



Experimental Statistics: Data being developed

PUBLIC SERVICES AND GOVERNMENT

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

Economy (Local Government Finance)

15 July 2020

Executive Summary

2019-20 Provisional Outturn

- **Provisional outturn for capital expenditure in 2019-20 is £3,798 million** – an increase of 32 per cent, or £913 million, on 2018-19.
- **Housing Revenue Account (HRA)** and **Education** are the services with highest provisional capital expenditure, accounting for £940 million and £701 million in 2019-20 respectively.
- Provisional outturn figures show that the majority of local authorities' 2019-20 capital expenditure will be **financed** from Scottish Government Grants (34 per cent); borrowing (31 per cent); and credit arrangements (18 per cent).
- Total External Debt is 96 per cent of the Capital Financing Requirement (CFR) which means local authorities remained **under-borrowed** in 2019-20.

2020-21 Budget Estimates

- **Budgeted capital expenditure for 2020-21 is £4,310 million** – an increase of two per cent, or £98 million, on the 2019-20 budget.
- **HRA** and **Education** are the services budgeted to have the highest capital expenditure in 2020-21, accounting for £1,184 million and £922 million of budgeted capital expenditure respectively.
- Local authorities have budgeted for the majority of their 2020-21 capital expenditure to be **financed** from borrowing (52 per cent) and Scottish Government Grants (27 per cent).
- Total External Debt is budgeted to be 96 per cent of CFR which means local authorities expect to remain **under-borrowed** in 2020-21.

Introduction

This publication summarises the 2019-20 provisional outturn and 2020-21 budget estimates for local authority capital expenditure and financing.

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

The CPOBE return is sent to all local authorities annually in March. Local authorities are required to provide detailed breakdowns of their capital expenditure and financing, as well as information on prudential indicators relating to total external debt and Capital Financing Requirement (CFR). The return collects both provisional outturn figures for the financial year just ending and budget estimates for the next three financial years.

Local government expenditure is split between revenue and capital expenditure. This publication covers capital expenditure **only**. Capital expenditure is mainly for purchasing, constructing or enhancing physical assets, for example building a school. Capital expenditure also includes expenditure that the Scottish Ministers have permitted local authorities to treat as capital expenditure as it is met from capital resources, such as third party capital grants.

Unlike revenue expenditure, capital projects create an asset that authorities use to provide services over a period of more than one year. It is therefore reasonable to spread the cost of creating that asset over the life of that asset. Local authorities do this by borrowing, which includes both the borrowing of money and the use of credit arrangements, such as Private Finance Initiatives (PFI) and Public Private Partnerships (PPP). Debt costs – both the repayment of the borrowing and the interest cost of the debt – are met from a local authority's annual revenue budget.

This publication focuses on Scotland-level figures only. All figures in this publication are given in £ millions and so may not sum to exact totals due to rounding. A workbook containing the source data from each local authorities' return is available at [www.gov.scot/collections/local-government-finance-statistics/#capitalprovisionaloutturnandbudgetestimates\(cpobe\)](http://www.gov.scot/collections/local-government-finance-statistics/#capitalprovisionaloutturnandbudgetestimates(cpobe)).

Due to the timing of the return, the vast majority of local authorities' returns did **not** take account of the **potential impacts of Covid-19 on capital expenditure**. See the 'Data Interpretation' section for more information.

Experimental Statistics: Data being developed

These statistics are currently being developed and have been published to involve users and stakeholders in their development, as well as to build in quality and understanding at an early stage. This publication has not yet been assessed by the UK Statistics Authority and is under review. These statistics are therefore published as experimental statistics, rather than as official statistics.

2019-20 Provisional Outturn

All local authorities were asked to provide provisional outturn capital expenditure figures on an unaudited basis before their accounts were compiled. As such, these figures are subject to revision in the final audited accounts and small changes over time should be interpreted with caution.

Capital provisional outturn for local authorities in Scotland is £3,798 million, an increase of 32 per cent, or £913 million, from 2018-19 provisional outturn figures. Table 1 shows the full breakdown of provisional outturn figures by service.

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

| Service | 2018-19 | 2019-20 | % change from 2018-19 to 2019-20 |
|---|--------------|--------------|----------------------------------|
| Education | 578 | 701 | 21% |
| Roads & Transport | 484 | 515 | 6% |
| Environmental Services | 114 | 264 | 132% |
| Planning & Development | 338 | 255 | -25% |
| Culture & Related Services | 148 | 598 | 306% |
| Central Services | 148 | 166 | 12% |
| Other General Fund services ¹ | 130 | 120 | -7% |
| General Fund Capital Support to Third Parties | 207 | 238 | 15% |
| Housing Revenue Account (HRA) | 738 | 940 | 27% |
| Total Expenditure to be met from Capital Resources | 2,884 | 3,798 | 32% |

¹ This includes Social Work, Trading Services and non-HRA Housing.

Housing Revenue Account (HRA) continues to be the service with highest capital expenditure. In 2019-20, provisional capital expenditure for HRA was £940 million, an increase of 27 per cent (£202 million) from 2018-19.

Education has the second highest capital expenditure, with provisional outturn of £701 million for Education services in 2019-20. This is an increase of 21 per cent (£123 million) from the 2018-19 provisional outturn figure.

Provisional outturn for **Culture & Related Services** has increased by 306 per cent (£451 million) from 2018-19. This increase can be attributed to Sale and Leaseback transactions¹ in one local authority.

¹ A sale and leaseback transaction is where the owner of an asset sells it to a third party and then leases the same asset back from the new owner. Recognition of this leased asset is then recorded as capital expenditure by the original owner.

Environmental Services has increased by 132 per cent (£150 million) from 2018-19 provisional outturn figures. This increase has primarily been driven by planned projects within Environmental Services, for example projects relating to energy from waste or coastal protection works, across a number of local authorities.

Provisional outturn for **Planning & Development** has decreased by 25 per cent (£83 million) from 2018-19. This decrease looks to have been caused by delays in development projects across local authorities.

Provisional outturn figures show that the majority of local authorities' 2019-20 capital expenditure will be **financed** from Scottish Government Grants (34 per cent); borrowing (31 per cent); and credit arrangements (18 per cent). Table 2 provides a full breakdown of provisional capital expenditure financing for 2019-20.

Table 2: Financing of capital expenditure in 2019-20, £ millions

| Source of financing | Amount of financing | % of total capital expenditure funded |
|---|---------------------|---------------------------------------|
| Scottish Government Grants | 1,298 | 34% |
| Other Grants | 191 | 5% |
| Borrowing | 1,164 | 31% |
| Credit Arrangements | 675 | 18% |
| Capital Receipts / Capital Fund | 149 | 4% |
| Other sources of financing ¹ | 321 | 8% |
| Total Capital Financing | 3,798 | 100% |

¹ This includes capital funded from revenue.

Table 3 sets out the provisional outturn figures for local authorities' Total External Debt and Capital Financing Requirement (CFR) at 31 March. See the Data Interpretation section for more information on these prudential indicators.

Provisional **Total External Debt** is £18,735 million – an increase of nine per cent (£1,481 million) from 2018-19. Provisional **CFR** is £19,420 million, this is an increase of seven per cent (£1,244 million) from 2018-19.

Table 3: Provisional Outturn for CFR and External Debt at 31 March for 2018-19 and 2019-20, £ millions

| Prudential Indicator | 2018-19 | 2019-20 | % change from 2018-19 to 2019-20 |
|-------------------------------------|---------|---------|----------------------------------|
| Total External Debt | 17,254 | 18,735 | 9% |
| Capital Financing Requirement (CFR) | 18,176 | 19,420 | 7% |

Total External Debt is 96 per cent of the CFR. This means local authorities are **under-borrowed** and indicates their treasury policy is to utilise cash reserves to fund borrowing at this time. Should their cash requirements increase, a local authority can borrow externally to meet that need, utilising their under-borrowed position.

2020-21 Budget Estimates

All local authorities were also asked to provide their budget estimates for capital expenditure in 2020-21, 2021-22 and 2022-23. Budgets are financial plans for the year and will reflect both anticipated demand for services and the resources available to deliver those services. As such, comparisons between years need to take these factors into account and should be interpreted with caution.

The commentary in this publication will focus on the budget estimates for 2020-21 only, however the budget estimates for 2021-22 and 2022-23 are available in the source workbook made available alongside this publication.

Budgeted capital expenditure for local authorities in Scotland is £4,310 million, an increase of two per cent, or £98 million, from the budget set for 2019-20. Table 4 gives a breakdown of budget estimates by service.

Table 4: Budget Estimates for 2019-20 and 2020-21 by Service, £ millions

| Service | 2019-20 | 2020-21 | % change from 2019-20 to 2020-21 |
|---|--------------|--------------|----------------------------------|
| Education | 870 | 922 | 6% |
| Roads & Transport | 608 | 703 | 16% |
| Environmental Services | 387 | 359 | -7% |
| Planning & Development | 398 | 357 | -10% |
| Culture & Related Services | 163 | 166 | 2% |
| Central Services | 236 | 239 | 1% |
| Other General Fund services ¹ | 235 | 136 | -42% |
| General Fund Capital Support to Third Parties | 210 | 244 | 17% |
| Housing Revenue Account (HRA) | 1,107 | 1,184 | 7% |
| Total Expenditure to be met from Capital Resources | 4,213 | 4,310 | 2% |

Notes

¹ This includes Social Work, Trading Services and non-HRA Housing.

HRA is the service with the highest budgeted capital expenditure, with a budget of £1,184 million in 2020-21 – an increase of seven per cent, or £78 million, from the 2019-20 budget estimate.

Education continues to be the service with the second highest capital expenditure in 2020-21. Local authorities have budgeted £922 million for Education services, an increase of six per cent (£51 million) from 2019-20 budget estimates.

Other General Fund services has seen the biggest change in budget, a decrease of 42 per cent (£99 million) from £235 million in 2019-20 to £136 million in 2020-21. This decrease has largely been driven by a decrease of £72 million in 'Other' services – that is, expenditure that does not fit into the main service headings.

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

Local authorities have budgeted for the majority of their 2020-21 capital expenditure to be **financed** from borrowing (52 per cent) and Scottish Government Grants (27 per cent). Table 5 provides a full breakdown of budgeted capital expenditure financing for 2020-21.

Table 5: Budgeted financing of capital expenditure in 2020-21, £ millions

| Source of financing | Financing budgeted | % of total capital expenditure funded |
|---|--------------------|---------------------------------------|
| Scottish Government Grants | 1,165 | 27% |
| Other Grants | 240 | 6% |
| Borrowing | 2,253 | 52% |
| Credit Arrangements | 156 | 4% |
| Capital Receipts / Capital Fund | 209 | 5% |
| Other sources of financing ¹ | 287 | 7% |
| Total Capital Financing | 4,310 | 100% |

Notes

¹ This includes capital funded from revenue.

Table 6 sets out the budget estimates for local authorities' CFR and Total External Debt at 31 March. **Total External Debt** is budgeted to be £20,321 million – an increase of nine per cent (£1,618 million) from 2019-20 budget estimates. Local authorities' **CFR** is budgeted to be £21,199 million, this is an increase of seven per cent (£1,428 million) from 2019-20 budget estimates.

Table 6: Budget Estimates for CFR and External Debt at 31 March for 2019-20 and 2020-21, £ millions

| Prudential Indicator | 2019-20 | 2020-21 | % change from 2019-20 to 2020-21 |
|-------------------------------------|---------|---------|----------------------------------|
| Total External Debt | 18,703 | 20,321 | 9% |
| Capital Financing Requirement (CFR) | 19,771 | 21,199 | 7% |

Total External Debt is therefore budgeted to be 96 per cent of CFR which means that local authorities are planning to continue to be under-borrowed.

Data Interpretation

The [CPOBE 2020 return](#) was issued to local authorities on 25 March 2020 with a deadline of 6 May 2020. Due to the timing of this return, the vast majority of local authorities' returns do **not** take account of the **potential impacts of Covid-19 on capital expenditure**. Three local authorities advised that their returns did contain an element of slippage from 2019-20 to 2020-21, reflecting delays due to Covid-19.

Scottish Government Grant figures in this publication include capital allocations paid to local authorities as part of the Local Government Finance Settlement. Details of these allocations can be found in the relevant [Local Government Finance Circular](#).

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code sets out a framework for a local authority to demonstrate its capital investment plans are affordable, prudent and sustainable. One of the prudential indicators is the CFR which represents the amount of capital expenditure a local authority has determined should be met from borrowing with the repayment of that borrowing to be met from future local authority revenue budgets. 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; or Total External Debt may exceed the CFR where they have chosen to borrow in advance of actual capital expenditure.

The CPOBE collection is still relatively new and sufficient analysis has not yet been carried out to assess differences between provisional and final outturn figures. It is therefore not advisable to compare these figures at this time as it is not known whether differences between the figures are random variation or if there is a systematic bias in the data collection that may need to be adjusted for. Further, the 'lumpy' nature of capital expenditure means that delays or changes to large capital projects at the end of the financial year can have a large impact on the final figures.

When **comparing provisional outturn or budget estimates over time**, comparisons should be made on a like for like basis. Due to the 'lumpy' nature of capital, service level expenditure can change significantly between years due to phasing of specific large-scale projects. Across years, changes in accounting standards may also impact on the categorisation of expenditure which can lead to discontinuity in the data collected between financial years. Where these changes are significant, it will be noted in the commentary.

Related Publications

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

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

An Experimental Statistics: Data being developed Publication for Scotland

These statistics are currently being developed and have not yet been assessed by the UK Statistics Authority. They have been published to involve users and stakeholders in their development, and to build in quality and understanding at an early stage.

Correspondence and enquiries

For public enquiries about this publication, please contact:

Local Government Finance Statistics

Telephone: 0131 244 7033

e-mail: lgfstats@gov.scot

For media enquiries about this publication, please contact 0131 244 5193.

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 at [www.gov.scot/collections/local-government-finance-statistics/#capitalprovisionaloutturnandbudgetestimates\(cpobe\)](http://www.gov.scot/collections/local-government-finance-statistics/#capitalprovisionaloutturnandbudgetestimates(cpobe)).

Complaints and suggestions

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

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

Telephone: 0131 244 0442

e-mail: statistics.enquiries@gov.scot

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 978-1-83960-870-4

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/.