

2019-20 Local Financial Returns (LFRs) Summary of Changes

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Background

In light of Covid-19, local authorities are facing changing priorities and additional pressures this year. To try and reduce the burden on local authority colleagues who contribute to the LFRs and Capital Return (CR) Final, a review of the 2019-20 return has been undertaken. This review focused on the following two areas:

- to reduce the overall size of the return by removing rows / columns that were no longer required, either specifically for 2019-20 or longer term;
- to improve consistency and quality of data collected with a view to reduce the volume of validation queries local authorities receive.

After an internal review of the return and data requirements, feedback on the proposed changes was sought from data suppliers. Responses from data suppliers were reviewed, with appropriate amendments made to a revised draft return that was issued for a wider data user consultation in August 2020. Feedback from the data user consultation was then reviewed and any further amendments required were incorporated into the final return. Please note, where data has been removed for the 2019-20 LFR, this will be reviewed again ahead of the 2020-21 LFR and a final decision made at this point on whether the removal will be permanent.

This paper sets out the **final** changes made to the 2019-20 LFR excel workbook following this review. This paper does not include details of minor amendments made to the return, such as small changes to wording or validation checks.

The 2019-20 LFR guidance document has been updated to reflect these changes, as well as to provide further clarity or advice on any issues raised by local authorities. A copy of the blank return and guidance for the 2019-20 LFR can be downloaded at www.gov.scot/publications/local-financial-return/.

Timing of 2019-20 LFRs & SLGFS

The LFRs, including data previously collected in CR Final, collect information from audited accounts. The deadline for the collections must therefore fall after the audited accounts are finalised. It is anticipated that publication of local authorities' 2019-20 audited accounts may be delayed due to Covid-19. The 2019-20 LFR issue date and deadline have therefore been revised as follows:

Issue Date	16 September 2020	(Previously 12 August 2020)
Deadline	09 December 2020	(Previously 21 October 2020)

The overall length of the 2019-20 LFR collection period has been increased by two weeks to allow local authorities additional flexibility in when they complete the return. It is **not** anticipated that this increase will be retained for future returns.

Data collected in the LFR and CR Final returns is summarised in [Scottish Local Government Finance Statistics \(SLGFS\)](#), which is normally published the February after the collection has taken place. In line with the delayed collection dates set out above, the 2019-20 SLGFS will be delayed, with publication planned for April 2021.

LFR A0: Statutory Accounts and Funding Basis

A new line, 'Requisition Expenditure to Joint Boards – Councils only', has been added at Row 17. This line should only be completed by councils and it should reflect the amount of requisition expenditure paid to joint boards during the year as stated in their annual accounts. For LFR purposes, councils are required to record requisition expenditure as service expenditure (Row 21 in LFR 00). An appropriate adjustment has therefore been made to the funding basis calculations in LFR A0 to eliminate double counting of requisition expenditure in the control totals for LFR 00.

LFR 23: Reserves

A new line, 'Balance at 31 March excluding IFRS 9 unrealised gains', has been added at Row 73. This line automatically calculates reserves balances at 31 March **excluding** IFRS 9 unrealised gains as recorded in Row 78. This figure will be the usable reserves balance reported in SLGFS. IFRS 9 unrealised gains are excluded from the reported usable reserves balances as these gains will only materialise if the investment is sold, and so cannot be considered to be available to fund services.

LFR CR: Capital Return

The CR Final has been incorporated into the 2019-20 LFR workbook as the new 'LFR CR' tab. This will improve consistency and data quality through increased pre-population of figures and built-in validation checks based on other LFR tabs. The following changes have been made to LFR CR, compared to the 2018-19 CR Final:

Signage: In line with the rest of the LFR workbook, expenditure in CR Final must be entered as a positive number, and financing as a negative number.

Part B: Balances relating to lending to other statutory bodies are **included** in the CFR calculation – a change from the 2018-19 CR Final which advised local authorities to exclude these balances from the CFR calculation. The debt repayment figures in the CFR calculation are now pre-populated from LFR A0 and it is assumed that these amounts include repayments relating to lending to other statutory bodies.

The layout of the Total External Debt calculation has been amended to increase transparency. Rows 38 to 40 calculate Total External Debt at 31 March in line with the balance sheet figures as in Part C. Rows 41 and 42 reflect the adjustment made to calculate actual external borrowing as per the Prudential Code.

Part D: The services have been reordered to align to the ordering used in the LFRs. In particular, subservices for Social Work and Trading Services, which account for relatively small amounts of capital expenditure, have been updated to reflect the reductions in subservice-level data required in the corresponding LFRs.

A new column has been added (Column M) to capture third party capital projects funded from capital grant separately to those funded by borrowing. This change mirrors that made to the CPOBE 2020 return.

Part F: Rows relating to Interest and Expenses (previously Rows 252 to 255) have been removed. Other individual rows have been removed where they are no longer required, such as rows for 'Additional voluntary contributions' as all repayments should be included within the principal repayment rows.

The schedule of future repayments which was previously captured in Part M, has now been included at the end of Part F (Rows 218 to 232). This means **all** overall Loans Fund figures are now recorded in Part F.

Part I: This section has been updated to better reflect fixed asset categories included in accounts. Figures have been pre-populated based on Part C where appropriate.

Part J: This section has been updated to better reflect how Capital Receipts are treated in authorities' accounts. Figures have been pre-populated based on LFR A0, LFR 23 and Parts D and E of LFR CR where appropriate.

Part G from 2018-19 CR Final: This section has been **removed** as it contained information that is captured elsewhere, for example borrowing figures are recorded in Part B of LFR CR and interest paid is recorded in LFR A0.

Part L from 2018-19 CR Final: This section has been **removed** as these figures should now be recorded explicitly in LFR 00, Row 33.

Consent to Borrow tab: This tab is no longer required, as this information is now captured in Part D, and so this tab has **not** been incorporated in the 2019-20 LFR.

LFR 00: Subjective Analysis by Service

'Statutory Harbour Accounts' (Column T): This data was previously captured in LFR 22 which has been removed from the 2019-20 LFR. See the section on LFR 22 for more information.

The 'Step 1 - Statutory Accounts Adjusted to Funding Basis' section at the top of LFR 00 has been removed. The following lines have also been removed:

- Operating Costs: All Other Premises Related Costs;
- Transfer Payments: Debits Resulting From Soft Loans to Clients etc. – this expenditure should now be recorded in 'Other Transfer Payments';
- Income: Credits Resulting From Soft Loans – this expenditure should now be recorded in 'Customer & Client Receipts: Other Sales, Fees and Charges';
- Joint Boards, Bridges and RTPs only: Central Government Grant not allocated to Services in Statutory Accounts.

Transfer to and from Integration Joint Boards (IJBs) (Rows 31, 57 & 78 to 82):

The way transfers to and from IJBs are recorded within the LFRs has been revised to better reflect accounting practices and to improve consistency between local authorities. Within LFR 00, local authorities should now record all figures relating to IJB payments in Rows 78 to 82. This information is then used to pre-populate the relevant lines in the expenditure (Row 31) and income (Row 57) sections of LFR 00.

The full amount transferred to the IJB is recorded within a new 'IJB' subservice in LFR 03. This is pre-populated based on the information entered in LFR 00. However, local authorities are required to provide subservice level figures for income from IJBs to commission services in the 'Income' section of each service-level LFR. This will provide detail on which services are being commissioned by IJBs.

In previous LFRs, 'Net contributions to / from IJBs' were used to adjust the gross expenditure and income figures to eliminate double counting of expenditure at subservice level. As the transfer to IJBs (Row 31) is now recorded in a separate subservice, the expenditure is no longer being double counted at subservice level. The 'Net contributions to / from IJBs' lines have therefore been removed from the return and no adjustment is made for LFR purposes.

This change in approach will affect comparability with previous LFRs. Gross expenditure, gross income and net revenue expenditure figures for all services and subservices from prior years can be backdated to reflect this revised methodology. This backdating will be applied to any relevant figures included in the 2019-20 SLGFS publication. This change will also impact on the comparability of additional information data within LFR 03, however the guidance on how local authorities should calculate LFR 03 additional information lines has been revised to try and mitigate any comparability issues as far as possible.

'Requisitions from Constituent Councils' (Row 55): To ensure consistency with the service-level LFRs, all Regional Transport Partnerships (RTPs) and Valuation Joint Boards (VJBs) must now record requisitions income by service in this row in LFR 00. Appropriate adjustments have been made to the calculations of Gross Expenditure / Income Adjusted for LFR Purposes in LFR 00. An adjustment has also been made to calculations in LFR A0 to eliminate double counting for RTPs and VJBs who treat requisition income as non-service income in their accounts.

'Revenue Contributions to Capital (RCC)' (Row 76): Only Revenue Contributions to Capital (RCC) at service-level, as collected in LFR 00, and those used for the Local Government Benchmarking Framework (LGBF) Indicators at subservice-level, collected in service-level LFRs, are required for the 2019-20 return.

The RCC line in LFR 00 has been moved to the Additional Information section and is no longer pre-populated from service-level LFRs due to the reduction in subservice-level data requested.

In service-level LFRs, the RCC line has also been moved to the Additional Information section, with subservices no longer required greyed out. Where RCC figures are not required for any subservices, the RCC line has been removed entirely. The relevant change is detailed in the appropriate LFR section of this paper.

These changes do not impact on the comparability of gross expenditure over time as RCC was previously excluded from the gross expenditure calculation.

'Grants and Payments to Third Sector Bodies - Councils Only' (Rows 84 to 93): This data was previously captured in LFR 10 which has been removed from the 2019-20 LFR. See the section on LFR 10 for more information.

'Additional Expenditure directly related to Covid-19' (Row 96): Local authorities are expected to capture additional expenditure and income relating to Covid-19 within the relevant service and subservice figures within the LFRs. This line should be used to provide an overall service-level figure of additional expenditure incurred directly as a result of Covid-19. Further advice on what expenditure local authorities should include in this line is provided in the 2019-20 LFR guidance document.

LFR 01: Education

Lines recording 'Contributions to IJBs' and 'Net contributions to / from IJBs' have been removed. More details on the change in treatment of transfers to and from IJBs are provided in the LFR 00 section of this paper.

The RCC line has been moved to the Additional Information section and reduced to subservices required for LGBF only. More details on the changes to RCC collected are provided in the LFR 00 section of this paper.

The following additional information lines have also been removed:

Gross expenditure

- Repairs, Alterations and Maintenance of Buildings
- Third Party Payments - Gross Payments to Private Companies
- Third Party Payments - Gross Payments to Voluntary Bodies
- School Hostels
- Transfer Payments – Further Education: Residual Travel & Bursaries

Income

- Customer and Client Receipts

LFR 02: Culture and Related Services

Lines recording 'Contributions to IJBs' and 'Net contributions to / from IJBs' have been removed. More details on the change in treatment of transfers to and from IJBs are provided in the LFR 00 section of this paper.

The RCC line has been moved to the Additional Information section and reduced to subservices required for LGBF only. More details on the changes to RCC collected are provided in the LFR 00 section of this paper.

The 'Total Culture and Heritage & Libraries' column, which summed the 'Total Cultural & Heritage' and 'Library Service' columns, has been removed.

LFR 03: Social Work

All Adult Social Care expenditure and income is now collected in one column (Column F), this should be in line with the sum of figures from Columns F to J in the 2018-19 LFR 03. A breakdown of Adult Social Care gross expenditure, including contributions from other local authorities, by the subservices used in previous LFRs has been added to the Additional Information section (Rows 48 to 54).

A new 'Integration Joint Boards (IJBs)' subservice has been added (Column H). This subservice solely captures the expenditure relating to the transfer to the IJB (Cell H12) and is pre-populated based on data recorded in LFR 00, Cell E31.

Lines recording 'Contributions to IJBs' and 'Net contributions to / from IJBs' have been removed. More details on the change in treatment of transfers to and from IJBs are provided in the LFR 00 section of this paper.

The 'Children with a Disability' memorandum column has been removed due to limited use and concerns over data quality and consistency.

The additional information section has been reduced significantly to only collect figures that are required for specific, known purposes, for example, figures that are required for ONS and Eurostat data collections, or are used within the Local Government Benchmarking Framework. The following provides a summary of lines removed:

- Expenditure on employee costs by subservice;
- Expenditure on third party payments by type and subservice, excluding third party payments to private companies which is still required;
- Contributions from Health Authorities by subservice;
- Breakdown of gross expenditure on care homes by free personal and nursing care categories;
- Breakdown of gross expenditure on home care by personal care and other;
- Gross expenditure on the following community-based services:
 - equipment and adaptations;
 - services to support carers;
 - supported employment;
 - other community-based services.

Please note that a gross expenditure figure for total community-based services is still required.

- Gross expenditure for the following additional categories:
 - adult support and protection;
 - respite care / support for carers;
 - client contributions paid directly to private or voluntary sector providers.
- Net revenue expenditure for the following additional categories:
 - SDS 1: Direct Payments;
 - SDS 2: Managed personalised budget;
 - adult support and protection.
- Income from charges to service users for the following services:
 - SDS 1: Direct Payments;
 - SDS 2: Managed personalised budget;
 - care homes;
 - secure accommodation;
 - residential schools;
 - home care;
 - day care;
 - services to support carers;
 - adoption services;
 - fostering / family placement.

Please note that a total figure for income from charges to services users for accommodation and community-based services is still required.

Support services lines have been removed from the additional information section as these figures are already provided in Row 9. The guidance and wording on the return has been updated to clarify where costs for support services should be excluded.

As adult social care services are now captured as one subservice, where an additional information figure is required for a particular client group within adult social care, a new line has been added to capture this information specifically. Validation checks have been added to the return to ensure figures entered in these lines do not exceed the figure for the overall service.

Due to the reduction in data required in the sections capturing data on services purchased or provided directly by the council (Rows 56 to 104), these sections will not necessarily sum to the relevant total figure at the top of the return. Validation checks have been added to ensure total figures are not exceeded where possible.

The RCC line has been moved to the Additional Information section and reduced to subservices required for LGBF only. More details on the changes to RCC collected are provided in the LFR 00 section of this paper.

A new additional information section capturing gross expenditure by type of self-directed support has been added (Rows 41 to 46). This replaces lines previously capturing gross expenditure on SDS 1 and 2.

The changes to how transfers with IJBs are recorded will significantly impact comparability of LFR 03 additional information lines with prior LFRs, in particular for net revenue expenditure figures. As the additional information lines retained in the 2019-20 returns are for specific purposes, it is acknowledged that immediate loss of comparability would be problematic for users of this data. To minimise this loss of comparability for 2019-20, local authorities will be asked to provide additional information on a basis that will allow a broad level of comparability with prior years. The appropriate exclusions / inclusions are detailed in the headings for each subsection within the LFR 03 additional information section and in the 2019-20 LFR guidance document. Advice on comparability of this data for users will be provided in the published LFR 03 workbook.

A more comprehensive review of LFR 03 is ongoing, and it is anticipated that further changes will be made to this return in future. The review is looking at:

- alignment with current policies and local approaches;
- alignment with the wider Social Care data landscape;
- quality and consistency of data being captured;
- uses and users of the LFR 03.

LFR 05: Roads & Transport

The detailed split of 'Local Authority Transport Undertakings' is **not** required. Instead, a total figure for this subservice is now collected in Column Q and these figures should be in line with those from Column T in the 2018-19 LFR 05.

Lines recording 'Contributions to IJBs' and 'Net contributions to / from IJBs' have been removed. More details on the change in treatment of transfers to and from IJBs are provided in the LFR 00 section of this paper.

The RCC line has been moved to the Additional Information section and reduced to subservices required for LGBF only. More details on the changes to RCC collected are provided in the LFR 00 section of this paper.

The following additional information lines have also been removed:

Gross expenditure exc. loans and leasing charges

- Rail;
- Ferries;
- Air;
- Underground;
- SPT not included above;
- Other.

Additional information lines relating to Buses have been merged. Cell N39 should equate to the sum of figures recorded in Cells N40 and N41 in the 2018-19 LFR 05.

New additional information cells have been included to capture breakdowns of Local Authority Transport Undertakings relating to Buses (required for Transport Scotland) and Ferries (required for GAE calculations).

LFR 06: Environmental Services

Lines recording 'Contributions to IJBs' and 'Net contributions to / from IJBs' have been removed. More details on the change in treatment of transfers to and from IJBs are provided in the LFR 00 section of this paper.

The RCC line has been moved to the Additional Information section and reduced to subservices required for LGBF only. More details on the changes to RCC collected are provided in the LFR 00 section of this paper.

The following additional information lines have also been removed:

Gross expenditure

- Employee Costs;
- Operating Costs.

A new additional information line (Row 45) has been added to capture net revenue expenditure on Trading Standards, **excluding both** Citizens Advice Bureau (CAB) / Money Advice Services **and** Animal Health which is required for GAE calculations.

LFR 07: Planning and Development

Lines recording 'Contributions to IJBs' and 'Net contributions to / from IJBs' have been removed. More details on the change in treatment of transfers to and from IJBs are provided in the LFR 00 section of this paper.

The RCC line has been moved to the Additional Information section and reduced to subservices required for LGBF only. More details on the changes to RCC collected are provided in the LFR 00 section of this paper.

The following additional information lines have also been removed:

Costs and Income attributable to determining Planning Applications

- Direct Staff Costs;
- Indirect Costs.

LFR 09: Central Services

Lines recording 'Contributions to IJBs' and 'Net contributions to / from IJBs' have been removed. More details on the change in treatment of transfers to and from IJBs are provided in the LFR 00 section of this paper.

Lines recording RCC have been removed. More details on the changes to RCC collected are provided in the LFR 00 section of this paper.

The following additional information line has also been removed:

- Net Requisitions to Valuation Joint Boards (excluding loan charges)

LFR 20: Non-HRA Housing

The split of 'Private Sector Housing Renewal' is **not** required. Instead, a total figure for this subservice is now collected in Column C which should be in line with those from Column F in the 2018-19 LFR 20.

Lines recording 'Contributions to IJBs' and 'Net contributions to / from IJBs' have been removed. More details on the change in treatment of transfers to and from IJBs are provided in the LFR 00 section of this paper.

Lines recording RCC have been removed. More details on the changes to RCC collected are provided in the LFR 00 section of this paper.

LFR 22: Trading Services – Removed

The Trading Services subservices are **not** required and so the LFR 22 tab has been **removed**. Total Trading Services figures are still recorded in LFR 00 in line with previous years'.

A detailed breakdown of expenditure and income relating to Statutory Harbour Accounts for Orkney Islands and Shetland Islands is still required and this will now be collected in Column T of LFR 00.

LFR 10: Memorandum Items – Removed

Gross Expenditure on publicity is **not** required and the level of detail on grants and payments to Third Sector bodies has been reduced. The LFR 10 tab has therefore been **removed**, with the lines on grants and payments to Third Sector bodies that are still required included in Rows 84 to 93 of LFR 00.

LFR 12: Council Tax Income Account

The Memorandum Account for council tax income set aside for affordable housing (Rows 28 to 42) has been amended to better reflect the different accounting approaches taken. Local authorities should complete this section on the same basis as is used in their accounts. They are also now required to record the amount of the balance carried forward that has been **collected** in Row 41 – this will clarify the basis on which the figures have been provided. Further advice on completing this section is provided in the 2019-20 LFR guidance.

Additional Council Tax income from second homes / long-term empty properties which does **not** have to be committed to affordable housing was previously captured in one line (Row 40). This has now been separated into two rows (Rows 45 and 46), requiring local authorities to split the additional income between that from reducing discount on second homes from 10% to 0%, and reducing the discount on long-term empty properties below 10% (including 0%) or applying an increase.

LFR SS: Support Services

Lines recording ‘Contributions to IJBs’ and ‘Net contributions to / from IJBs’ have been removed. More details on the change in treatment of transfers to and from IJBs are provided in the LFR 00 section of this paper.

Lines recording RCC have been removed. More details on the changes to RCC collected are provided in the LFR 00 section of this paper.

The following additional information lines have also been removed:

Gross expenditure

- Employee Costs;
- Supplies and Services;
- Third Party Payments;
- Payroll Function Costs;
- License Costs.

Income

- Income **excluding** Recharges to Services

**Local Government Finance Statistics
Scottish Government**

September 2020