



Scottish Government
Riaghaltas na h-Alba
gov.scot

Scottish Local Government Financial Statistics 2016-17



A National Statistics publication for Scotland

PEOPLE, COMMUNITIES AND PLACES

SG/2018/23

EXECUTIVE SUMMARY	2
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.....	34
1.6 Customer and Client Receipts	46
2. Capital Expenditure and Financing.....	47
2.1 Total Capital Expenditure and Financing.....	48
2.2 Capital Financing	56
2.3 Borrowing and Credit Arrangements	59
3. Local Government Reserves, Fixed Assets and Debt.....	61
3.1 Local Authority Debt	62
3.2 Prudential Indicators	66
3.3 Fixed Assets	70
4. Reserves.....	71
5. Local Government Pensions	72
6. Background to Scottish Local Government Financial Statistics	75
7. Sources.....	78

EXECUTIVE SUMMARY

Revenue Expenditure and Funding

All Services (Table 1.1)

In 2016-17 gross revenue expenditure on services was £15.590 billion and income was £5.578 billion, resulting in a net cost of services of £10.012 billion. Expenditure on the repayment of debt and the financing of capital investment was £1.686 billion. This left a funding requirement of £11.699 billion.

Where a local authority provides housing, a separate account, (the Housing Revenue Account (HRA)) is kept to record the costs of housing. This is a self-financing stand alone account mainly funded from rental income. The statistics therefore report the General Fund and the HRA separately.

General Fund

In 2016-17 gross expenditure on revenue services was £14.913 billion and income was £4.401 billion, a net cost of services of £10.511 billion. Further costs for the repayment of debt and the financing of capital expenditure amounted to £1.207 billion. This left a funding requirement of £11.718 billion.

This funding requirement is met from grant from the Scottish Government, Non Domestic Rate income, Council Tax and Reserves.

Total Funding in 2016-17 was £11.708 billion. This is made up of Scottish Government General Revenue Grant with £6.839 billion (58%), Non Domestic Rates with £2.769 billion (24%),

Council tax with £2.091 billion (18%), and other funding of £0.009 billion (rounds to 0%).

This left a deficit of £9.914 million to be funded from reserves.

The value of General Fund reserves at 1 April 2016 was £1.495 billion. After taking into account the deficit for the year plus a transfer from other reserves of £5.315 million the value of General Fund reserves at 31 March 2017 was £1.490 billion, a decrease of £4.599 million.

Housing Revenue Account

In 2016-17 gross expenditure for the HRA was £0.677 billion and income was £1.176 billion, a surplus of £0.499 billion.

Expenditure on the repayment of debt and the financing of capital investment was £0.479 billion. This left a surplus of £19.429 million to be added to HRA reserves.

The value of HRA reserves at 1 April 2016 was £154.909 million. After taking into account the surplus for the year, plus a transfer to other reserves of £4.899 million the closing HRA reserves was £169.439 million, an increase of £14.530 million.

Council Tax

- The average Band D Council Tax in Scotland was £1,149 in 2016-17.
- Council Tax income was £2.091 billion in 2016-17 (after Council Tax Reduction).

The total number of chargeable dwellings (i.e. the tax base) has increased slightly each year, rising from 2.40 million in September 2012 to 2.47 million in September 2017.

As a result of the Council Tax freeze, Council Tax levels remained fixed from 2007-08 to 2016-17 (except in Stirling where there was a slight drop in the Council Tax level in 2008-09 and 2012-13).

Non-domestic Rates

Non-domestic rates bills are calculated using the rateable value (RV) of a non-domestic property, multiplied by the poundage rate (48.4p in 2016-17) plus any relevant supplements (such as Large Business Supplement), less any rates reliefs.

- Non-domestic rate income collected increased from £2.579 billion in 2015-16 to £2.731 billion in 2016-17. This is due to the net effect of several factors such as the inflationary increase in the poundage rate, the increase to the large business supplement, the curtailment of empty property relief and other changes to the tax base (e.g. new or demolished properties).
- Non-domestic rates reliefs provided relief of £0.59 billion in 2016-17, down from £0.63 billion in 2015-16. A curtailment in empty property relief was the main factor which contributed to the reduced total.
- As at 1st April 2017, the non-domestic rate tax base comprised of 233,386 non-domestic properties on the Valuation Roll with a total rateable value of £7.358 billion.
- The non-domestic rates 'Distributable Amount' was £2.77 billion in 2016-17.

Capital Investment (Tables 2.1, 3.1 and 3.2)

To be able to deliver services a local authority has to invest in its assets, such as roads, schools and flood defences. In 2016-17 local authorities spend £2.962 billion on capital expenditure.

General Fund

In 2016-17 capital expenditure by the General Fund totalled £2.285 billion, an increase of 21% or £0.393 billion.

This capital expenditure was funded from Scottish Government grants (33%), other grants and contributions (7%), borrowing money (42%), credit arrangements (finance leases / private finance initiatives) (9%) capital reserves (5%), and revenue reserves (4%).

Total General Fund borrowing at 1 April 2016 was £10.068 billion which equates to borrowing per head of population of £1,874. New borrowing for capital expenditure increased this by £954 million, with repayments of borrowing reducing the borrowing by £438 million. The value of borrowing at 31 March 2017 was £10.580 billion, an increase of £513 million. This equates to a borrowing per head of £1,958, an increase of £84 (4.5%) per head over the financial year.

In addition to borrowing local authorities also finance capital investment by entering into credit arrangements. Many new schools have been built under these arrangements, known as private financing initiatives. The asset is operated by the developer with the local authority being charged for the services provided each year plus the debt costs from building the asset. In 2016-17 Local authorities funded £207 million of assets from

credit arrangements. The value of debt liabilities for credit arrangements as at 1 April 2016 was £2.676 billion, a debt per head of £498. After adding new liabilities and deducting repayments the closing balance for credit arrangements at 31 March 2017 was £2.792 billion, a debt per head of £517. The debt per head has risen by £19 (3.8%) during the financial year.

Total debt from borrowing and credit arrangements as at 31 March 2017 was £13.373 billion or £2,474 per head (1 April 2016 this was £12.744 billion or £2,383 per head).

Housing Revenue Account

In 2016-17 capital expenditure by the HRA totalled £676.804 million.

This capital expenditure was funded from borrowing money (33%) revenue reserves (31%), capital reserves (19%) Scottish Government grants (15%), other grants and contributions (2%).

Total HRA borrowing at 1 April 2016 was £3.360 billion which equates to borrowing per dwelling of £10,600. New borrowing for capital expenditure increased this by £225 million, with repayments of borrowing reducing the borrowing by £138 million.

The value of borrowing at 31 March 2017 was £3.450 billion, an increase of £90 million. This equates to a borrowing per house of £10,900, an increase of £301 (2.8%) per house.

The HRA reduced its debt from credit arrangements in 2016-17 from £2.679 million to £2.543 million. The debt per house remained at £8.

Local Government Pensions

Total Local Government Pension Scheme Fund income in 2016-17 was £9.0 billion. This is up by £7.1 billion compared with 2016-17 due to an increase in investment income, which is influenced by the type of investment, which can fluctuate year on year reflecting market forces. Contributions from employees and employers totalled £1.26 billion, an increase of £0.02 billion or 1.8% on 2015-16.

Local Government Pension Fund Expenditure in 2016-17 was £1.32 billion, an increase of £0.08 billion or 6.5%. The majority (95%) of this expenditure is on pension benefits, of which £0.30 billion was on lump sum payments and £0.95 billion was on pensions.

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.

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 is 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.

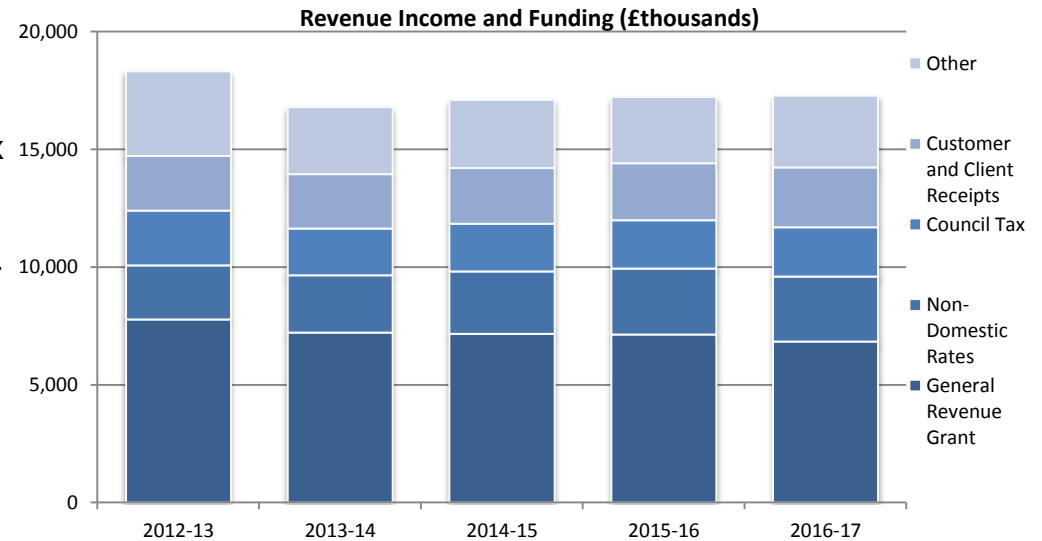
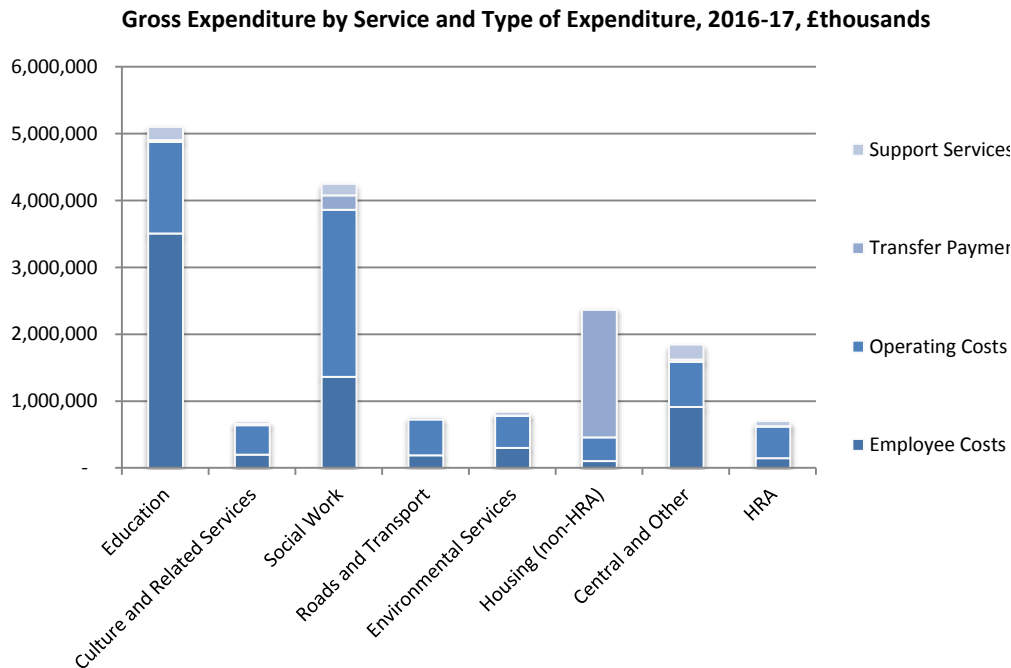
General Funding is sometimes referred to as "Taxation and non-specific grant income" and comprises General Revenue Grant, Non-Domestic Rates and Council Tax.

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 Revenue Expenditure** on services increased by **1.7%** to £15.6 billion in 2016-17;
- **Net Revenue Expenditure** on services decreased by **0.9%** to £10.0 billion;
- Net Revenue Expenditure on **Education** increased by **2.0%** to £4.8 billion;
- Net Revenue Expenditure on **Social work** decreased by **1.1%** to £3.1 billion;
- **General Funding** decreased by **2.5%** to £11.7 billion;
- **Service income** increased by **6.6%** to £5.6 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 2016-17.

Total Gross Revenue Expenditure on services by Scottish local authorities in 2016-17 was £15,590 million, 1.7% higher than in 2015-16. Of this, £677 million was for the provision of housing through the Housing Revenue Account (HRA).

Total service income raised by local authorities in 2016-17 was £5,578 million, an increase of 6.6% on the previous year. Of this, £1,176 million was raised through the Housing Revenue Account. Excluding Social Care, total service income increased by 3.2%. Due to changes to the way that Social Care is funded following implementation of Integration of Health and Social Care, the increase in total service income should be interpreted with care.

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 2016-17 was £10,012 million, which is a decrease of 0.9% on 2015-16.

The largest service area is education with gross expenditure of £5,070 million and service income of £240 million in 2016-17, which gives a net revenue expenditure on education of £4,830 million, an increase of 2.0% on 2015-16.

The second largest service area is social work with gross expenditure of £4,217 million and £1,081 million of service income. Net Revenue Expenditure on social work is £3,136 million, 1.1% lower than in 2015-16. This fall can be largely attributed to changes in the way that social care is funded following implementation of Integration of Health and Social Care, which means that an increasing proportion of social care expenditure is funded from Health Boards via Integration Joint Boards. Social care gross expenditure increased by 4.0% (or £173 million) and income (which includes contributions from the Health Boards) increased by 23.6%. This means that, although the total social work expenditure has increased by 4.0%, the element of social work expenditure that is paid for through General Funding (comprising General Revenue Funding, Council Tax and Non-Domestic Rates) has fallen by 1.1%.

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 30% of General Fund net revenue expenditure.

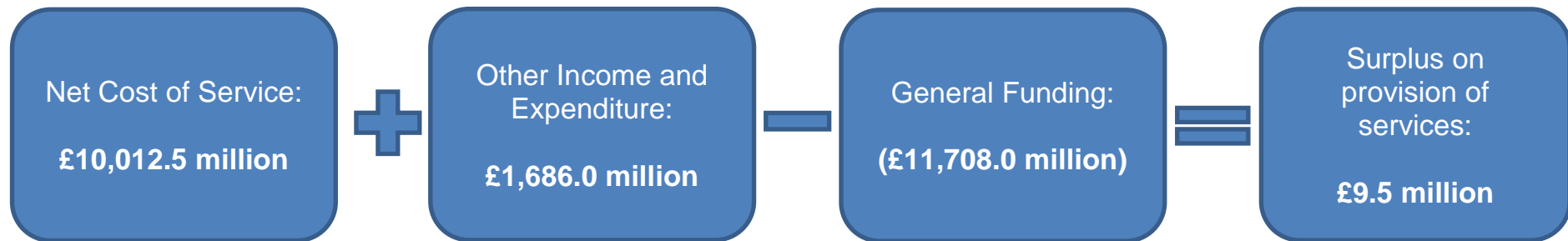
Total Other Income and Expenditure for 2016-17 was £1,686 million, a decrease of 5.8% on the previous year. Of this, £820 million was on interest charges and £668 million was used to repay debt. Authorities used £290 million of revenue resources to fund capital expenditure. Interest received, surplus or deficit from trading operations and other operating expenditure totalled income of £92 million.

Total General Funding available to authorities in 2016-17 was £11,708 million, 2.5% lower than in 2015-16. Of this, £6,839 million was General Revenue Funding, £2,769 million was Non-Domestic Rates Distributable Amount and £2,091 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 surplus of £9.5 million in 2016-17. This comprises a £9.9 million deficit in the General Fund and a £19.4 million surplus in the Housing Revenue Account.

This surplus contributes to the reserves that local authorities hold. At the 1st of April 2016, Local Authorities held £1,649 million of General Fund and HRA reserves. They transferred £0.4 million into General Fund and HRA reserves from other accounts within the authority, which meant that reserves increased by £9.9 million to give a closing balance at the 31st March 2017 of £1,659 million.

(Surplus)/Deficit on Provision of Services:



General Fund and HRA Revenue Reserves:

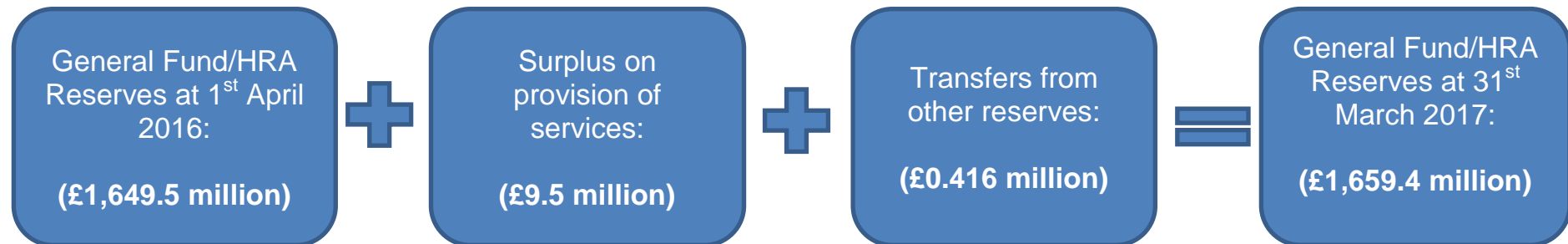


Table 1.1 – Revenue Expenditure, Income and Reserves, 2016-17
£thousands

	General Fund	Housing Revenue Account	Total
INCOME AND EXPENDITURE ON SERVICES			
Gross Expenditure	14,912,703	677,338	15,590,041
Gross Income	(4,401,278)	(1,176,264)	(5,577,542)
Net Cost of Service	10,511,425	(498,926)	10,012,499
OTHER INCOME AND EXPENDITURE			
Interest Payable and Similar Charges	677,084	142,960	820,044
Interest Receivable and Similar Income	(73,815)	(2,383)	(76,198)
Statutory Repayment of Debt	535,881	132,263	668,144
Capital Expenditure Funded from Revenue (Surplus) or Deficit from Trading Operations	81,891	207,714	289,605
Other Operating Expenditure	(20,533)	(1,573)	(22,106)
Other Operating Expenditure	6,026	516	6,542
Other Income and Expenditure	1,206,534	479,497	1,686,031
Funding Requirement	11,717,959	(19,429)	11,698,530
GENERAL FUNDING			
General Revenue Funding	(6,839,251)	0	(6,839,251)
Non-Domestic Rates	(2,768,500)	0	(2,768,500)
Council Tax	(2,090,754)	0	(2,090,754)
Other	(9,540)	0	(9,540)
Total Funding	(11,708,045)	0	(11,708,045)
(Surplus) / Deficit to be met from reserves	9,914	(19,429)	(9,515)
RESERVES			
Balance at 1 April 2016	(1,494,546)	(154,909)	(1,649,455)
(Surplus) or Deficit for the year	9,914	(19,429)	(9,515)
Movement in Reserves	(5,315)	4,899	(416)
<i>(Increase) or decrease in reserves</i>	<i>4,599</i>	<i>(14,530)</i>	<i>(9,931)</i>
Balance 31 March 2017	(1,489,947)	(169,439)	(1,659,386)

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% (£4,830 million) of General Fund net revenue expenditure. Of this, £1,880 million was spent on primary education and £1,881 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 £3,136 million (30% of General Fund net revenue expenditure). Data on social work expenditure is collected on the basis of client groups. Of the client groups identified in the Local Financial Returns (LFRs), older persons has the highest expenditure with £1,356 million followed by children and families with £897 million and adults with learning disabilities with £518 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: 2016-17

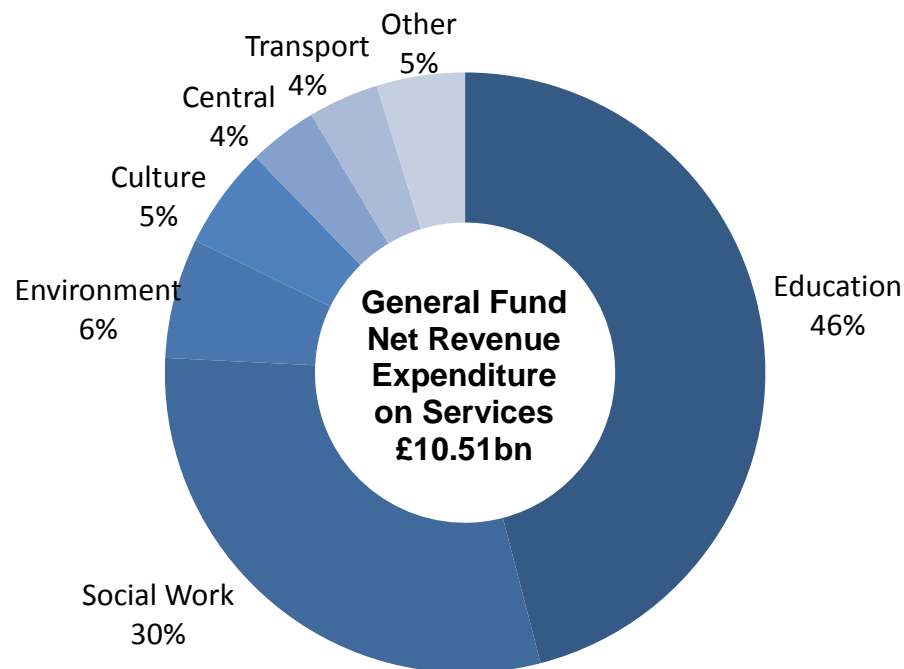


Table 1.2 provides a time series of net revenue expenditure by service. Education is the only service area that has shown increases in expenditure each year since 2012-13, increasing by 6% from £4,571 million in 2012-13 to £4,830 million in 2016-17. Over the period from 2012-13 to 2016-17, net revenue expenditure on Social Work increased by 6% from £2,959 million in 2012-13 to £3,136 million in 2016-17. Planning & Development Services showed the largest percentage fall (16%) from £279 million in 2012-13 to £235 million in 2016-17.

Table 1.2 – Net Revenue Expenditure by Service, 2012-13 to 2016-17

	<i>£millions</i>				
	2012-13 ^a	2013-14	2014-15	2015-16	2016-17
Education	4,571	4,579	4,612	4,736	4,830
Cultural & Related Services	609	614	643	598	576
Social Work	2,959	3,031	3,110	3,169	3,136
Roads & Transport	457	436	420	418	399
Environmental Services	644	659	666	684	680
Planning & Development Services	279	279	278	243	235
Central Services	386	484	439	465	390
Non-HRA Housing	306	321	342	294	292
Trading Services	(4)	(2)	(5)	(17)	(27)
General Fund Net Expenditure	10,208	10,400	10,504	10,590	10,511
Housing Revenue Account	(425)	(439)	(465)	(490)	(499)
General Fund + HRA Net Revenue Expenditure	9,783	9,961	10,039	10,101	10,012

a) Following the Police and Fire Reform (Scotland) Act 2012, the new bodies that replaced Police and Fire boards were classified as Central Government. To allow comparability over time, Police and Fire has been excluded from the 2012-13 figures. See section 5.2 for details.

Source: Local Financial Returns – LFR 00

Type of Expenditure

The element with the highest gross revenue expenditure is operating costs (which includes property costs, supplies and services costs, transport and payments to agencies and other bodies) which account for £6,828 million of expenditure. The second largest element was employee costs which account for £6,713 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 £1,912 million of the total £2,218 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 £2,539 million of income. Of this, £1,166 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 £2,072 million, however £1,806 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.

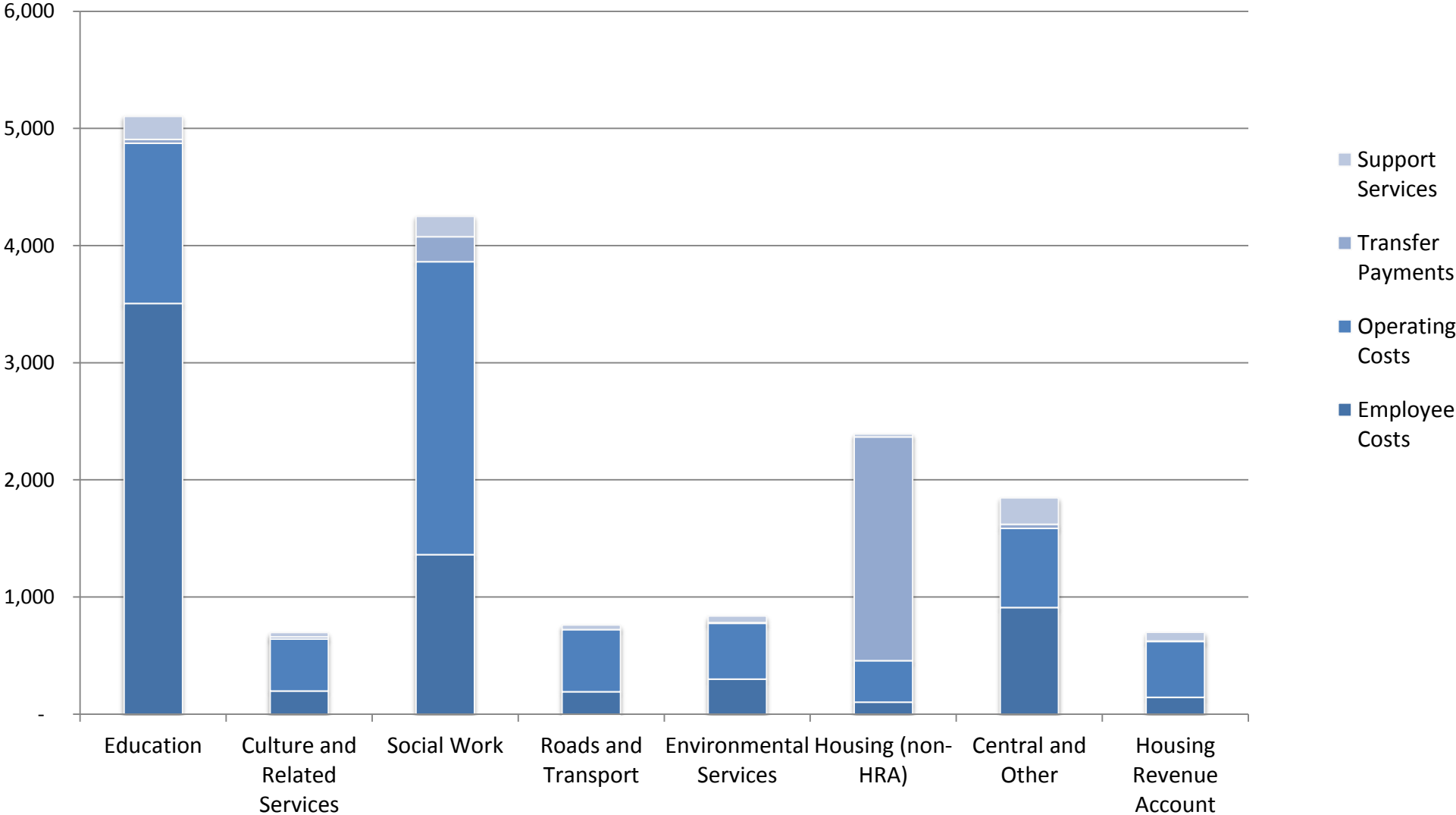
Table 1.3 Net Revenue Expenditure by Service and Type of Income / Expenditure, 2016-17

£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	3,506,753	198,915	1,361,466	190,732	298,475	102,716	909,683	6,568,740	144,232	6,712,972
Operating Costs	1,367,468	442,009	2,501,471	532,345	477,799	353,545	677,459	6,352,096	476,247	6,828,343
Transfer Payments	32,799	19,302	214,646	(6,073)	6,496	1,911,555	34,648	2,213,373	4,939	2,218,312
Support Services	196,575	36,892	172,867	38,267	56,030	23,925	225,164	749,720	74,359	824,079
<i>Adjustment for Inter Account and Inter Authority Transfers</i>	(33,472)	(26,018)	(33,491)	(160,076)	(35,596)	(14,188)	(668,385)	(971,226)	(22,439)	(993,665)
Gross Expenditure	5,070,123	671,100	4,216,959	595,195	803,204	2,377,553	1,178,569	14,912,703	677,338	15,590,041
INCOME										
Government Grants (excl GRF)	(75,783)	(3,694)	(104,856)	(6,078)	(2,279)	(1,806,358)	(70,229)	(2,069,277)	(2,748)	(2,072,025)
Other Grants, Reimbursements and Contributions	(33,223)	(13,490)	(713,373)	(22,632)	(6,557)	(113,076)	(56,271)	(958,622)	(7,540)	(966,162)
Customer and Client Receipts	(131,164)	(77,793)	(262,974)	(167,044)	(114,424)	(166,188)	(453,765)	(1,373,352)	(1,165,976)	(2,539,328)
Other Income	0	(27)	0	0	0	0	0	(27)	0	(27)
Total Income	(240,170)	(95,004)	(1,081,203)	(195,754)	(123,260)	(2,085,622)	(580,265)	(4,401,278)	(1,176,264)	(5,577,542)
Net Revenue Expenditure	4,829,953	576,096	3,135,756	399,441	679,944	291,931	598,304	10,511,425	(498,926)	10,012,499

Source: Local Financial Returns – LFR 00

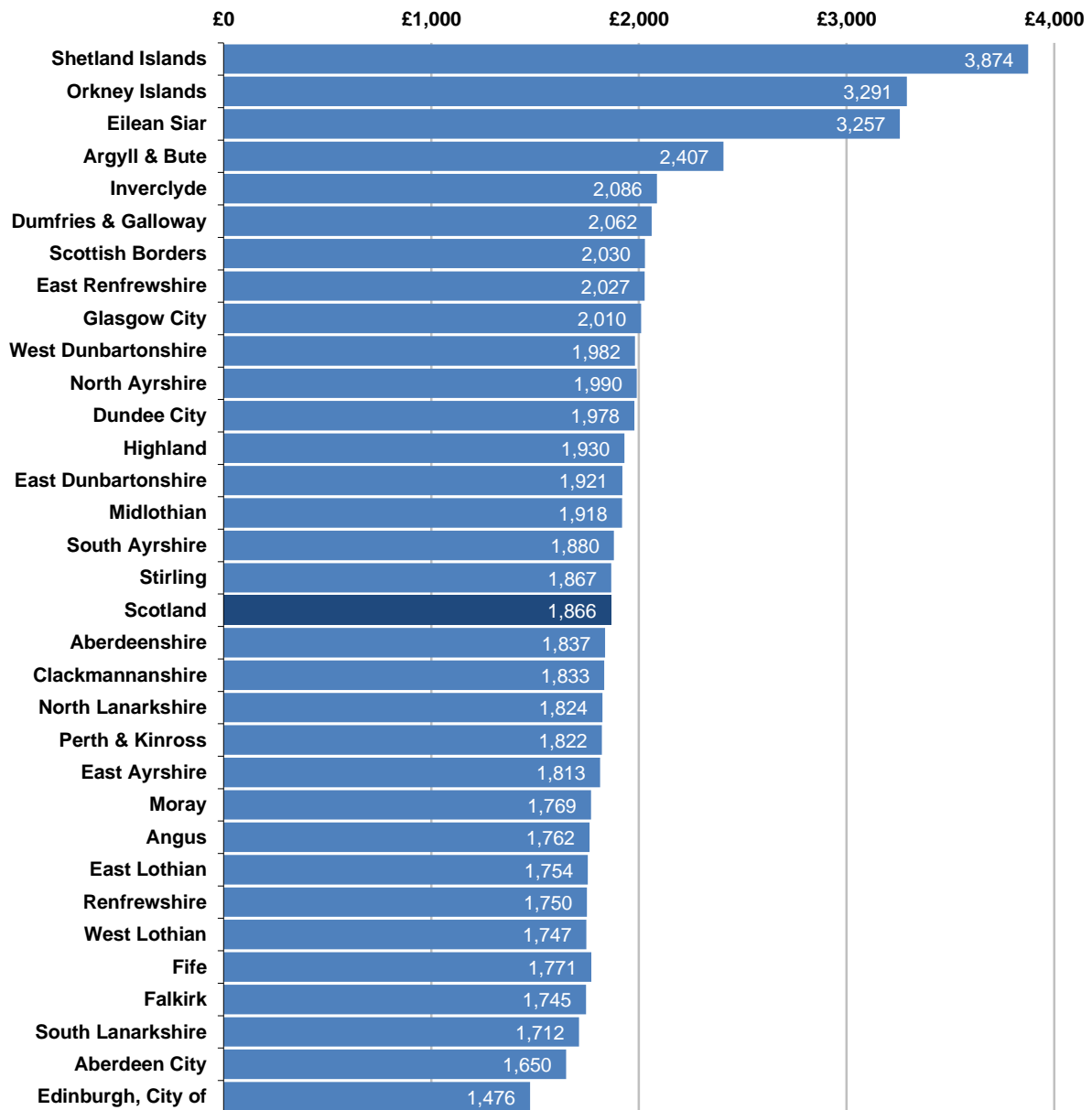
Chart 1.2: Gross Expenditure by Service, 2016-17, £millions



Source: Local Financial Returns – LFR 00

Chart 1.3 shows net revenue expenditure on services per head of population by council. Valuation Joint Boards, Tay Road Bridge and Regional Transport Partnerships have been excluded from the figure here. The chart shows that on average in Scotland council's spent £1,866 per person in 2016-17, down slightly from £1,881 in 2015-16. Spend per head ranged from £1,476 per person in Edinburgh to £3,874 per person in Shetland.

Chart 1.3 – Net Revenue Expenditure per Head Population by Council, 2016-17 (£)



Source: Local Financial Returns – LFR 00 and NRS Mid-Year Population Estimates (2016)

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 almost £4.9 billion to the funding of local government in 2016-17 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, 2012-13 to 2016-17

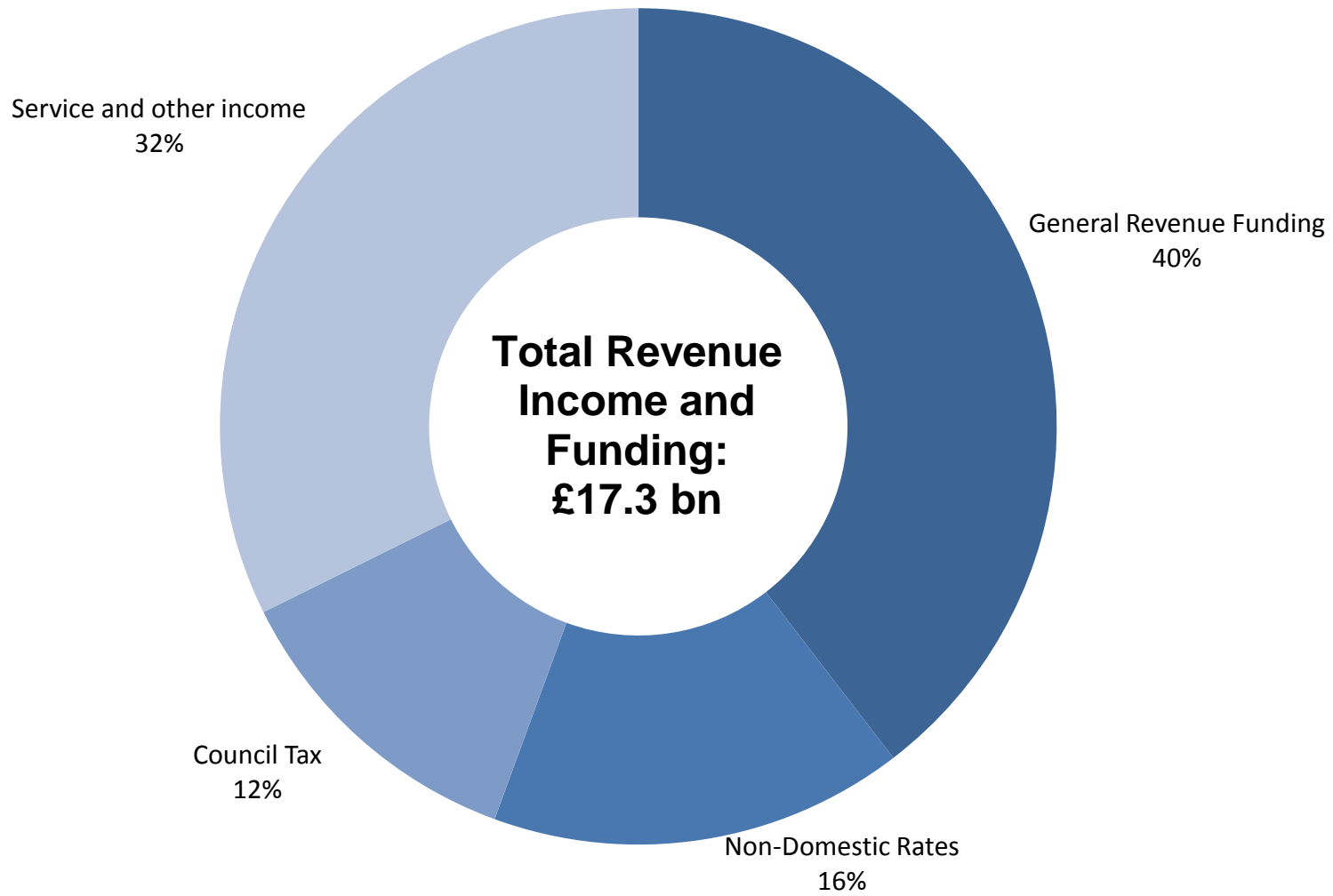
	<i>£millions</i>				
	2012-13	2013-14 ^a	2014-15	2015-16	2016-17
General Funding:	12,543	11,724	11,923	12,003	11,708
General Revenue Funding	7,782	7,225	7,167	7,147	6,839
Non-Domestic Rates Distributable Amount	2,297	2,436	2,656	2,791	2,769
Council Tax ²	2,319	1,978	2,022	2,055	2,091
Other Funding	145	85	78	10	10
Service Income:	5,777	5,066	5,185	5,230	5,578
Government Grants (excl GRF)	2,640	1,974	1,984	2,040	2,073
Other Grants, Reimbursements and Contributions	807	774	833	768	966
Customer and Client Receipts	2,330	2,317	2,368	2,423	2,539
Total Revenue Income	18,320	16,790	17,108	17,233	17,287

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

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

Source: Local Financial Returns – LFR 00

Chart 1.4 – Revenue Income and Funding, 2016-17



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

1.4 Council Tax

In 2016-17, Council Tax bills were issued to 2.47 million dwellings in Scotland. Over £2 billion of Council Tax revenue was raised across all local authorities in Scotland in 2016-17.

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, which is the year after the data included in this report.
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 1 st April 1991	Ratio to Band D (to 2016-17)	No. of chargeable dwellings as at September 2017	Proportion of chargeable dwellings
Band A	Under £27,000	6/9	505,129	20%
Band B	£27,001 to £35,000	7/9	572,271	23%
Band C	£35,001 to £45,000	8/9	399,508	16%
Band D	£45,001 to £58,000	9/9	332,640	13%
Band E	£58,001 to £80,000	11/9	333,611	13%
Band F	£80,001 to £106,000	13/9	192,916	8%
Band G	£106,001 to £212,000	15/9	124,270	5%
Band H	Over £212,000	18/9	13,150	1%
Total			2,473,497	100%

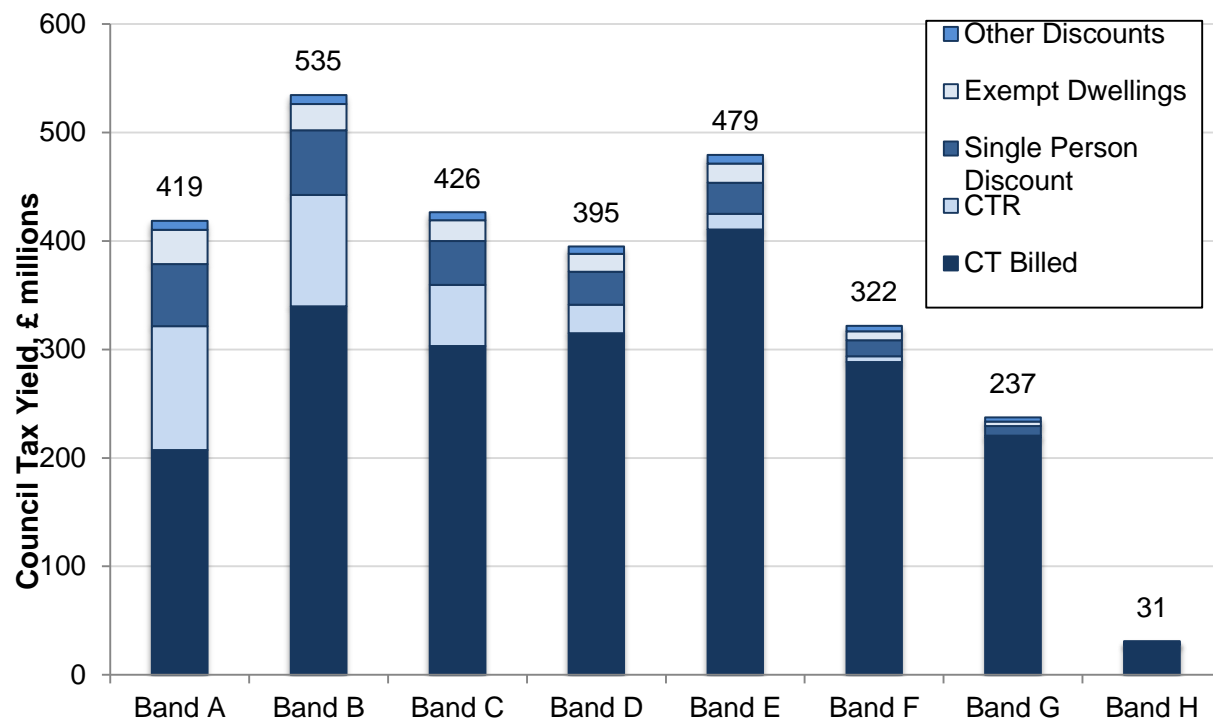
Source: CTAXBASE 2017 Return

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), 2016-17



Source: CTAXBASE 2016 Return and CTRR 2016-17 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 2016-17 was 95.8 per cent and the total amount collected for Scotland as a whole (after CTR) was £2.091 billion, including late amounts for previous years.

Table 1.6 shows the amount of Council Tax collected by each local authority in 2016-17. More information about bills issued in 2016-17 and the provisional amounts collected are available in the statistics publication 'Council Tax Collection Statistics, 2016-17' which is available at: <http://www.gov.scot/Publications/2017/06/6692>

Table 1.6 – Council Tax income after CTR by local authority, 2016-17^a

Local Authority	Net Council Tax income (£'000s)
Aberdeen City	104,192
Aberdeenshire	119,646
Angus	43,110
Argyll & Bute	44,051
Clackmannanshire	18,895
Dumfries & Galloway	56,841
Dundee City	49,212
East Ayrshire	42,460
East Dunbartonshire	51,302
East Lothian	43,937
East Renfrewshire	42,325
Edinburgh, City of	221,390
Eilean Siar	9,324
Falkirk	55,336
Fife	139,838
Glasgow City	189,732
Highland	105,560
Inverclyde	28,387
Midlothian	36,415
Moray	36,342
North Ayrshire	47,908
North Lanarkshire	104,405
Orkney Islands	7,998
Perth & Kinross	69,420
Renfrewshire	67,836
Scottish Borders	47,842
Shetland Islands	8,542
South Ayrshire	47,117
South Lanarkshire	115,570
Stirling	42,043
West Dunbartonshire	31,592
West Lothian	62,186
Scotland	2,090,754

^a Figures relate to income collected in financial year 2016-17, which can include amounts that were billed in previous years.

Source: Local Financial Returns, 2016-17

Chargeable Dwellings

Table 1.7 shows the number of dwellings in Scotland for each September from 2012 to 2017. There were a total of 2.595 million dwellings in Scotland in 2017, of which 121,300 dwellings were exempt for Council Tax purposes. This gave 2.473 million chargeable dwellings in 2017: an increase of around 3.0 per cent (71,600 dwellings) since 2012.

Table 1.7 – Total number of dwellings in Scotland, 2012 to 2017

	Total Dwellings	Exempt Dwellings	Chargeable Dwellings
2012	2,515,042	113,173	2,401,869
2013	2,526,703	116,372	2,410,331
2014	2,540,330	112,525	2,427,805
2015	2,557,365	116,847	2,440,518
2016	2,575,495	120,089	2,455,406
2017	2,594,821	121,324	2,473,497

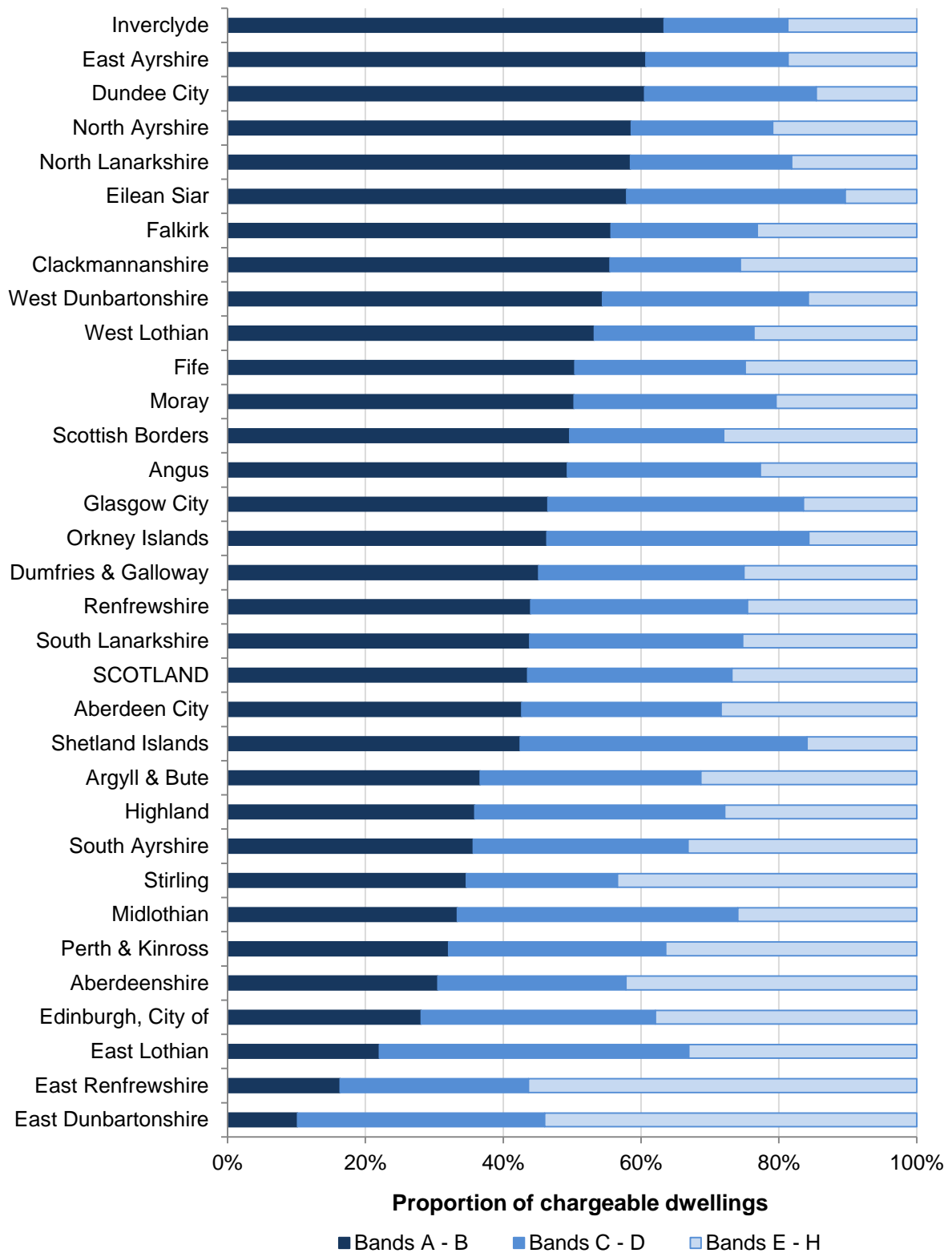
Source: CTAXBASE Return

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, will be subject to revised ratios, and therefore higher charges, from 2017-18.

The three local authorities with the highest number of chargeable dwellings were Glasgow, Edinburgh and Fife, with over a quarter of the chargeable dwellings in Scotland between them. Further data on the number of chargeable dwellings by local authority and Council Tax band can be found in the supplementary tables 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 2017

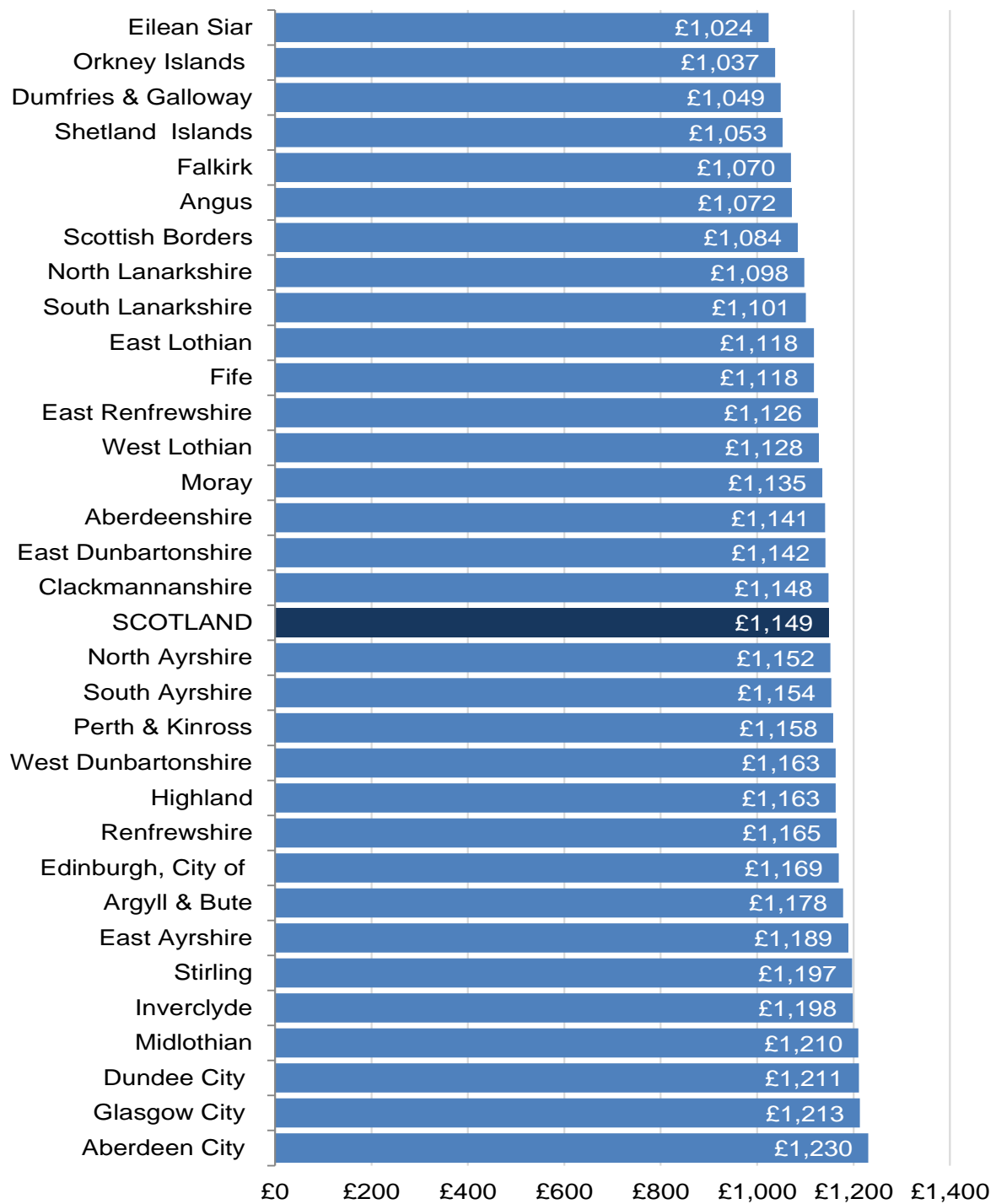


Source: CTAXBASE 2017 Return

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 up to and including 2016-17 can be found in Table 1.5. As a result, each local authority has different Council Tax rates. The Band D Council Tax levels for each local authority are shown in Chart 1.7, and range from £1,024 in Comhairle nan Eilean Siar to £1,230 in Aberdeen City.

Chart 1.7 – Band D Council Tax rate by local authority, 2016-17 (£)



Source: CTAS 2016 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 has caused the Scotland average Band D Council Tax rate to remain steady at £1,149 since 2007-08 – a fall in real terms.

Table 1.8 shows how the average Band D Council Tax bill for Scotland has changed each year from 2011-12. The average Council Tax bill per dwelling in 2016-17 was £997. 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, 2011-12 to 2016-17

	Average CT bill per dwelling	
	Before CTB/CTR	After CTB/CTR
2011-12	£984	£826
2012-13	£985	£830
2013-14	£988	£838
2014-15	£989	£846
2015-16	£991	£856
2016-17	£997	£867

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

Council Tax Reduction (CTR)

Scotland's CTR scheme was introduced in 2013 following localisation of Council Tax support and the UK Government's abolition of Council Tax Benefit (CTB). The CTR scheme reduces the Council Tax liability of vulnerable people in Scotland, including people on low incomes, pensioners and lone parents. The impact of CTB/CTR on the average Council Tax bill is also shown in Table 1.8. After taking these reductions in liability into account, the average bill per dwelling for 2016-17 reduced by £130 from £997 to £867.

Scotland's CTR scheme is funded by the UK Government, Scottish Government and local government. In 2016-17, CTR funding from government totalled £343 million (£320 million from UK Government and £23 million from Scottish Government). Local authorities agreed to contribute up to £17 million of additional funding from their own budgets to the cost of the scheme, as part of the joint commitment between Scottish Government and local government to mitigate the 10% funding cut by the UK Government.

The amounts distributed to each local authority and the final total costs are shown in Table 1.9. The total cost of the CTR scheme across Scotland in 2016-17 was around £320 million. This figure is £23 million less than the £343 million funding provided by the UK Government and Scottish Government.

Table 1.9 – CTR funding and final liability for local authorities, 2016-17

Local Authority	UKG and SG funding (£'000s)	Final total reduction in liability (£'000s)
Aberdeen City	9,231	9,340
Aberdeenshire	7,318	7,234
Angus	5,285	5,067
Argyll & Bute	5,475	5,070
Clackmannanshire	3,461	3,316
Dumfries & Galloway	8,577	8,101
Dundee City	12,436	11,675
East Ayrshire	9,428	8,618
East Dunbartonshire	4,522	4,174
East Lothian	5,276	4,810
East Renfrewshire	3,726	3,463
Edinburgh, City of	26,252	23,775
Eilean Siar	1,458	1,344
Falkirk	8,329	7,609
Fife	20,597	19,499
Glasgow City	68,990	64,020
Highland	12,139	11,374
Inverclyde	6,657	6,226
Midlothian	5,126	4,731
Moray	3,748	3,604
North Ayrshire	11,630	10,939
North Lanarkshire	24,094	21,962
Orkney Islands	747	730
Perth & Kinross	6,544	6,155
Renfrewshire	13,131	12,133
Scottish Borders	5,508	4,970
Shetland Islands	637	623
South Ayrshire	8,445	7,838
South Lanarkshire	20,696	19,273
Stirling	4,347	3,994
West Dunbartonshire	9,263	8,658
West Lothian	9,927	9,265
Scotland	343,000	319,590

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:

www.gov.scot/Topics/Government/local-government/17999/counciltax/Secondhomes.

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

Type of Support	Typical dwellings that are eligible	Variation 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 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 purpose 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 A 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 2.47 million chargeable dwellings in Scotland, around 1 million were eligible for a discount in 2017. The most common type of discount was the Single Person Discount, with around two-fifths of chargeable dwellings entitled to the discount in 2017. The CTR scheme supports almost half a million dwellings, or around one-fifth of chargeable dwellings, in meeting their Council Tax liability.

Around 59,200 dwellings are classified as second homes or long term empty properties: further statistics on these are available at:

<http://www.gov.scot/Publications/2017/12/7377>

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

Type of Support	2012	2013	2014	2015	2016	2017
All chargeable dwellings	2,401,869	2,410,331	2,427,805	2,440,518	2,455,406	2,473,497
Disability reduction	13,994	13,791	13,736	13,505	13,463	13,705
Single Person Discount	948,208	952,251	953,612	955,505	963,297	972,537
Second Homes ²	40,599	35,734	27,879	27,317	26,140	22,101
Long Term Empty (empty > 6 months)	25,454	27,327	31,884	36,419	36,236	37,135
Occupied entirely by disregarded adults	1,809	1,579	2,802	1,378	1,411	1,352
Dwellings not subject to a discount	1,385,799	1,393,440	1,411,628	1,419,899	1,428,322	1,440,372
CTR/CTB ³	560,880	548,070	533,980	512,340	495,660	489,560

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 CTB figures to 2012 were published by DWP and are available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/229795/hbctb_release_may13_revised.xls

Source: CTAXBASE Return, CTR Extract and DWP CTB figures

1.5 Non-Domestic Rates

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

In 2016-17, the income raised from NDR was £2.73 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).

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

revaluation in 2017, assigning updated rateable values to all non-domestic properties in Scotland.¹

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

$$(NDR\ bill) = (RV) \times (Poundage) - (Reliefs)$$

In 2016-17, for properties with a rateable value greater than £35,000, the Large Business Supplement (LBS) applies in addition to the poundage (the poundage is effectively increased slightly by adding the LBS)².

Table 1.12 shows the composition of properties (and associated RV) on the Valuation Roll by property type. As at 1st April 2017, 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.

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

² From 2017/18, the Large Business Supplement applied to properties with rateable value greater than £51,000.

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

CATEGORY	Number of properties	Rateable value (£)	% of Properties on Valuation Roll	% of RV on Valuation Roll
	1st April 2017	1st April 2017	1st April 2017	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.³

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.

³ The LBS threshold in 2016-17 was £35,000

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 a small percentage of properties with 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. Revaluations typically take place on a 5-year cycle and are intended to be ‘revenue neutral’. As a consequence of the 2010 revaluation, the poundage was reduced from 48.1p in 2009-10 to 40.7p in 2010-11 and the total

RV of non-domestic properties (the tax base) increased from £5.3 billion in 2009-10 to £6.6 billion in 2010-11. The next revaluation took effect on 1 April 2017. Total rateable value at 1st April 2017 was £7.4 billion and the poundage for 2017-18 is currently 46.6p, reduced from 48.4p in 2016-17.

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
Non Domestic Rates Income (£m) ²	2,010	2,138	2,251	2,347	2,367	2,511	2,579	2,731
Total Rateable Value (£m) ³	5,299	6,612	6,678	6,718	6,716	6,681	6,719	6,796
Poundage Rate (pence)	48.1	40.7	42.6	45.0	46.2	47.1	48.0	48.4
Large Business Supplement (pence) ⁴	0.4	0.7	0.7	0.8	0.9	1.1	1.3	2.6

1. Revaluation occurred in 2010

2. All income figures, including 2016-17, are the final audited income collected by councils, and paid to SG. These figures are net of reliefs, apart from those for which the cost is met by local authorities.

3. As at start of financial year

4. The Large Business Supplement was applied in addition to the poundage for properties with a rateable value over £35,000. (The RV threshold was increased to £51,000 from April 2017 though the supplement remained at 2.6p).

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

Table 1.14 also shows that the total RV has increased slightly since the 2010 revaluation from £6.6 billion to £6.8 billion in 2016-17. This is due to the net impact of several factors including increases in the tax base from new properties or extension of existing properties and decreases as demolished properties are deleted from the valuation roll or as the RV is reduced as a result of 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 typically been tied to the Retail Price Index⁶ (other than in the first year of

⁴ Statistics on revaluation appeals are published quarterly in the Non-Domestic Rates Revaluation Appeal Statistics publication:

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

⁵ Since 2007-08, Scottish Ministers have committed to equalisation of the Scottish poundage rate with that in England.

⁶ Although for 2018-19 the Scottish Government plans to uprate the poundage (rate of tax) by the Consumer Prices Index (CPI)

a revaluation). NDR bills are calculated by multiplying the RV of a property by the poundage rate, and then applying discounts and exemptions. Large business properties (those with a RV greater than £35,000 in 2016-17 and £51,000 from 2017-18) also pay a supplement to the poundage rate, known as the Large Business Supplement (LBS). The LBS was 2.6p in 2016-17⁷. 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 2016-17 by local authority (net of reliefs). This is net of reliefs, apart from those for which the cost is met by local authorities. Consequently, it is slightly greater than the net amount actually paid.

⁷ And remains at 2.6p in 2017-18

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 2016-17 ³ (£000s)
Scotland	233,386	7,357,675	2,731,481
Aberdeen City	9,543	593,767	207,535
Aberdeenshire	11,884	286,633	95,174
Angus	4,884	80,431	26,440
Argyll & Bute	8,516	109,931	30,957
Clackmannanshire	1,553	42,498	15,519
Dumfries & Galloway	9,396	123,270	45,050
Dundee City	5,853	186,886	69,702
East Ayrshire	3,953	80,366	29,414
East Dunbartonshire	2,388	68,991	24,610
East Lothian	3,483	74,989	25,402
East Renfrewshire	1,751	43,253	14,768
Edinburgh, City of	22,855	945,618	368,712
Eilean Siar	2,470	26,491	8,028
Falkirk	4,998	184,691	72,291
Fife	13,644	427,587	179,772
Glasgow City	27,246	1,016,782	374,123
Highland	17,861	359,803	126,516
Inverclyde	2,345	57,341	21,820
Midlothian	3,023	84,100	28,933
Moray	4,609	108,444	38,585
North Ayrshire	5,063	115,161	41,665
North Lanarkshire	10,013	291,967	118,782
Orkney Islands	2,175	28,851	9,725
Perth & Kinross	8,621	159,642	54,511
Renfrewshire	6,503	316,839	99,740
Scottish Borders	7,191	106,773	33,034
Shetland Islands	2,056	60,817	23,259
South Ayrshire	4,841	115,179	42,446
South Lanarkshire	9,961	744,327	288,977
Stirling	5,302	122,596	44,936
West Dunbartonshire	2,926	185,733	79,461
West Lothian	6,479	207,919	91,593

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 apart from those for which the cost is met by local authorities.

Source: Number of Properties and Rateable Value - Scottish Assessors Valuation Roll 1st April 2017 NDR Income - Non-domestic Rate Income Returns provided by Councils

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

There are a number of types of NDR relief that reduce the NDR bill for qualifying properties. Table 1.16 shows the main types of relief available⁸ and the amount of relief provided each year from 2010-11 to 2016-17. It should be noted that the reliefs here are both mandatory reliefs, and the element of discretionary relief funded by Scottish Government. The elements of discretionary reliefs funded by local authorities are not included.

⁸ More information on NDR relief can be found on the Scottish Government Website at:

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

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

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

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 2016-17, are final audited figures.

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

4. The new start an fresh start relief schemes were introduced at 1 April 2013.

5. Other includes Hardship and Enterprise Areas.

Source: Non-domestic Rate Income Returns from Councils

The gross amount of relief provided has increased substantially from £501 million in 2010-11 to £626 million in 2015-16. It then fell slightly to £591m in 2016-17 due to a change in empty property relief entitlement. Key reasons for change in total relief costs include changes to the poundage, changes to the tax base (recent growth in overall rateable value), 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. Changes were made to Empty Property Relief (EPR) in 2013, reducing the amount of EPR for non-industrial properties from 100% for 3 months and then 50% thereafter, to 100% for 3 months then 10% thereafter, resulting in decreases to the cost of Empty Property Relief in the three years to 2014-15. EPR changed again in 2016-17 reducing the initial (3 months) relief for non-industrial properties from 100% to 50%, with a resultant decrease of EPR relief of almost £50m between 2015-16 and 2016-17. Table 1.16a shows the amount of relief paid in each local authority area in 2016-17.

Table 1.16a – Amount of Non-Domestic Rates Relief Provided by Relief Type, by Local Authority, 2016-17^{1,2}

£thousands

Authority	Empty Property Relief	Charities	Sports Clubs	Disabled persons relief	SBBS	Religious Exemption	Rural Rate Relief	Renewable Energy Relief Scheme ³	Other ⁴	All reliefs
Aberdeen City	6,968	11,006	242	2,866	5,093	1,064	0	0	31	27,269
Aberdeenshire	1,391	2,499	966	2,515	8,741	944	1,198	17	32	18,302
Angus	1,115	2,226	1,026	1,431	4,157	561	70	7	1	10,592
Argyll & Bute	591	2,118	240	628	5,696	454	243	90	9	10,068
Clackmannanshire	333	869	94	454	1,515	120	5	0	0	3,390
Dumfries & Galloway	1,061	2,047	351	1,045	6,861	486	196	0	7	12,054
Dundee City	3,121	9,833	157	2,366	5,380	735	0	0	20	21,612
East Ayrshire	1,077	2,514	136	1,218	3,663	458	6	0	14	9,085
East Dunbartonshire	211	2,673	418	888	2,759	571	0	0	0	7,519
East Lothian	653	2,761	972	1,004	3,232	426	33	58	7	9,146
East Renfrewshire	387	1,503	248	848	1,845	477	0	64	0	5,372
Edinburgh, City of	15,860	36,004	1,497	6,998	17,637	3,731	0	0	256	81,981
Eilean Siar	103	973	64	389	1,438	288	100	129	0	3,485
Falkirk	2,684	3,185	174	1,532	4,530	445	3	0	21	12,575
Fife	5,158	10,188	593	4,305	11,988	1,545	37	0	266	34,079
Glasgow City	27,342	48,306	618	8,475	22,724	3,455	0	0	194	111,114
Highland	1,956	9,443	338	3,782	12,326	1,327	1,169	100	39	30,481
Inverclyde	884	2,144	293	731	2,310	333	0	0	60	6,754
Midlothian	520	3,270	284	514	2,372	326	10	0	0	7,296
Moray	383	1,585	213	938	3,081	445	145	0	4	6,793
North Ayrshire	3,023	2,801	288	1,759	4,355	480	54	0	91	12,850
North Lanarkshire	3,808	8,745	337	2,573	8,996	2,426	0	0	161	27,047
Orkney Islands	75	875	62	224	1,336	162	275	82	26	3,116
Perth & Kinross	825	5,681	306	2,527	7,314	811	100	15	242	17,821
Renfrewshire	3,083	5,649	280	2,420	5,647	764	0	0	33	17,876
Scottish Borders	1,012	2,641	585	1,177	5,694	526	116	0	70	11,821
Shetland Islands	174	1,225	767	356	924	112	171	0	0	3,729
South Ayrshire	1,884	2,176	276	1,640	4,532	564	48	0	92	11,212
South Lanarkshire	2,735	6,775	472	3,080	8,908	1,667	35	61	22	23,755
Stirling	1,354	3,403	1,008	796	4,115	333	93	18	25	11,145
West Dunbartonshire	813	2,199	73	597	2,648	366	1	0	1	6,698
West Lothian	3,101	3,898	473	1,423	5,213	612	6	7	12	14,745
Scotland	93,682	201,215	13,851	61,498	187,029	27,014	4,114	647	1,734	590,784

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

2. Figures are final audited figures.

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

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

Source: Non-domestic Rate Income Returns from Councils

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

A Business Rates Incentivisation Scheme (BRIS) was introduced from April 2012 to incentivise councils to maximise existing business rates income and attract new economic growth by allowing all authorities that exceed their annual business rates target to retain 50% of any additional income. Between revaluation years, each year's retention is carried forward to the next year and added to any new retention awarded. In 2016-17 the amount retained under this scheme (according to the authorities' returns) was £8.9 million (£2.6 million in 2015-16).

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 2016-17 the

amount of NDR retained by local authorities for TIF projects was (according to the authorities' returns) £1.2 million (£0.9 million in 2015-16).

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

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

The calculation of the distributable amount for 2016-17 is given in Annex F and the 2016-17 distributable amount per local authority is shown in Table 1.17.

Table 1.17 – Non-Domestic Rates Distributable Amount¹ by Local Authority, 2016-17

	Non-Domestic Rate Distributable Amount (£000s)¹
Scotland	2,768,500
Aberdeen City	215,585
Aberdeenshire	98,450
Angus	29,410
Argyll & Bute	30,445
Clackmannanshire	16,269
Dumfries & Galloway	47,992
Dundee City	71,010
East Ayrshire	30,239
East Dunbartonshire	25,550
East Lothian	24,370
East Renfrewshire	15,622
Edinburgh, City of	374,650
Eilean Siar	8,019
Falkirk	68,028
Fife	183,330
Glasgow City	373,351
Highland	127,682
Inverclyde	23,331
Midlothian	32,026
Moray	35,581
North Ayrshire	41,458
North Lanarkshire	120,543
Orkney Islands	9,868
Perth & Kinross	57,555
Renfrewshire	96,105
Scottish Borders	33,593
Shetland Islands	17,821
South Ayrshire	40,754
South Lanarkshire	303,113
Stirling	46,216
West Dunbartonshire	82,792
West Lothian	87,725

Source: Amendment Order Scotland (2016)

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 income eventually received by the SG that year (as given in tables 1.14 and 1.15).

1.6 Customer and Client Receipts

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

The total customer and client receipts received by local authorities has increased by 4.8%, from £2,423 million in 2015-16 to £2,539 million in 2016-17. In the General Fund this has increased by 7.1%, from £1,282 million in 2015-16 to £1,373 million in 2016-17. Almost half (46%) of customer and client receipts are attributable to the HRA which has seen receipts increase by 2.2% from £1,141 million to £1,166 million in 2016-17.

Table 1.18 – Customer and Client Receipts – 2012-13 to 2016-17

	2012-13	2013-14 ^b	2014-15	2015-16	£thousands 2016-17
Education	113,355	120,563	124,200	122,477	131,164
Cultural & Related Services	70,728	71,185	72,567	68,799	77,793
Social Work	276,450	276,012	275,301	264,079	262,974
Roads & Transport	154,197	175,384	182,690	182,978	167,044
Environmental Services	117,969	117,457	112,180	123,825	114,424
Planning & Development Services	116,541	121,077	120,161	134,682	119,161
Central Services	110,889	131,709	143,806	162,394	242,788
Non-HRA Housing	165,412	160,800	155,076	159,635	166,188
Trading Services	58,045	69,843	69,639	63,077	91,816
Total General Fund (GF) Customer and Client Receipts	1,183,586	1,244,030	1,255,620	1,281,946	1,373,352
Housing Revenue Account (HRA) ¹	1,034,306	1,073,362	1,112,210	1,140,720	1,165,976
Total GF + HRA Customer and Client Receipts	2,217,892	2,317,392	2,367,830	2,422,666	2,539,328

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

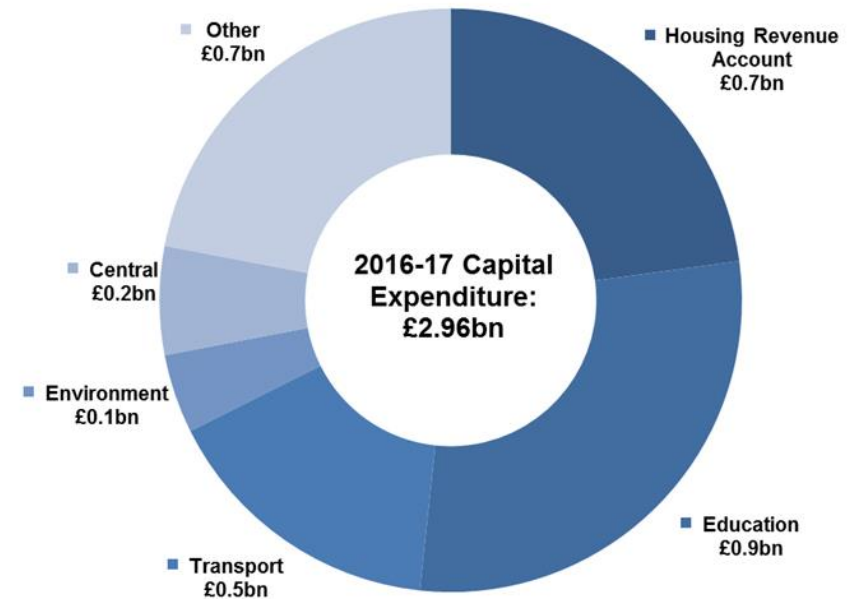
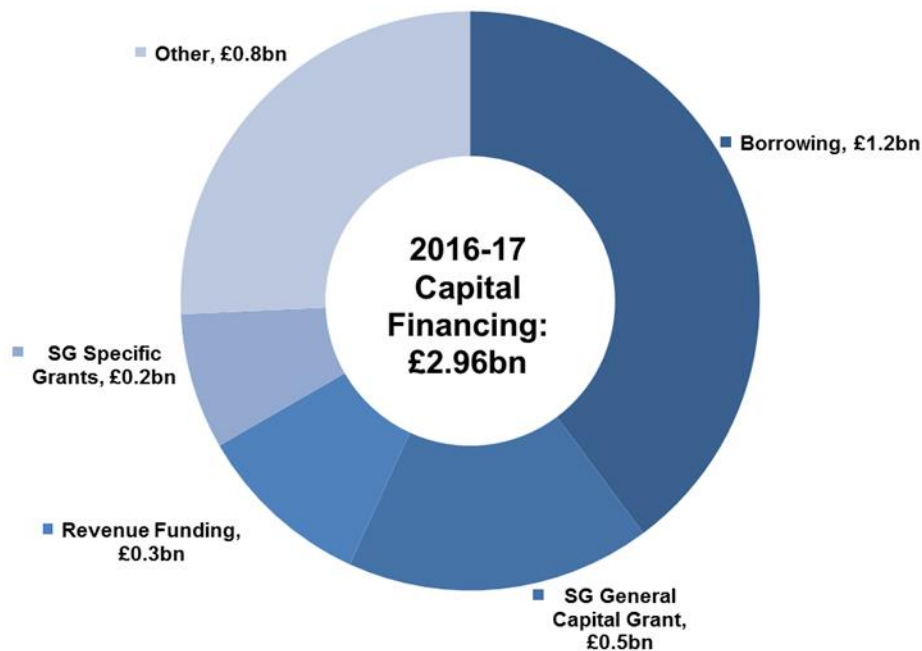
b. The Police and Fire Reform (Scotland) Act 2012 created Police Scotland and Fire Scotland, which replaced the former Police and Fire Boards. These new bodies are classified as Central Government, rather than Local Government and have been excluded from the 2012-13 figures to allow comparability over time.

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: **£2.96 billion** - an increase of **17%** on 2015-16;
- **Education** has the largest share (**29%**) of capital expenditure with **£0.9bn** - an increase of **31%** on 2015-16;
- The **Housing Revenue Account** (HRA) is the second largest service area with **23%** (**£0.7bn**) of capital expenditure – an increase of **5%** from 2015-16;
- **80%** of capital expenditure is on **constructing or enhancing buildings**;
- **40%** (**£1.2bn**) 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 2016-17 total gross capital expenditure was £2.79 billion. In addition to this, local authorities funded £0.17 billion of revenue expenditure from capital resources. This was mostly funding third party capital projects. The total expenditure funded from capital resources was £2.96 billion in 2016-17, with £0.68 billion in the housing revenue account and £2.29 billion in the General Fund.

Table 2.1 – Total Capital Expenditure and Financing, 2016-17

£thousands

	General Fund Services	Housing Revenue Account	Total
Acquisition of land, leases, existing buildings or works	209,472	23,868	233,340
New construction, conversions & enhancement to existing buildings	1,709,872	648,081	2,357,953
Vehicles, machinery & equipment	191,038	2,157	193,195
Intangible assets	9,767	31	9,798
Total Gross Capital Expenditure	2,120,149	674,137	2,794,286
Revenue Expenditure funded from Capital Resources	164,938	2,667	167,605
Total Expenditure to be met from Capital Resources	2,285,087	676,804	2,961,891
Scottish Government General Capital Grant	504,460	4	504,464
Scottish Government Specific Capital Grants	143,419	81,506	224,925
Grants from Scottish Government Agencies and NDPBs	98,363	19,473	117,836
Other Grants and Contributions	170,893	13,868	184,761
Borrowing from Loans Fund	954,113	224,697	1,178,810
Capital receipts used from asset sales/disposals	58,706	128,453	187,159
Capital Reserves (Capital Fund)	65,282	0	65,282
Capital funded from revenue reserves	82,833	208,803	291,636
Assets acquired under credit arrangements (e.g. finance leases, PPP/PFI)	207,018	0	207,018
Total Financing	2,285,087	676,804	2,961,891

Source: Capital Returns (CRFinal)

The majority (80%) of capital expenditure went on new construction, conversions and enhancements to existing buildings.

Local authorities received a total of £1.03 billion (35% of total financing) in grants and contributions to fund capital expenditure

(£0.92 billion in the General Fund and £0.11 billion for the HRA). The most significant source of financing was borrowing (advances from the Loans Fund). This funded £1.18 billion (40% of total financing, £0.95 billion in the General Fund and £0.22 billion in the HRA) of capital expenditure, an increase of 42% on 2015-16.

Table 2.2 – Total Capital Expenditure and Financing, 2012-13 to 2016-17

	<i>£thousands</i>				
	2012-13	2013-14 ^a	2014-15	2015-16	2016-17
Acquisition of land, leases, existing buildings or works	146,930	90,335	63,604	58,200	233,340
New construction, conversions & enhancement to existing buildings	2,037,385	1,967,310	1,948,992	2,096,542	2,357,953
Vehicles, machinery & equipment	197,022	189,509	174,443	182,501	193,195
Intangible assets	6,638	13,119	14,061	6,155	9,798
Total Gross Capital Expenditure	2,387,975	2,260,273	2,201,100	2,343,398	2,794,286
Revenue Expenditure funded from Capital Resources	161,349	199,728	199,002	191,818	167,605
Total Expenditure to be met from Capital Resources	2,549,324	2,460,001	2,400,102	2,535,216	2,961,891
Scottish Government General Capital Grant	450,088	438,163	680,491	694,346	504,464
Scottish Government Specific Capital Grants	217,281	180,549	203,444	201,914	224,925
Grants from Scottish Government Agencies and NDPBs	141,311	150,761	108,610	112,017	117,836
Other Grants and Contributions	124,311	142,077	107,731	143,418	184,761
Borrowing from Loans fund	1,165,387	1,105,526	829,701	831,327	1,178,810
Capital receipts used from asset sales/disposals	105,937	92,167	107,919	173,392	187,159
Capital Fund applied	36,867	24,798	34,595	60,374	65,282
Capital funded from current revenue	294,087	295,335	284,911	296,702	291,636
Assets acquired under credit arrangements (e.g. finance leases, PPP/PFI)	14,055	30,625	42,701	21,726	207,018
Total Financing	2,549,324	2,460,001	2,400,102	2,535,216	2,961,891

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

In 2013-14 Police or Fire Boards were replaced by new national bodies that are not classified as local government. It is therefore

difficult to draw conclusions about changes in capital expenditure and financing between 2012-13 and subsequent years.

Between 2015-16 and 2016-17, total capital expenditure to be met from capital resources increased by 16.8% (£0.43 billion). The amount of capital expenditure that is financed by grants from the Scottish Government, including Scottish Government Agencies and Non-Departmental Public Bodies decreased by 10.4% (£0.12 bn) between 2015-16 and 2016-17.

The amount of capital expenditure financed through Borrowing from the Loans Fund has increased by 42% between 2015-16 and 2016-17.

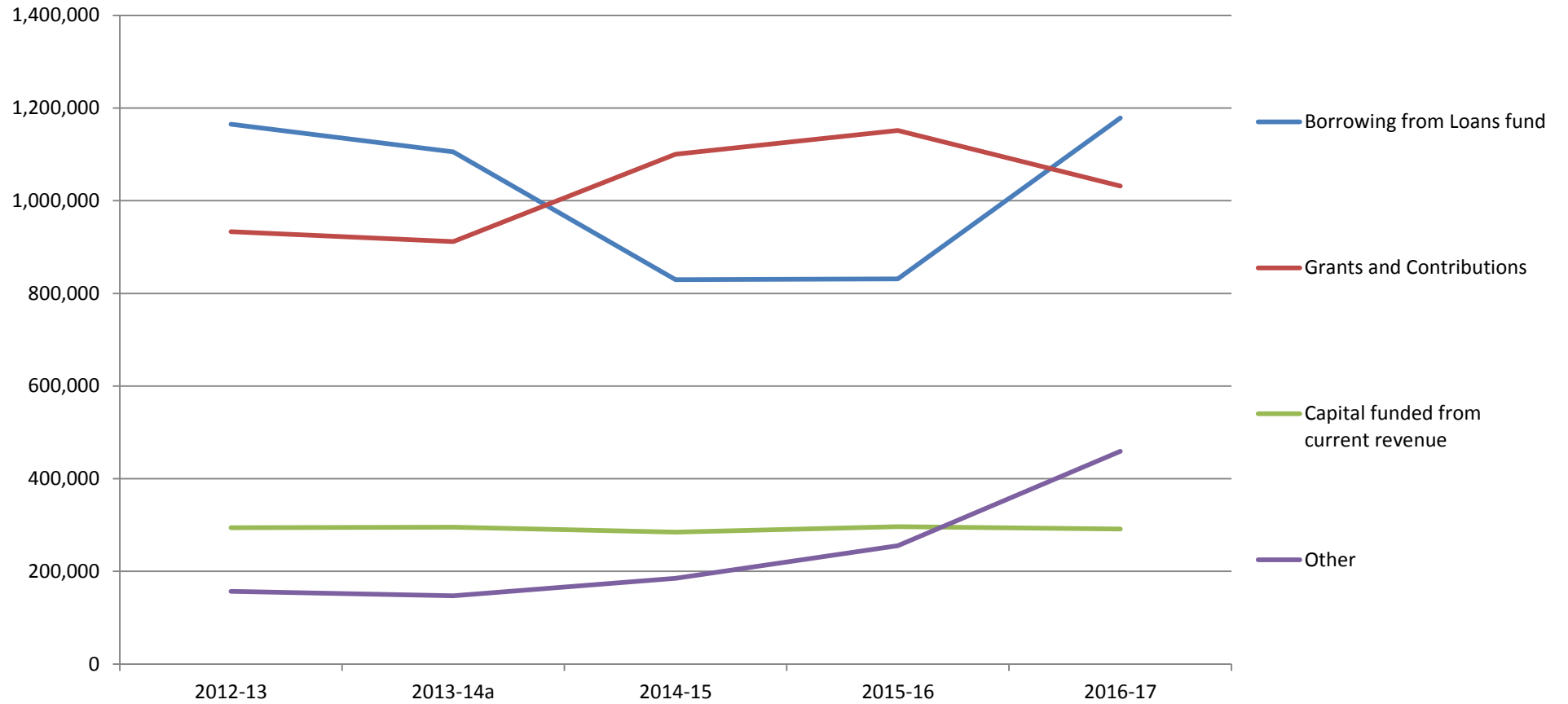
Over the spending review period, the grant allocations for individual years were adjusted as follows: -£120m in 2012-13, -

£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 2016-17 grant level is now closer to the level of capital grant that we would expect had the capital grant not been reprofiled.

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)

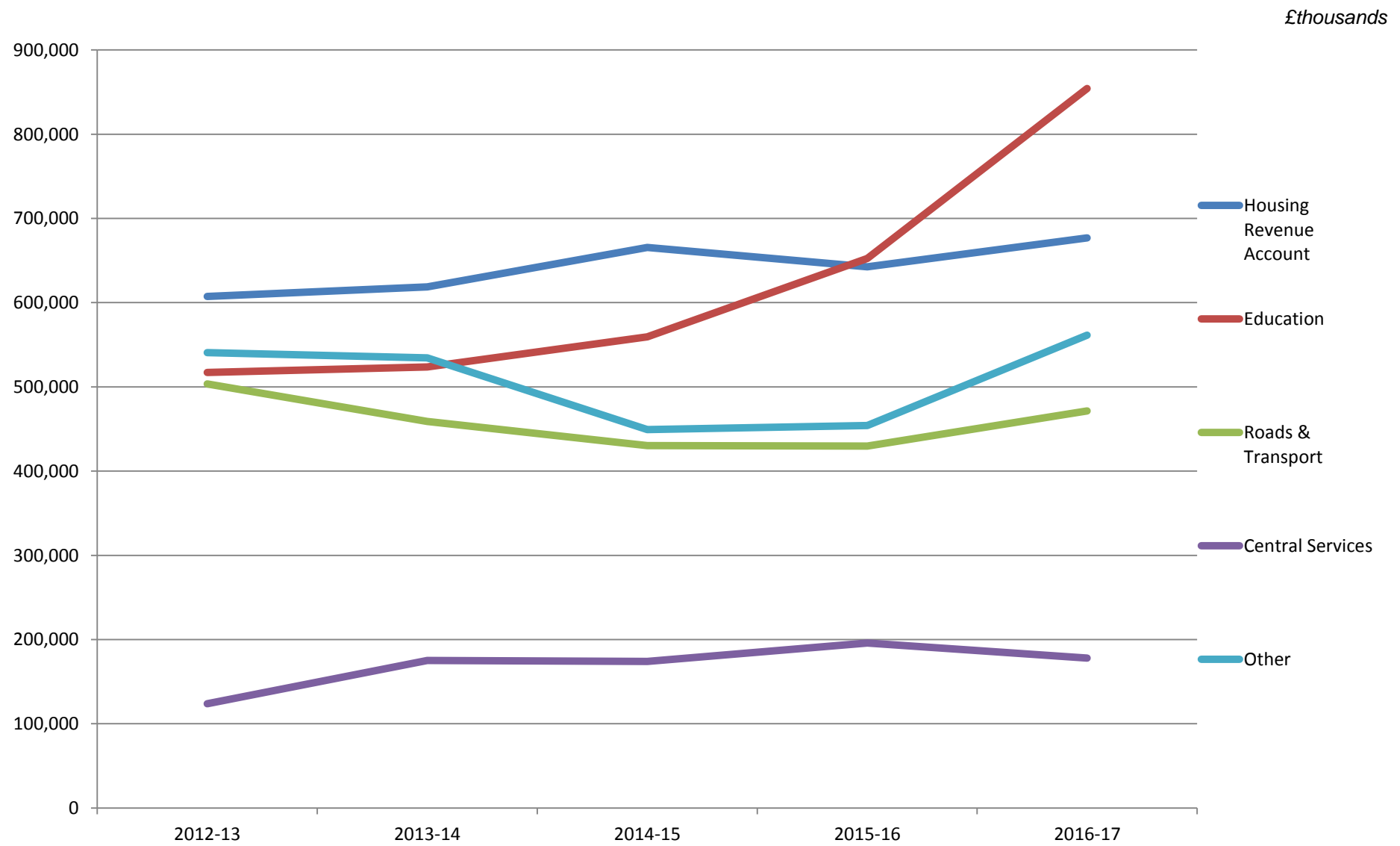
In 2016-17, Education capital expenditure increased by 31% to £854 million, which represents 29% of total capital expenditure. The HRA is the service with the second highest expenditure at £677 million, an increase of 5% on 2015-16 and representing 23% of total capital expenditure. Planning and Development Services saw the largest percentage increase (122%) to £201 million in 2016-17.

Table 2.3 – Capital Expenditure by Service, 2012-13 to 2016-17

	<i>£thousands</i>				
	2012-13	2013-14	2014-15	2015-16	2016-17
Education	517,158	523,776	559,309	652,552	854,325
Cultural & Related Services	257,040	148,933	121,778	160,315	219,850
Social Work	73,812	80,849	73,690	62,553	64,701
Roads & Transport	503,480	458,876	430,265	429,569	471,361
Environmental Services	126,631	188,525	138,267	128,063	129,604
Planning & Development Services	118,282	94,415	66,488	90,416	200,832
Central Services	123,740	175,153	174,094	195,922	178,082
Non-HRA Housing	136,363	156,699	165,543	166,452	162,689
Trading Services	18,419	14,059	5,171	6,720	3,643
Total General Fund Capital Expenditure	1,874,925	1,841,285	1,734,605	1,892,562	2,285,087
Housing Revenue Account	607,279	618,716	665,497	642,654	676,804
Total Capital Expenditure	2,482,204	2,460,001	2,400,102	2,535,216	2,961,891
Police ¹	45,365				
Fire ¹	21,755				
Total Capital Expenditure incl. Police and Fire	2,549,324	2,460,001	2,400,102	2,535,216	2,961,891

Source: Capital Returns (CRFinal)

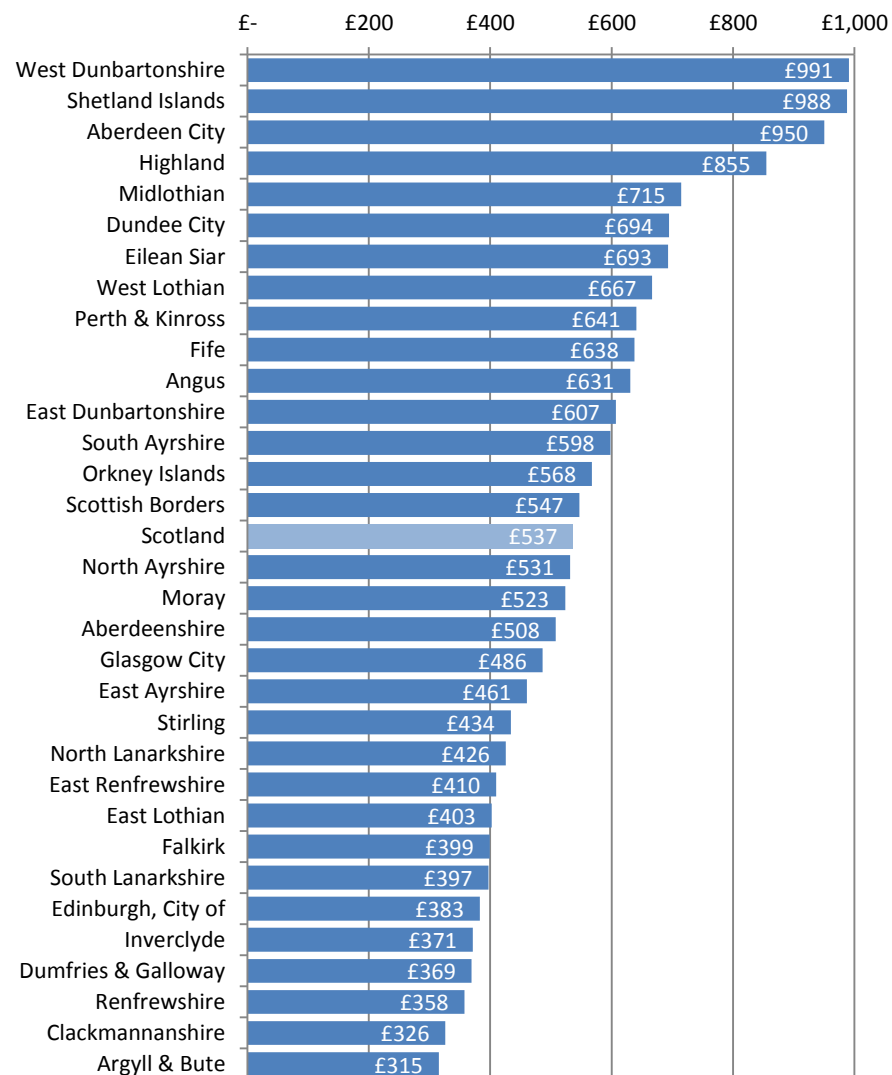
Chart 2.2 – Capital Expenditure by Service, 2012-13 to 2016-17



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

Chart 2.3 – Capital Expenditure per Head by Council, 2016-17



Source: Capital Returns (CRFinal) & National Records of Scotland Mid-Year Population Estimates (2016)

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 2016-17.

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 2012-13 to 2016-17. 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 2016-17 can be found in Annex J.

Total Capital Receipts raised decreased by 17%, from £250 million in 2015-16 to £208m in 2016-17. 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 increased by 70% in 2016-17 on the previous year due to a sharp spike in Right to Buy applications shortly before the Act came into force. Planning and Economic Development capital receipts fell by 89% in 2016-17. In 2015-16 capital receipts for Planning and Economic Development was unusually high due to the inclusion of a single high-value capital receipt due to the sale of an office block.

Table 2.4 – Capital Receipts Raised by Service, 2012-13 to 2016-17

	<i>£thousands</i>				
	2012-13	2013-14	2014-15	2015-16	2016-17
Education	5,623	13,798	15,498	16,324	12,572
Culture & Related Services	3,574	3,574	1,526	2,696	13,464
Social Work	3,155	2,632	5,574	1,306	4,311
Roads & Transport	2,778	1,742	21,398	2,086	2,968
Environmental Services	507	1,378	1,538	1,669	1,744
Planning & Development Services	15,011	58,276	22,163	117,742	12,989
Central Services	23,925	28,128	25,930	18,781	21,128
Non-HRA Housing	81	198	666	138	59
Trading Services	35	6	8	7,552	10
Total General Fund Capital Receipts	54,689	109,732	94,302	168,294	69,245
Housing Revenue Account	42,369	53,529	70,594	81,385	138,414
Total Capital Receipts	97,058	163,261	164,896	249,679	207,659
Police & Fire ¹	7,206	-			
Total Capital Receipts	104,264	163,261	164,896	249,679	207,659

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

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, 2016-17

	<i>£thousands</i>		
	General Fund	Housing Revenue Account	TOTAL
Capital receipts brought forward at 1 April 2016	79,266	7,619	86,885
Capital receipts from the sale/ disposal of fixed assets	69,245	138,414	207,659
Total Capital Receipts Available for Use	148,511	146,033	294,544
Capital receipts used from asset sales/disposals	58,706	128,453	187,159
Capital receipts used to repay debt	5,817	11,313	17,130
Capital receipts transferred to the equal pay or severance statutory adjustment account	148	0	148
Capital receipts transferred to/(from) Capital Fund	(2,452)	0	(2,452)
Capital Receipts Held 31 March 2017	86,292	6,267	92,559

Source: Capital Returns (CRFinal)

Table 2.5 shows that authorities had a total of £295 million of capital receipts available for use during 2016-17, of which £87 million was the balance brought forward at 1st April 2016 and £208 million were raised during the year from the sale/disposal of fixed assets.

The main use of capital receipts in 2016-17 was to finance capital expenditure (£187 million), with a further £17 million used to repay debt. Around £2.5 million was transferred from the Capital Fund to the Capital Receipts reserve. This resulted in a Capital receipts balance of £93 million at the 31st March 2017.

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 2016-17 was £1.2 billion. This is an increase of 42% on 2015-16 and an increase of 1% on 2012-13. When interpreting the pattern of borrowing over the period from 2012-13 to 2016-17, the reprofiling of the capital grant allocations over the spending review period should be kept in mind (-£120m in 2012-13, -£100m in 2013-14, +£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, £954 million (up 71%) was in the General Fund and £225 million (down 18%) was in the HRA.

Table 2.6 – Loans Fund Borrowing to Finance Capital Expenditure – 2012-13 to 2016-17

	<i>£thousands</i>				
	2012-13	2013-14	2014-15	2015-16	2016-17
General Fund	852,238	788,568	518,296	558,669	954,113
Advances for Capital Expenditure	846,269	751,634	489,774	536,044	941,400
Advances for Consented Borrowing	5,969	36,934	28,522	22,625	12,713
Housing Revenue Account	313,149	316,958	311,404	272,658	224,697
Advances for Capital Expenditure	313,053	316,815	311,404	272,658	224,697
Advances for Consented Borrowing	96	143	0	0	0
Total Loans Fund Borrowing	1,165,387	1,105,526	829,701	831,327	1,178,810
Credit Arrangements	14,055	30,625	42,701	21,726	207,018
Total Borrowing and Credit Arrangements	1,179,442	1,136,151	872,402	853,053	1,385,828

Source: Capital Returns (CRFinal)

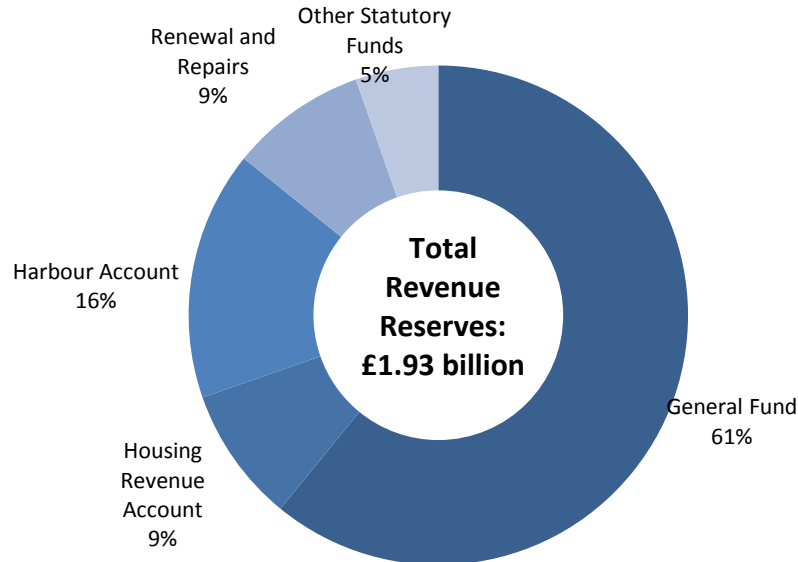
The costs of servicing debt is mostly met from taxation and non-specific grant income, while the costs of servicing Housing Revenue Account (HRA) debt are met principally through income from rents. The costs of servicing debt are detailed in Table 1.1

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

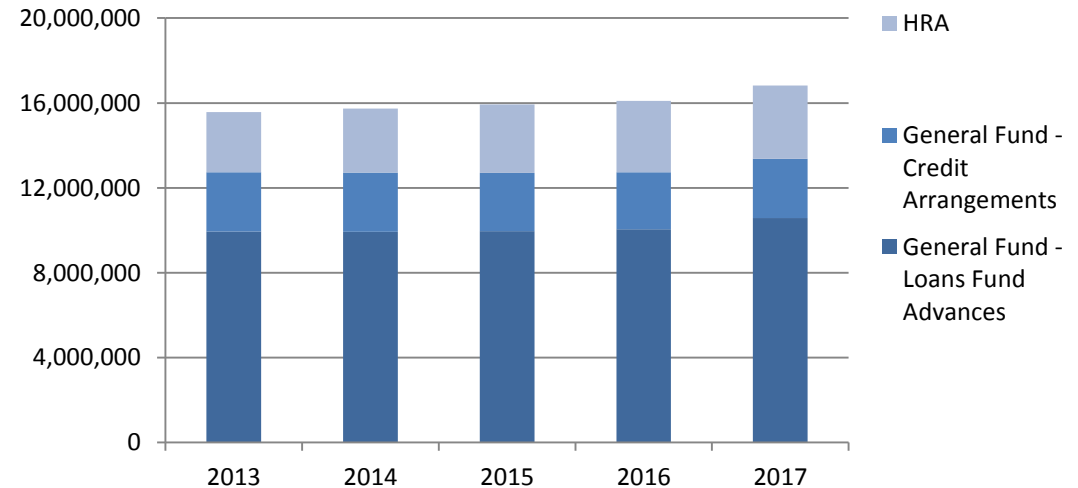
3. Local Government Reserves, Fixed Assets and Debt

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

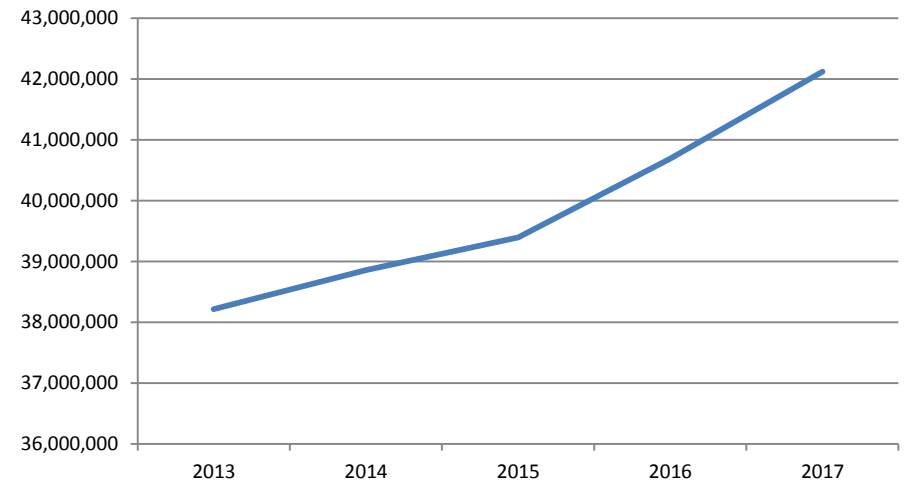
- Total revenue reserves increased by 1.2% from £1.91 billion on the 1st April 2016 to £1.93 billion on the 31st March 2017;
- Total Local Authority debt increased by 5% from £16.1 billion at the 31st March 2016 to £16.8 billion at the 31st March 2017;
- Value of fixed assets increased by 3.5% from £40.7 billion at the 31st March 2016 to £42.1 billion at the 31st March 2017.



Total Debt, 31st March 2013 to 31st March 2017 (£thousands)



Value of Fixed Assets, 31st March 2013 - 31st March 2017 (£thousands)



3.1 Local Authority Debt

Local authority capital expenditure is financed from a number of sources. When this is by borrowing money or a credit arrangement (e.g. 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 Government (Scotland) Act 1975 Act requires a local authority to maintain a Loans Fund. Advances are made from the Loans Fund to record the amount of expenditure a local authority has determined should be met from borrowing as permitted by legislation. The repayments made to the Loans Fund 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 2017 was £14.04 billion (of which £10.58 billion was General Fund and £3.45 billion was HRA). General Fund Loans Fund advances outstanding increased by £512 million (5.1%) between 1st April 2016 and 31st March 2017. HRA Loans Fund advances outstanding rose by £90 million (2.7%) between 1st April 2016 and 31st March 2017.

At 31st March 2017, the Scottish average General Fund Loans Fund advances outstanding was equal to £1,958 per person (up 4.7% on 31st March 2016) and the average HRA Loans Fund advances outstanding was equal to £10,900 per HRA dwelling (up 2.7% on 31st March 2016).

Table 3.1 – General Fund and HRA Loans Fund Advances Outstanding, 2012-13 to 2016-17

	<i>£thousands</i>				
	2012-13	2013-14	2014-15	2015-16	2016-17
General Fund					
Loans Fund advances outstanding 1 April	9,608,327	9,650,825	9,932,872	9,954,276	10,067,865
ADD New advances from the Loans Fund	852,238	788,568	518,296	558,669	954,113
LESS: Repayments in year	475,952	469,823	462,945	456,449	434,452
LESS: Additional Voluntary Repayments in Year	45,299	34,546	27,437	8,889	3,584
Transfer of assets between funds (transfers out are negative)	-292	-1,411	-1,773	-65	-3,552
Total Loans Fund advances outstanding	9,939,022	9,933,613	9,959,013	10,047,542	10,580,390
Per Head (£)	1,870	1,865	1,862	1,870	1,958
Housing Revenue Account					
Loans Fund advances outstanding 1 April	2,619,354	2,835,741	3,024,509	3,219,673	3,360,105
ADD New advances from the Loans Fund	313,149	316,958	311,404	272,658	224,697
LESS: Repayments in year	96,475	127,585	105,602	112,504	116,884
LESS: Additional Voluntary Repayments in Year	2,920	9,956	12,411	16,931	20,987
Transfer of assets between funds (transfers out are negative)	292	1,411	1,773	65	3,552
Total Loans Fund advances outstanding	2,833,400	3,016,569	3,219,673	3,362,961	3,450,483
Per HRA dwelling (£)	8,973	9,533	10,138	10,609	10,900
Total (GF + HRA) Loans Fund advances outstanding	12,772,422	12,950,182	13,178,687	13,410,504	14,041,714

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), 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 £2.80 billion on the 31st March 2017, an increase of 4% on the previous year. Credit arrangements per head within the General Fund increased by 3.4% to £517 per head, while within the Housing Revenue Account, credit arrangements per HRA dwelling fell by 4.9% to £8 per dwelling.

Table 3.2 – Credit Arrangements, 2012-13 to 2016-17

	<i>£thousands</i>				
	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

Source: Capital Returns (CRFinal)

Total debt increased by 5% from £16.1 billion on the 31st March 2016 to £16.8 billion on the 31st March 2017. Of this, £13.4 billion was in the General Fund, which equates to £2,474 per head of population and £3.5 billion was in the Housing Revenue Account, which equates to £10,908 per HRA dwelling.

Table 3.3 – Total Debt, 31st March 2013 to 31st March 2017

	<i>£thousands</i>				
	31st March 2013	31st March 2014	31st March 2015	31st March 2016	31st March 2017
General Fund					
Loans Fund Advances Outstanding	9,939,022	9,933,613	9,959,013	10,047,542	10,580,390
Credit Arrangements	2,794,224	2,785,666	2,749,999	2,684,703	2,792,467
Total General Fund Debt	12,733,246	12,719,279	12,709,012	12,732,245	13,372,857
Per Head (£)	2,396	2,387	2,377	2,370	2,474
Housing Revenue Account					
Loans Fund Advances Outstanding	2,833,400	3,016,569	3,219,673	3,362,961	3,450,483
Credit Arrangements	7,128	4,965	3,469	2,679	2,543
Total HRA Debt	2,840,528	3,021,534	3,223,142	3,365,640	3,453,026
Per HRA Dwelling (£)	8,995	9,549	10,149	10,617	10,908
Total Debt	15,573,774	15,740,813	15,932,155	16,097,885	16,825,883

Source: Capital Returns (CR Final)

3.2 Prudential Indicators

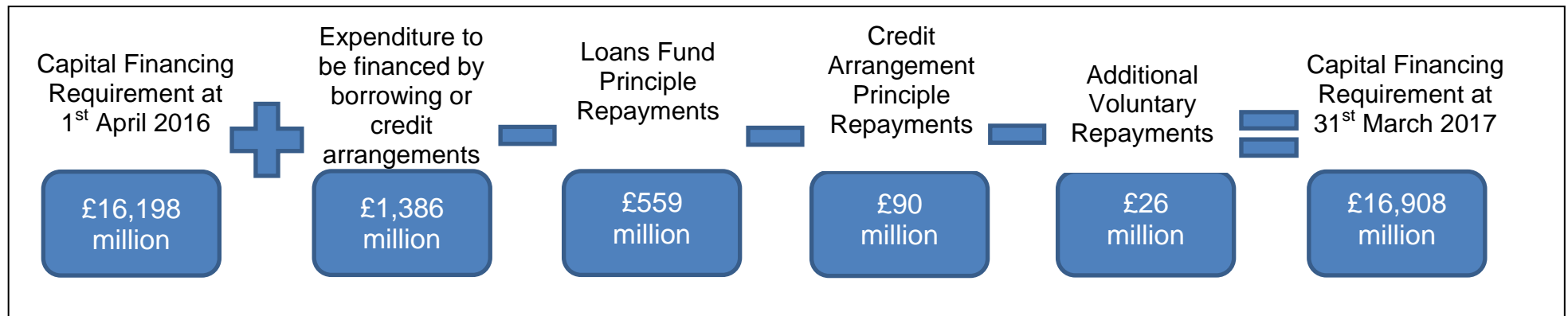
The CIPFA Prudential Code sets out a framework for a local authority to demonstrate its capital investment plans are affordable, prudent and sustainable. A number of prudential indicators are set and monitored against three year capital expenditure plans.

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.

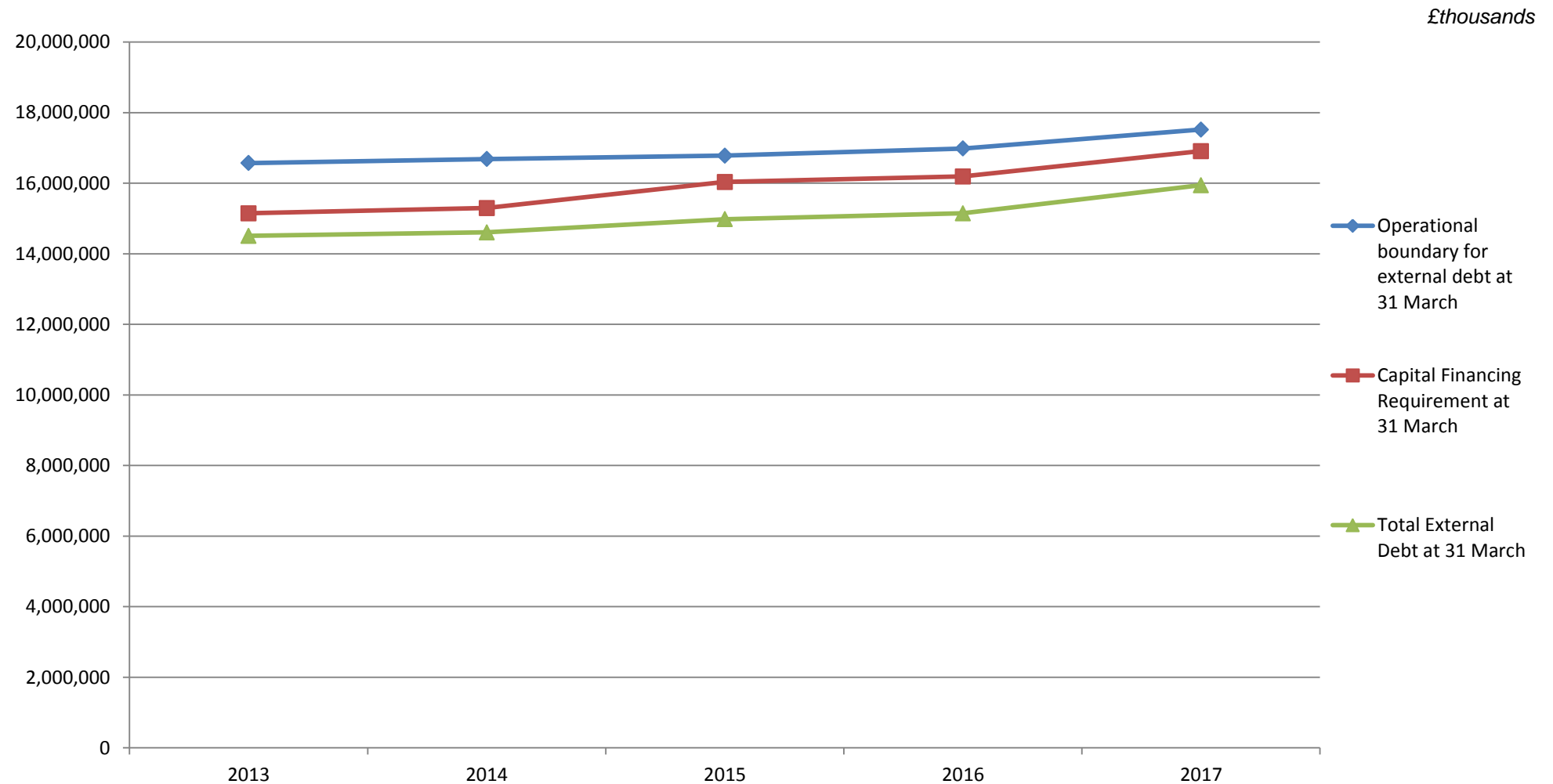
Local authority Total External Debt increased by £0.80 billion (5.3%), from £15.15 billion at the 31st March 2016 to £15.94 billion at the 31st March 2017. Local authorities are currently under-borrowed, i.e. utilising internal cash reserves rather than external borrowing, with total external debt as a percentage of the Capital Financing Requirement of 94% at 31st March 2017.

Table 3.4 - Prudential Information, 2012-13 to 2016-17

	2012-13	2013-14	2014-15	2015-16	<i>£thousands</i> 2016-17
Capital Financing Requirement at 1 April	14,674,452	14,893,146	15,863,207	16,020,231	16,197,880
Capital Expenditure to be financed by borrowing or credit arrangements	1,179,442	1,136,151	872,402	853,053	1,385,828
Capital Expenditure to be financed by borrowing	1,105,526	829,701	829,701	831,327	1,178,810
Capital Expenditure to be financed by credit arrangements	14,055	30,625	42,701	21,726	207,018
Loans Fund principal repayments	572,427	597,408	568,548	568,953	558,595
Credit arrangements principal repayments	88,335	92,969	94,391	88,723	90,401
Additional voluntary contributions of principal repayments	48,219	44,502	39,848	25,865	26,359
Change in Capital Financing Requirement	470,461	401,272	169,615	169,512	710,473
Capital Financing Requirement at 31 March	15,144,913	15,294,418	16,032,822	16,189,743	16,908,353
Borrowing at 1 April	11,290,176	11,558,504	11,897,475	12,378,022	12,465,897
Other long term liabilities at 1 April	2,875,632	2,852,975	2,690,905	2,648,120	2,674,322
Total External Debt at 1 April	14,165,808	14,411,479	14,588,380	15,026,142	15,140,219
Borrowing at 31 March	11,706,550	11,816,384	12,332,169	12,465,804	13,159,196
Other long term liabilities at 31 March	2,801,352	2,790,631	2,645,977	2,680,311	2,782,628
Total External Debt at 31 March	14,507,902	14,607,015	14,978,146	15,146,115	15,941,824
Operational boundary for external debt at 31 March	16,571,358	16,684,872	16,779,418	16,982,303	17,519,099
Authorised limit for external debt at 31 March	17,553,906	17,749,541	17,787,296	17,733,442	19,083,076
Total External debt as a percentage of the Capital Financing Requirement at 31 March	96%	96%	93%	94%	94%

Source: Capital Returns (CRFinal)

Chart 3.1 – Prudential Indicators: 31st March 2013 to 31st March 2017



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 2017, local authorities held a total of £42.1 billion of assets, an increase of 3.5% (£1,433 million) on 31st March 2016.

Table 3.5 – Value of Fixed Assets, 31st March 2013 to 31st March 2017

	<i>£thousands</i>				
	Value of fixed assets as at 31 March 2013	Value of fixed assets as at 31 March 2014b	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
Operational Assets					
Council dwellings	10,450,805	10,839,706	10,535,999	11,281,473	11,189,874
Other land and buildings	18,978,739	18,276,923	18,866,921	18,995,354	20,177,171
Vehicles, plant and machinery	1,022,046	1,003,162	1,178,814	1,197,642	1,145,829
Infrastructure assets	4,751,596	4,987,041	5,361,011	5,608,853	5,710,060
Community assets	168,819	161,728	169,971	184,156	177,537
Heritage assets	1,804,230	1,803,074	1,840,245	1,848,685	1,857,999
Total operational assets	37,176,235	37,071,634	37,952,961	39,116,163	40,258,470
Non-operational assets					
Assets under construction	1,271,111	1,200,830	845,627	1,011,066	1,316,259
Surplus assets held for disposal	377,632	365,120	336,021	314,377	301,251
Investment properties	205,220	197,445	207,027	197,382	192,725
Total non-operational assets	1,853,963	1,763,395	1,388,675	1,522,825	1,810,235
Intangible Assets	19,747	23,913	52,306	48,437	51,435
<i>Total Assets excluding Police & Fire</i>	<i>38,214,124</i>	<i>38,858,942</i>	<i>39,393,942</i>	<i>40,687,425</i>	<i>42,120,140</i>
Total Assets	39,049,945	38,858,942	39,393,942	40,687,425	42,120,140

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 2016 local authorities had total revenue reserves of £1.91 billion. Over the course of the year, total reserves increased by £23 million (1.2%) to £1.93 billion on 31 March 2017. Capital reserves decreased by £46 million (-7.3%), from £627 million to £581 million.

Table 4.1 – Movements in Reserves by Account, 2016-17

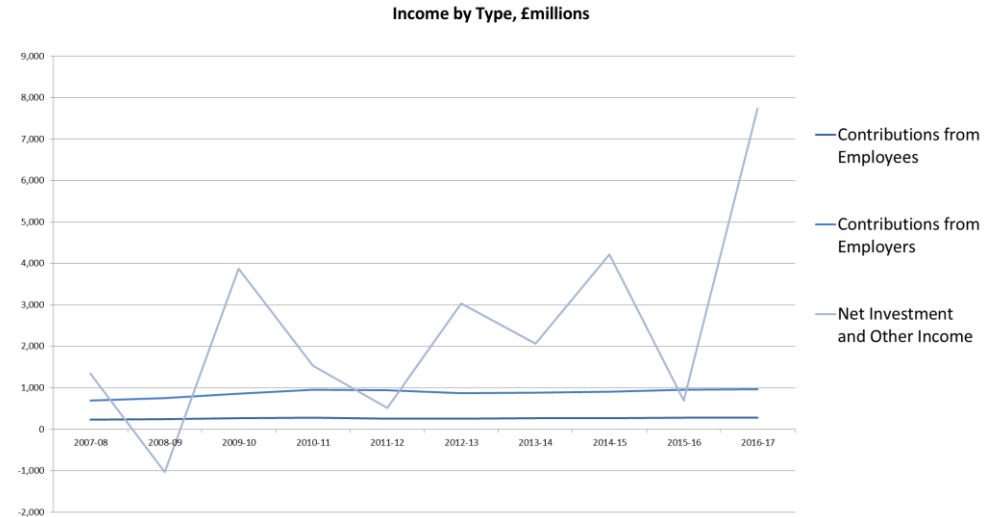
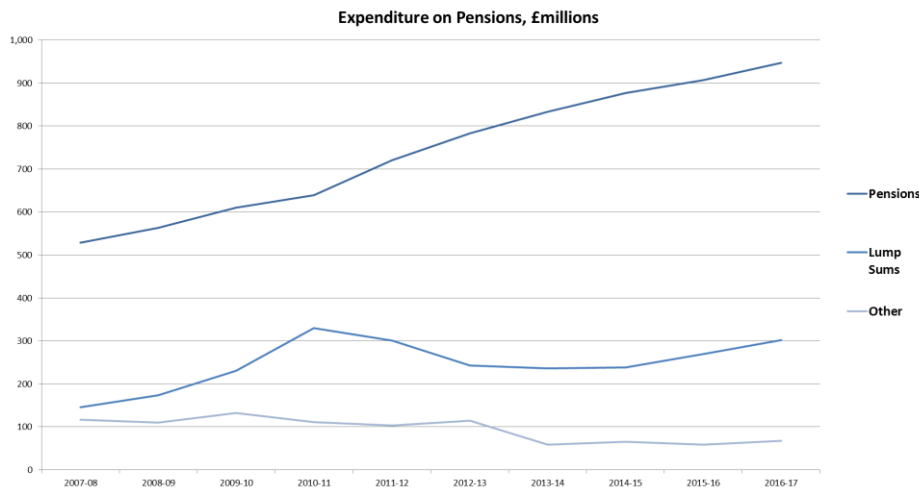
		<i>£thousands</i>				
		(a)	(b)	(c)	(d)=(b)+(c)	(e)=(a)+(d)
		Level of Reserves held 1 April 2016	(Surplus) or Deficit on provision of services	Movement between Revenue Reserves	(Increase) or Decrease	Level of Reserves held 31 March 2017
Revenue Reserves	General Fund	(1,225,083)	55,451	(8,069)	47,382	(1,177,701)
	Housing Revenue Account	(154,909)	(19,429)	4,899	(14,530)	(169,439)
	Harbour Account	(269,463)	(45,537)	2,754	(42,783)	(312,246)
	Renewal and Repairs	(162,528)	0	(8,549)	(8,549)	(171,077)
	Insurance Fund	(85,316)	0	1,468	1,468	(83,848)
	Other Statutory Funds	(13,962)	0	(5,763)	(5,763)	(19,725)
Total Revenue Reserves		(1,911,261)	(9,515)	(13,260)	(22,775)	(1,934,036)
Capital Reserves	Capital Fund	(518,059)	42,469	6,853	49,322	(468,737)
	Capital Receipts	(58,585)	(14,966)	6,407	(8,559)	(67,144)
	Capital Grants Unapplied	(50,067)	5,104	0	5,104	(44,963)
	Total Capital Reserves	(626,711)	32,607	13,260	45,867	(580,844)
Total Usable Reserves		(2,537,972)	23,092	0	23,092	(2,514,880)

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 £1.3 billion** in 2016-17, an increase of 6.5%;
- **Total Income was £9 billion**, largely due to very high investment returns;
- **95% of expenditure was on benefits**;
- Income from investment and other income was £7.7 billion, an increase of £7 billion on the previous year. Investment income can be highly volatile and has ranged from negative £1 billion to plus £7.7 billion over the past 10 years;
- Excluding investments, income increased by 1.8% 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 2012-13 to 2016-17

	<i>£thousands</i>				
	2012-13	2013-14	2014-15	2015-16	2016-17
Total Benefits including Payments under Pensions (Increase) Acts:	1,025,525	1,069,643	1,116,100	1,176,592	1,248,556
Pensions ¹	601,299	642,755	671,634	676,667	721,251
Lump Sums ¹	242,232	235,963	238,777	269,346	301,442
Other Benefits ¹	2,838	0	0	9,305	0
Payments under Pensions (Increase) Acts ¹	179,156	190,925	205,688	221,274	225,863
Transfer Values ²	41,701	42,061	44,295	39,289	50,296
Other ³	72,343	16,282	20,820	19,411	17,305
TOTAL EXPENDITURE⁴	1,139,569	1,127,986	1,181,215	1,235,292	1,316,157

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 6.5% (£81 million) between 2015-16

and 2016-17, with the vast majority (95%) of expenditure being on benefits.

Table 5.2 – Local Government Pension Scheme Funds Income 2012-13 to 2016-17

		<i>£thousands</i>				
		2012-13	2013-14	2014-15	2015-16	2016-17
Total Contributions		1,135,927	1,157,698	1,179,595	1,235,364	1,257,820
Contributions (including those from other employing authorities)	Employees	258,219	266,780	271,320	277,008	284,282
	Employers	877,708	890,918	908,275	958,356	973,538
Net Investment and Other Income ¹		3,040,095	2,063,964	4,215,940	700,626	7,748,872
TOTAL INCOME¹		4,176,022	3,221,662	5,395,535	1,935,990	9,006,692

Source: *Local Financial Returns – LFR 24*

Table 5.2 shows local government pension scheme funds income since 2012-13. Contributions from employees and employers are both dependent on the number of contributing employees (full time and part-time) and increased by 1.8% between 2015-16 and 2016-17. 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 increased by around £7 billion compared with 2015-16, however investment income in 2015-16 was lower than it had been in recent years. Investment income is volatile and is heavily influenced by investment conditions (e.g. changes in the stock market), ranging from a loss of £1 billion in 2008-09 to a gain of £7.7 billion in 2016-17.

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.

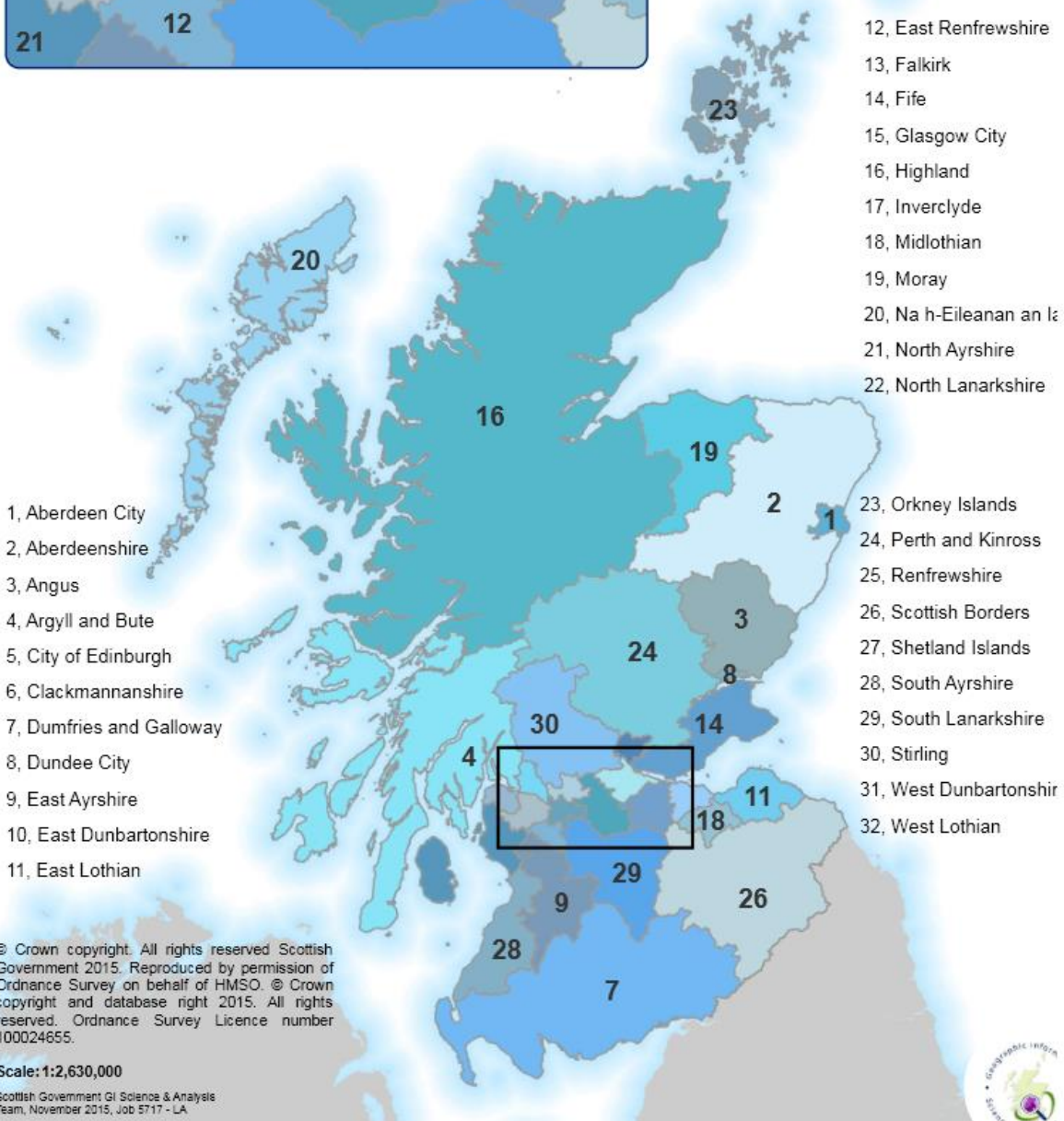
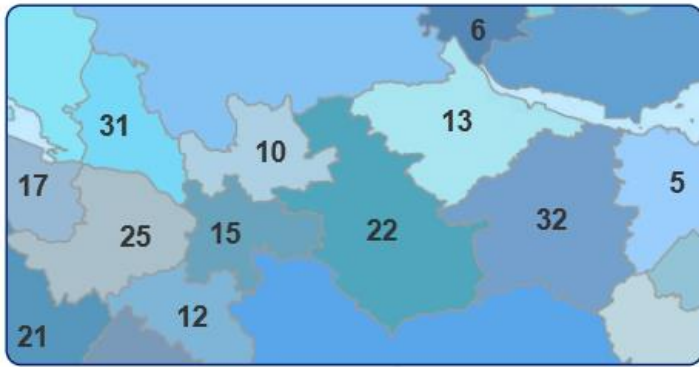
Table 6.1 – Local Authority Joint Board Membership

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



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 Andrew's 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 978-1-78851-646-4 (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/

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

PPDAS371446 (02/18)