444	43,680
North Ayrshire	5,063	115,161	38,618
North Lanarkshire	10,013	291,967	107,549
Orkney Islands	2,175	28,851	9,677
Perth & Kinross	8,621	159,642	53,195
Renfrewshire	6,503	316,839	121,166
Scottish Borders	7,191	106,773	32,361
Shetland Islands	2,056	60,817	24,881
South Ayrshire	4,841	115,179	41,498
South Lanarkshire	9,961	744,327	323,259
Stirling	5,302	122,596	41,529
West Dunbartonshire	2,926	185,733	78,573
West Lothian	6,479	207,919	80,838

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 amounts paid by councils themselves.

Sources: Number of Properties and Rateable Value - Scottish Assessors Valuation Roll (April 2017). NDR Income - Non-domestic Rate Income Returns provided by Councils.

Table 1.16 – Amount of Non-Domestic Rates Relief Provided by Relief Type^{1,2}

	£thousands							
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Empty Property Relief	145,936	157,862	169,134	146,496	140,962	141,604	93,682	93,988
Charities	136,731	151,276	164,979	173,623	181,242	189,312	201,215	214,418
Sports Clubs	11,476	12,059	12,431	12,911	13,487	13,852	13,851	13,620
Disabled persons relief	51,901	54,372	57,580	58,299	59,648	60,599	61,498	61,511
SBBS	123,259	134,719	150,196	161,002	170,635	179,544	187,029	240,663
Religious Properties	24,016	22,960	24,573	25,205	26,113	26,625	27,014	26,303
Rural Rate Relief	4,129	4,218	4,305	4,323	4,244	4,235	4,114	3,988
Renewable Energy Relief Scheme ³	3,560	4,126	4,811	7,333	9,280	9,545	647	1,279
New Start ⁴				130	484	188	398	497
Fresh Start ⁴				189	536	573	607	436
Transitional Relief ⁵								26,330
Other ⁶	4	43	10	63	221	422	730	1,104
Gross Amount	501,013	541,635	588,018	589,574	606,852	626,497	590,784	684,137

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

2. Reliefs for all years, including 2017-18, are final audited figures.

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

4. The New Start and Fresh Start relief schemes were introduced on 1 April 2013.

5. Transitional relief was introduced for certain classes of properties following the 2017 revaluation.

6. Other includes Hardship and Enterprise Areas.

Source: Non-domestic Rate Income Returns from Councils

Table 1.16a – Amount of Non-Domestic Rates Relief Provided by Relief Type, by Local Authority, 2017-18^{1,2} £thousands

Authority	Empty Property Relief	Charities	Sports Clubs	Disabled persons relief	SBBS	Religious Exemption	Rural Rate Relief	Transitional Relief	Other ³	All reliefs
Aberdeen City	12,871	12,855	279	2,975	7,023	1,158	0	3,719	105	40,984
Aberdeenshire	1,963	2,828	990	2,533	11,737	959	1,181	927	387	23,505
Angus	985	2,096	1,424	1,276	5,173	466	65	183	34	11,701
Argyll & Bute	479	2,595	148	650	8,243	588	197	933	328	14,159
Clackmannanshire	431	942	101	433	1,784	191	4	0	0	3,886
Dumfries & Galloway	985	2,100	335	1,124	8,588	497	203	544	5	14,380
Dundee City	2,787	10,169	156	2,284	6,444	597	0	320	17	22,774
East Ayrshire	986	2,921	146	1,174	4,696	448	3	143	4	10,520
East Dunbartonshire	197	3,030	382	984	3,434	508	0	32	11	8,578
East Lothian	902	2,971	894	1,009	4,192	450	50	253	0	10,721
East Renfrewshire	282	1,477	223	941	2,257	321	0	130	61	5,692
Edinburgh, City of	15,622	40,003	1,489	7,659	24,343	3,735	0	6,407	254	99,511
Eilean Siar	104	1,045	63	430	1,869	324	111	62	142	4,149
Falkirk	2,607	3,117	191	1,605	5,231	650	4	10	15	13,430
Fife	4,678	9,836	529	3,868	14,921	1,837	35	577	179	36,459
Glasgow City	25,226	52,784	666	7,678	29,388	2,370	0	2,887	243	121,243
Highland	1,274	9,710	332	3,778	16,479	1,337	1,133	2,718	267	37,027
Inverclyde	676	2,075	326	689	2,674	328	0	30	27	6,823
Midlothian	523	3,574	292	656	3,119	335	10	99	0	8,608
Moray	357	1,658	191	1,100	4,342	487	142	244	0	8,522
North Ayrshire	2,715	2,959	305	1,783	5,519	499	59	351	85	14,274
North Lanarkshire	3,198	8,153	351	2,522	11,204	2,414	4	156	195	28,196
Orkney Islands	235	882	65	200	1,699	161	288	122	115	3,767
Perth & Kinross	737	5,424	292	2,619	9,531	741	103	1,489	238	21,172
Renfrewshire	2,745	5,642	272	2,371	6,755	610	0	954	21	19,370
Scottish Borders	1,108	2,943	583	1,243	7,762	524	103	224	24	14,514
Shetland Islands	165	1,202	818	380	1,245	105	122	298	183	4,520
South Ayrshire	1,528	2,251	296	1,512	5,577	532	53	522	180	12,452
South Lanarkshire	2,185	6,576	437	3,156	9,946	1,631	26	341	103	24,402
Stirling	1,188	4,371	538	809	5,498	541	77	1,300	67	14,389
West Dunbartonshire	907	2,291	62	670	3,427	342	4	228	0	7,932
West Lothian	3,342	3,939	444	1,401	6,565	617	10	131	28	16,477
Scotland	93,988	214,418	13,620	61,511	240,663	26,303	3,988	26,330	3,316	684,137

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. Other includes Hardship, Enterprise Areas, New Start, Fresh Start and Rural Rate Relief.

Source: Non-domestic Rate Income Returns from Councils

Each council reports to the Scottish Government the amount of NDR collected which is to be included in the annual NDR Account which is published as part of the overall Scottish Government's annual accounts. The amount to be distributed to each authority as part of the annual local government finance settlement is known as the Distributable Amount (DA) and is set by the Scottish Government before the start of the financial year in question.

From 1st April 2011, the local government funding distribution methodology sees Councils retain all of the NDR income collected in their area (the previous policy saw NDR redistributed on the basis of population shares). As the combined total of NDR income and General Revenue Grant (GRG) provided to councils is guaranteed by the Scottish Government, any increase in the amount of NDR collected is compensated for by a corresponding decrease in GRG and vice versa. Any changes from the assumed collection amount in any year is paid out or recovered from 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 NDR income received 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 2017-18 is given in Annex F and the 2017-18 distributable amount per local authority is shown in Table 1.17.

There are two current policy initiatives that directly linked to the NDR collected.

A Business Rates Incentivisation Scheme (BRIS) was introduced from April 2012 to incentivise councils to maximise existing business rates income and attract new economic growth by allowing all authorities that exceed their annual business rates buoyancy target (the target percentage increase in their tax base) to benefit from receiving additional grant equal to 50% of any additional NDR income. In effect this means that only 50% of the additional NDR attributable to the increased buoyancy is deducted from the GRG. This increased funding is carried forward between revaluation years, with each year's increased funding being carried forward to the next year and added to any new retention awarded, assuming the previous year's income is maintained. In 2017-18 the amount the additional funding received under this scheme (according to the authorities' returns) was £1.03 million (cumulative £8.9 million in 2016-17).

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 2017-18 the amount of NDR retained by local authorities for TIF projects was (according to the authorities' returns) £1.5 million (£1.2 million in 2016-17).

Table 1.17 – Non-Domestic Rates Distributable Amount¹ by Local Authority, 2017-18

	Non-Domestic Rate Distributable Amount (£000s)¹
Scotland	2,665,800
Aberdeen City	205,547
Aberdeenshire	95,828
Angus	27,233
Argyll & Bute	29,615
Clackmannanshire	14,928
Dumfries & Galloway	45,529
Dundee City	66,700
East Ayrshire	29,367
East Dunbartonshire	23,586
East Lothian	24,550
East Renfrewshire	14,427
Edinburgh, City of	355,063
Eilean Siar	7,962
Falkirk	65,438
Fife	170,998
Glasgow City	373,238
Highland	122,421
Inverclyde	21,283
Midlothian	29,273
Moray	33,406
North Ayrshire	40,568
North Lanarkshire	114,474
Orkney Islands	9,688
Perth & Kinross	52,035
Renfrewshire	98,908
Scottish Borders	32,673
Shetland Islands	23,240
South Ayrshire	39,756
South Lanarkshire	287,862
Stirling	42,829
West Dunbartonshire	77,319
West Lothian	90,056

Source: [Local Government Finance Circular 01/2017](#).

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

2. The Distributable Amount for 2018-19 was published in December 2017 in the Local Government Finance Circular 05/2017, and will be set out in next year's publication. 2019-20 Distributable Amount was published in December 2018 and can be found in the Local Government Finance Circular 08/2018.

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 decreased by 0.7%, from £2,537 million in 2016-17 to £2,520 million in 2017-18. In the General Fund this has decreased by 2.8%, from £1,371 million in 2016-17 to £1,333 million in 2017-18. Almost half (47%) of customer and client receipts are attributable to the HRA which has seen receipts increase by 1.8% from £1,166 million to £1,187 million in 2017-18.

Table 1.18 – Customer and Client Receipts – 2013-14 to 2017-18

	<i>£thousands</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
Education	120,563	124,200	122,477	129,671	125,302
Cultural & Related Services	71,185	72,567	68,799	77,823	90,980
Social Work	276,012	275,301	264,079	262,481	272,355
Roads & Transport	175,384	182,690	182,978	167,044	170,851
Environmental Services	117,457	112,180	123,825	114,394	117,169
Planning & Development Services	121,077	120,161	134,682	119,161	128,862
Central Services	131,709	143,806	162,394	242,788	202,596
Non-HRA Housing	160,800	155,076	159,635	166,188	147,559
Trading Services	69,843	69,639	63,077	91,816	77,144
Total General Fund (GF) Customer and Client Receipts	1,244,030	1,255,620	1,281,946	1,371,366	1,332,818
Housing Revenue Account (HRA) ¹	1,073,362	1,112,210	1,140,720	1,165,976	1,187,114
Total GF + HRA Customer and Client Receipts	2,317,392	2,367,830	2,422,666	2,537,342	2,519,932

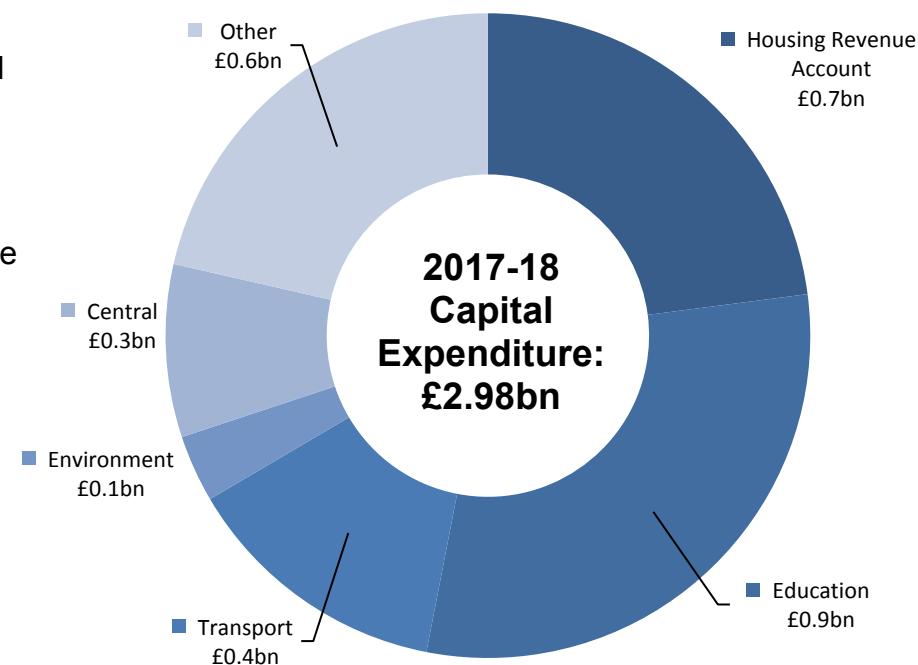
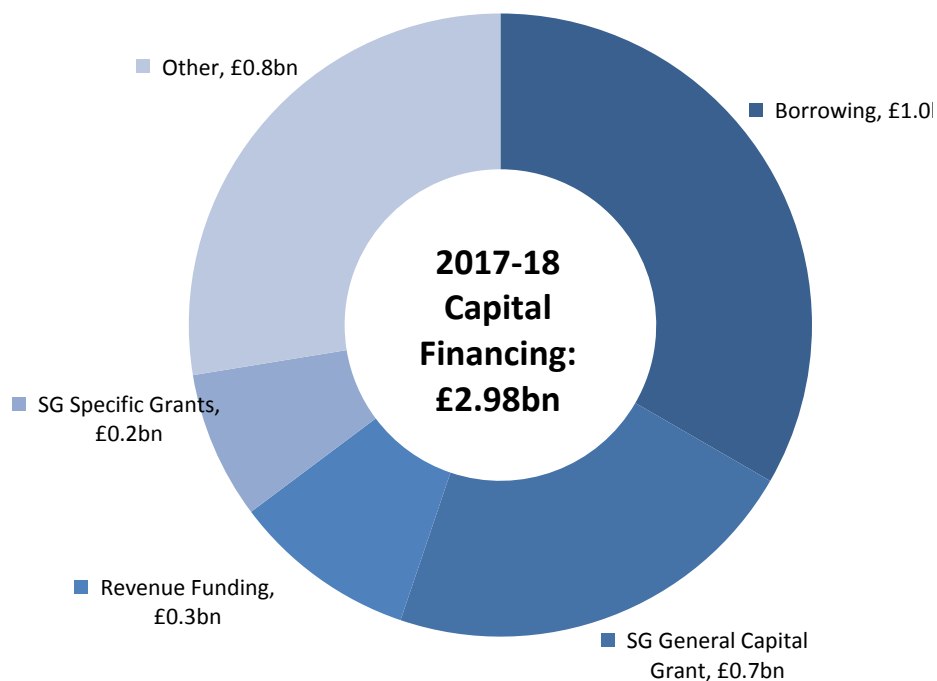
1. The Housing Revenue Account (HRA) records income and expenditure relating to the provision of Local Authority housing.

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, are met from the revenue account.



- Total Capital Expenditure: **£2.98 billion** - an increase of **0.7%** on 2016-17;
- **Education** has the largest share (**30%**) of capital expenditure with **£0.90bn** - an increase of **5%** on 2016-17;
- The **Housing Revenue Account (HRA)** is the second largest service area with **23%** (**£0.68bn**) of capital expenditure – an increase of **1%** from 2016-17;
- **76%** of capital expenditure is on **constructing or enhancing buildings**;
- **33%** (**£0.99bn**) 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. Generally, capital expenditure is expenditure that creates an asset, extends the life of an asset or increases the value of an asset. Capital expenditure also includes expenditure that legislation permits local authorities to treat as capital expenditure and meet from capital resources, such as capital grants to third parties, where the asset it creates or improves is not owned by the local authority.

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.

Unlike revenue expenditure, local authorities can borrow to fund capital expenditure. 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 Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 sets out the purposes for which a local authority may borrow. 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.

In 2017-18 total gross capital expenditure was £2.81 billion. In addition to this, local authorities funded £0.18 billion of revenue expenditure from capital resources. This was mostly funding third party capital projects. The total expenditure funded from capital resources was £2.98 billion in 2017-18, with £0.68 billion in the housing revenue account and £2.30 billion in the General Fund.

Table 2.1 – Total Capital Expenditure and Financing, 2017-18

	<i>£thousands</i>		
	General Fund Services	Housing Revenue Account	Total
Acquisition of land, leases, existing buildings or works	320,578	42,042	362,620
New construction, conversions & enhancement to existing buildings	1,619,051	634,799	2,253,850
Vehicles, machinery & equipment	179,008	5,655	184,663
Intangible assets	4,674	0	4,674
Total Gross Capital Expenditure	2,123,311	682,496	2,805,807
Revenue Expenditure funded from Capital Resources	175,006	1,856	176,862
Total Expenditure to be met from Capital Resources	2,298,317	684,352	2,982,669
Scottish Government General Capital Grant	651,836	0	651,836
Scottish Government Specific Capital Grants	159,281	69,202	228,483
Grants from Scottish Government Agencies and NDPBs	74,520	11,785	86,305
Other Grants and Contributions	151,531	35,028	186,559
Borrowing from Loans Fund	739,527	254,849	994,376
Capital receipts used from asset sales/disposals	49,625	72,342	121,967
Capital Reserves (Capital Fund)	31,342	0	31,342
Capital funded from revenue reserves	44,439	241,146	285,585
Assets acquired under credit arrangements (e.g. finance leases, PPP/PFI)	396,216	0	396,216
Total Financing	2,298,317	684,352	2,982,669

Source: *Capital Returns (CRFinal)*

The majority (76%) of capital expenditure went on new construction, conversions and enhancements to existing buildings.

Local authorities received a total of £1.15 billion (39% of total financing) in grants and contributions to fund capital expenditure

(£1.04 billion in the General Fund and £0.12 billion for the HRA). The most significant source of financing was borrowing (advances from the Loans Fund). This funded £0.99 billion (33% of total financing, £0.74 billion in the General Fund and £0.25 billion in the HRA) of capital expenditure, a decrease of 16% on 2016-17.

Table 2.2 – Total Capital Expenditure and Financing, 2012-13 to 2017-18

	<i>£thousands</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
Acquisition of land, leases, existing buildings or works	90,335	63,604	58,200	233,340	362,620
New construction, conversions & enhancement to existing buildings	1,967,310	1,948,992	2,096,542	2,357,953	2,253,850
Vehicles, machinery & equipment	189,509	174,443	182,501	193,195	184,663
Intangible assets	13,119	14,061	6,155	9,798	4,674
Total Gross Capital Expenditure	2,260,273	2,201,100	2,343,398	2,794,286	2,805,807
Revenue Expenditure funded from Capital Resources	199,728	199,002	191,818	167,605	176,862
Total Expenditure to be met from Capital Resources	2,460,001	2,400,102	2,535,216	2,961,891	2,982,669
				0	
Scottish Government General Capital Grant	438,163	680,491	694,346	504,464	651,836
Scottish Government Specific Capital Grants	180,549	203,444	201,914	224,925	228,483
Grants from Scottish Government Agencies and NDPBs	150,761	108,610	112,017	117,836	86,305
Other Grants and Contributions	142,077	107,731	143,418	184,761	186,559
Borrowing from Loans fund	1,105,526	829,701	831,327	1,178,810	994,376
Capital receipts used from asset sales/disposals	92,167	107,919	173,392	187,159	121,967
Capital Fund applied	24,798	34,595	60,374	65,282	31,342
Capital funded from current revenue	295,335	284,911	296,702	291,636	285,585
Assets acquired under credit arrangements (e.g. finance leases, PPP/PFI)	30,625	42,701	21,726	207,018	396,216
Total Financing	2,460,001	2,400,102	2,535,216	2,961,891	2,982,669

Source: Capital Returns (CRFinal)

Between 2016-17 and 2017-18, total capital expenditure to be met from capital resources increased by 0.7% (£0.02 billion). The amount of capital expenditure that is financed by grants from the Scottish Government, including Scottish Government Agencies and Non-Departmental Public Bodies increased by 12% (£0.12 bn) between 2016-17 and 2017-18.

The amount of capital expenditure financed through Borrowing from the Loans Fund has decreased by 16% between 2016-17 and 2017-18.

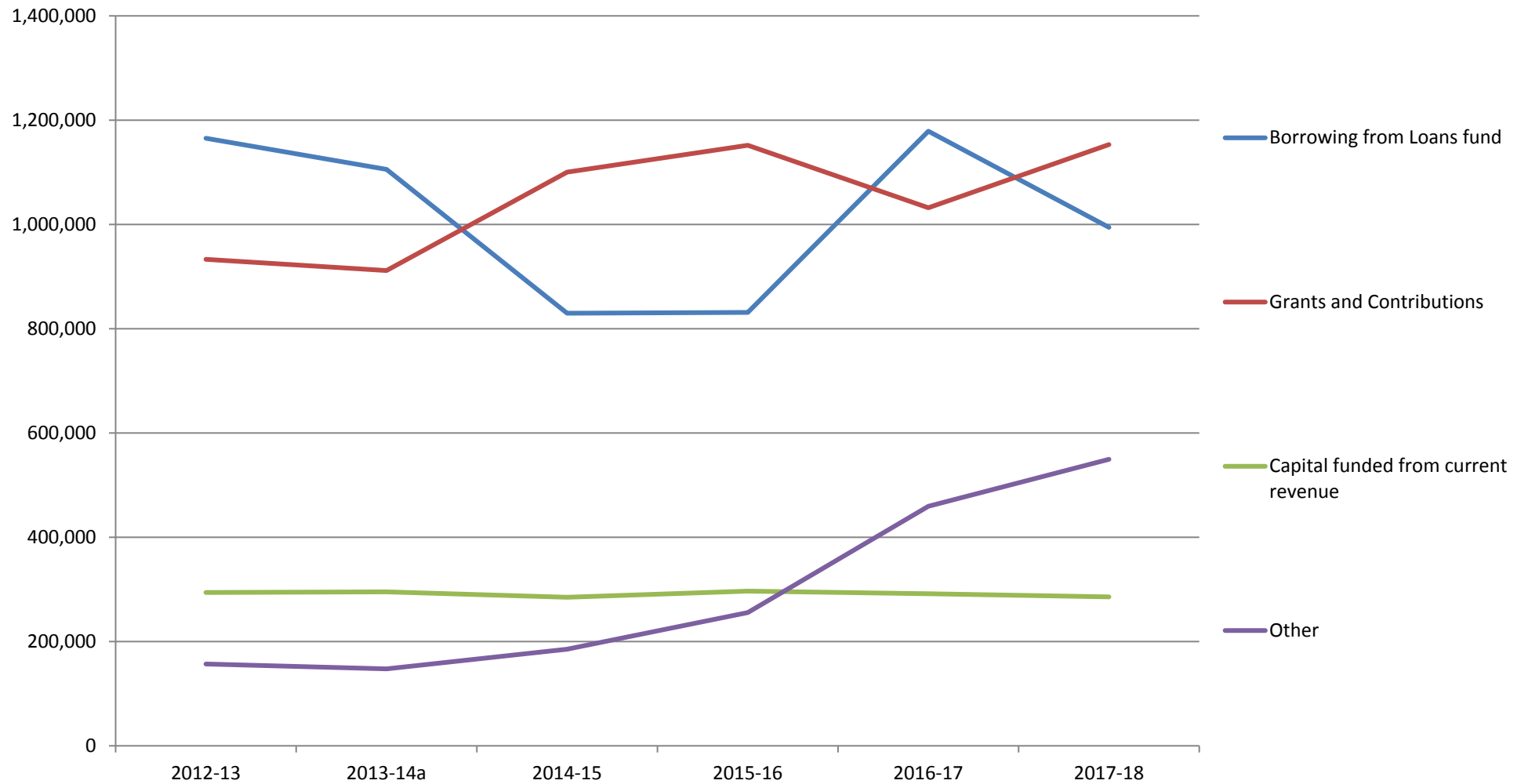
Over the spending review period, the grant allocations for individual years were adjusted as follows: -£120m in 2012-13, -

£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 decrease in grant funding and corresponding increase in borrowing, shown in Chart 2.1 below. The 2017-18 grant level is now closer to the level of capital grant that we would expect had the capital grant not been re-profiled.

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 (CRFinal)

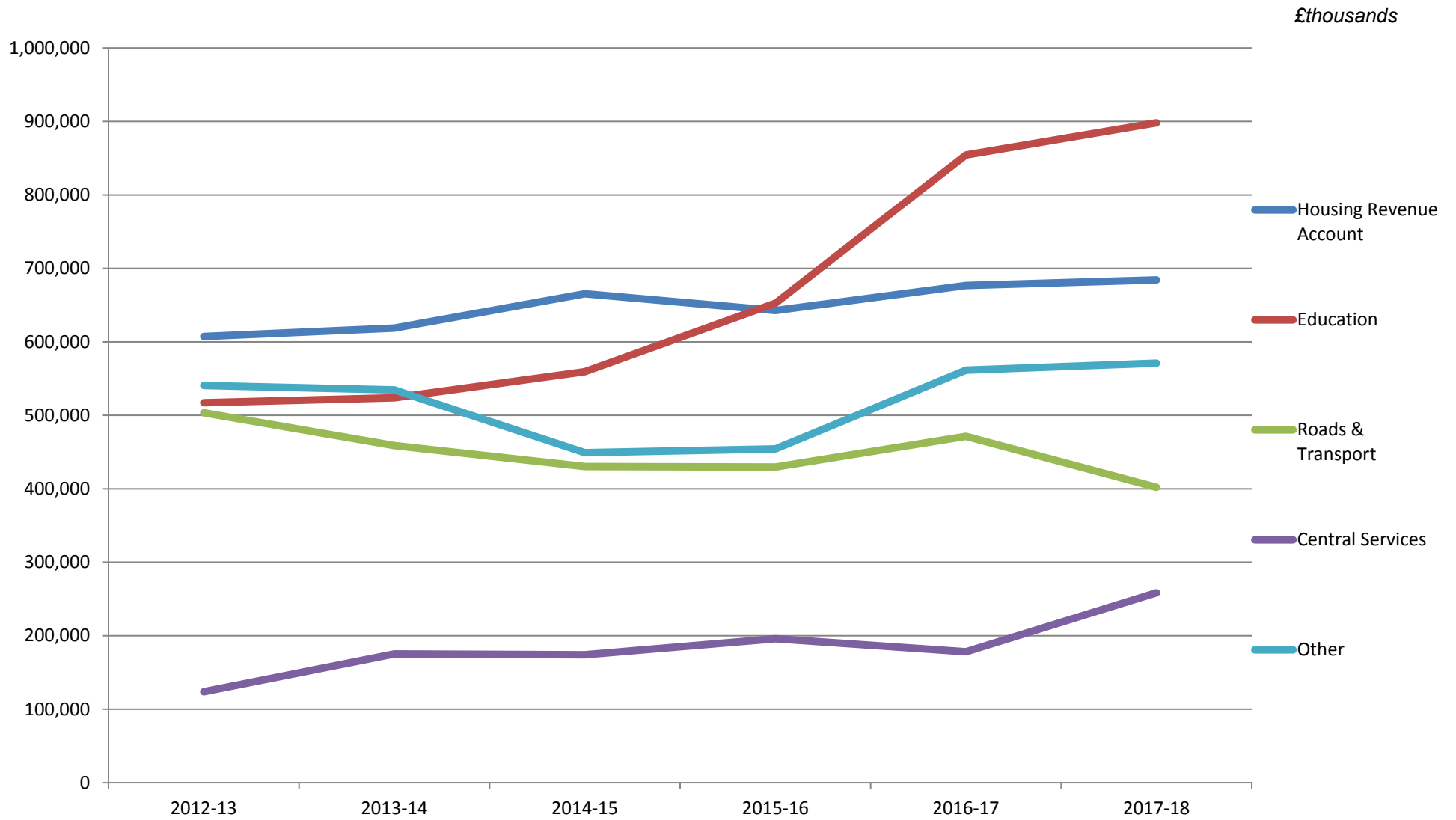
In 2017-18, Education capital expenditure increased by 5% to £898 million, which represents 30% of total capital expenditure. The HRA is the service with the second highest expenditure at £684 million, an increase of 1% on 2016-17 and representing 23% of total capital expenditure.

Table 2.3 – Capital Expenditure by Service, 2013-14 to 2017-18

	<i>£thousands</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
Education	523,776	559,309	652,552	854,325	898,147
Cultural & Related Services	148,933	121,778	160,315	219,850	168,605
Social Work	80,849	73,690	62,553	64,701	42,555
Roads & Transport	458,876	430,265	429,569	471,361	402,035
Environmental Services	188,525	138,267	128,063	129,604	100,435
Planning & Development Services	94,415	66,488	90,416	200,832	258,444
Central Services	175,153	174,094	195,922	178,082	258,494
Non-HRA Housing	156,699	165,543	166,452	162,689	152,734
Trading Services	14,059	5,171	6,720	3,643	16,868
Total General Fund Capital Expenditure	1,841,285	1,734,605	1,892,562	2,285,087	2,298,317
Housing Revenue Account	618,716	665,497	642,654	676,804	684,352
Total Capital Expenditure	2,460,001	2,400,102	2,535,216	2,961,891	2,982,669

Source: Capital Returns (CRFinal)

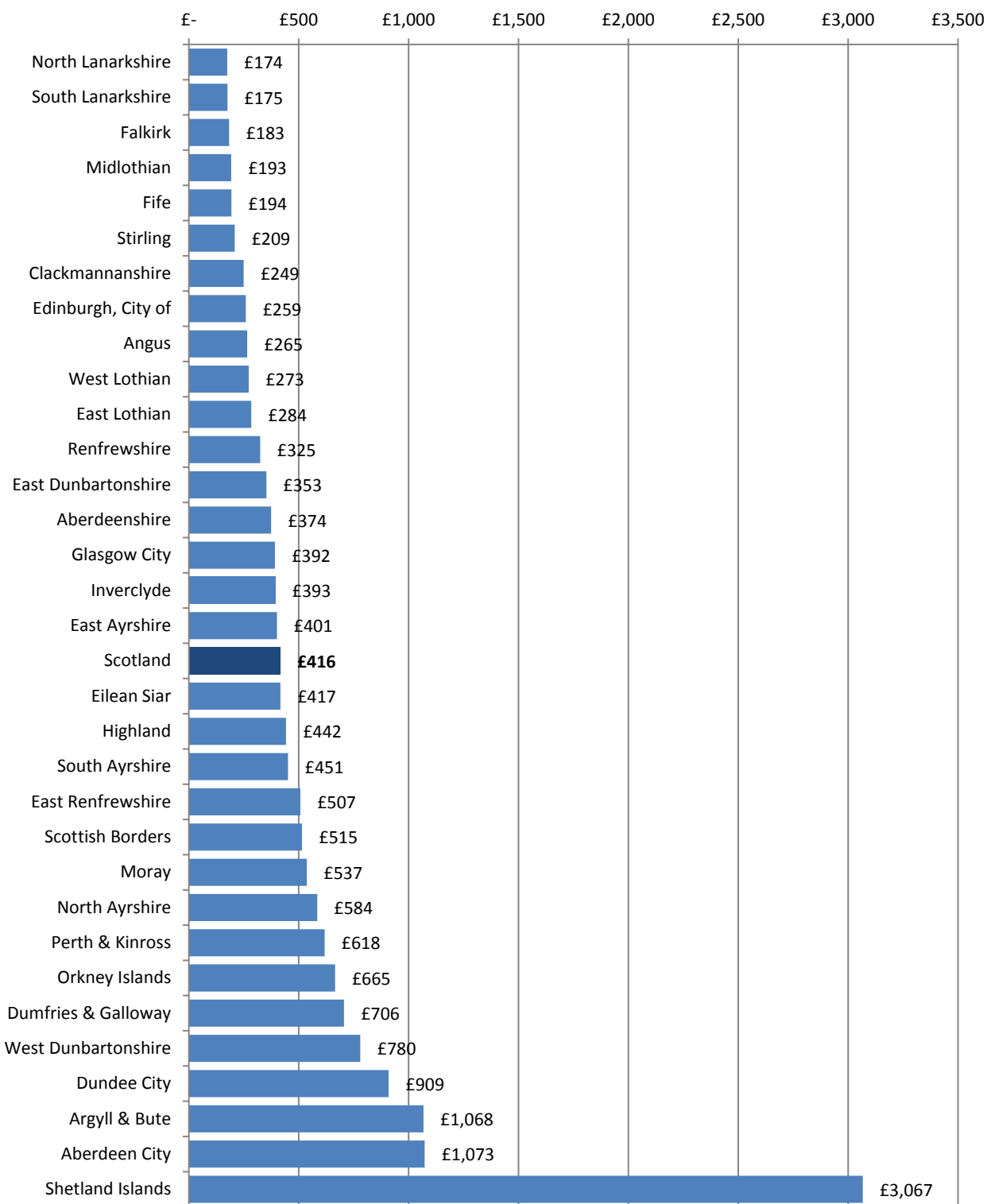
Chart 2.2 – Capital Expenditure by Service, 2012-13 to 2017-18



Source: Capital Returns (CRFinal)

In any given year capital expenditure per head varies substantially between local authority areas. This will in part reflect the different priorities of local authorities however it also reflects differences in the timing of capital projects. Expenditure on capital projects can be highly variable as some projects can be high-value and infrequent, and expenditure per head in local authority areas will move (possibly substantially) from year to year as projects begin or wind down.

Chart 2.3 – General Fund Capital Expenditure per Head by Council, 2017-18



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

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. Chart 2.1 (above) provides a time series of grant income from 2012-13 to 2017-18.

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 2013-14 to 2017-18. 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 2017-18 can be found in Annex J.

Total Capital Receipts raised decreased by 34%, from £208 million in 2016-17 to £137m in 2017-18. The Housing (Scotland) Act 2014 repeals the Right-to-Buy provisions, and this came into force from the 1st August 2016. This will affect the value of Housing Revenue Account capital receipts, which decreased by 48% in 2017-18 on the previous year due to a the decline in Right to Buy applications. Culture & Related Services capital receipts fell by 90% in 2017-18, however the 2016-17 figure was unusually high due to a number of one-off high-value receipts.

Table 2.4 – Capital Receipts Raised by Service, 2013-14 to 2017-18

	<i>£thousands</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
Education	13,798	15,498	16,324	12,572	11,879
Culture & Related Services	3,574	1,526	2,696	13,464	1,409
Social Work	2,632	5,574	1,306	4,311	2,823
Roads & Transport	1,742	21,398	2,086	2,968	3,903
Environmental Services	1,378	1,538	1,669	1,744	10,485
Planning & Development Services	58,276	22,163	117,742	12,989	11,639
Central Services	28,128	25,930	18,781	21,128	22,110
Non-HRA Housing	198	666	138	59	687
Trading Services	6	8	7,552	10	188
Total GF Capital Receipts	109,732	94,302	168,294	69,245	65,123
Housing Revenue Account	53,529	70,594	81,385	138,414	71,828
Total Capital Receipts	163,261	164,896	249,679	207,659	136,951

Source: Capital Returns (CRFinal)

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 can hold Capital Receipts for future use. As such, capital receipts received and capital receipts used are not necessarily equal.

Table 2.5 – Capital receipts summary, 2017-18

	<i>£thousands</i>		
	General Fund	Housing Revenue Account	Total
Capital receipts brought forward at 1 April 2017	82,908	9,782	92,690
Capital receipts from the sale/ disposal of fixed assets	65,123	71,828	136,951
Total Capital Receipts Available for Use	148,031	81,610	229,641
Capital receipts used from asset sales/disposals	49,625	72,342	121,967
Capital receipts used to repay debt	1,600	2,160	3,760
Capital receipts transferred to the equal pay or severance statutory adjustment account	2,110	0	2,110
Capital receipts transferred to Capital Fund	(10)	0	(10)
Capital Receipts Held 31 March 2018	94,706	7,108	101,814

Source: Capital Returns (CRFinal)

Table 2.5 shows that authorities had a total of £230 million of capital receipts available for use during 2017-18, of which £93 million was the balance brought forward at 1st April 2017 and £137 million were raised during the year from the sale/disposal of fixed assets.

The main use of capital receipts in 2017-18 was to finance capital expenditure (£122 million), with a further £4 million used to repay debt. Around £2 million was used to pay for equal pay or severance costs. This resulted in a Capital receipts balance of £102 million at the 31st March 2018.

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 2017-18 was £0.99 billion. This is a decrease of 16% on 2016-17 and an decrease of 10% on 2013-14. When interpreting the pattern of borrowing over the period from 2013-14 to 2017-18, the re-profiling of the capital grant allocations over the spending review period should be kept in mind (-£120m in 2012-13, -£100m in 2013-14, +£120m in 2014-15 and +£94.2m allocated in 2015-16, with the remaining £5.8m allocated to Police and Fire). Of the total Loans Fund borrowing, £739 million (down 23%) was in the General Fund and £254 million (up 13%) was in the HRA.

Table 2.6 – Loans Fund Borrowing to Finance Capital Expenditure – 2013-14 to 2017-18

	<i>£thousands</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
General Fund	788,568	518,296	558,669	954,113	739,018
Advances for Capital Expenditure	751,634	489,774	536,044	941,400	728,269
Advances for Consented Borrowing	36,934	28,522	22,625	12,713	10,749
Housing Revenue Account	316,958	311,404	272,658	224,697	254,849
Advances for Capital Expenditure	316,815	311,404	272,658	224,697	254,849
Advances for Consented Borrowing	143	0	0	0	0
Total Loans Fund Borrowing	1,105,526	829,701	831,327	1,178,810	993,867
Credit Arrangements	30,625	42,701	21,726	207,018	396,216
Total Borrowing and Credit Arrangements	1,136,151	872,402	853,053	1,385,828	1,390,083

Source: Capital Returns (CRFinal)

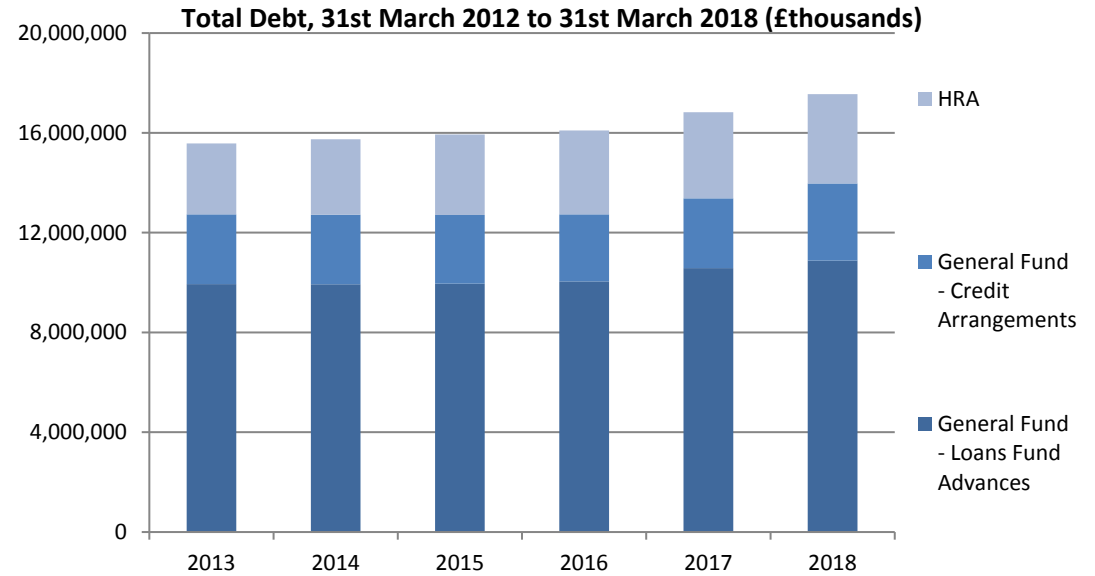
The costs of servicing debt is mostly met from taxation and non-specific grant income, while the costs of servicing Housing Revenue Account (HRA) debt are met principally through income from rents. The costs of servicing debt are detailed in Table 1.1

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

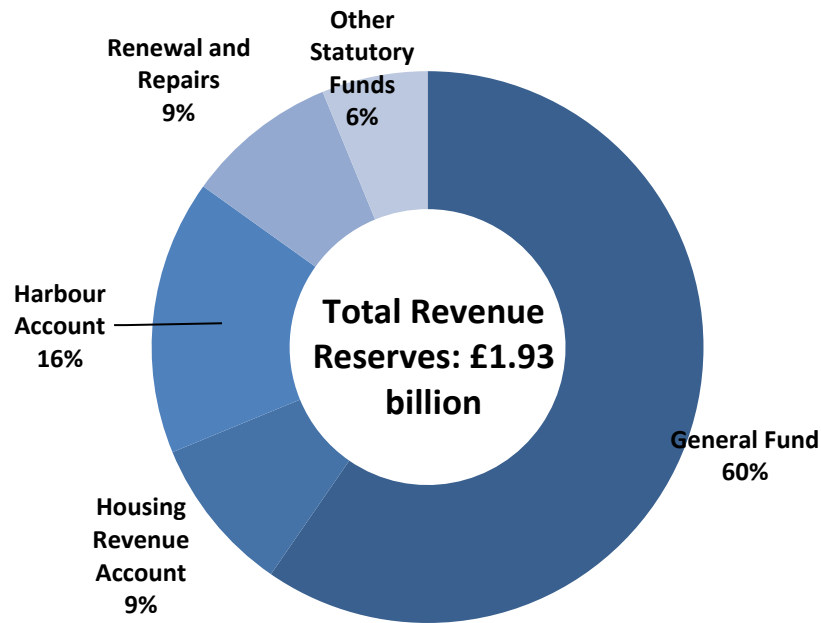
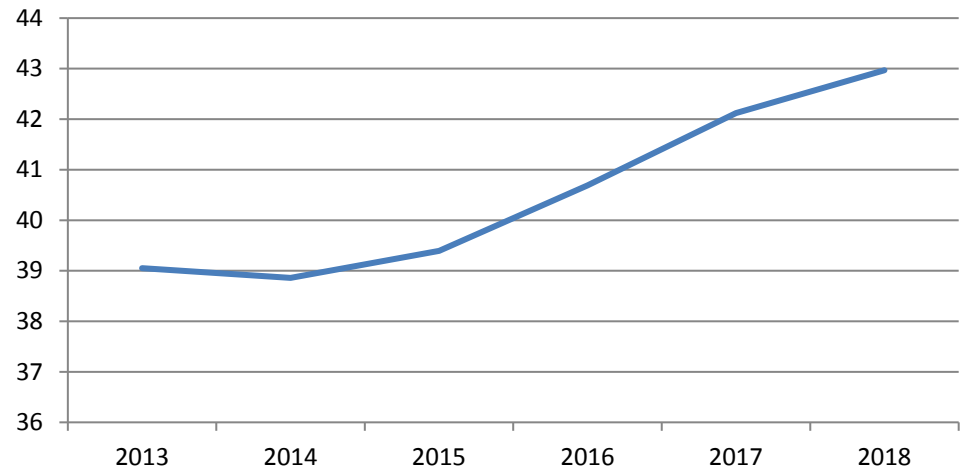
3. Local Government Reserves, Fixed Assets and Debt

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

- Total revenue reserves decreased by 0.9% from £1.95 billion on the 1st April 2017 to £1.93 billion on the 31st March 2018;
- Total Local Authority debt increased by 4.3% from £16.83 billion at the 31st March 2017 to £17.55 billion at the 31st March 2018;
- Value of assets increased by 2.0% from £42.12 billion at the 31st March 2017 to £42.97 billion at the 31st March 2018.



Value of Fixed Assets, 31st March 2013 - 31st March 2018 (£billions)



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. finance lease, Public-Private Partnership (PPP) or Private Finance Initiative (PFI)) a debt liability is created to be repaid by the local authority from future revenues.

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 require a local authority to maintain a Loans Fund. Advances are made from the Loans Fund to record the amount of expenditure a local authority has determined should be met from borrowing as permitted by legislation. The repayments made to the Loans Fund are the amount to be met in each financial year from a local 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, the data was collected after the financial year had ended, but before the audit of the accounts was complete.

The all-Scotland value of Loans Fund advances outstanding at 31st March 2018 was £14.45 billion (of which £10.88 billion was General Fund and £3.57 billion was HRA). General Fund Loans Fund advances outstanding increased by £296 million (2.8%) between 1st April 2017 and 31st March 2018. HRA Loans Fund advances outstanding rose by £120 million (3.5%) between 1st April 2017 and 31st March 2018.

At 31st March 2018, the Scottish average General Fund Loans Fund advances outstanding was equal to £2,006 per person (up 2.4% on 31st March 2017) and the average HRA Loans Fund advances outstanding was equal to £11,525 per HRA dwelling (up 4.2% on 31st March 2017).

Table 3.1 – General Fund and HRA Loans Fund Advances Outstanding, 2013-14 to 2017-18

	<i>£thousands</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
General Fund					
Loans Fund advances outstanding 1 April	9,650,825	9,932,872	9,954,276	10,067,865	10,582,876
ADD New advances from the Loans Fund	788,568	518,296	558,669	954,113	739,527
LESS: Repayments in year	469,823	462,945	456,449	434,452	428,901
LESS: Additional Voluntary Repayments in Year	34,546	27,437	8,889	3,584	13,461
Transfer of assets between funds (transfers out are negative)	-1,411	-1,773	-65	-3,552	-449
Total Loans Fund advances outstanding (£ thousands)	9,933,613	9,959,013	10,047,542	10,580,390	10,879,592,
Per Head (£)	1,865	1,862	1,870	1,958	2,006
Housing Revenue Account					
Loans Fund advances outstanding 1 April	2,835,741	3,024,509	3,219,673	3,360,105	3,454,161
ADD New advances from the Loans Fund	316,958	311,404	272,658	224,697	254,849
LESS: Repayments in year	127,585	105,602	112,504	116,884	123,707
LESS: Additional Voluntary Repayments in Year	9,956	12,411	16,931	20,987	11,287
Transfer of assets between funds (transfers out are negative)	1,411	1,773	65	3,552	449
Total Loans Fund advances outstanding (£ thousands)	3,016,569	3,219,673	3,362,961	3,450,483	3,574,465
Per HRA dwelling (£)	9,559	10,227	10,722	11,057	11,525
Total (GF + HRA) Loans Fund advances outstanding	12,950,182	13,178,687	13,410,504	14,041,714	14,454,057

Source: Capital Returns (CRFinal), Housing Statistics for Scotland, NRS Mid-Year Population Estimates

Credit arrangements such as Private Finance Initiatives (PFI) and Public Private Partnerships (PPP) including the Scottish Non Profit Distributing (NPD) model are not charged to the Loans Fund, but are a form of borrowing and included in the total debt figures.

Total credit arrangements outstanding stood at £3.10 billion on the 31st March 2018, an increase of 10.9% on the previous year. Credit arrangements per head within the General Fund increased by 10.5% to £571 per head, while within the Housing Revenue Account, credit arrangements per HRA dwelling fell by 5.1% to £8 per dwelling.

Table 3.2 – Credit Arrangements, 2013-14 to 2017-18

	<i>£thousands</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
General Fund					
Balance brought forward 1 April	2,845,843	2,800,193	2,750,910	2,675,714	2,792,467
ADD: New credit arrangements in year	30,625	42,701	21,726	207,018	396,216
LESS: Repayments of principal in year	90,802	92,895	87,933	90,265	92,470
Credit arrangements outstanding 31 March	2,785,666	2,749,999	2,684,703	2,792,467	3,096,213
Per Head (£)	523	514	500	517	571
Housing Revenue Account					
Balance brought forward 1 April	7,132	4,965	3,469	2,679	2,543
ADD: New credit arrangements in year	0	0	0	0	0
LESS: Repayments of principal in year	2,167	1,496	790	136	145
Credit arrangements outstanding 31 March	4,965	3,469	2,679	2,543	2,398
Per HRA Dwelling (£)	16	11	9	8	8
Total (GF + HRA) Credit Arrangements Outstanding	2,790,631	2,753,468	2,687,382	2,795,010	3,098,611

	2012-13	2013-14	2014-15	2015-16	2016-17
General Fund					
Balance brought forward 1 April	2,865,124	2,845,843	2,800,193	2,750,910	2,675,714
ADD: New credit arrangements in year	14,055	30,625	42,701	21,726	207,018
LESS: Repayments of principal in year	84,955	90,802	92,895	87,933	90,265
Credit arrangements outstanding 31 March	2,794,224	2,785,666	2,749,999	2,684,703	2,792,467
Per Head (£)	526	523	514	500	517
Housing Revenue Account					
Balance brought forward 1 April	10,508	7,132	4,965	3,469	2,679
ADD: New credit arrangements in year	0	0	0	0	0
LESS: Repayments of principal in year	3,380	2,167	1,496	790	136
Credit arrangements outstanding 31 March	7,128	4,965	3,469	2,679	2,543
Per HRA Dwelling (£)	23	16	11	8	8
Total (GF + HRA) Credit Arrangements Outstanding	2,801,352	2,790,631	2,753,468	2,687,382	2,795,010
<i>Source: Capital Returns (CRFinal)</i>					

Total debt increased by 4.3% from £16.83 billion on the 31st March 2017 to £17.55 billion on the 31st March 2018. Of this, £13.98 billion was in the General Fund, which equates to £2,576 per head of population and £3.58 billion was in the Housing Revenue Account, which equates to £11,533 per HRA dwelling.

Table 3.3 – Total Debt, 31st March 2014 to 31st March 2018

	<i>£thousands</i>				
	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018
General Fund					
Loans Fund Advances Outstanding	9,933,613	9,959,013	10,047,542	10,580,390	10,879,592
Credit Arrangements	2,785,666	2,749,999	2,684,703	2,792,467	3,096,213
Total General Fund Debt	12,719,279	12,709,012	12,732,245	13,372,857	13,975,805
Per Head (£)	2,394	2,385	2,381	2,474	2,576
Housing Revenue Account					
Loans Fund Advances Outstanding	3,016,569	3,219,673	3,362,961	3,450,483	3,574,465
Credit Arrangements	4,965	3,469	2,679	2,543	2,398
Total HRA Debt	3,021,534	3,223,142	3,365,640	3,453,026	3,576,863
Per HRA Dwelling (£)	9,568	10,186	10,598	11,065	11,533
Total Debt	15,740,813	15,932,155	16,097,885	16,825,883	17,552,668

Source: Capital Returns (CR Final)

3.2 Prudential Indicators

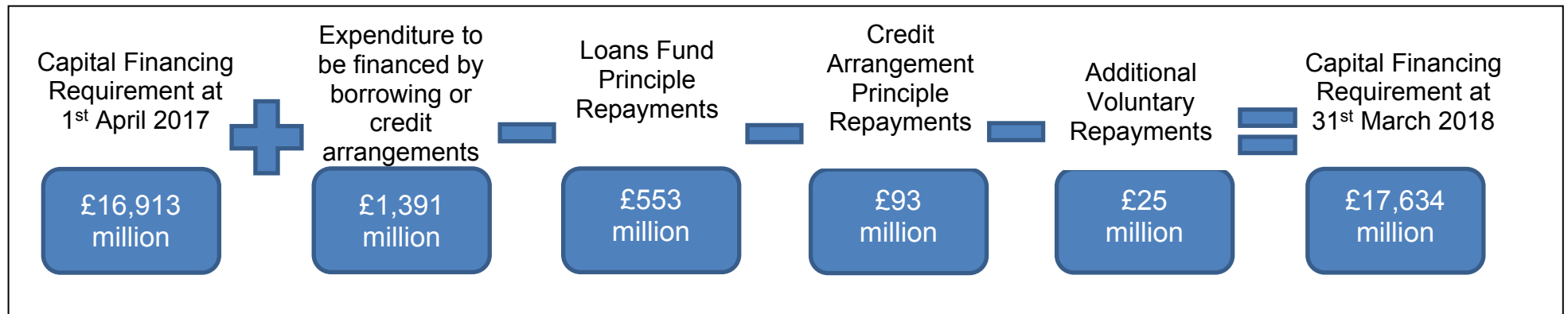
The CIPFA Prudential Code sets out a framework for a local authority to demonstrate its capital investment plans are affordable, prudent and sustainable. A number of prudential indicators are set and monitored against three year capital expenditure plans.

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, which includes 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.

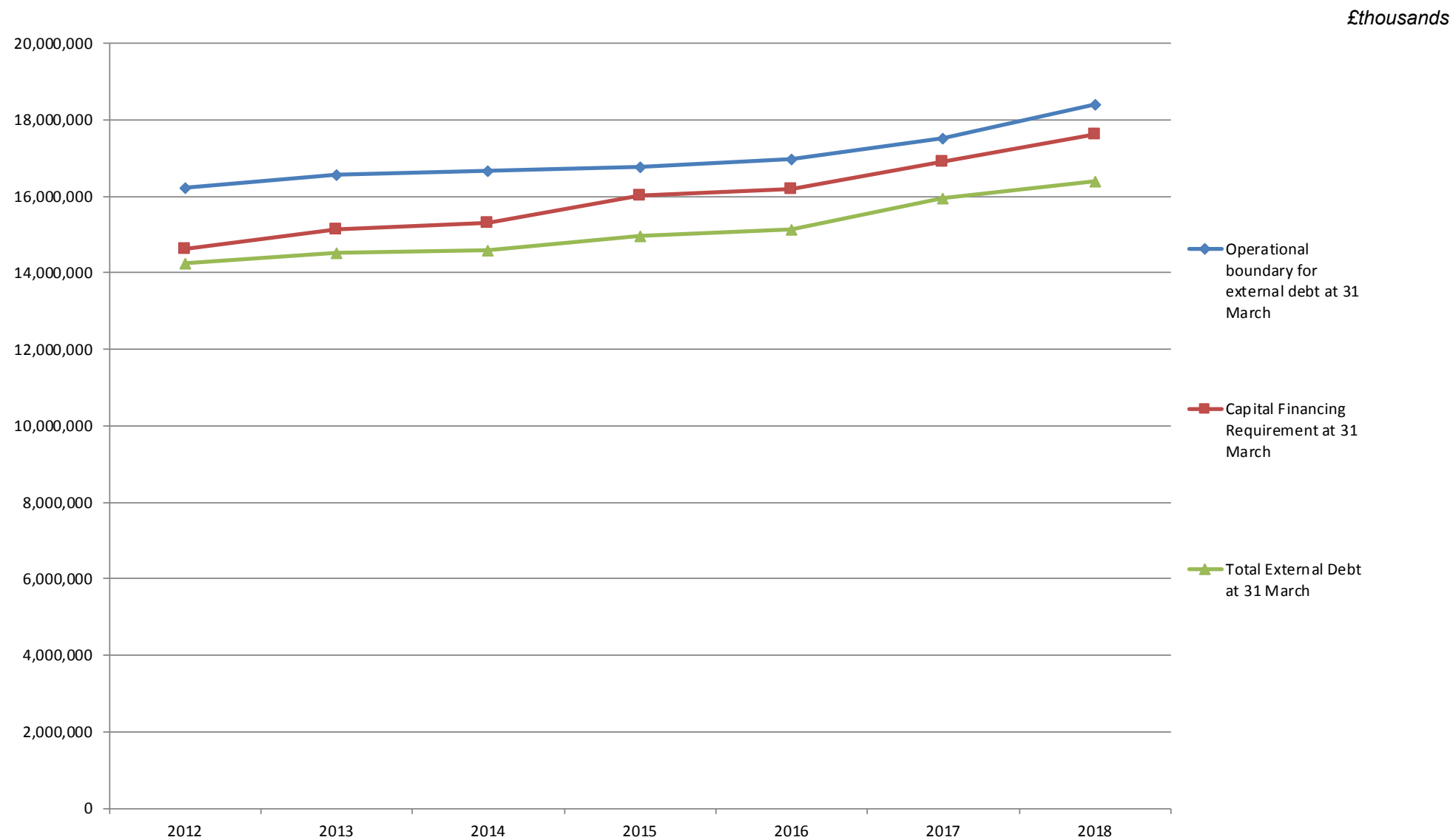
Local authority Total External Debt increased by £0.47 billion (3.0%), from £15.94 billion at the 31st March 2017 to £16.41 billion at the 31st March 2018. Local authorities are currently under-borrowed, i.e. utilising internal cash reserves rather than external borrowing, with total external debt as a percentage of the Capital Financing Requirement of 93% at 31st March 2018.

Table 3.4 - Prudential Information, 2013-14 to 2017-18

	<i>£thousands</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Financing Requirement at 1 April	14,893,146	15,863,207	16,020,231	16,197,880	16,913,113
Capital Expenditure to be financed by borrowing or credit arrangements	1,136,151	872,402	853,053	1,385,828	1,390,592
Capital Expenditure to be financed by borrowing	829,701	829,701	831,327	1,178,810	994,376
Capital Expenditure to be financed by credit arrangements	30,625	42,701	21,726	207,018	396,216
Loans Fund principal repayments	597,408	568,548	568,953	558,595	552,608
Credit arrangements principal repayments	92,969	94,391	88,723	90,401	92,615
Additional voluntary contributions of principal repayments	44,502	39,848	25,865	26,359	24,748
Change in Capital Financing Requirement	401,272	169,615	169,512	710,473	720,621
Capital Financing Requirement at 31 March	15,294,418	16,032,822	16,189,743	16,908,353	17,633,734
Borrowing at 1 April	11,558,504	11,897,475	12,378,022	12,465,897	13,159,196
Other long term liabilities at 1 April	2,852,975	2,690,905	2,648,120	2,674,322	2,782,628
Total External Debt at 1 April	14,411,479	14,588,380	15,026,142	15,140,219	15,941,824
Borrowing at 31 March	11,816,384	12,332,169	12,465,804	13,159,196	13,332,573
Other long term liabilities at 31 March	2,790,631	2,645,977	2,680,311	2,782,628	3,079,982
Total External Debt at 31 March	14,607,015	14,978,146	15,146,115	15,941,824	16,412,555
Operational boundary for external debt at 31 March	16,684,872	16,779,418	16,982,303	17,519,099	18,415,584
Authorised limit for external debt at 31 March	17,749,541	17,787,296	17,733,442	19,083,076	20,064,032
Total External debt as a percentage of the Capital Financing Requirement at 31 March	96%	93%	94%	94%	93%

Source: Capital Returns (CRFinal)

Chart 3.1 – Prudential Indicators: 31st March 2013 to 31st March 2018



Source: Capital Returns (CRFinal)

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 31st

March 2018, local authorities held a total of £42.97 billion of assets, an increase of 2.0% (£848 million) on 31st March 2017.

Table 3.5 – Value of Fixed Assets, 31st March 2014 to 31st March 2018

	<i>£thousands</i>				
	Value of fixed assets as at 31 March 2014	Value of fixed assets as at 31 March 2015	Value of fixed assets as at 31 March 2016	Value of fixed assets as at 31 March 2017	Value of fixed assets as at 31 March 2018
Operational Assets					
Council dwellings	10,839,706	10,535,999	11,281,473	11,189,874	11,460,363
Other land and buildings	18,276,923	18,866,921	18,995,354	20,177,171	20,714,141
Vehicles, plant and machinery	1,003,162	1,178,814	1,197,642	1,145,829	1,063,300
Infrastructure assets	4,987,041	5,361,011	5,608,853	5,710,060	5,845,085
Community assets	161,728	169,971	184,156	177,537	183,634
Heritage assets	1,803,074	1,840,245	1,848,685	1,857,999	1,878,315
Total operational assets	37,071,634	37,952,961	39,116,163	40,258,470	41,144,838
Non-operational assets					
Assets under construction	1,200,830	845,627	1,011,066	1,316,259	1,260,055
Surplus assets held for disposal	365,120	336,021	314,377	301,251	267,138
Investment properties	197,445	207,027	197,382	192,725	241,393
Total non-operational assets	1,763,395	1,388,675	1,522,825	1,810,235	1,768,586
Intangible Assets	23,913	52,306	48,437	51,435	55,078
Total Assets	38,858,942	39,393,942	40,687,425	42,120,140	42,968,502

Source: Capital Returns (CRFinal)

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. Movements into a reserve are shown in brackets and movements out are shown without brackets in the following table.

On 1 April 2017 local authorities had total revenue reserves of £1.95 billion. Over the course of the year, total reserves decreased by £18 million (-0.9%) to £1.93 billion on 31 March 2018. Capital reserves increased by £73 million (+13%), from £565 million to £638 million.

Table 4.1 – Movements in Reserves by Account, 2017-18

£thousands

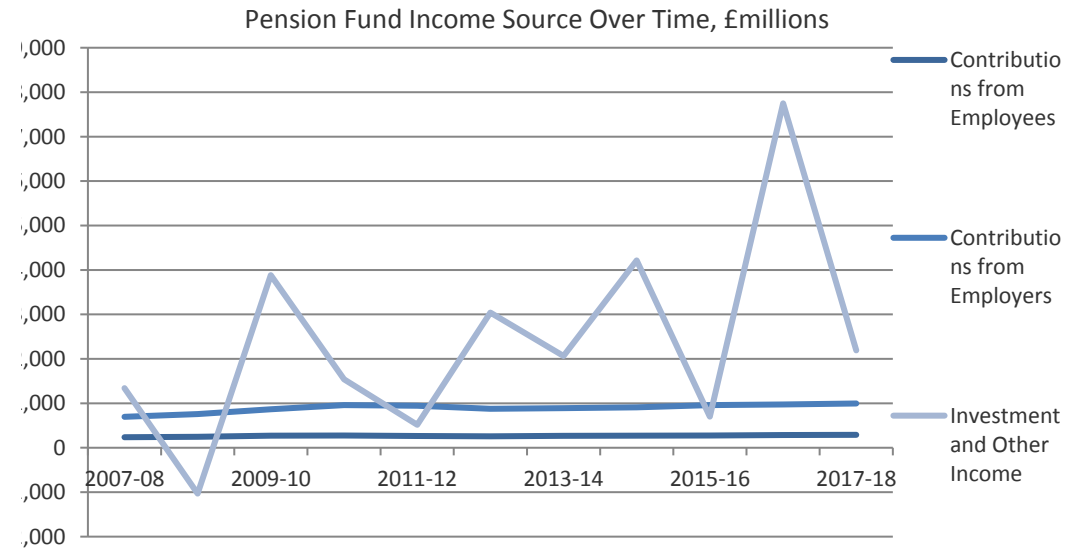
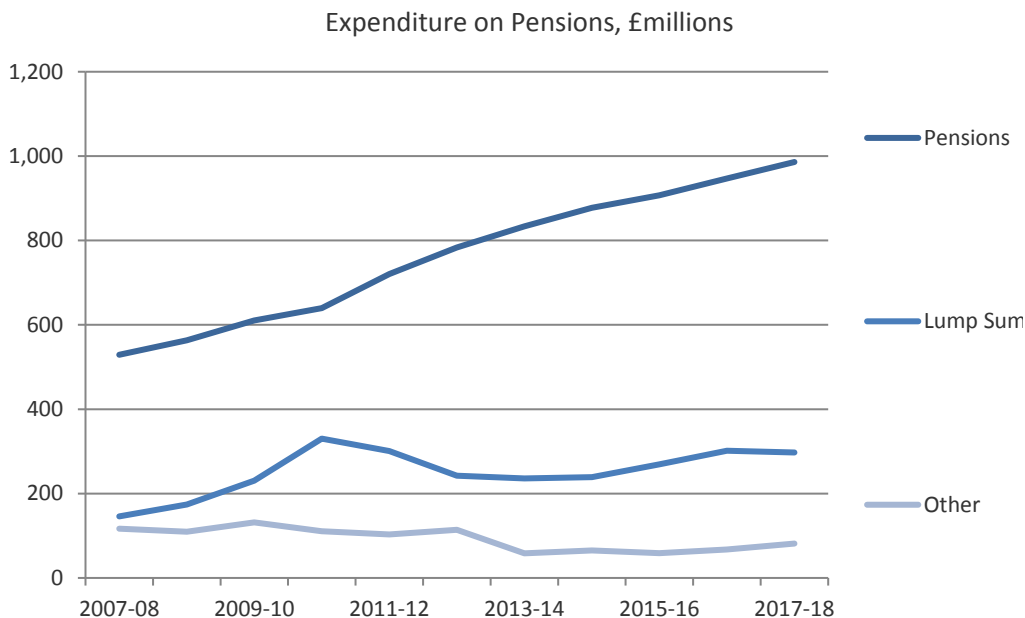
	Level of Reserves held 1 April 2017	(Surplus) or Deficit on provision of services	Movement between Revenue Reserves	(Increase) or Decrease	Level of Reserves held 31 March 2018
General Fund	(1,194,514)	54,742	(13,527)	41,215	(1,153,299)
Housing Revenue Account	(169,438)	4,228	(12,230)	(8,002)	(177,440)
Harbour Account	(299,593)	(20,020)	7,877	(12,143)	(311,736)
Revenue Reserves	(185,104)	0	12,923	12,923	(172,181)
Insurance Fund	(85,822)	0	(2,103)	(2,103)	(87,925)
Other Statutory Funds	(18,333)	0	(13,856)	(13,856)	(32,189)
Total Revenue Reserves	(1,952,804)	38,950	(20,916)	18,034	(1,934,770)
Capital Fund	(456,156)	8,846	19,365	28,211	(427,945)
Capital Reserves	(64,274)	(772)	1,551	779	(63,495)
Capital Grants Unapplied	(44,584)	(102,303)	0	(102,303)	(146,887)
Total Capital Reserves	(565,014)	(94,229)	20,916	(73,313)	(638,327)
Total Usable Reserves	(2,517,818)	(55,279)	0	(55,279)	(2,573,097)

Source: Local Financial Returns (LFR23)

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 £1.36 billion** in 2017-18, an increase of 3.7%;
- **Total Income was £3.48 billion**
- **94% of expenditure was on benefits;**
- Income from investment and other income was £2.19 billion, a decrease of £5.56 billion on the previous year. Investment income can be highly volatile and has ranged from negative £1.03 billion to plus £7.75 billion over the past 10 years;
- Excluding investments, income increased by 2.3% on the previous year.

Local Government Pension Scheme Funds are operated as separate funds to other accounts. In accordance with regulations 9 and 65 of The Local Government Pension Scheme (Scotland) Regulations 2014, employee and employer 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 2013-14 to 2017-18

	<i>£thousands</i>				
	2013-14	2014-15	2015-16	2016-17	2017-18
Total Benefits including Payments under Pensions (Increase) Acts:	1,069,643	1,116,100	1,176,592	1,248,556	1,283,394
Pensions ¹	642,755	671,634	676,667	721,251	755,389
Lump Sums ¹	235,963	238,777	269,346	301,442	297,375
Other Benefits ¹	0	0	9,305	0	0
Payments under Pensions (Increase) Acts ¹	190,925	205,688	221,274	225,863	230,630
Transfer Values ²	42,061	44,295	39,289	50,296	62,396
Other ³	16,282	20,820	19,411	17,305	19,045
TOTAL EXPENDITURE	1,127,986	1,181,215	1,235,292	1,316,157	1,364,835

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: LFR24

Table 5.1 details the total expenditure of the Local Government Pension Scheme Funds in Scotland since 2012-13. Total expenditure increased by 3.7% (£49 million) between 2016-17

and 2017-18, with the vast majority (94%) of expenditure being on benefits.

Table 5.2 – Local Government Pension Scheme Funds Income 2013-14 to 2017-18

		<i>£thousands</i>				
		2013-14	2014-15	2015-16	2016-17	2017-18
Total Contributions		1,157,698	1,179,595	1,235,364	1,257,820	1,286,217
Contributions (including those from other employing authorities)	Employees	266,780	271,320	277,008	284,282	290,531
	Employers	890,918	908,275	958,356	973,538	995,686
Net Investment and Other Income ¹		2,063,964	4,215,940	700,626	7,748,872	2,192,605
TOTAL INCOME¹		3,221,662	5,395,535	1,935,990	9,006,692	3,478,822

Source: Local Financial Returns – LFR 24

Table 5.2 shows local government pension scheme funds income since 2013-14. Contributions from employees and employers are both dependent on the number of contributing employees (full time and part-time) and increased by 2.3% between 2016-17 and 2017-18. 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 decreased by around £5.56 billion compared with 2016-17, however investment income in 2016-17 was unusually high. Investment income is volatile and is heavily influenced by investment conditions (e.g. changes in the stock market), ranging from a loss of £1.03 billion in 2008-09 to a gain of £7.75 billion in 2017-18.

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 primarily comprises of 32 councils as shown in Map 6.1. In addition to these 32 councils, 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 councils.

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.

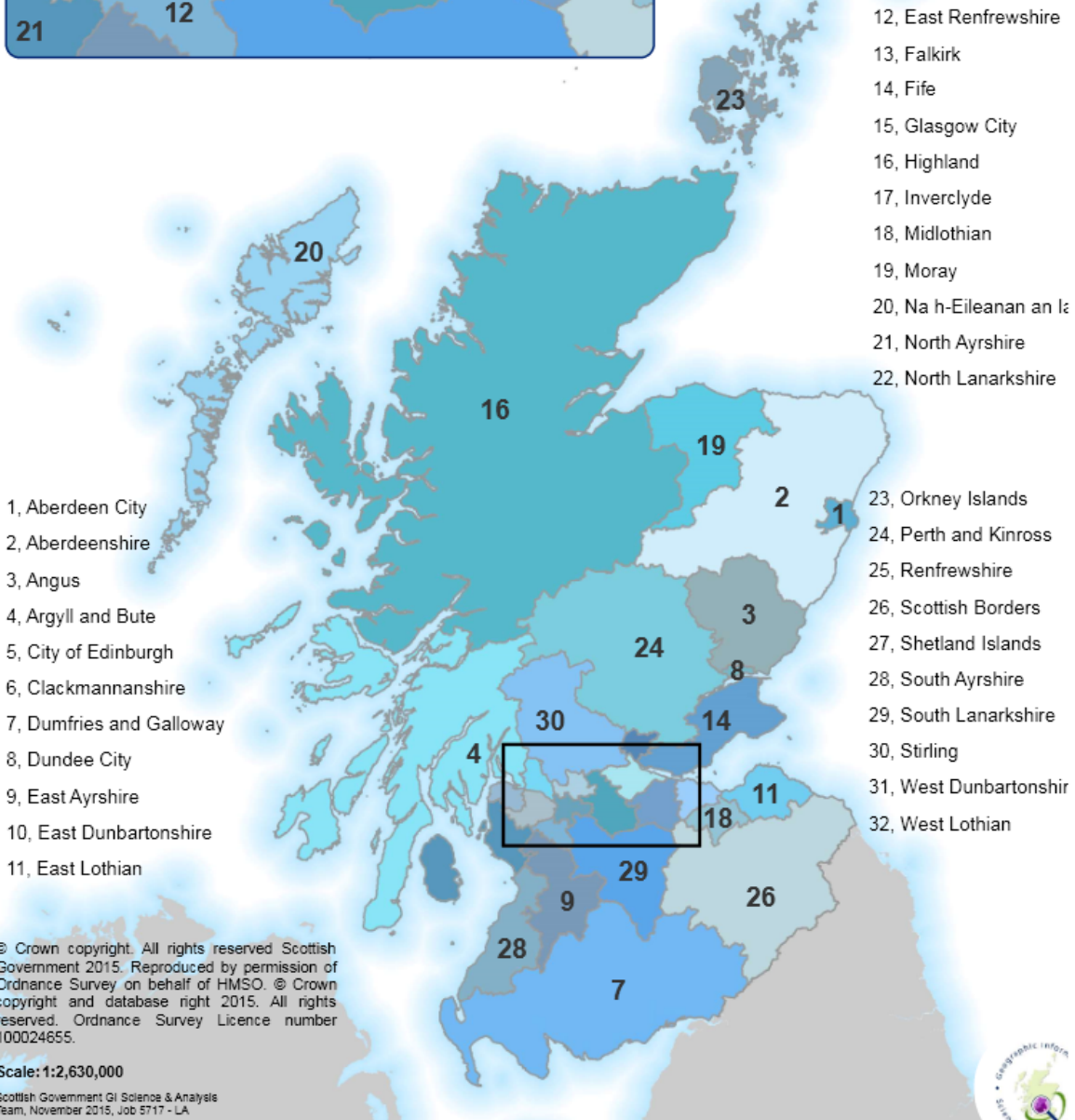
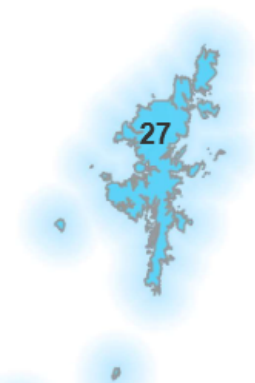
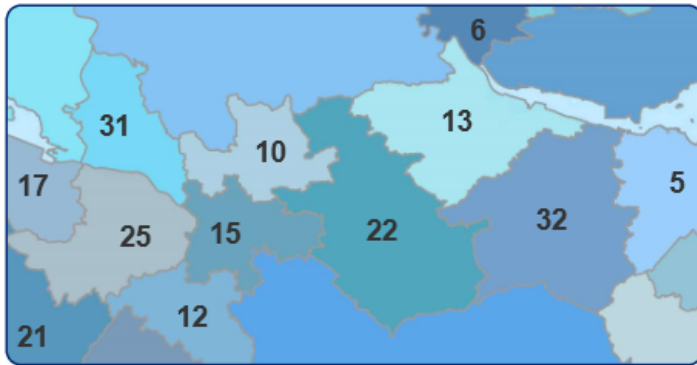
Table 6.1 – Local Authority Joint Board Membership

Council	Regional Transport Partnerships	Valuation Joint Boards
Aberdeen City	NESTRANS	Grampian
Aberdeenshire	NESTRANS	Grampian
Angus	TACTRAN	Tayside
Argyll & Bute ¹	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 & Bute is part of HITRANS.

Map 6.1 – Local Authority Areas

Local Authority Boundaries



- 1, Aberdeen City
- 2, Aberdeenshire
- 3, Angus
- 4, Argyll and Bute
- 5, City of Edinburgh
- 6, Clackmannanshire
- 7, Dumfries and Galloway
- 8, Dundee City
- 9, East Ayrshire
- 10, East Dunbartonshire
- 11, East Lothian

- 12, East Renfrewshire
- 13, Falkirk
- 14, Fife
- 15, Glasgow City
- 16, Highland
- 17, Inverclyde
- 18, Midlothian
- 19, Moray
- 20, Na h-Eileanan an Iar
- 21, North Ayrshire
- 22, North Lanarkshire

- 23, Orkney Islands
- 24, Perth and Kinross
- 25, Renfrewshire
- 26, Scottish Borders
- 27, Shetland Islands
- 28, South Ayrshire
- 29, South Lanarkshire
- 30, Stirling
- 31, West Dunbartonshire
- 32, West Lothian

© Crown copyright. All rights reserved Scottish Government 2015. Reproduced by permission of Ordnance Survey on behalf of HMSO. © Crown copyright and database right 2015. All rights reserved. Ordnance Survey Licence number 100024655.

Scale: 1:2,630,000

Scottish Government GI Science & Analysis Team, November 2015, Job 5717 - LA



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:

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

Local Financial Returns (LFR)

Income, expenditure and reserves statistics, based on the authorities audited accounts and 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

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

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: lqfstats@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

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 lqfstats@gov.scot for further information.
- cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller.

Complaints and suggestions

If you are not satisfied with our service or have any comments or suggestions, please write to the Chief Statistician, 2W, St Andrews House, Edinburgh, EH1 3DG, Telephone: (0131) 244 0302, e-mail statistics.enquiries@gov.scot

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

ISBN 978-1-78781-614-5 (web only)

Crown Copyright

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