

## PUBLIC SERVICES AND GOVERNMENT

# Local Government 2021-22 Provisional Outturn and 2022-23 Budget Estimates

## Executive Summary

### Revenue Expenditure

- Net revenue expenditure on local authority services was provisionally reported as £12,715 million in 2021-22 and budgeted as £12,954 million for 2022-23.
- Education and Social Work continue to be the services with highest net revenue expenditure in both 2021-22 and 2022-23.
- Local authorities reported provisional general funding of £13,726 million in 2021-22, and budgeted for £13,809 million of general funding in 2022-23.
- General Fund reserves at 31 March 2022 were provisionally reported as £2,681 million, and budgeted to be £2,382 million at 31 March 2023.

### Capital Expenditure

- Capital expenditure across local authorities was provisionally reported as £3,483 million in 2021-22, and budgeted as £4,691 million in 2022-23.
- The main sources of capital financing are grants & contributions; and borrowing. Borrowing is expected to increase significantly to £1,683 million in 2021-22, and then to £2,785 million in 2022-23.
- Total external debt was provisionally reported as £18,993 million in 2021-22, and budgeted as £20,981 million in 2022-23, with local authorities continuing to remain under-borrowed.

### COVID-19

- Figures for 2021-22 reflect the provisional impact of COVID-19 on local authorities' revenue and capital expenditure. Figures for 2022-23 reflect local authorities' budgeting assumptions for any continued impacts of COVID-19.

## Introduction

Local authorities are responsible for delivering a wide range of services, including education, social work, transport, housing, environmental and cultural services. In Scotland, local government primarily comprises of **32 councils**, the boundaries of which are shown in Annex A. There are also:

- **ten Valuation Joint Boards (VJBs)**, who provide valuation services to councils. Primarily, VJBs maintain the valuation roll for non-domestic properties and the Council Tax valuation list for domestic dwellings. These are then used as the basis for local taxation billing liability.
- **seven Regional Transport Partnerships (RTPs)**, established to lead on regional transport strategy and delivery by the Transport (Scotland) Act 2005.
- **the Tay Road Bridge Joint Board**, which is responsible for the operation, management and maintenance of the Tay Road Bridge.

Most of these additional boards are the collective responsibility of two or more councils – a list of local authority joint board membership is provided at Annex B. The Tay Road Bridge Joint Board comprises councillors from Dundee City, Fife and Angus; however, finance is provided directly from the Scottish Government (SG).

This publication summarises the **2021-22 provisional outturn and 2022-23 budget estimates for revenue and capital expenditure** across the 50 local authorities described above. This publication focuses on Scotland-level figures only; however, [workbooks containing the full source data from each local authority's return are available as supporting files to this publication](#).

The provisional and budget figures have been collected via the Provisional Outturn and Budget Estimates (POBE) 2022 return. The continued co-operation of all 50 local authorities in completing these returns is gratefully acknowledged. These figures only reflect expenditure and income recognised in local authorities' financial data, and does **not** include financial activity of any other local government agencies.

To provide some broader context, the figures in this publication are presented alongside the final, audited figures from 2018-19 to 2020-21. **However**, the following should be noted when interpreting comparisons between final, audited figures; provisional outturn; and budget estimates:

- **Provisional outturn** figures are calculated **before** the end of the financial year. They reflect actual expenditure up to the time they were produced and forecasts of anticipated spend for the remainder of the year. The point in time that these figures are calculated varies between local authorities, but generally falls between December and February. This means that any significant movements in expenditure late in the year, as well as various end of year accounting transactions, will cause significant differences between these figures and final, audited figures.
- **Budget estimates** reflect local authorities' financial plans for the current year, based on anticipated demand for services and resources available to deliver services, both of which are subject to change over the course of the year.

Final, audited local government finance statistics are published in the Scottish Local Government Financial Statistics (SLGFS). The latest SLGFS was published in March 2022 and provided final, audited figures for 2020-21. Final, audited figures for 2020-21 have been revised where necessary to correct any errors identified since publication. None of the revisions made have a significant impact on Scotland-level figures, or affect the key trends discussed in SLGFS 2020-21, and so no revisions have been made to the [SLGFS 2020-21 publication](#). However, the [published source LFR workbooks for 2020-21](#) have been updated to reflect these revisions.

**Please note**, throughout the publication:

- all years refer to the relevant **financial year** running 1 April to 31 March;
- figures within tables / charts may not sum to the total exactly due to rounding;
- absolute zeroes are shown as '-' and rounded zeroes are shown as '0';
- all figures are presented in **cash terms**, this means they have **not** been adjusted for inflation;
- figures are presented on a **funding basis**; this means local authorities have made adjustments to remove certain accounting transactions that have been charged to services, such as depreciation and pension costs;
- expenditure and income figures are presented as positive figures, however **net** expenditure figures may be presented as negative where gross income has exceeded gross expenditure and so the net position relates to income;
- General Fund figures include amounts relating to the Harbour Accounts for Orkney and Shetland Island Councils unless otherwise stated;
- 'Roads & Transport' includes amounts relating to Road Bridges;
- COVID-19 expenditure and service specific grants are recorded against the relevant subservice as far as possible, or against Central Services: Other where there is no appropriate subservice;
- COVID-19 related income received via GRG is included in the GRG income figure, **not** as service-specific income against specific subservices;
- income and expenditure associated with grants where the local authority was acting as an agent are **not** included in this publication.

More information on [local government in Scotland](#) is available on the SG website.

## Revenue Expenditure

**Revenue expenditure** is the cost of delivering services each year and includes both service operating costs and overheads. These costs might include salaries, rent, building maintenance, supplies and services. The benefits from revenue expenditure are mainly received within the financial year.

**Net revenue expenditure** is the element of revenue expenditure funded by general funding or reserves. It is calculated as gross service expenditure minus gross service income. Gross service income is any income received directly relating to services, such as service-specific grants or fees / charges received for the provision of services. Net revenue expenditure is therefore directly influenced by the amount of service income received, i.e. an increase in service income will reduce net revenue expenditure, and a decrease in service income will increase net revenue expenditure. Where service income is greater than service expenditure, a service would have a negative net revenue expenditure, i.e. net income. Individual local authority level figures can also be affected by large, one-off payments in any year, for example Equal Pay back-pay settlement expenditure.

The Revenue POBE collects net revenue expenditure for all **General Fund** services only. Revenue figures **exclude** amounts relating to a local authority's direct provision of housing which is recorded in the Housing Revenue Account (HRA), however 2021-22 budget estimates for local authority's HRA were published in the [Housing Revenue Accounts Statistics in October 2021](#). It should also be noted that for the purposes of the Revenue POBE return and this publication, Trading Services **includes** amounts relating to **Harbour Accounts**. These are separate accounts and reserve funds specifically for harbour undertakings held by Orkney Islands and Shetland Islands councils only.

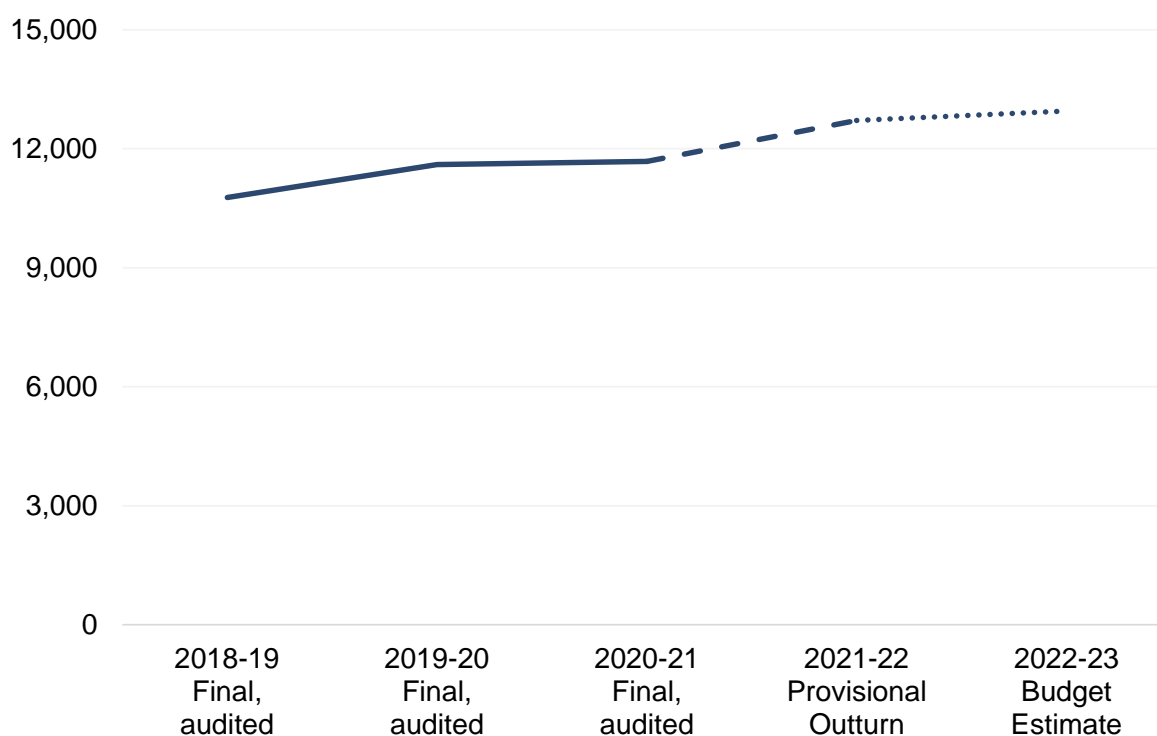
Local authorities have reported provisional outturn net revenue expenditure of £12,715 million in 2021-22, and have budgeted net revenue expenditure of £12,954 million for 2022-23.

**Figure 1** shows that net revenue expenditure has increased in each year between 2018-19 and 2022-23. The increase in 2020-21 was very small, reflecting the impacts of the COVID-19 pandemic. The increase to 2021-22 has been much larger, more in line with the pre-pandemic increase between 2018-19 and 2019-20. Local authorities have then budgeted for a further small increase in 2022-23.

Local authorities were asked to provide figures for additional gross expenditure directly incurred due to COVID-19 in order to give some indication of the impact of COVID-19 in each year. Compared to additional COVID-19 expenditure of £604 million in 2020-21, local authorities reported a provisional figure of £467 million in 2021-22 and budgeted for £158 million of additional COVID-19 expenditure in 2022-23. This reflects that whilst there is still continued additional expenditure relating to COVID-19 in both 2021-22 and 2022-23, local authorities expect this to reduce.

**Figure 1: General Fund Net Revenue Expenditure for 2018-19 to 2022-23, £ millions**

**Source:** POBE 2022 Return, LFR 00



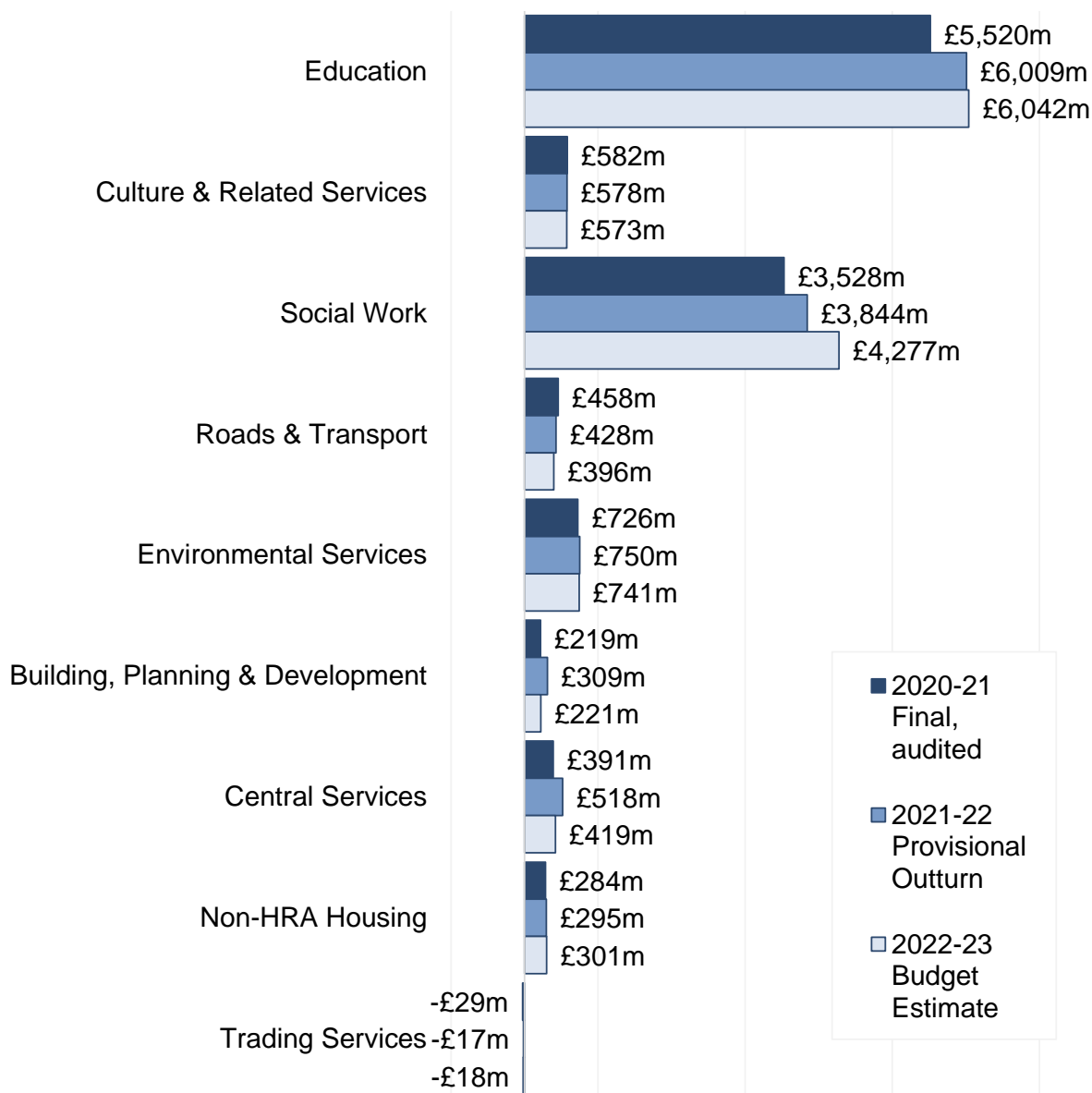
**Figure 2** provides a summary of the 2021-22 provisional outturn and 2022-23 budget estimate for net revenue expenditure against the final, audited net revenue expenditure from 2020-21 by service. Education and Social Work continue to be the services with highest net revenue expenditure in both years’.

Education has the highest net revenue expenditure, with provisional outturn of £6,009 million in 2021-22, and a budget estimate for 2022-23 of £6,042 million. This is in line with the overall trend in net revenue expenditure as shown in Figure 1.

Social Work has the second highest net revenue expenditure, with local authorities reporting provisional outturn of £3,844 million in 2021-22 and have budgeted expenditure of £4,277 million for 2022-23. The scale of the increase between 2021-22 and 2022-23 is higher than the overall trend for total General Fund services. However, this was reflected across almost all local authorities and looks to be driven by an increase in SG funding in 2022-23 relating to a range of health & social care and mental health services.

**Figure 2: Net Revenue Expenditure for 2020-21 to 2022-23 by Service, £ millions**

Source: POBE 2022 Return, LFR 00



Local authorities also incur some revenue expenditure and income that is **not** attributable to specific services, such as interest paid or received, or statutory repayment of debts. As shown in Table 1, local authorities' provisional outturn and budget estimates for other expenditure and income is £1,113 million and £1,132 million respectively.

**General funding** principally consists of the General Revenue Grant (GRG) and local taxation, specifically Non-Domestic Rates (NDR) and Council Tax. Local authorities have reported provisional general funding of £13,726 million in 2021-22, and have budgeted for general funding of £13,809 million in 2022-23. Figure 3 shows how net revenue expenditure is financed from 2018-19 to 2022-23.

### Figure 3: General Funding for 2018-19 to 2022-23, £ millions

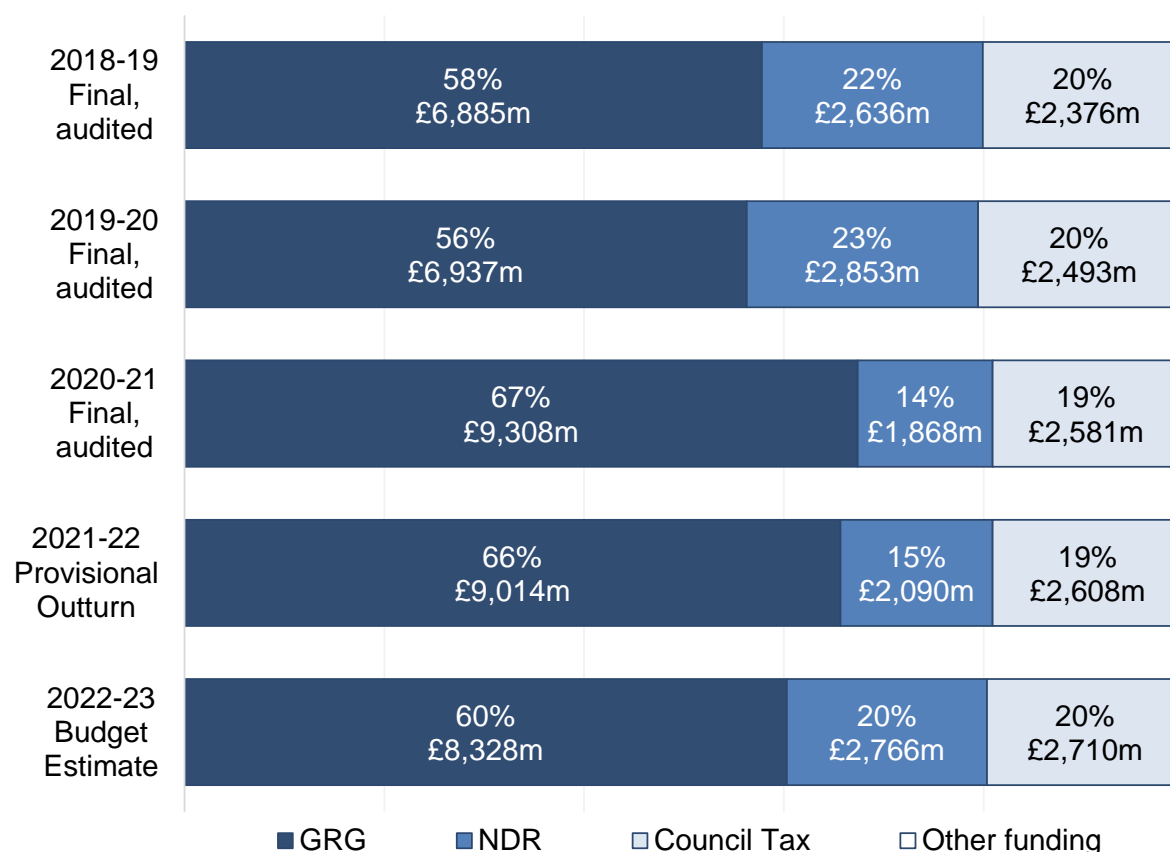
Please note the following:

GRG figures for 2018-19 and 2019-20 differ from the Finance Circular allocation due to £10m for Teacher’s Pay which was paid as part of the 2019-20 settlement but recorded by local authorities as income in 2018-19.

The 2020-21, 2021-22 and 2022-23 GRG figures differ to the Finance Circular allocation due to the exclusion of amounts for agency grants paid to local authorities via GRG.

‘Other Funding’ includes government grants paid to joint boards and income received through NDR Tax Incremental Financing (TIF) and Business Rates Incentivisation Scheme (BRIS). As this category amounts to less than 1% of the total shown in each year, this category is not visible in the chart, however figures are provided in the ‘POBE 2022 – Tables’ supporting Excel file.

**Source:** POBE 2022 Return, LFR A0



GRG is paid to local authorities by the SG and includes UK Government monies payable to a local authority. The SG guarantees the combined sum of GRG and NDR funding for local authorities in each financial year. There was a significant reduction in NDR in 2020-21 and 2021-22 due to rates relief to support various sectors during the COVID-19 pandemic. GRG figures for these years reflect an increase to match the decrease in NDR, as well as significant amounts of COVID-19 specific funding. Budget estimates for 2022-23 indicate a return to the pre-pandemic composition of General Funding, with GRG and NDR accounting for 60 and 20 per cent respectively, compared to 56 and 23 per cent in 2019-20.

More information on the process to determine local government funding from the SG is available in the [Local Government Funding: Process Overview publication](#). Detailed funding figures per local authority are available in the latest [Local Government Finance Circulars](#).

A **surplus** occurs when a local authority's revenue expenditure is **less** than the amount of general funding received. A surplus is added to a local authority's reserves and carried forward to the next year. A **deficit** occurs when a local authority's revenue expenditure is **more** than the amount of general funding received. Any deficit must be met from a local authority's reserves. Table 1 shows the surplus / deficit, in addition to the total movement in general fund reserves.

**Table 1: Movement in General Fund Reserves from 2020-21 to 2022-23, £ millions**

Please note that level of reserves held at 1 April and 31 March **exclude** amounts relating to unrealised gains that are included in revenue reserves in statutory Annual Accounts applying IFRS 9: Financial Instruments.

**Source:** POBE 2022 Return, LFR A0, LFR 23

	2020-21 Final, audited	2021-22 Provisional Outturn	2022-23 Budget Estimates
<b>Balance at 1 April</b>	<b>1,598</b>	<b>2,716</b>	<b>2,681</b>
Net Revenue Expenditure	-11,679	-12,715	-12,954
Other Income (+) and Expenditure (-)	-1,037	-1,113	-1,132
General Funding	13,814	13,726	13,809
Surplus (+) or Deficit (-) on provision of services	1,097	-102	-277
Net movements in (+) or out (-) due to transfers between reserves	-1	7	27
Increase (+) or decrease (-) in IFRS 9 unrealised gains to be <b>excluded</b>	-22	-59	49
<b>Balance at 31 March</b>	<b>2,716</b>	<b>2,681</b>	<b>2,382</b>

Across all local authorities, the provisional outturn figures give a deficit of £102 million for 2021-22, a notable change from the significant surplus of £1,097 million seen in 2020-21. The 2020-21 surplus was largely attributed to unspent additional COVID-19 funding from the SG, confirmed to be paid via GRG on 18 March 2021, that was carried forward in local authorities' General Fund reserve for use in future years. Local authorities' have budgeted for a deficit of £277 million in 2022-23, a small increase on the deficit expected in 2021-22.

The General Fund balance across local authorities at 31 March 2022 was £2,681 million, a small decrease from the balance of £2,716 million at 31 March 2021. Local authorities' budgets give a further decrease in the General Fund balance to £2,382 million at 31 March 2023.



## Capital Expenditure

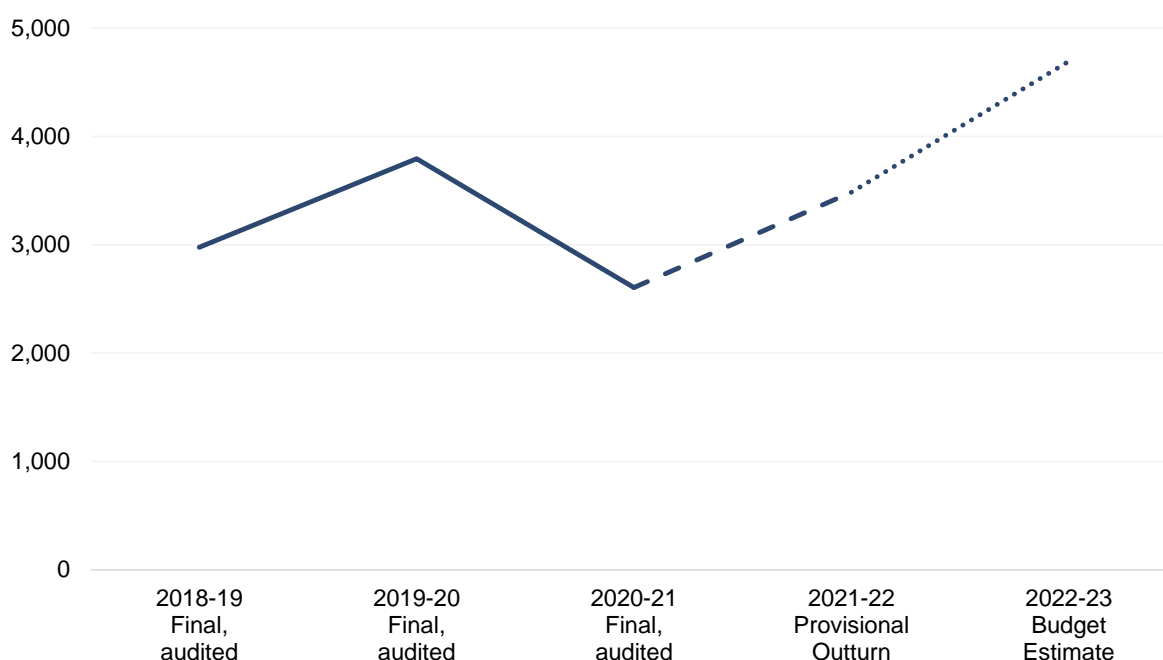
Capital expenditure is expenditure that creates an asset, extends the life of an asset or increases the value of an asset. It creates the buildings and infrastructure necessary to provide services, such as schools, care homes, flood defences, roads, vehicles, plant and machinery. Capital expenditure also includes grants a local authority provides to a third party to fund capital expenditure of the third party; direct expenditure on a third party's assets; and loans to third parties to support capital investment of the third party where this is financed from capital resources. Capital POBE figures **include** amounts relating to a local authority's direct provision of housing, which is recorded in the Housing Revenue Account (HRA).

It is important to note that the 'lumpy' nature of capital expenditure means that delays or changes to large capital projects at the end of the financial year can have a large impact on final, audited figures compared to provisional outturn and budgets.

For capital expenditure, local authorities have reported total provisional outturn of £3,483 million in 2021-22, and budget estimates of £4,691 million for 2022-23.

**Figure 4: Total Capital Expenditure for 2018-19 to 2022-23, £ millions**

**Source:** POBE 2022 Return, LFR CR, CR Final



Around £450 million of the notable decrease in capital expenditure between 2019-20 and 2020-21 relates to significant, one-off transactions incurred by Glasgow City Council for Culture & Related Services in 2019-20. The remaining decrease likely relates to the impacts of the COVID-19 pandemic on the building sector in 2020-21.

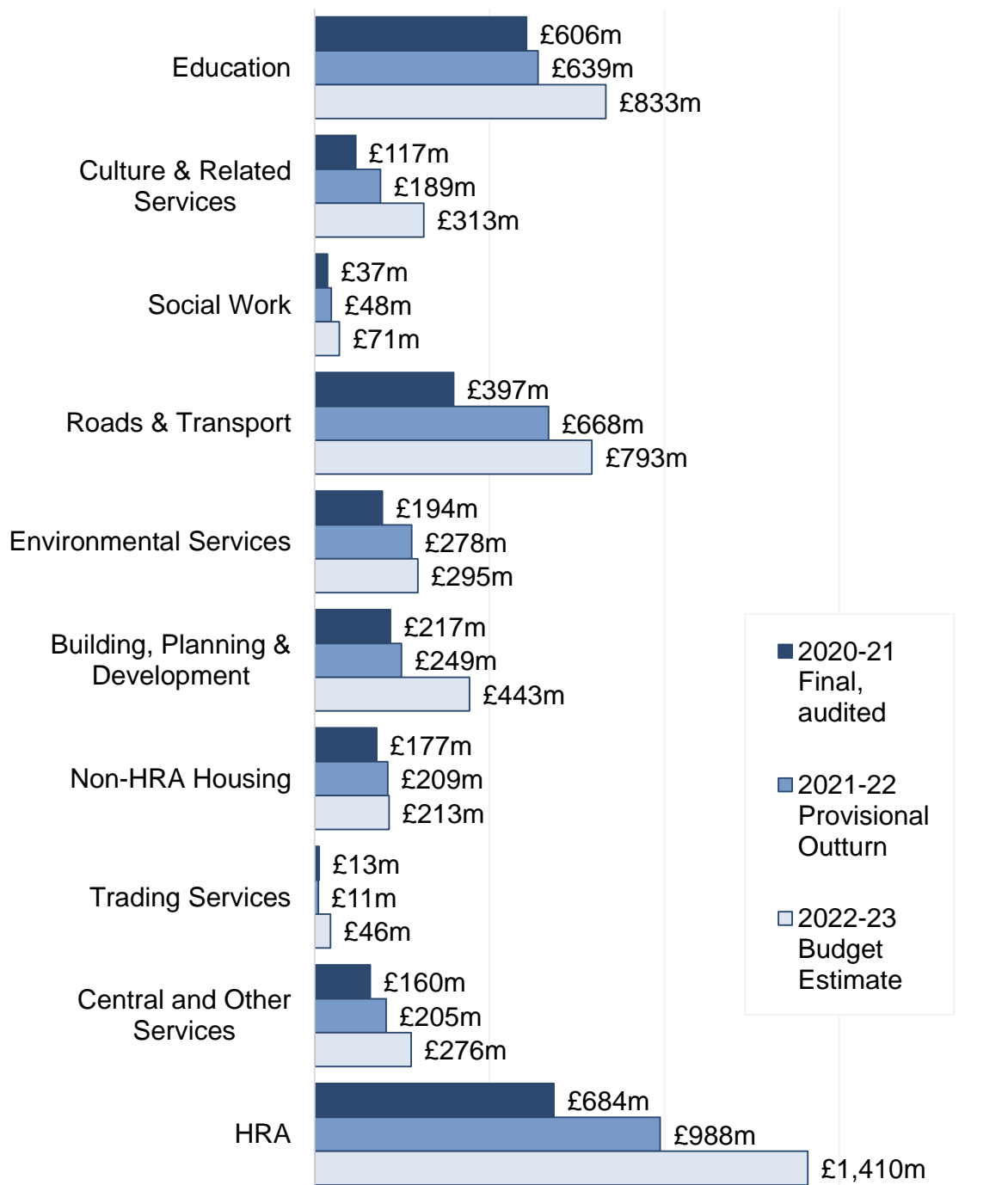
Capital expenditure is expected to increase significantly in both 2021-22 and 2022-23, reflecting the resumption of delayed capital projects following the easing of COVID-19 restrictions combined with new capital investment programmes starting.

As shown in Figure 5, most services show increases in capital expenditure in 2021-22 and 2022-23 in line with the overall trend. HRA is the largest area for capital expenditure in each year, and is expected to increase to £988 million in 2021-22, and to £1,410 million in 2022-23. This increase is driven by expenditure on new construction and conversion, which accounts for 57 and 58 per cent of the increased expenditure in 2021-22 and 2022-23 respectively.

**Figure 5: Capital Expenditure for 2020-21 to 2022-23 by Service, £ millions**

Please note that 'Non-HRA Housing' includes capital expenditure related to Consented and Statutory Borrowing.

**Source:** POBE 2022 Return, LFR CR, CR Final

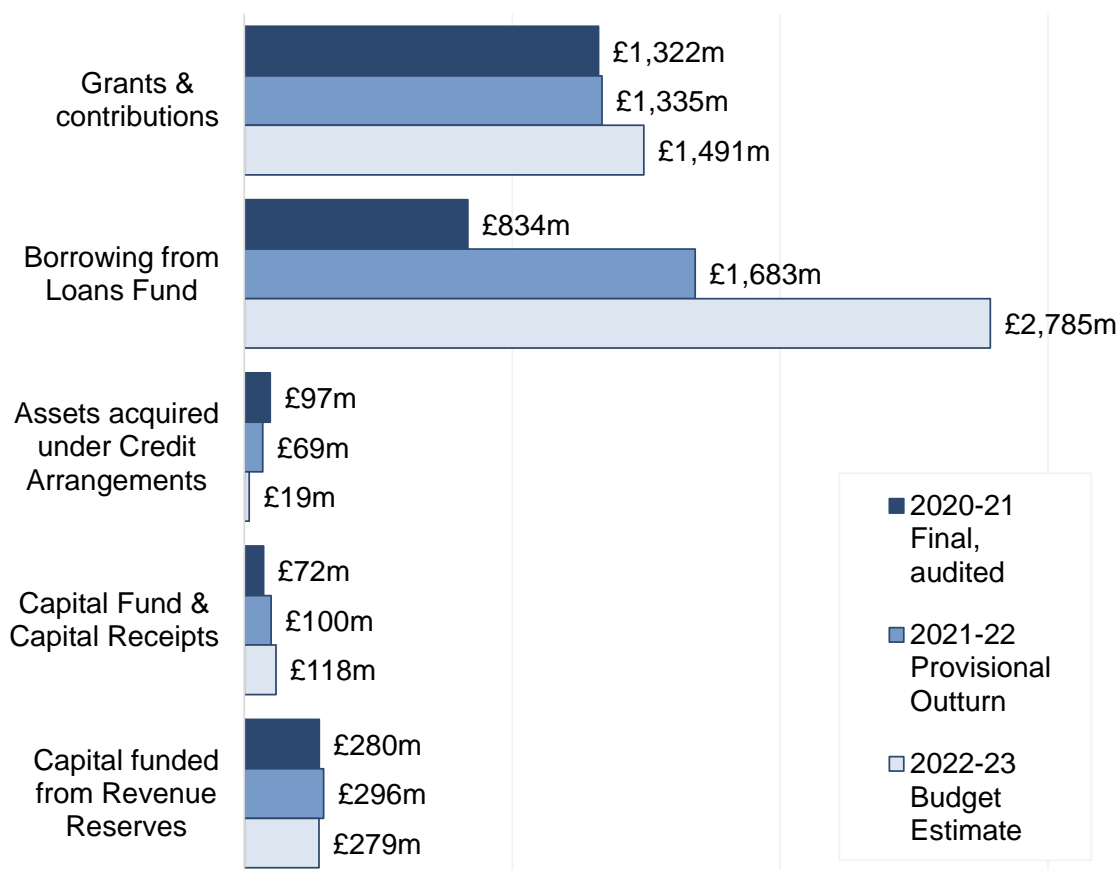


Local authorities can finance capital expenditure in a number of ways, including use of grants and contributions; borrowing; credit arrangements; capital receipts and reserves. Figure 6 shows how capital expenditure was financed in 2020-21 and how it is anticipated it will be financed in 2021-22 and 2022-23.

**Figure 6: Total Capital Financing for 2020-21 to 2022-23, £ millions**

Please note that ‘Grants & Contributions’ and ‘Borrowing from Loans Fund’ include amounts used to fund grants to third party capital projects which will also be included in the revenue figures.

**Source:** POBE 2022 Return, LFR CR, CR Final



Borrowing is the largest source of capital financing in both 2021-22 and 2022-23, increasing to £1,683 million and then to £2,785 million respectively. This increase in borrowing is seen across most local authorities in each year and is due to a combination of planned capital investment and reallocation of capital expenditure as a result of the COVID-19 restrictions delaying capital projects in 2020-21.

Grants and contributions is the second largest source of capital financing, accounting for £1,335 million in 2021-22 and £1,491 million in 2022-23. This source of capital financing includes grants and contributions received from the Scottish and UK Governments; other government agencies and Non-Departmental Public Bodies (NDPBs); other local authorities; and private developers. Capital grant from the SG includes capital allocations paid to local authorities as part of the Local Government Finance Settlement. Details of these allocations can be found in the relevant [Local Government Finance Circular](#).

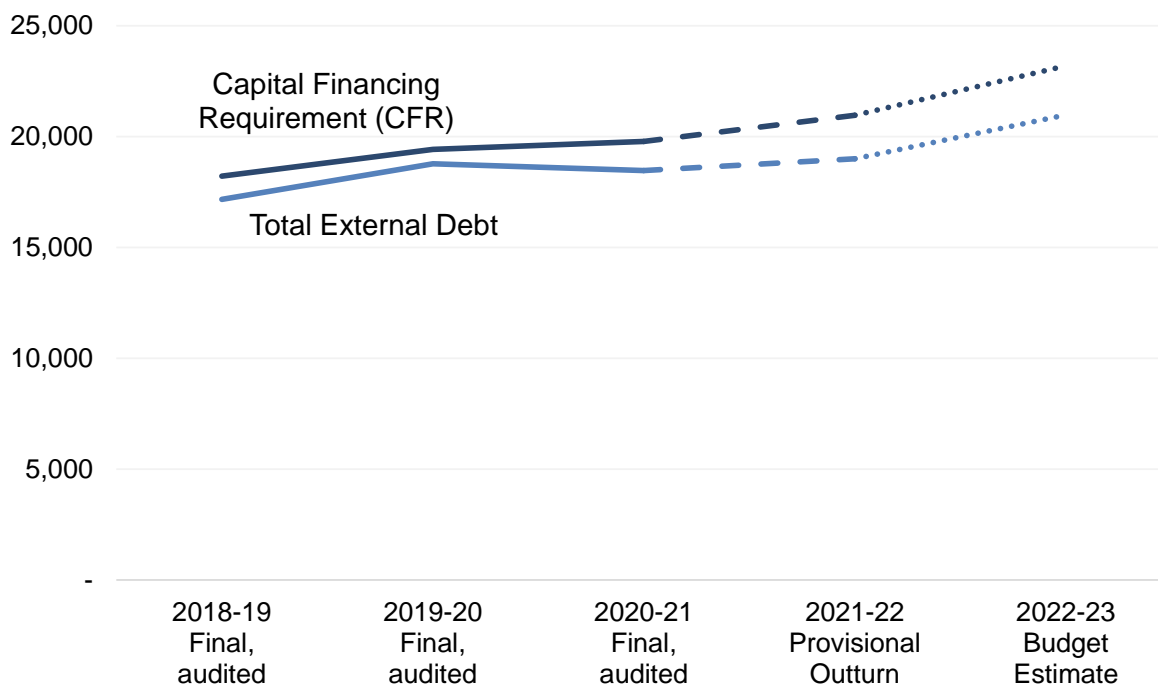
The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code sets out a framework for a local authority to demonstrate its capital investment plans are affordable, prudent and sustainable. The **Capital Financing Requirement (CFR)** is one of the prudential indicators set out in this framework. It represents the amount of capital expenditure a local authority has determined should be met from borrowing or funded from a credit arrangement, with the repayment of debt met from future budgets. That is, it represents an authority’s underlying need to borrow money. Local authorities have reported total provisional CFR of £20,963 million in 2021-22, and total budget estimate for CFR of £23,184 million for 2022-23.

**Total External Debt** reflects local authorities’ gross external borrowing and other long-term liabilities. This may be **less** than the CFR where an authority has chosen to utilise cash reserves rather than borrow externally; or it may be **more** than the CFR where an authority has chosen to borrow in advance of capital expenditure being incurred. The Prudential Code limits local authorities’ borrowing in advance to the CFR amount plus up to two years’ planned capital expenditure to be funded from borrowing. Local authorities have reported provisional external debt of £18,993 million in 2021-22, and budgeted for external debt of £20,981 million in 2022-23.

**Figure 7: CFR and External Debt for 2018-19 to 2022-23, £ millions**

Please note that the treatment of loans to other statutory bodies in the CFR and Total External Debt figures may vary between local authorities for years prior to 2020-21, however this relates to comparatively small values and so it not material.

**Source:** POBE 2022 Return, LFR CR, CR Final

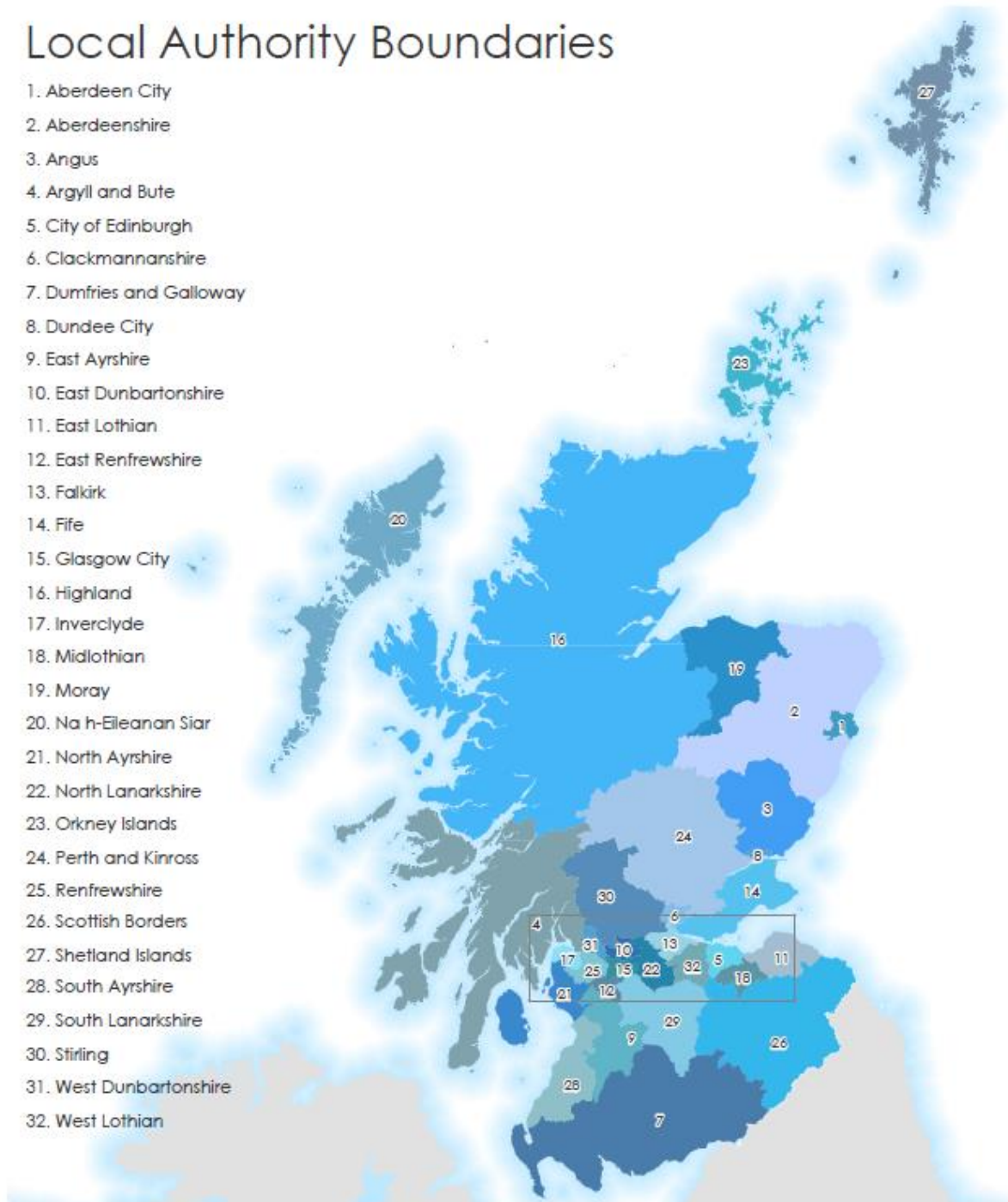


As shown in Figure 7, Total External Debt continues to remain below the CFR. This means local authorities are under-borrowed and indicates their treasury policy is to utilise cash reserves to fund borrowing at this time. Should their cash requirements increase, a local authority can borrow externally to meet that need, utilising their under-borrowed position.

## Annex A: Local Authority Boundaries

### Local Authority Boundaries

1. Aberdeen City
2. Aberdeenshire
3. Angus
4. Argyll and Bute
5. City of Edinburgh
6. Clackmannanshire
7. Dumfries and Galloway
8. Dundee City
9. East Ayrshire
10. East Dunbartonshire
11. East Lothian
12. East Renfrewshire
13. Falkirk
14. Fife
15. Glasgow City
16. Highland
17. Inverclyde
18. Midlothian
19. Moray
20. Na h-Eileanan Siar
21. North Ayrshire
22. North Lanarkshire
23. Orkney Islands
24. Perth and Kinross
25. Renfrewshire
26. Scottish Borders
27. Shetland Islands
28. South Ayrshire
29. South Lanarkshire
30. Stirling
31. West Dunbartonshire
32. West Lothian



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## Annex B: Local Authority Joint Board Membership

Please note that Helensburgh and Lomond are part of SPT, while the rest of Argyll & Bute is part of HITRANS.

Council	Valuation Joint Board (VJB)	Regional Transport Partnership (RTP)
Aberdeen City	Grampian	NESTRANS
Aberdeenshire	Grampian	NESTRANS
Angus	Tayside	TACTRAN
Argyll & Bute	Dunbartonshire & Argyll & Bute	SPT / HITRANS
City of Edinburgh	Lothian	SESTRAN
Clackmannanshire	Central	SESTRAN
Dumfries & Galloway	Dumfries & Galloway	SWESTRANS
Dundee City	Tayside	TACTRAN
East Ayrshire	Ayrshire	SPT
East Dunbartonshire	Dunbartonshire & Argyll & Bute	SPT
East Lothian	Lothian	SESTRAN
East Renfrewshire	Renfrewshire	SPT
Falkirk	Central	SESTRAN
Fife	Fife	SESTRAN
Glasgow City	Glasgow	SPT
Highland	Highland & Western Isles	HITRANS
Inverclyde	Renfrewshire	SPT
Midlothian	Lothian	SESTRAN
Moray	Grampian	HITRANS
Na h-Eileanan Siar	Highland & Western Isles	HITRANS
North Ayrshire	Ayrshire	SPT
North Lanarkshire	Lanarkshire	SPT
Orkney Islands	Orkney & Shetland	HITRANS
Perth & Kinross	Tayside	TACTRAN
Renfrewshire	Renfrewshire	SPT
Scottish Borders	Borders	SESTRAN
Shetland Islands	Orkney & Shetland	ZETRANS
South Ayrshire	Ayrshire	SPT
South Lanarkshire	Lanarkshire	SPT
Stirling	Central	TACTRAN
West Dunbartonshire	Dunbartonshire & Argyll & Bute	SPT
West Lothian	Lothian	SESTRAN

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