

This is a draft publication to illustrate the changes proposed as part of the [POBE 2021 Consultation](#) **only**. The final POBE 2021 publication will be made available at [Local Government Finance Statistics](#).



An Official Statistics publication for Scotland

## PUBLIC SERVICES AND GOVERNMENT

# Local Government 2020-21 Provisional Outturn and 2021-22 Budget Estimates

Economy (Local Government Finance)

XX June 2021

### Executive Summary

#### Revenue Expenditure

- [To be added: Key points from Revenue Expenditure section]

#### Capital Expenditure

- [To be added: Key points from Capital Expenditure section]

# Draft – data for illustrative purposes as part of the [POBE 2021 Consultation](#) only.

## Introduction

This publication summarises the 2020-21 provisional outturn and 2021-22 budget estimates for revenue and capital expenditure by Scottish local authorities. All the figures reported in this publication have been collected via the Provisional Outturn and Budget Estimates (POBE) 2021 return with the help of the 50 local authorities in Scotland. The continued co-operation of these bodies in completing these returns is gratefully acknowledged.

To provide appropriate context, the figures in this publication are presented alongside the final, audited figures from 2019-20. However, it is important to note the following points when interpreting any comparisons between years:

- provisional outturn figures are provided before local authorities accounts are compiled and as such are subject to revision in the final, audited accounts;
- budget estimates reflect local authorities' financial plans for the current year based on anticipated demand for services and the resources available to deliver those services, both of which may change over the course of the year.

When comparing figures over time, comparisons should be made on a like for like basis. Changes in accounting standards may impact on the categorisation of figures, leading to discontinuities in the data collected between financial years. Changes considered to be significant will be noted in the commentary for users' information.

Further information on the comparability of provisional outturns and budget estimates to final, audited figures is provided in the Data Interpretation section.

All figures in this publication are given in £ millions, and so may not sum to exact totals due to rounding.

The commentary within this publication focuses on Scotland-level figures only. A workbook containing the full source data from each local authority's return is available at [www.gov.scot/collections/local-government-finance-statistics/#provisionaloutturnandbudgetestimates\(pobe\)](http://www.gov.scot/collections/local-government-finance-statistics/#provisionaloutturnandbudgetestimates(pobe)).

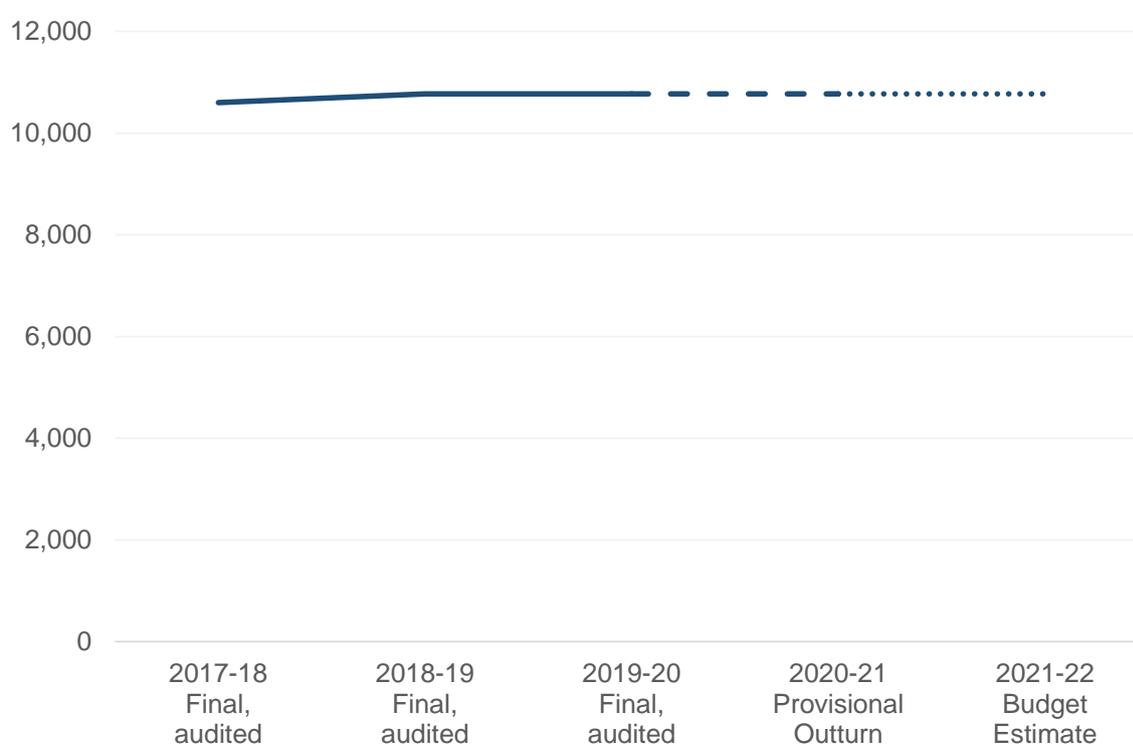
## Revenue Expenditure

**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 expenditure on services minus service income<sup>1</sup>. 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 gross service expenditure, a service would have a negative net revenue expenditure, i.e. 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. That is all services excluding those relating to a local authority's direct provision of housing which is recorded in the **Housing Revenue Account (HRA)**. 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 and are only held by Orkney Islands and Shetland Islands councils.

**Figure 1: Total Net Revenue Expenditure for 2017-18 to 2021-22, £ millions**



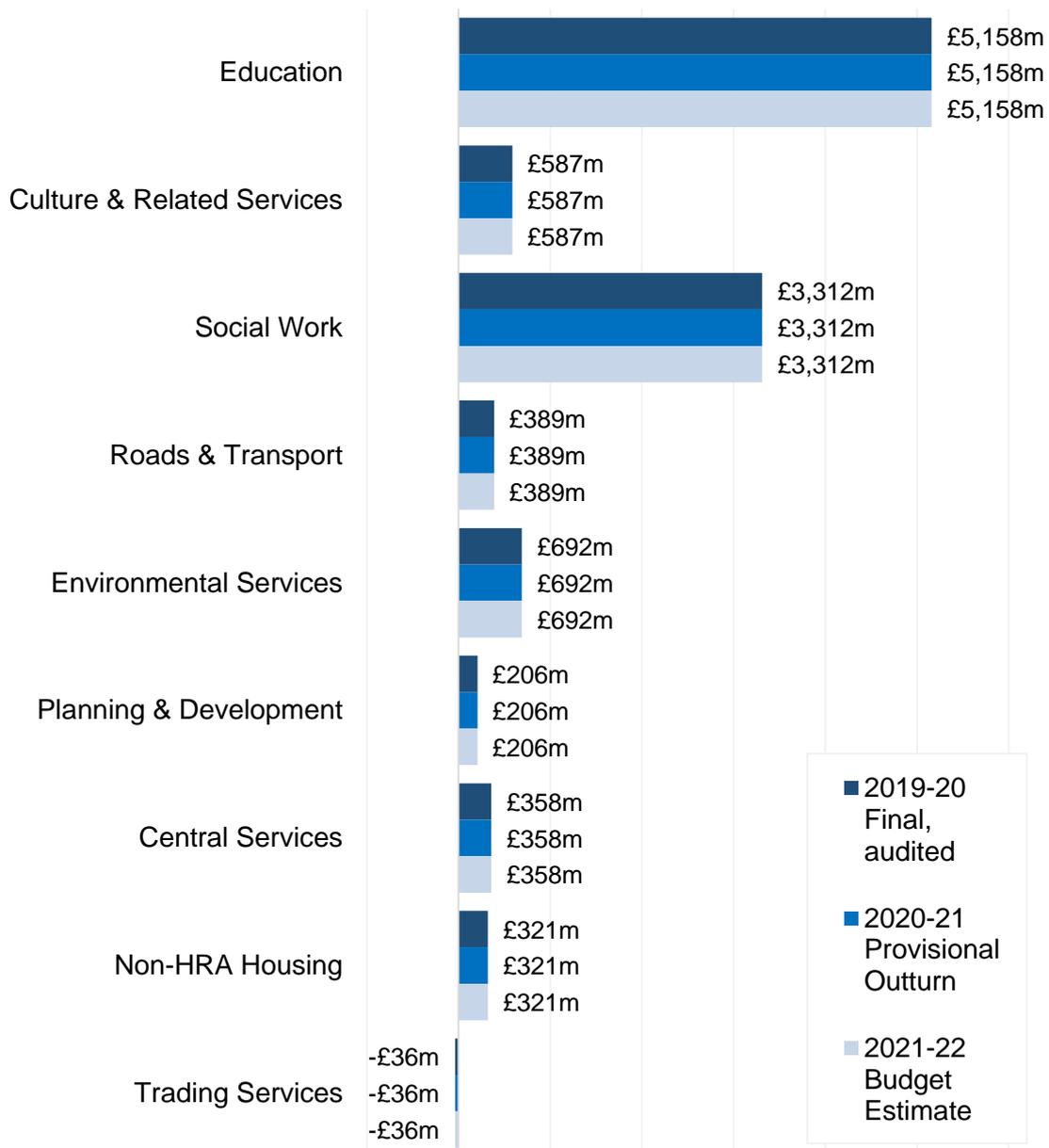
<sup>1</sup> Service income is any income received directly relating to services, for example service-specific grants or fees / charges received for the provision of services.

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For net revenue expenditure, local authorities have reported total provisional outturn of £XX,XXX million in 2020-21, and total budget estimates of £XX,XXX million for 2021-22. Figure 1 shows [To be added: summary of trends over 5 year period].

Figure 2 provides a summary of the 2020-21 provisional outturn and 2021-22 budget estimate net revenue expenditure against the final, audited net revenue expenditure from 2019-20 by service.

**Figure 2: Net Revenue Expenditure for 2019-20 to 2021-22 by Service, £ millions**



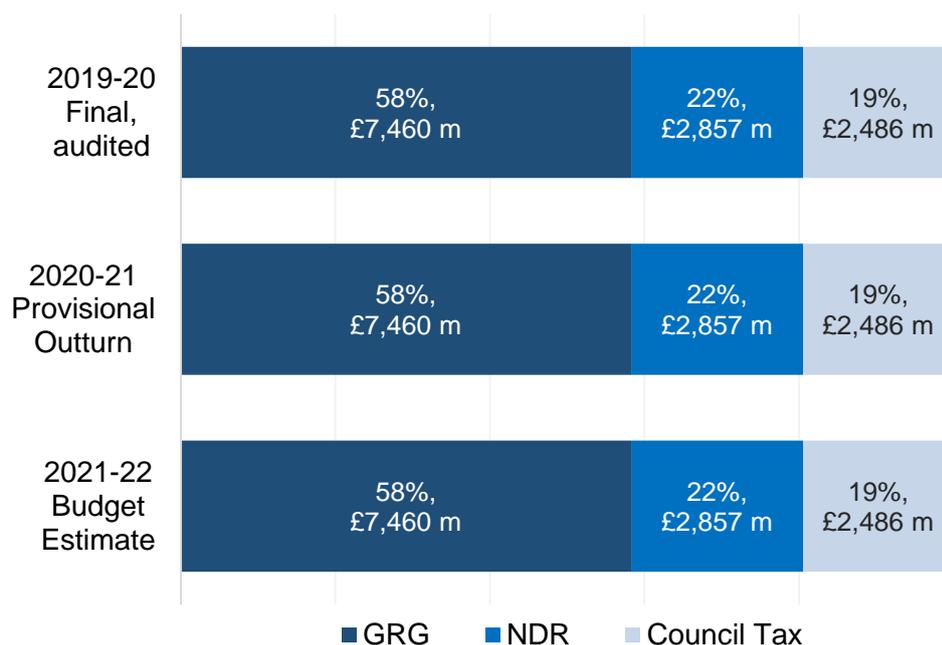
[To be added: Commentary on services as per Figure 2.]

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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. Local authorities’ provisional outturn and budget estimates for other expenditure and income is £X,XXX million and £X,XXX million respectively. This additional expenditure will also be funded by general funding or reserves.

**General funding** 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 £XX,XXX million in 2020-21, and have budgeted for general funding of £XX,XXX million in 2021-22. Figure 3 shows the split of General Funding by these three sources of General Funding.

**Figure 3: General Funding for 2019-20 to 2021-22**



[To be added: Summary of General Funding trends as per Figure 3].

A **surplus** occurs when a local authority’s net 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 net revenue expenditure is **more** than the amount of general funding received. Any deficit must be met from a local authority’s reserves.

Across all local authorities, a surplus / deficit of £XXX million is expected in 2020-21, and a surplus / deficit of £XXX million has been budgeted for in 2021-22.

[To be added: Commentary on general trends of impacts on reserves].

## 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.

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 figures.

For capital expenditure, local authorities have reported total provisional outturn of £XX,XXX million in 2020-21, and budget estimates of £XX,XXX million for 2021-22. Figure 4 shows [To be added: summary of trends over 5 year period].

**Figure 4: Total Capital Expenditure for 2017-18 to 2021-22, £ millions**

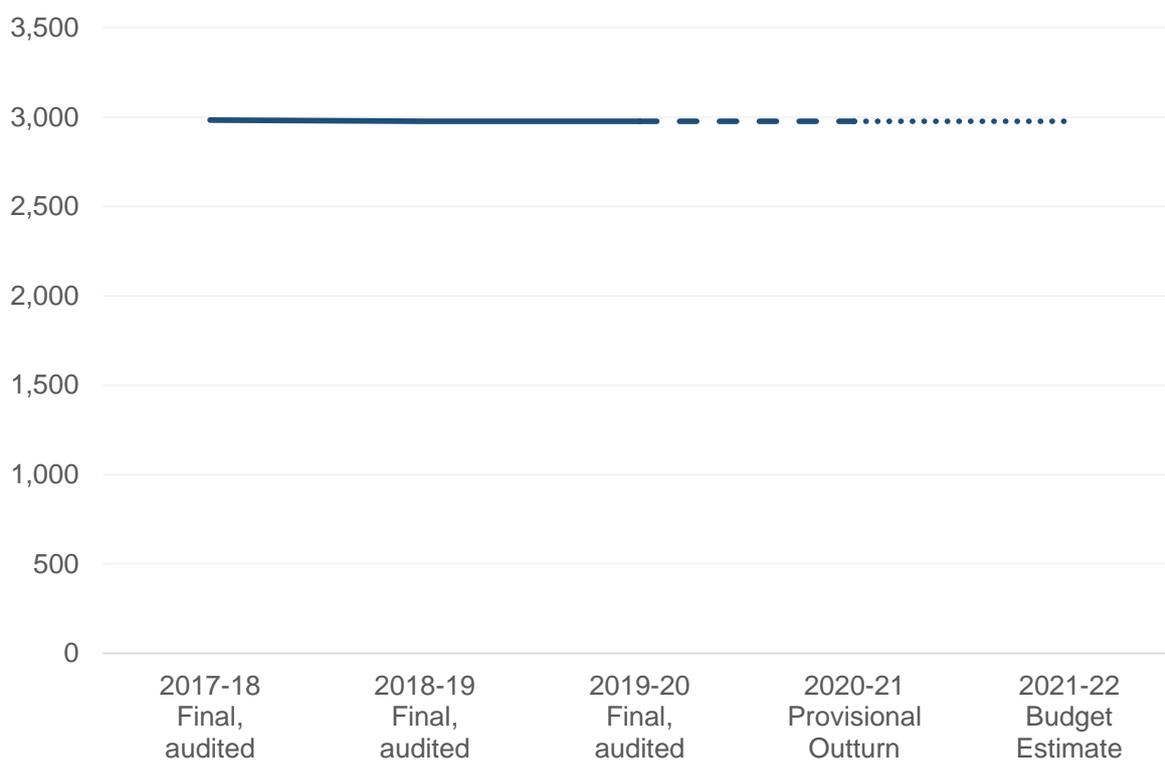
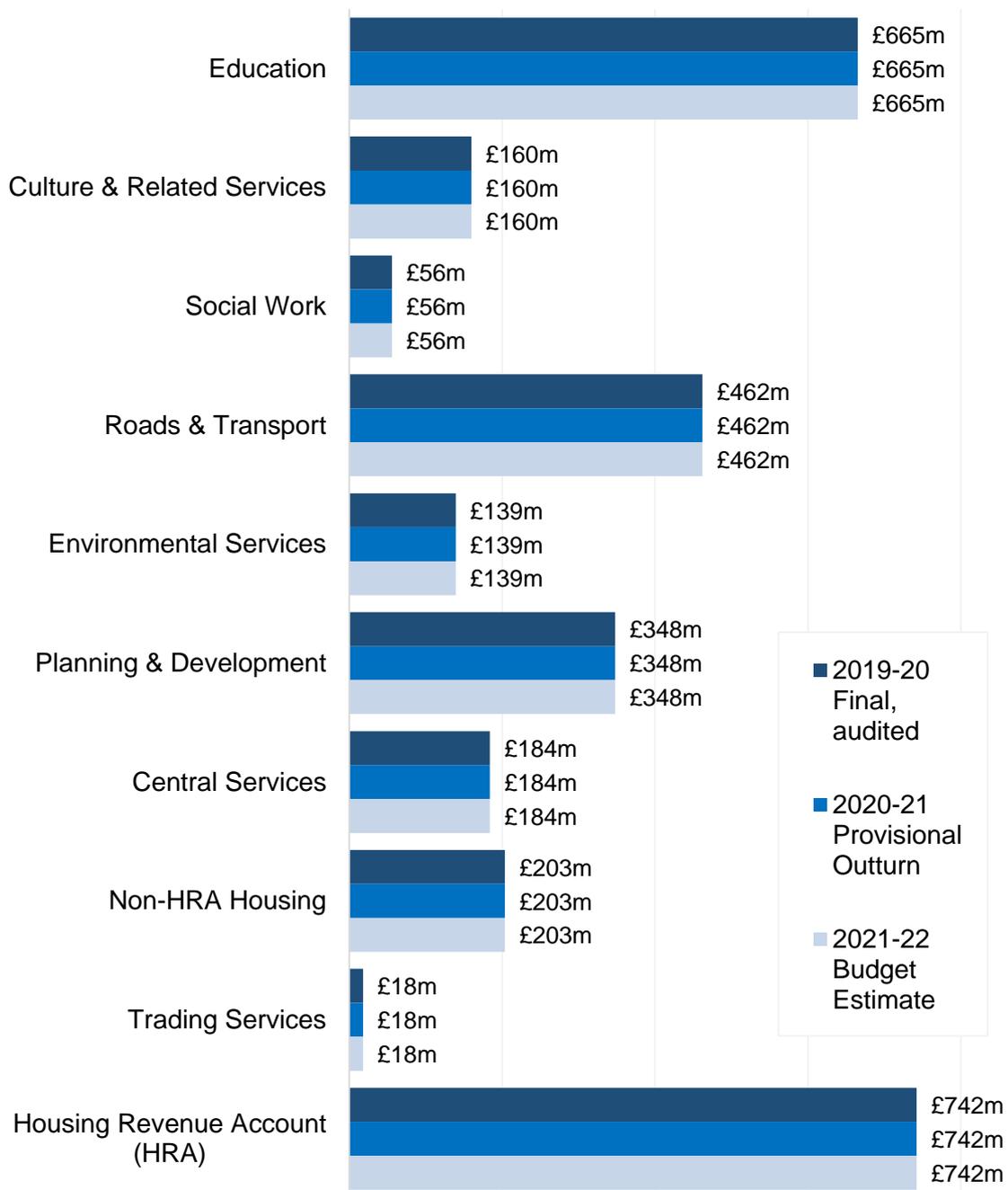


Figure 5 provides a summary of the 2020-21 provisional outturn and 2021-22 budget estimate capital expenditure against the final, audited capital expenditure from 2019-20 by service.

Figure 5: Capital Expenditure for 2019-20 to 2021-22 by Service, £ millions

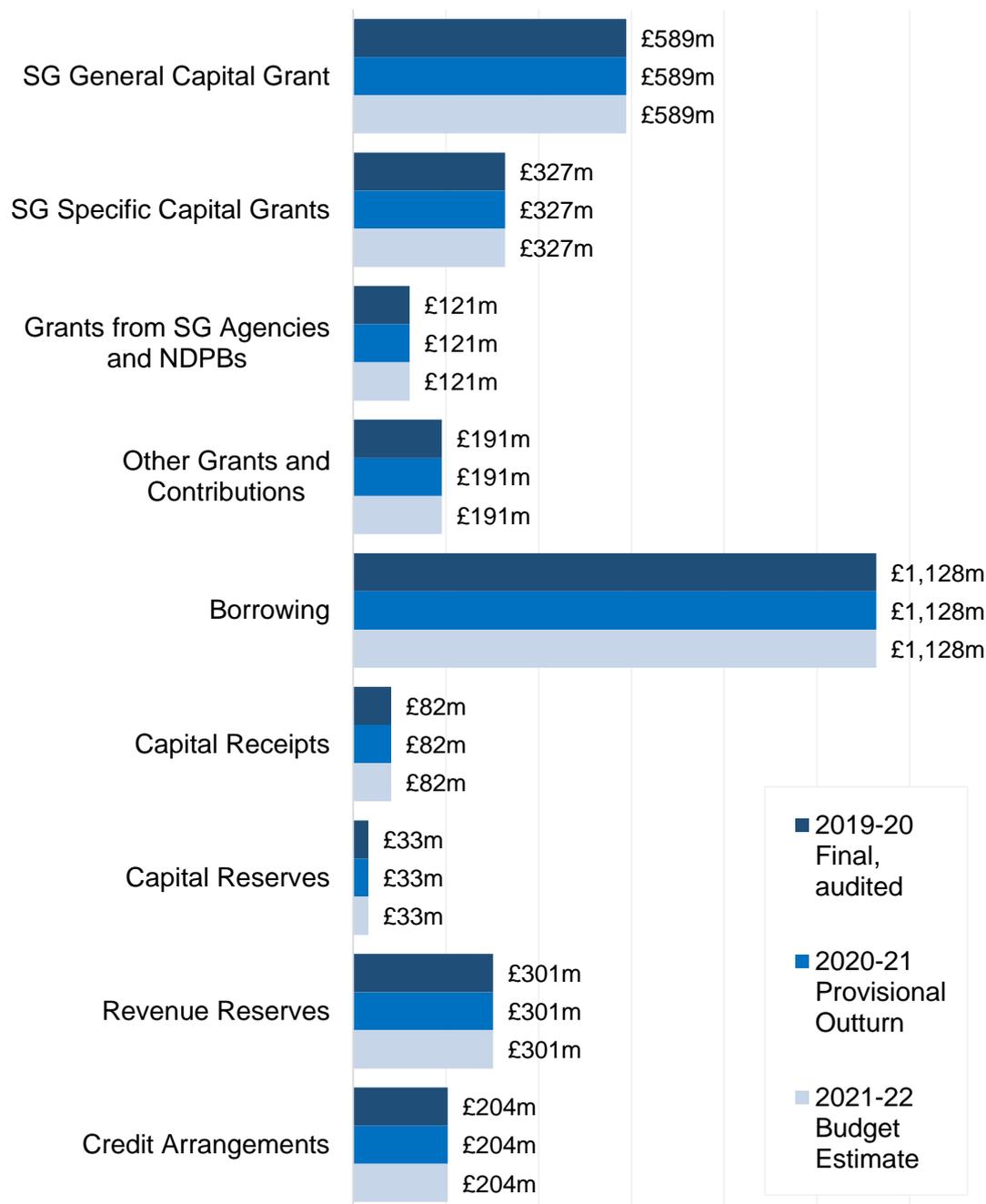


[To be added: Service specific commentary as appropriate]

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Local authorities can finance capital expenditure in a number of ways, including use of grants<sup>2</sup> or contributions; borrowing or credit arrangements; use of capital receipts or reserves. Figure 6 shows how capital expenditure was financed in 2019-20 and how it is anticipated it will be financed in 2020-21 and 2021-22. **[To be added: Summary of trends shown in Figure 6].**

**Figure 6: Total Capital Financing for 2019-20 to 2021-22**



<sup>2</sup> Capital grants from Scottish Government include capital allocations paid to local authorities as part of the Local Government Finance Settlement. Details of these allocations can be found in the relevant [Local Government Finance Circular](#).

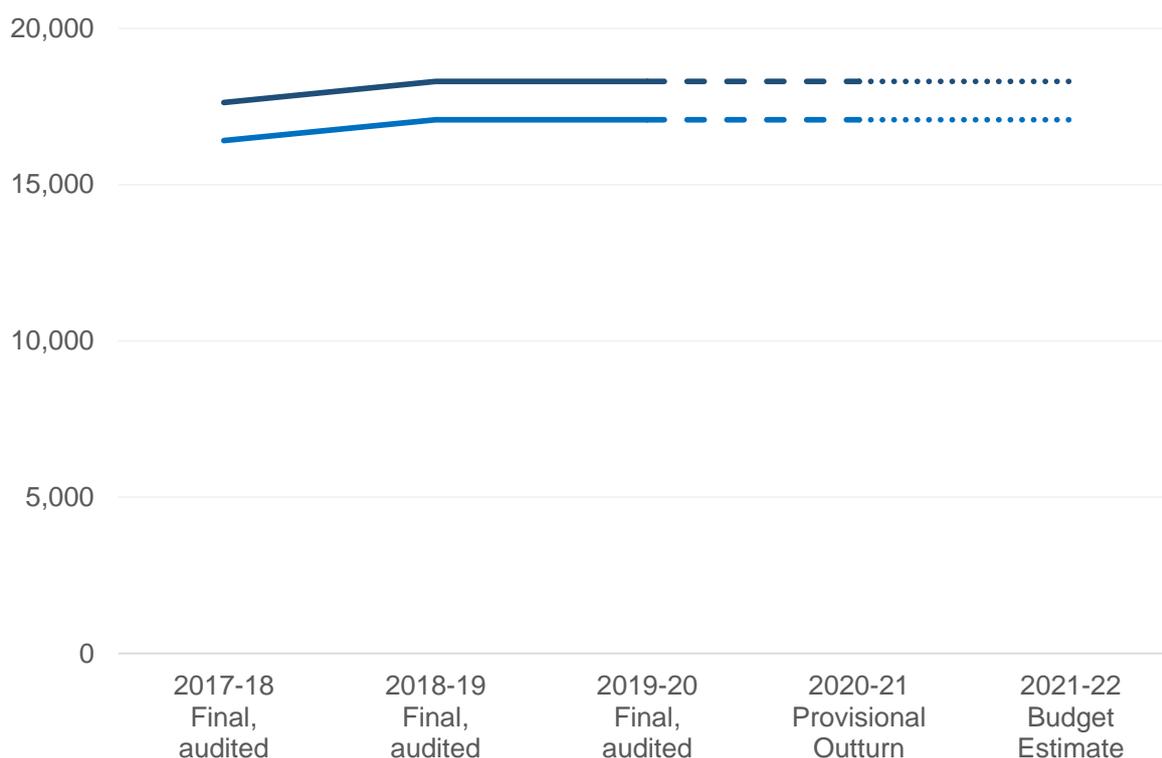
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The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code sets out a framework for a local authority to demonstrate its capital investment plans are affordable, prudent and sustainable. The **Capital Financing Requirement (CFR)** 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 £XX,XXX million in 2020-21, and total budget estimate for CFR of £XX,XXX million for 2021-22.

**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<sup>3</sup>. Local authorities have reported total provisional external debt of £XX,XXX million in 2020-21, and total budget estimate for external debt of £XX,XXX million for 2021-22.

Figure 7 shows [To be added: summary of trends over 5 year period].

**Figure 7: CFR and External Debt for 2017-18 to 2021-22**



<sup>3</sup> 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.

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## **Data Interpretation**

[**To be added:** Further details on comparability of provisional outturns and budget estimates to final, audited figures. In particular, any factors highlighted by local authorities within their returns.]

## **Related Publications**

Final, audited local government finance statistics are published in the Scottish Local Government Financial Statistics (SLGFS). The latest SLGFS was published in April 2021 and provided final, audited figures for 2019-20. SLGFS publications are available at [www.gov.scot/collections/local-government-finance-statistics/#scottishlocalgovernmentfinancialstatistics](http://www.gov.scot/collections/local-government-finance-statistics/#scottishlocalgovernmentfinancialstatistics).

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

The data collected for this official statistics publication are available in more detail at [www.gov.scot/collections/local-government-finance-statistics/#provisionaloutturnandbudgetestimates\(pobe\)](http://www.gov.scot/collections/local-government-finance-statistics/#provisionaloutturnandbudgetestimates(pobe)).

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