

## Members' Library Service Request Form

Date of Document	22/09/15
Originator	Scottish Parliament
Originator's Ref (if any)	
Document Title	Financial Scrutiny Unit Briefing: Local Government Finance: Facts and Figures, 1999-2016

Please indicate if access to the document is to be "unrestricted" or "restricted", with regard to the terms of the Local Government (Access to Information) Act 1985.

Unrestricted	<input checked="" type="checkbox"/>	Restricted	<input type="checkbox"/>
--------------	-------------------------------------	------------	--------------------------

If the document is "restricted", please state on what grounds (click on grey area for drop-down menu):

For Publication
-----------------

Please indicate which committee this document should be recorded into (click on grey area for drop-down menu):

East Lothian Council
----------------------

Additional information:

Authorised By	Jim Lamond
Designation	Head of Council Resources
Date	15/10/15

For Office Use Only:	
Library Reference	174/15
Date Received	15/10/15
Bulletin	Oct15

## Financial Scrutiny Unit Briefing

# Local Government Finance: facts and figures, 1999-2016

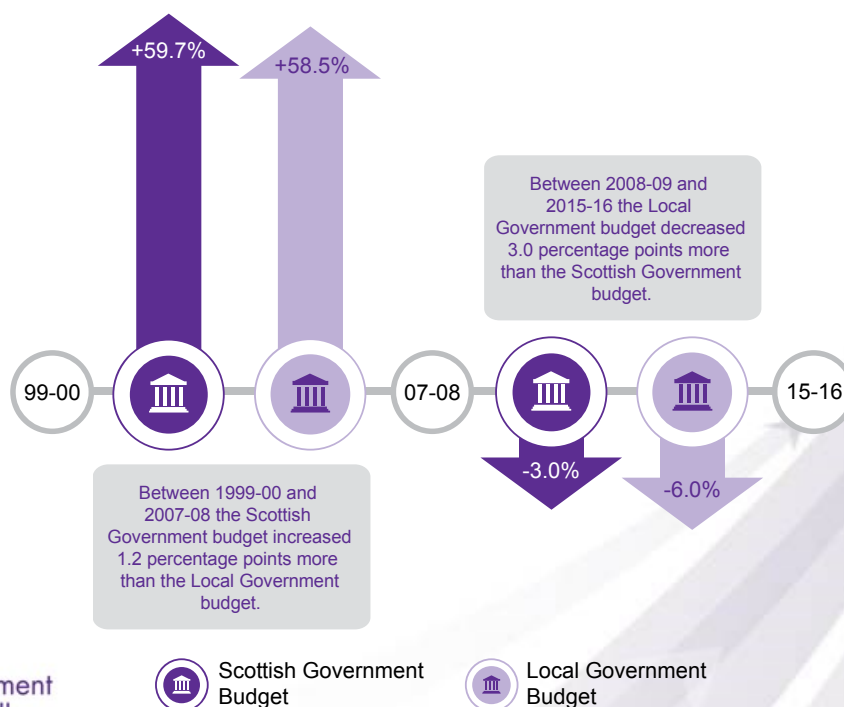
22 September 2015

15/58

Allan Campbell

This briefing provides information on local government finance, to help inform parliamentary debate on the local government budget and local authority allocations, including on:

- local government's share of the overall Scottish budget and annual, real terms, changes over time
- council tax and non-domestic rates income
- the council tax freeze, and whether it is could be deemed to be “under-funded”.



# CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	<b>3</b>
<b>INTRODUCTION</b> .....	<b>4</b>
<b>SHARE OF THE SCOTTISH GOVERNMENT BUDGET</b> .....	<b>4</b>
<b>REAL TERMS CHANGE</b> .....	<b>6</b>
<b>REVENUE ALLOCATIONS: PROPORTION FROM GOVERNMENT</b> .....	<b>7</b>
<b>COUNCIL TAX AND NON-DOMESTIC RATES INCOME</b> .....	<b>8</b>
<b>COUNCIL TAX FREEZE</b> .....	<b>9</b>
<b>COST OF THE FREEZE</b> .....	<b>9</b>
<b>IS THE FREEZE “UNDER-FUNDED”?</b> .....	<b>9</b>
<b>ANNEXE – DATA</b> .....	<b>11</b>
<b>SOURCES</b> .....	<b>18</b>
<b>RELATED BRIEFINGS</b> .....	<b>20</b>

## EXECUTIVE SUMMARY

Local Government finance is a complex and detailed policy area, made more complex by the regular changes to the financing of local authorities. Most recently, a cross-party commission has been established to examine alternatives to the council tax. This Commission will report in autumn 2015.

The extent to which local government has received a “fair deal” from the Scottish Government is the subject of much annual debate in the Parliament. This briefing therefore aims to present a range of clear factual information around local government finance, including the following:

- Over the period 1999 to 2016, local government’s share of the Scottish Government budget has decreased from 36.2% to 32.2%. However, (once police and fire budgets are added back in for 2013-14 to 2015-16 to provide figures closer to a like for like basis), local government’s share has decreased by only 0.2% to 36.0%.
- From 1999-2000 to 2007-08, local government’s share decreased slightly from 36.2% to 35.9%, and from 2008-09 to 2015-16, local government’s share (if including police and fire) decreased from 37.2% to 36.0% (or to 32.2% if police and fire are not included).
- From 1999 to 2016, if police and fire is included, then the local government budget has grown by a very similar rate (+52.0%) to the Scottish Government DEL+NDRI (+52.5%).
- While from 1999-2000 to 2007-08, the local government budget (+58.5%) increased by 1.2 percentage points less than the Scottish Government DEL+NDRI (+59.7%); from 2008-09 to 2015-16 (including police and fire allocated to local government), the local government budget (-6.0%) decreased by 3.0 percentage points more than the Scottish Government DEL+NDRI (-3.0%).
- The Council Tax freeze has cost the Scottish Government £2,520 million since its inception in 2008-09 (to 2015-16). This funding is intended to compensate local authorities for a foregone annual rise in Council Tax. Estimates show that the money provided by the Government to freeze the council tax has resulted in local authorities receiving more income than they would have done by increasing rates by RPI. In total, over the six years to 2013-14, this has resulted in an estimated £164.9m extra going to local government as a result of the freeze.

## INTRODUCTION

This briefing presents a range of statistical information on local government finance, to help inform parliamentary debate and answer regular questions that SPICe receives. However, it does not cover every aspect of local government finance (for example the funding formula, borrowing, use of fees and charges etc) and only focuses on those areas most commonly covered during parliamentary business. Please see the [related briefings list](#) for information on other SPICe work in this area.

The data are drawn from a number of publicly available Scottish Government and local government publications. In most cases, data goes to 2015-16, but in some cases data is only available to 2013-14.

This briefing presents a number of figures in “real terms” to allow more meaningful year on year comparisons taking account of inflation. All real terms figures are in 2015-16 prices, using the latest HM Treasury GDP Deflators, as published in July 2015.

The main section of the briefing presents the information in a series of charts and graphs, and the annexe contains the detailed tables. A spreadsheet is also available, [accessible on the Financial Scrutiny Unit webpages](#).

Various abbreviations are used throughout this briefing. A key is set out below.

- AEF – Aggregated External Finance
- CTB – Council Tax Benefit
- DEL – Departmental Expenditure Limit
- GRF – General Revenue Fund
- LG – Local Government
- NDRI – Non-Domestic Rates Income
- NPD – Non-Profit Distributing Model
- P+F – Police and Fire
- PFI – Private Finance Initiative
- PPP – Public/Private Partnership
- RPI – Retail Price Inflation
- RSG – Revenue Support Grant
- SG – Scottish Government

## SHARE OF THE SCOTTISH GOVERNMENT BUDGET

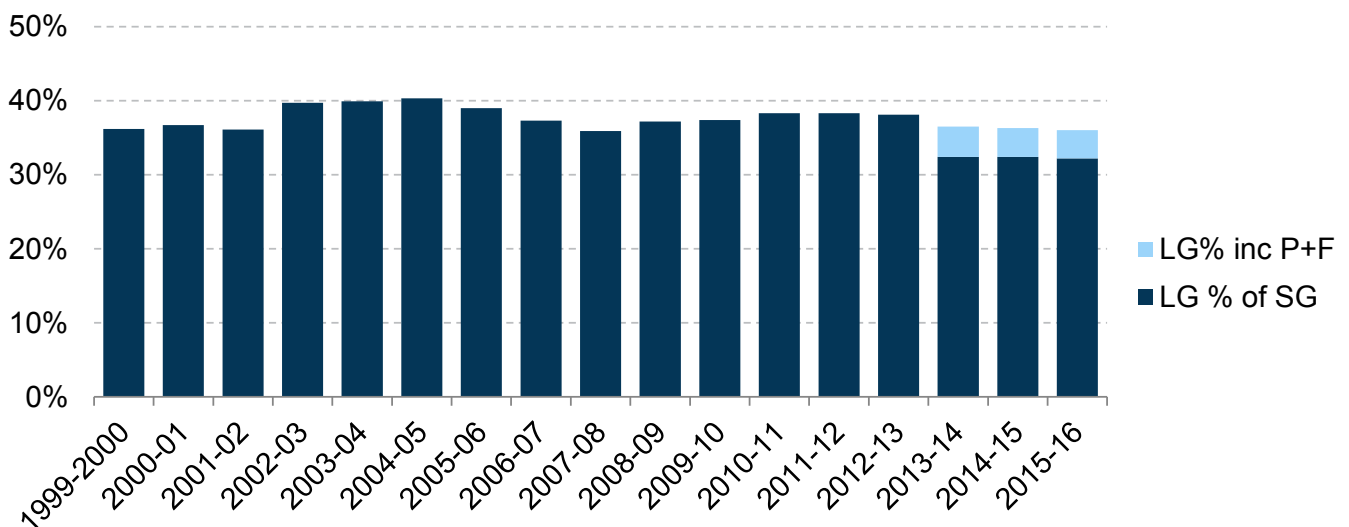
Making comparable, year-on-year calculations of local government’s share of the overall Scottish Government budget is complicated by the regular changes made to the responsibilities and funding of local government. In recent years, two of the most significant changes have been made:

- In 2008-09, a large amount of previously “ring-fenced” grants to local government were “rolled-up” into the core local government settlement, having previously been held in other portfolios; and
- In 2013-14, responsibility (and the associated funding of more than £1,000 million) for police and fire was transferred from local government to the new centralised police and fire services.

In Figure 1 below, the actual percentage for local government is presented, along with the percentage if the police and fire transfer had not happened in 2013-14. In these calculations, the local government element is the total local government settlement (including the government's best estimate of NDRI). Therefore, to make figures comparable, the Scottish Government figures include all DEL and NDRI.

Figures in this section are presented in percentage terms, to allow easy comparability between different years. All actual cash figures, in both cash and real terms, can be found in the annexed tables to the briefing.

**Figure 1: Local Government as a percentage of Scottish Government Budget**



This shows that, if including police and fire for 2013-14 to 2015-16, local government's share of the Scottish Government budget has stayed reasonably consistent – decreasing slightly from 36.2% in 1999-2000 to 36.0% in 2015-16. However, with the police and fire transfers, local government's share has decreased to 32.2% in 2015-16.

In terms of the approach of different administrations, again, if including police and fire for later years, the trends are very similar for both the two Labour/Liberal Democrat coalitions, and the two SNP administrations (albeit under markedly different environments for public sector finance):

- From 1999-2000 to 2007-08 (the final budget of the Labour/Liberal Democrat coalition), local government's share decreased slightly from 36.2% to 35.9% (although within this period, its share rose at one point to just over 40%).
- From 2008-09 (the first budget of the SNP government) to 2015-16, local government's share (if including police and fire) decreased from 37.2% to 36.0% (if police and fire not included, it decreases to 32.2%).

# REAL TERMS CHANGE

Another common way of assessing and analysing the total local government budget is to look at the real terms change over time. Again, things are complicated by the police and fire issue, so figures below are presented to take account of this.

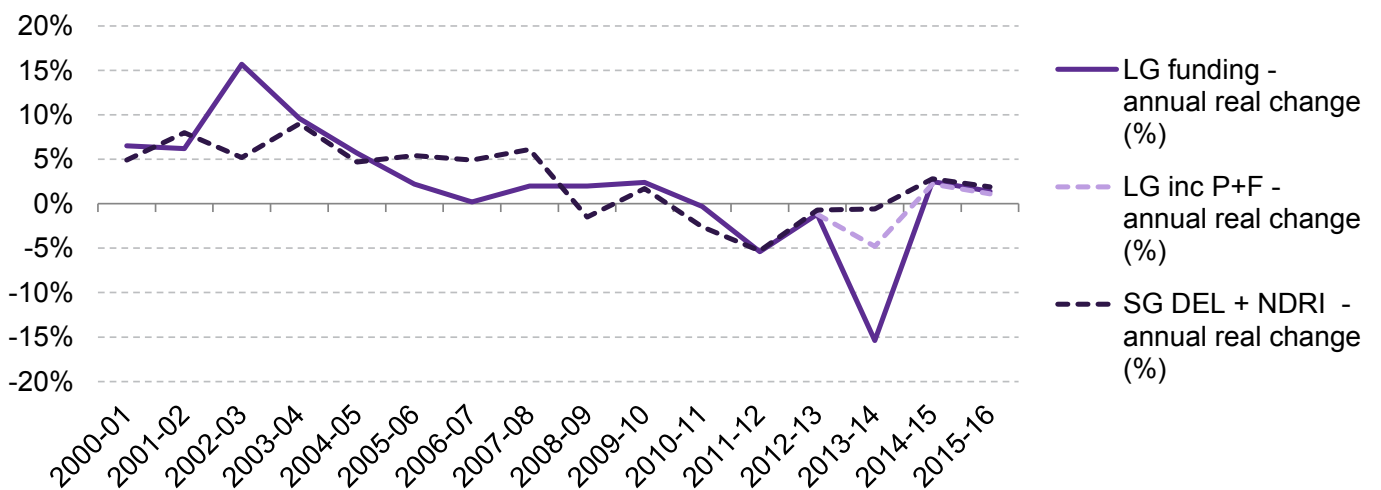
The real terms change figures show that, over 1999 to 2016, if we include police and fire, then the local government budget has grown by a very similar rate (+52.0%) to the Scottish Government budget (+52.5%). Overall, the pattern of allocation to local government broadly follows the changes in the overall size of the Scottish budget, and shows clearly the squeeze on public finances from 2008-09 onwards.

However, even including police and fire figures in later years shows some differences between the two Labour/Liberal Democrat coalitions, and the two SNP administrations.

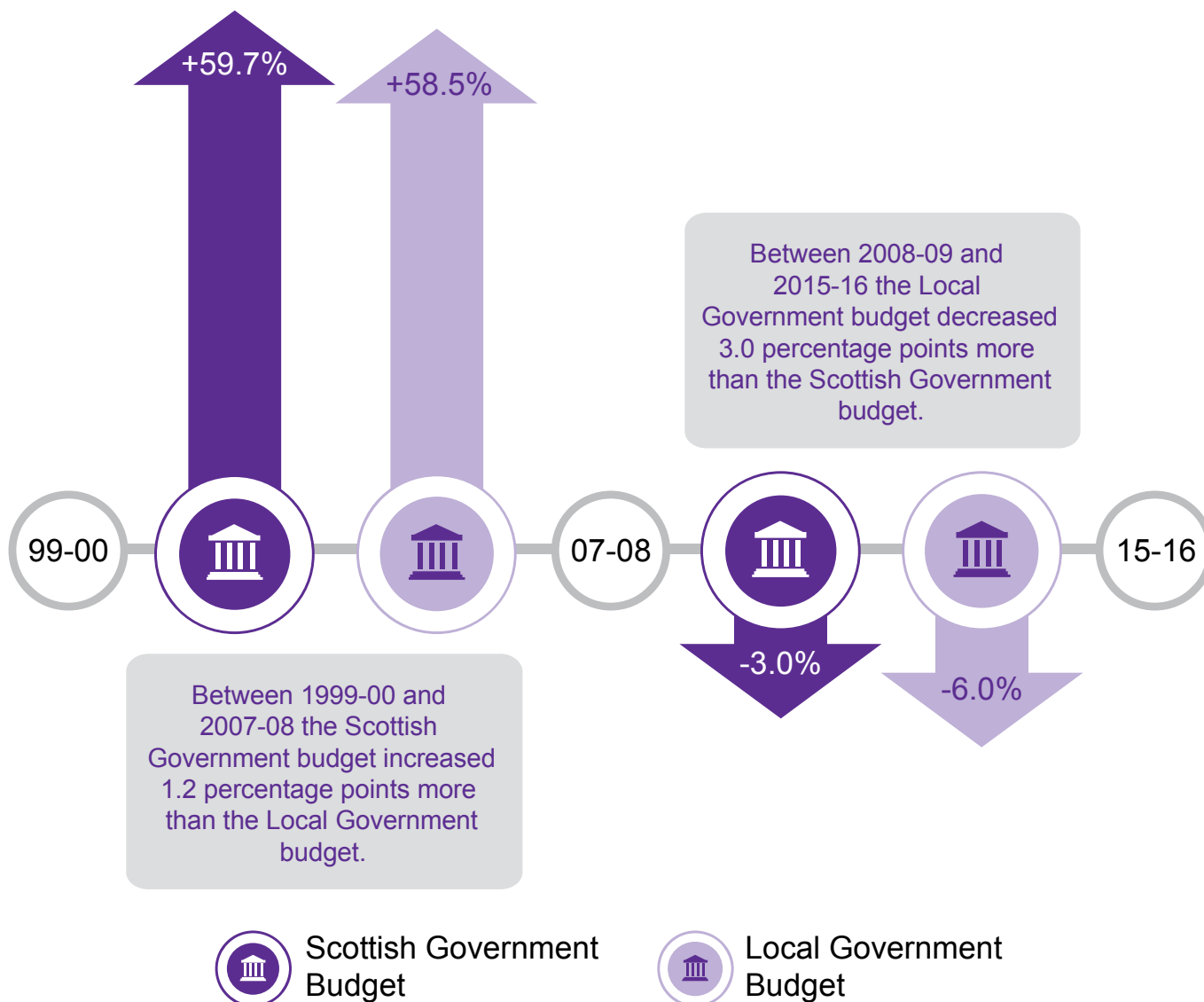
- From 1999-2000 to 2007-08, the local government budget (+58.5%) increased by 1.2 percentage points less than the Scottish Government DEL+NDRI (+59.7%). Within this period, in 2002-03, the local government budget increased by almost 16% in real terms, compared to a 5% increase in the Scottish Government DEL+NDRI.
- From 2008-09 to 2015-16 (including police and fire allocated to local government), the local government budget (-6.0%) decreased by 3.0 percentage points more than the Scottish Government DEL+NDRI (-3.0%). Within this period, in 2013-14 (including police and fire, the local government budget decreased by almost 5% in real terms, compared to a decrease of less than 1% in the Scottish Government DEL+NDRI.

Figure 2 shows the annual real terms change, and Figure 3 shows the real terms change over the periods 1999-2000 to 2007-08 and 2008-09 to 2015-16.

**Figure 2: Annual real terms change**



**Figure 3: Multi-annual real terms change**

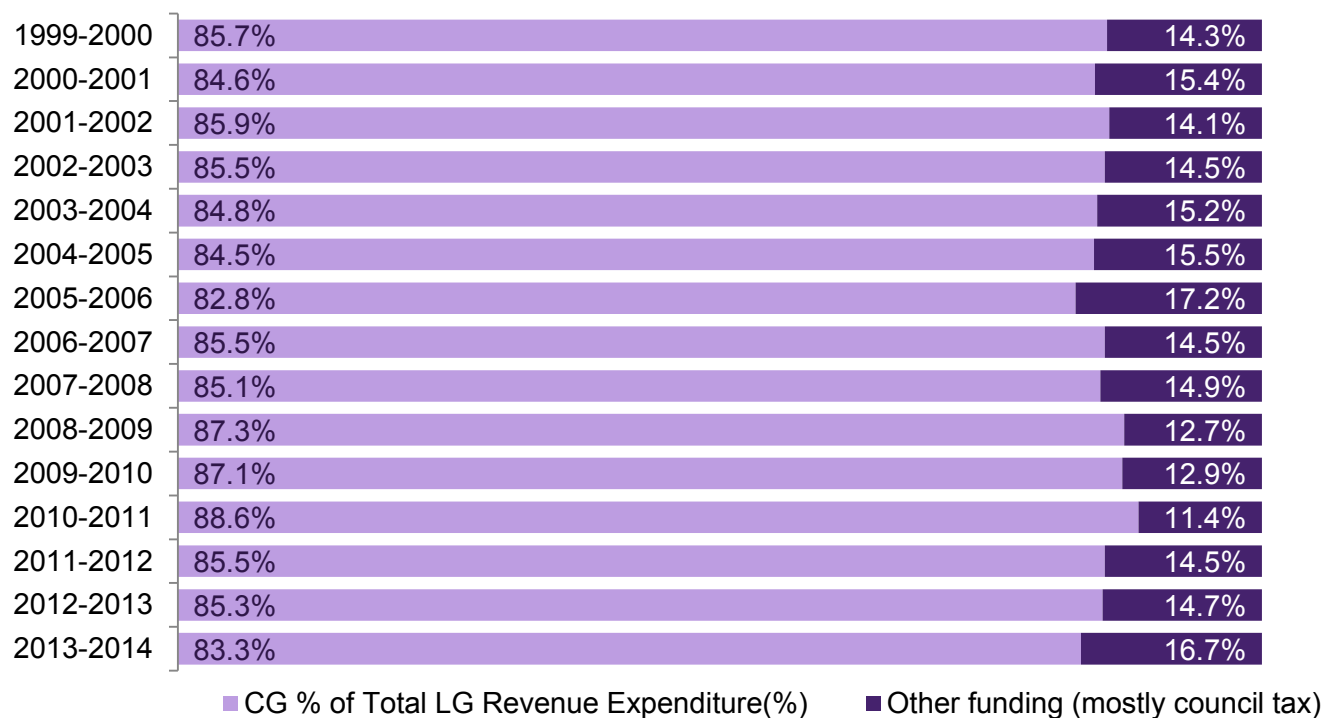


## REVENUE ALLOCATIONS: PROPORTION FROM GOVERNMENT

In addition to the overall profile of the local government budget, another way to examine local government funding is to look at the percentage of the revenue budget that comes from central government. This includes the Government’s best estimate of NDRI, but it is net revenue expenditure, and therefore does not take into account fees and charges.



**Figure 4: Central Government revenue funding as a share of local government revenue expenditure**

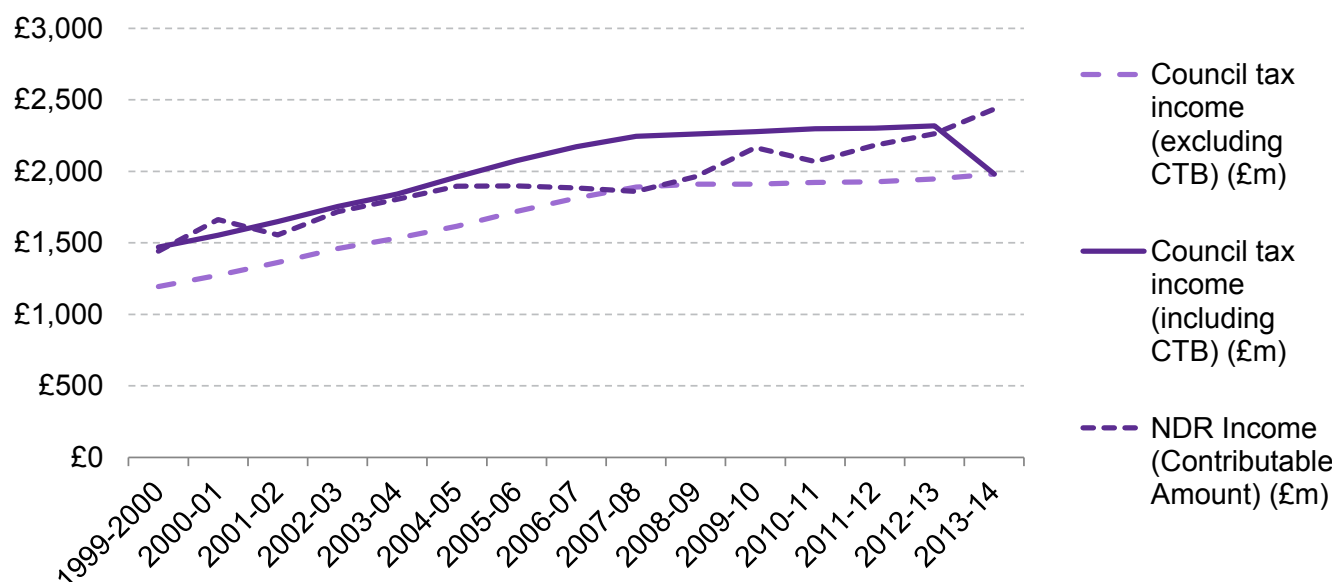


Again, over the entire period of devolution, these figures show modest change overall – in 1999-2000, central government grant made up 85.7% of local government revenue expenditure, and in 2015-16 it was 83.3%. However, within the time period, there has been some variation – the percentage was as low as 82.8% in 2005-06 and as high as 88.6% in 2010-11.

## COUNCIL TAX AND NON-DOMESTIC RATES INCOME

Figure 5 below shows the trend in income from council tax and non-domestic rates since 1999. Due to the council tax freeze (discussed below) and increases in non-domestic rates income, NDRI now brings in more income than the council tax.

**Figure 5: council tax and non-domestic rates income (£m)**



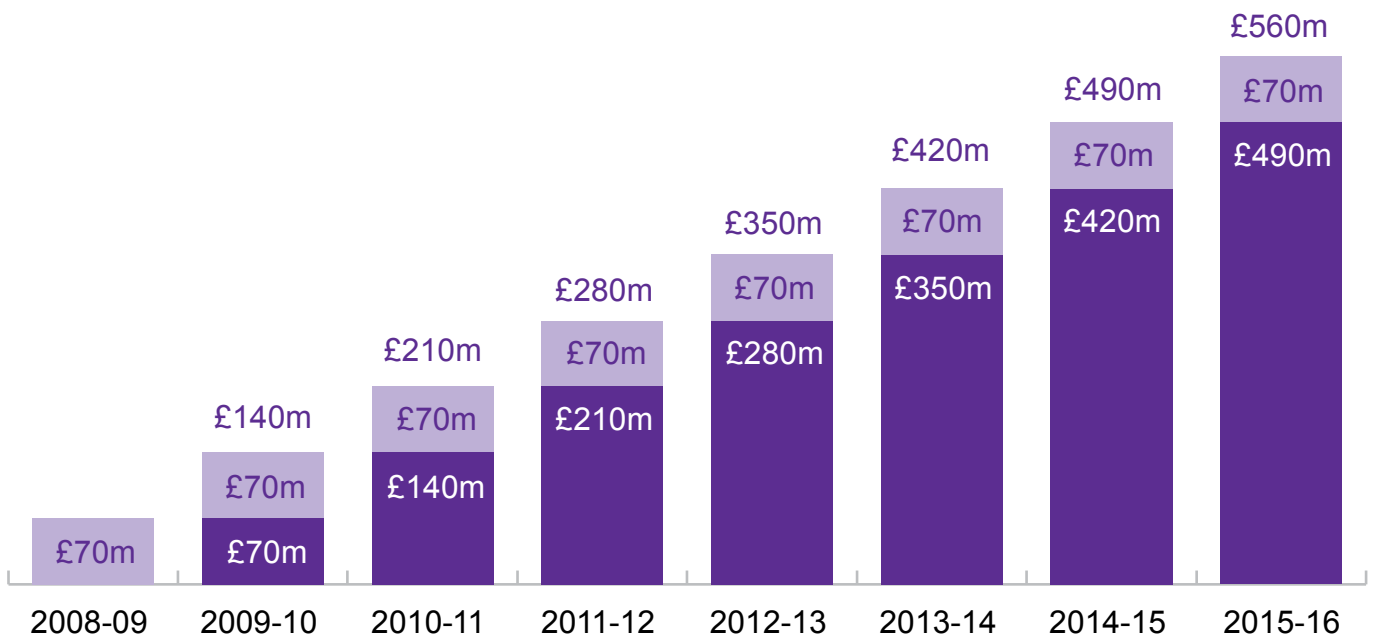
# COUNCIL TAX FREEZE

## COST OF THE FREEZE

The Scottish Government has provided an additional £70m of funding in each year since 2008-09 to freeze the council tax at the previous year's level. However, since the freeze is based on 2007-08 levels of council tax, and the Scottish Government has provided £70m to councils' baseline allocations in each of the eight years of the freeze, the actual cost of the council tax freeze for 2015-16 is £560m. In other words, £70m is the cost of freezing the council tax compared to not freezing it for one year, and £560m is the cost of freezing the council tax compared to not freezing it over an eight year period (i.e. 2008-09 to 2015-16).

Therefore, the total, cumulative cost of freezing the council tax over the eight year period is £2,520m.

**Figure 6: cost of the council tax freeze**



## IS THE FREEZE “UNDER-FUNDED”?

Since the council tax freeze was introduced in 2008-09, there has been much debate over whether it is “under-funded” – i.e. whether the additional £70m paid to local authorities each year is enough to cover what could have been raised had local authorities had control over rates. Of course, there is no way of knowing by how much each local authority would have raised council tax. But estimates can be produced based on the information available, and assuming that council tax rates would have risen in line with inflation.

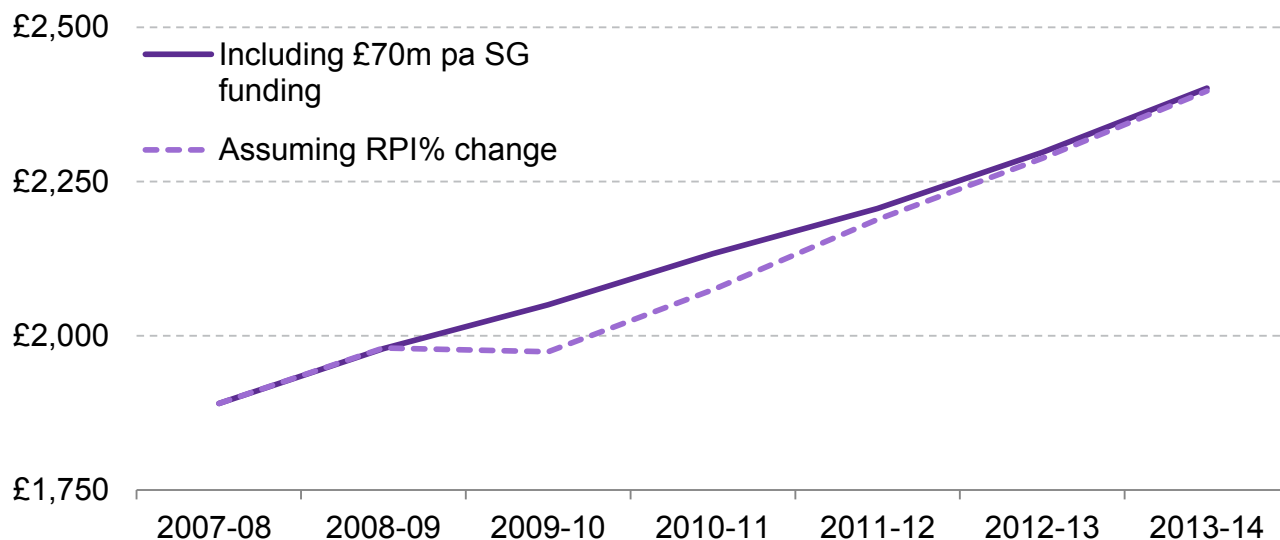
Figure 7 below shows that, in fact, the money provided by the Government to freeze the council tax has resulted in local authorities receiving more income than they would have done by increasing rates by RPI%.<sup>1</sup>

<sup>1</sup> This calculation also takes into account the fact that the council tax base has increased over this period due to factors such as revaluations of existing properties and new properties, which will have the effect of increasing council tax income despite the freeze.

Therefore, on the basis that the freeze was intended to compensate for a foregone per annum increase in Council Tax it could be said that the freeze, over the period 2008-09 to 2013-14 was “over-funded”. In total, over the six years, this has resulted in an estimated £164.9m extra going to local government as a result of the freeze.

However, although £164.9m is a large amount, it is a cumulative figure and it only equates to around 1% of the cumulative council tax income for local authorities over the same time period.

**Figure 7: Council Tax income**



## ANNEXE – DATA

**Table 1 – Local Government funding from Scottish Government (cash) and percentage share**

Year	Total LG Funding from SG (£m)	LG % of SG	Police and Fire funding (£m)	LG including P+F (£m)	LG % of SG including P+F	SG Total DEL+NDRI (£m)
1999-2000	5,513.0	36.2%		5,513.0	36.2%	15,247.5
2000-01	6,004.5	36.7%		6,004.5	36.7%	16,367.7
2001-02	6,474.4	36.1%		6,474.4	36.1%	17,949.9
2002-03	7,687.1	39.7%		7,687.1	39.7%	19,376.6
2003-04	8,600.4	39.9%		8,600.4	39.9%	21,559.1
2004-05	9,378.0	40.3%		9,378.0	40.3%	23,294.8
2005-06	9,856.8	39.0%		9,856.8	39.0%	25,245.8
2006-07	10,141.2	37.3%		10,141.2	37.3%	27,187.8
2007-08	10,651.1	35.9%		10,651.1	35.9%	29,683.5
2008-09	11,133.8	37.2%		11,133.8	37.2%	29,964.5
2009-10	11,693.1	37.4%		11,693.1	37.4%	31,275.0
2010-11	11,986.3	38.3%		11,986.3	38.3%	31,292.8
2011-12	11,548.0	38.3%		11,548.0	38.3%	30,177.8
2012-13	11,597.7	38.1%		11,597.7	38.1%	30,436.3
2013-14	10,014.2	32.4%	1259.4	11,273.6	36.5%	30,877.6
2014-15	10,411.4	32.4%	1270.8	11,682.2	36.3%	32,176.7
2015-16	10,662.5	32.2%	1270.8	11,933.3	36.0%	33,113.2

Sources: Scottish Government Draft Budget documents and Scottish Local Government Finance Circulars

**Table 2 – Local Government funding from Scottish Government (real – 2015-16 prices) – annual change**

Year	Total LG Funding from SG (£m)	LG funding - annual real change (£m)	LG funding - annual real change (%)
1999-2000	7,851.7		
2000-01	8,359.8	508.1	6.5%
2001-02	8,879.4	519.6	6.2%
2002-03	10,272.2	1,392.9	15.7%
2003-04	11,263.3	991.1	9.6%
2004-05	11,906.3	642.9	5.7%
2005-06	12,174.1	267.8	2.2%
2006-07	12,194.7	20.6	0.2%
2007-08	12,443.7	249.0	2.0%
2008-09	12,689.2	245.4	2.0%
2009-10	12,990.8	301.6	2.4%
2010-11	12,957.9	-32.9	-0.3%
2011-12	12,264.6	-693.3	-5.4%
2012-13	12,121.7	-142.9	-1.2%
2013-14	10,255.2	-1,866.4	-15.4%
2014-15	10,515.5	260.3	2.5%
2015-16	10,662.5	147.0	1.4%

Source: Scottish Local Government Finance Circulars

**Table 3 – Local Government funding from Scottish Government (real – 2015-16 prices) – including police and fire – annual change**

Year	Total LG funding including Police and Fire (£m)	LG funding including Police and Fire - annual real change (£m)	LG including Police and Fire - annual real change (%)
1999-2000	7,851.7		
2000-01	8,359.8	508.1	6.5%
2001-02	8,879.4	519.6	6.2%
2002-03	10,272.2	1,392.9	15.7%
2003-04	11,263.3	991.1	9.6%
2004-05	11,906.3	642.9	5.7%
2005-06	12,174.1	267.8	2.2%
2006-07	12,194.7	20.6	0.2%
2007-08	12,443.7	249.0	2.0%
2008-09	12,689.2	245.4	2.0%
2009-10	12,990.8	301.6	2.4%
2010-11	12,957.9	-32.9	-0.3%
2011-12	12,264.6	-693.3	-5.4%
2012-13	12,121.7	-142.9	-1.2%
2013-14	11,545.0	-576.7	-4.8%
2014-15	11,799.0	254.1	2.2%
2015-16	11,933.3	134.3	1.1%

Source: Scottish Local Government Finance Circulars

**Table 4: Scottish Government total DEL+NDRI (real – 2015-16 prices) – annual change**

Year	SG Total DEL+NDRI (£m)	SG DEL+NDRI - annual real change (£m)	SG DEL + NDRI - annual real change (%)
1999-2000	21,715.8		
2000-01	22,788.1	1,072.3	4.9%
2001-02	24,617.6	1,829.5	8.0%
2002-03	25,892.9	1,275.3	5.2%
2003-04	28,234.5	2,341.6	9.0%
2004-05	29,574.9	1,340.5	4.7%
2005-06	31,181.0	1,606.1	5.4%
2006-07	32,693.2	1,512.2	4.8%
2007-08	34,679.4	1,986.2	6.1%
2008-09	34,150.5	-528.9	-1.5%
2009-10	34,745.8	595.3	1.7%
2010-11	33,829.3	-916.5	-2.6%
2011-12	32,050.4	-1,779.0	-5.3%
2012-13	31,811.4	-238.9	-0.7%
2013-14	31,620.8	-190.6	-0.6%
2014-15	32,498.5	877.6	2.8%
2015-16	33,113.2	614.7	1.9%

Source: Scottish Government Draft Budget documents

**Table 5: Central Government Revenue funding as a share of total Local Government revenue expenditure**

Year	LG Revenue Expenditure (£m)	Central Government Revenue Funding (£m)	CG % of Total LG Revenue Expenditure(%)
1999-2000	6,451.10	5,526.50	85.7%
2000-2001	6,671.90	5,643.40	84.6%
2001-2002	7,053.60	6,061.90	85.9%
2002-2003	7,881.20	6,734.70	85.5%
2003-2004	8,599.20	7,294.30	84.8%
2004-2005	9,093.00	7,683.50	84.5%
2005-2006	9,780.20	8,101.50	82.8%
2006-2007	9,744.20	8,327.10	85.5%
2007-2008	10,249.30	8,717.70	85.1%
2008-2009	11,697.80	10,209.70	87.3%
2009-2010	12,380.60	10,788.90	87.1%
2010-2011	12,577.80	11,141.00	88.6%
2011-2012	12,696.60	10,861.60	85.5%
2012-2013	12,799.45	10,915.70	85.3%
2013-2014	11,674.90	9,728.50	83.3%

Sources: Local Government Finance Statistics and Local Government Finance Circulars



**Table 6: Council tax income and Non-domestic Rates Income**

Year	Council tax income (excluding CTB) (£m)	Council tax benefit subsidy (£m)	Council tax income (including CTB) (£m)	NDR Income (Contributable Amount) (£m)
1999-2000	1,194	276	1,469	1,441
2000-01	1,273	279	1,553	1,663
2001-02	1,363	285	1,649	1,554
2002-03	1,459	294	1,753	1,718
2003-04	1,532	308	1,840	1,804
2004-05	1,615	345	1,960	1,896
2005-06	1,720	354	2,074	1,897
2006-07	1,812	359	2,171	1,884
2007-08	1,890	354	2,244	1,860
2008-09	1,909	351	2,260	1,963
2009-10	1,910	368	2,278	2,165
2010-11	1,923	375	2,298	2,068
2011-12	1,926	376	2,302	2,182
2012-13	1,947	371	2,318	2,263
2013-14	1,981	0	1,981	2,435

Source: Local Government Finance Statistics

**Table 7: Cost of the council tax freeze**

Financial year	Cost per year (£m)
2008-09	70
2009-10	140
2010-11	210
2011-12	280
2012-13	350
2013-14	420
2014-15	490
2015-16	560
<b>Total 2008-09 to 2015-16</b>	<b>2,520</b>

Source, Scottish Government Draft Budget documents

**Table 8: Funding of the council tax freeze**

Year	Actual reported Ctax income (£m)	Annual Change in ctax base (£m)	Ctax income, assuming RPI% change and change to base (£m)	Ctax income, assuming £70m annual increase and change to base (£m)	Difference between £70m annual increase and RPI% change (£m)
2007-08	1,890.0		1,890.0	1,890.0	
2008-09	1,909.0	19.0	1,980.2	1,979.0	-1.2
2009-10	1,910.0	1.0	1,973.7	2,050.0	76.3
2010-11	1,923.0	13.0	2,074.5	2,133.0	58.5
2011-12	1,926.0	3.0	2,188.5	2,206.0	17.5
2012-13	1,947.0	21.0	2,287.6	2,297.0	9.4
2013-14	1,981.0	34.0	2,396.6	2,401.0	4.4
Total difference					164.9

Sources: SPICe calculations, based on income figures in Local Government Finance Statistics

## SOURCES

Scottish Government. (2015a) *Local Government Finance Circulars*. Available at: <http://www.scotland.gov.uk/Topics/Government/local-government/17999/11203> [Accessed 1 June 2015]

Scottish Government. (2015b) *Personal Communication* [unpublished]

Scottish Government. (2015c) *Scottish Budget – Documents*. Available at: <http://www.scotland.gov.uk/Topics/Government/Finance/18127/Documents> [Accessed 1 June 2015]

Scottish Government. (2015d) *Scottish Local Government Finance Statistics*. Available at: <http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance/PubScottishLGFStats> [Accessed 1 June 2015]

THIS PAGE IS INTENTIONALLY BLANK

## RELATED BRIEFINGS

[SB 13-31 Local Government finance: facts and figures, 1999-2014 \(566KB pdf\) 29 May 2013](#)

[SB 14-29 Revenue-financed investment: the size of Scotland's PFI and NPD liability \(1,542KB pdf\) 24 April 2014](#)

[SB 14-85 Local Government Funding: Draft Budget 2015-16 and provisional allocations to local authorities \(1,434KB pdf\) 14 November 2014](#)

Scottish Parliament Information Centre (SPICe) Briefings are compiled for the benefit of the Members of the Parliament and their personal staff. Authors are available to discuss the contents of these papers with MSPs and their staff who should contact Allan Campbell on extension 85459 or email [allan.campbell@scottish.parliament.uk](mailto:allan.campbell@scottish.parliament.uk). Members of the public or external organisations may comment on this briefing by emailing us at [spice@scottish.parliament.uk](mailto:spice@scottish.parliament.uk). However, researchers are unable to enter into personal discussion in relation to SPICe Briefing Papers. If you have any general questions about the work of the Parliament you can email the Parliament's Public Information Service at [sp.info@scottish.parliament.uk](mailto:sp.info@scottish.parliament.uk).

Every effort is made to ensure that the information contained in SPICe briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

Published by the Scottish Parliament Information Centre (SPICe), The Scottish Parliament, Edinburgh,  
EH99 1SP

[www.scottish.parliament.uk](http://www.scottish.parliament.uk)