



Department for  
Communities and  
Local Government

# Local Authority Revenue Expenditure and Financing: 2015-16 Provisional Outturn, England



Local Government Finance  
*Statistical Release*

25 August 2016

## Expenditure

- Local authority revenue expenditure totalled £94.5 billion in 2015-16 for England. This has decreased 1.5% from £95.4 billion in 2014-15.
- The largest components of local authorities' net current expenditure are Education (30.6%), Housing Benefits (18.7%) and Adult Social Care (12.9%).
- Education services saw the largest decrease; this was £314 million (0.9%) less than spend in 2014-15. This is driven by the continued change in status from schools to centrally funded academies.
- Public Health services increased by £409 million (15.0%) compared to 2014-15. This was the largest increase in expenditure on services.
- From October 2015 onwards, authorities received additional responsibilities to provide Public Health services for children aged 0-5.

## Financing

- 26.2% of revenue expenditure will be funded through council tax 12.5% from rates used under the business rate retention scheme and 60.4% from central Government grants. The remaining 0.9% is funded by authorities using their reserves (0.4%) and other items (0.5%).

These percentages were 25.0%, 11.8% and 63.9% respectively in 2014-15 and authorities added equivalent to 0.7% of revenue expenditure to their reserves.

- In 2015-16, local authorities used £0.4 billion of the money saved in reserves, equivalent to 1.6% of the total amount of held at on 1 April 2015. In 2014-15, local authorities added £0.9 billion to their reserves.

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### Date of next publication:

November 2016 (final figures)

# Introduction

This release and the associated tables show how local authorities in England have spent their money over the financial year 2015-16. Local Government expenditure accounts for approximately a quarter of all Government spending, the majority of which through revenue expenditure.

As well as expenditure, the release also presents the main sources of income available to local authorities to finance this expenditure. These sources include central Government funding they receive, the business rates authorities retained and used and council tax.

All the data in the release is compiled is from the Department for Communities and Local Government Revenue Outturn (RO) returns submitted by all local authorities in England. This publication is based on returns from 442 of the 444 local authorities in England. Reading and Copeland were unable to submit in time for release and we are currently working with these authorities to return this. Their figures are not present in the associated local authority tables. Additionally data for 3 authorities have been suppressed due to outstanding data quality issues but are included in the England figures.

Copies of the forms sent to authorities and guidance can be found here:

[www.gov.uk/government/collections/local-government-finance-miscellaneous-forms#revenue-forms](http://www.gov.uk/government/collections/local-government-finance-miscellaneous-forms#revenue-forms)

These are currently estimates and such are published as 'Provisional' and will be revised in the 'Final' publication on 17 November 2016 using audited financial accounts.

## Notes and definitions

Please note that functions and responsibilities of local government can change year on year so comparisons between financial years may potentially not be fully valid. Where major changes do occur, these will be highlighted in the report.

Definitions of terms used in this report can be found on page 15. Full definitions of what is included in each service area are provided in the guidance notes on the [forms](#) section of our website.

## Relevant information to revenue data for 2015-16

From October 2015, additional public health responsibilities and funding for children aged 0 to 5 was transferred to local authorities. Detail on the conditions of the grant can be found here: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388172/final\\_PH\\_grant\\_determination\\_and\\_conditions\\_2015\\_16.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388172/final_PH_grant_determination_and_conditions_2015_16.pdf)

As with previous years, expenditure on education services continues to be budgeted to decrease in 2015-16 due to local authority schools changing status to centrally funded academies. The trend is also seen in the Dedicated Schools Grant (DSG) and Pupil Premium Grant allocated.

## Uses of the data

Data in this Statistical Release is essential for providing the Secretary of State, Ministers, HM Treasury and the Office for National Statistics with the most up to date information available on budgeted local authority revenue spending for decision making. They are used by the Office for National Statistics in compiling Public Sector Finances and National Accounts, which are used to

set fiscal and monetary policy.

Data collected are an important source for the department to create evidence based policy, make financial decisions and answer parliamentary questions. It is used by local authorities and their associations, regional bodies, other government departments, members of the business community and the general public.

The release allows for funding trends for different local authority services and types to be identified over a period of years when compared with previous release. Local authorities can also compare their own spending with the aggregated figures presented here or with the equivalent data for individual local authorities.

This statistics can be read in conjunction with budgeted Revenue Account (RA) statistics published at the beginning of the financial year to illustrate how budgeting plans at the start of the year compare with actual spend and financing.

Accompanying dropdown tables presenting detailed budgeted revenue expenditure and financing figures for 2015-16 for all local authorities are available to download alongside this release. See **Accompanying tables** on page 18 for more details.

## User Engagement Survey

We are currently running a survey to understand more about how local government finance statistics and data are used. Please see the link to the short survey below:

<https://www.surveymonkey.co.uk/r/LGFuserengagement>

## Symbols

- ... = not available
- 0 = zero or negligible
- = not relevant
- || = discontinuity
- (R) = revised since the last statistical release

## Rounding

Where figures have been rounded, there may be a slight discrepancy between the total and the sum of constituent parts.

# Local Authority Outturn Summary

Table 1 provides a summary of key expenditure lines for local authorities in England for 2015-16 and 2014-15 for comparison. How authorities financed this expenditure is presented by broad categories of financing available to authorities

The majority of local authority spend can be divided into specific service areas which sum to 'Total Service Expenditure'. 'Total Net Current Expenditure' includes the other costs involved in running local authority services within the financial year. Housing Benefits and any precepts, levies and adjustments are added to Total Service Expenditure to obtain this. 'Revenue Expenditure' accounts for costs which didn't fall wholly within the financial year. The majority relates to Capital Financing and grants that authorities receive on behalf of the recipient.

Total revenue expenditure by local authorities in England was £94.5 billion in 2015-16, compared with £95.9 billion in 2014-15, a decrease of 1.5%.

Table 1: Revenue Expenditure and Financing Summary, England, 2014-15 and 2015-16				
	Net current expenditure 2014-15	Net current expenditure 2015-16	£ million	
			£ Change	% Change
Education services	34,477	34,163	-314	-0.9
Highways and transport services	4,537	4,344	-193	-4.3
Social care services	22,587	22,667	80	0.4
Public Health services	2,737	3,146	410	15.0
Housing services (excluding Housing Revenue Account)	1,852	1,583	-269	-14.5
Cultural, environmental and planning services	8,915	8,685	-230	-2.6
Police services	10,889	10,934	45	0.4
Fire and rescue services	2,045	1,984	-62	-3.0
Central services	3,068	3,066	-2	0.0
Other Services	92	70	-22	-23.5
<b>Total Service Expenditure</b>	<b>91,199</b>	<b>90,643</b>	<b>-555</b>	<b>-0.6</b>
Housing Benefits	21,113	20,921	-191	-0.9
Precepts, levies, trading account movements and adjustments	92	125	32	34.7
<b>Total Net Current Expenditure</b>	<b>112,404</b>	<b>111,689</b>	<b>-715</b>	<b>-0.6</b>
Non Current Expenditure, Capital Financing and External Receipts	-16,461	-17,142		
<b>Revenue Expenditure</b>	<b>95,943</b>	<b>94,547</b>	<b>-1,396</b>	<b>-1.5</b>
<i>Financed by:</i>				
Government Grants	61,312	57,088	-4,224	-6.9
Locally Retained Business Rates	11,331	11,854	524	4.6
Council Tax	23,964	24,756	792	3.3
Movements to(-) / from (+) financial reserves	-948	391	1,339	-
Other Items	284	458	174	61.1

# Local Authority Expenditure

## Total Service Expenditure

Service expenditure is made up of 12 distinct service areas (such as Education, Adult Social care and Public health) and 'Other services' to include spend authorities are unable to allocate to specific areas.

**Table 2: Expenditure, income and total service expenditure summary, England, 2015-16**

	Employees Expenditure	Running Expenses	Total Expenditure	Sales, Fees and Charges	Other Income <sup>(b)</sup>	Total Income	Service Expenditure
Education	22,121	16,313	<b>38,434</b>	1,545	2,726	<b>4,271</b>	<b>34,163</b>
Highways and transport	1,336	6,052	<b>7,388</b>	2,037	1,007	<b>3,044</b>	<b>4,344</b>
Childrens Social Care	3,247	5,723	<b>8,970</b>	155	542	<b>697</b>	<b>8,273</b>
Adult Social Care	3,392	16,728	<b>20,120</b>	2,633	3,093	<b>5,726</b>	<b>14,394</b>
Public Health	347	2,990	<b>3,337</b>	25	166	<b>190</b>	<b>3,146</b>
Housing (excluding HRA) <sup>(a)</sup>	594	2,265	<b>2,859</b>	726	550	<b>1,276</b>	<b>1,583</b>
Cultural	1,308	2,439	<b>3,746</b>	819	436	<b>1,255</b>	<b>2,491</b>
Environmental	1,504	5,279	<b>6,782</b>	1,149	664	<b>1,813</b>	<b>4,970</b>
Planning and development	995	1,458	<b>2,452</b>	779	449	<b>1,229</b>	<b>1,224</b>
Police	9,509	2,448	<b>11,957</b>	449	573	<b>1,023</b>	<b>10,934</b>
Fire and rescue	1,561	524	<b>2,086</b>	34	68	<b>102</b>	<b>1,984</b>
Central	5,815	6,267	<b>12,083</b>	1,089	7,928	<b>9,017</b>	<b>3,066</b>
Other	127	283	<b>410</b>	59	281	<b>340</b>	<b>70</b>
<b>Total Service Expenditure</b>	<b>51,858</b>	<b>68,767</b>	<b>120,625</b>	<b>11,500</b>	<b>18,482</b>	<b>29,982</b>	<b>90,643</b>

(a) Housing Revenue Account  
 (b) Other Income includes other grants, reimbursements and contributions, joint arrangements and recharges to internal users (excluding interest receipts)

Table 2 shows the components 'Total Service Expenditure' for each of these service areas. Total expenditure is the total of the amounts spent on the Running Expenses for the service and Employees in that area. Total income comprises income from Sales, Fees and Charges and Other Income (such as lottery funding, funding from joint arrangements and additional grants authorities apply for that are not part of central government funding). The net total (Expenditure minus Income) of these is Service Expenditure.

- The majority of the expenditure on Adult Social Care is on Running Expenses rather than on Employee Expenditure. Of the total expenditure of £20.1 bn, £16.7 bn or 83.1% goes towards Running Expenses as services in this area generally contract out employment.
- Conversely the majority (79.5%) of Police service and Fire and rescue service (74.9%) spend is on Employee Expenditure. The majority of this spend is through the Police and Crime Commissioner and Fire authorities providing this service directly.
- The Adult Social Care, Highways and transport, Education, Environmental and Central service areas all generate over £1 billion in Sales, Fees and Charges. This includes the income generated through parking services.
- Adult Social Care generated £2.6 bn in Sales, Fees and Charges and £3.1 bn in Other Income in 2015-16 this is 28.5% of total expenditure in this service. This is largely due to

the way the service area is financed, as Better Care Fund funding and interactions between joint arrangements would be recorded against this Service line.

- Although net expenditure for Central services accounts for £3.1 bn, total expenditure is £12.1 bn. The majority of this (£9.0 bn) is financed by income generated within this service area. The majority of this is from Management services 'recharges' which are the costs charged between departments within the local authority.
- Adult social care has the largest increase to total income; this income is £102 million more than the increase in expenditure in the service area. Resulting in an overall decrease in the net service area spend compared to the previous financial year. The majority of the income associated with Adult social care includes the funding streams such as the Better Care Fund.
- The balance of net expenditure on Cultural services is decreasing, but this is largely due to reductions to expenditure (£222 million) rather than in the income received which decreased by £31 million.

## Total Net Current Expenditure

Table 4 compares Net Current Expenditure for both this year and last and shows how the Service Expenditure totals form the **Total Net Current Expenditure**. This details the Housing benefits allowances and rebates paid by authorities, precepts paid to Parish Councils and the additional levies and adjustments to obtain Net Current Expenditure.

Total net current expenditure decreased from £112.4 billion to £111.7 billion between 2014-15 and 2015-16, a decrease of 0.6%.

**Table 3: Net current expenditure by service, England, 2014-15 and 2015-16**

	£ million			
	Net current expenditure 2014-15	Net current expenditure 2015-16	£ Change	% Change
<b>Education services</b>	34,477	34,163	-314	-0.9
<b>Highways and transport services</b>	4,537	4,344	-193	-4.3
<b>Social care services</b>	22,587	22,667	80	0.4
<i>of which:</i>				
<i>Children and Families Social Care services</i>	8,091	8,273	182	2.3
<i>Adult Social Care services</i>	14,496	14,394	-102	-0.7
<b>Public Health services</b>	2,737	3,146	409	15.0
<b>Housing services (excluding Housing Revenue Account)</b>	1,852	1,583	-269	-14.5
<b>Cultural, environmental and planning services</b>	8,915	8,685	-230	-2.6
<i>of which:</i>				
<i>Cultural services</i>	2,682	2,491	-191	-7.1
<i>Environmental services</i>	4,945	4,970	25	0.5
<i>Planning and development services</i>	1,288	1,224	-64	-5.0
<b>Police services</b>	10,889	10,934	45	0.4
<b>Fire and rescue services</b>	2,045	1,984	-61	-3.0
<b>Central services</b>	3,068	3,066	-2	-0.1
<b>Other Services</b>	92	70	-22	-23.5
<b>Total Service Expenditure</b>	<b>91,199</b>	<b>90,643</b>	<b>-556</b>	<b>-0.6</b>
<i>plus precepts, levies, trading accounts and adjustments</i>				
<b>Housing Benefits</b>	21,113	20,921	-192	-0.9
<i>of which:</i>				
Mandatory Housing Benefits	21,106	20,915	-191	-0.9
<i>Rent Allowances</i>	16,018	16,056	38	0.2
<i>Rent Rebates to Non-HRA Tenants</i>	689	634	-55	-8.0
<i>Rent Rebates to HRA Tenants</i>	4,399	4,225	-174	-4.0
Non-Mandatory Housing Benefits <sup>(a)</sup>	7	7	0	-6.2
<b>Parish Precepts</b>	389	409	20	5.2
<b>Levies <sup>(b)</sup></b>	48	56	8	17.5
<b>Trading Account Adjustments and Other Adjustments <sup>(c)</sup></b>	-345	-341	4	-1.1
<b>Total Net Current Expenditure</b>	<b>112,404</b>	<b>111,689</b>	<b>-715</b>	<b>-0.6</b>

(a) Includes 'Housing benefits: subsidy limitation transfers from HRA' and 'Contribution to the HRA re items shared by the whole community'.

(b) Includes 'Integrated Transport Authority levy', 'Waste Disposal Authority levy', 'London Pensions Fund Authority levy' and 'Other levies'

(c) Includes 'External Trading Accounts', 'Internal Trading Accounts', 'Capital items accounted for in External Trading Accounts', 'Capital items accounted for in Internal Trading Accounts', 'Adjustments to net current expenditure' and 'Appropriations to/from Accumulated Absences Account'

## Net Current Expenditure by service

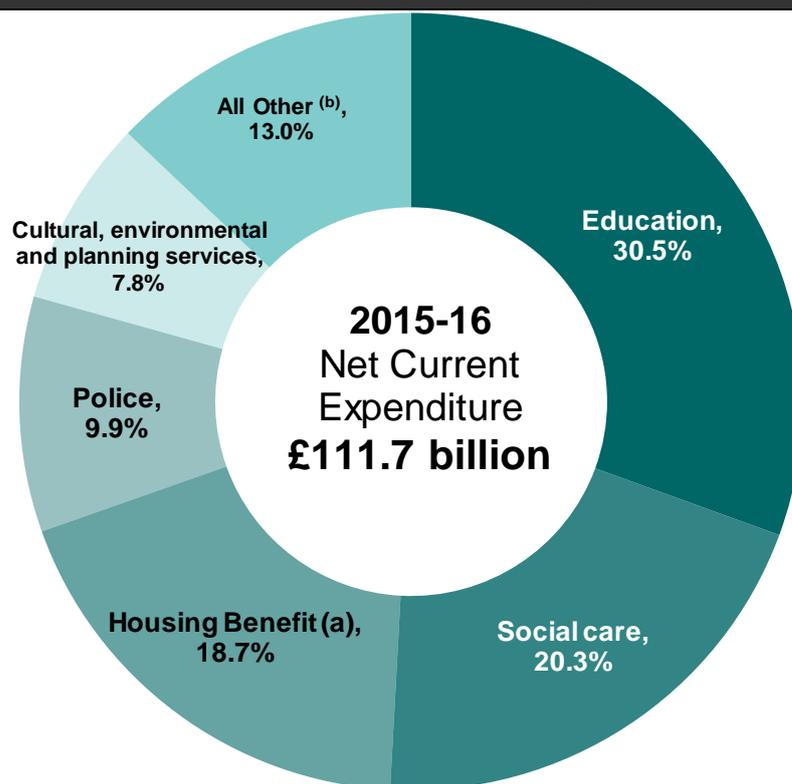
- The largest **reduction** in spend to services is to Education services which continued to reduce from £34.5 billion in 2014-15 to £34.2 billion in 2015-16. This 0.9% decrease continues to be driven by local authority schools changing status to centrally funded academies.
- Adult Social Care services have decreased by £102 million compared to 2014-15 to £13.9 billion.
- The largest **increase** in service spend is for Public Health services, increasing from £2.7 billion in 2014-15 to £3.1 billion in 2015-16. 2015-16 is the first year authorities have the additional responsibility for children aged 0-5 which started in October 2015. The majority of all Public Health spend is determined by the public health grant allocations received by 152 authorities in England.

## Mandatory Housing Benefits

Although not included in the Service expenditure totals, Housing Benefits are a large component of local authority spend. These are paid by local councils to help individuals currently on low incomes help pay for rents for both private and social housing. These are largely financed by subsidies from the Department for Work and Pensions (DWP), the authority passing this on to individuals.

- Mandatory Housing Benefits decreased by £191 million to £20.9 billion in 2015-16, an decrease of 0.9%. Despite this decrease Housing benefits still make up a large proportion of all local authority Net Current Expenditure. Chart A shows that Housing Benefits accounted for 18.7% of all net current expenditure for 2015-16
- The largest component of 'Housing Benefits' are the rent allowances (within Mandatory Housing Benefits) which are paid to tenants of both private landlords and registered social landlords. This increased by £38 million compared to 2014-15.

**Chart A: Proportion of total net current expenditure by service, England, 2015-16**



(a) Housing benefit includes mandatory rent allowances and rent rebates and non-mandatory housing benefit payments.

(b) 'Other' includes 'Highways and Transport', 'Public Health', 'Fire and Rescue', 'Central services', 'Cultural, environmental and planning', 'Other Services' and 'precepts, levies trading accounts and adjustments' excluding Housing benefit.

Chart A illustrates proportions of expenditure by Service. Over half of all local authority net current expenditure is on Education and Social Care services combined.

## Non-Current Expenditure

Non-current expenditure and other adjustments and levies are added to Net Current Expenditure to obtain Revenue Expenditure. This Non-Current spend includes financial payments necessary to balance local authorities budgets and expenditure. The majority of this expenditure is capital financing and in 2015-16 this amounted to £4.4 billion.

Grants 'outside AEF', which are grants authorities essentially pass on financing to a third party to administer a service, are also netted out here to obtain Revenue expenditure. The largest grant is the DWP subsidy to help finance the aforementioned Housing Benefits spend.

- In 2015-16, £2.0 billion has been estimated for capital expenditure charged to the revenue account (CERA), a decrease of around a third compared to £3.0 billion in 2014-15. This is driven by a decrease in CERA for the Greater London Authority (GLA). In 2014-15 GLA CERA spend was £1.7 billion whereas in 2015-16 this was £678 million. This is primarily due to a reduction in the Transport for London (TfL) Transport Grant for 2015-16.
- Grants outside AEF totalled £22.5 billion in 2015-16. The largest being the DWP subsidy for rent allowances which was £16.1 billion.

**Table 4: Revenue expenditure, England, 2014-15 and 2015-16**

	£ million	
	Net current expenditure 2014-15	Net current expenditure 2015-16
<b>Total Net Current Expenditure</b>	<b>112,404</b>	<b>111,689</b>
<i>plus non-current expenditure</i>		
Capital financing <sup>(a)</sup>	4,528	4,419
Capital expenditure charged to Revenue Account (CERA) <sup>(b)</sup>	3,010	1,989
Bad debt provision	131	169
Flood defence payments to Environment Agency	34	35
Private Finance Initiative (PFI) schemes - difference from service charge	41	37
Appropriations to(+)/ from(-) financial instruments adjustment account <sup>(c)</sup>	3	19
Appropriations to(+)/ from(-) unequal pay back pay account <sup>(d)</sup>	33	52
<i>less interest receipts</i>	865	1,046
<i>less specific grants outside AEF <sup>(e)</sup></i>	23,045	22,452
<i>of which:</i>		
<i>Mandatory Rent Allowances: subsidy</i>	15,885	16,090
<i>Rent Rebates Granted to HRA Tenants: subsidy</i>	4,390	4,196
<i>Mandatory Rent Rebates outside HRA: subsidy</i>	651	645
<i>Sixth Form Funding from the Education Funding Agency (EFA)</i>	781	695
<i>Adult and Community Learning from Skills Funding Agency</i>	246	218
<i>Other grants outside AEF</i>	1,092	609
<i>less Business Rates Supplement</i>	221	222
<i>less Community Infrastructure Levy (CIL)</i>	123	159
<i>less Carbon Reduction Commitment</i>	-13	-17
<b>Revenue Expenditure</b>	<b>95,943</b>	<b>94,547</b>

(a) Includes provision for repayment of principal, leasing payments, external interest payments and HRA item 8 interest payments and receipts

(b) Includes both Capital expenditure charged to the General Fund Revenue account and for Public Health

(c) Adjustments permitted by regulation to the revenue account charges for financial instruments

(d) The deferral of revenue account charges for unequal pay back pay as permitted by regulation and the reversal of the deferral in the year that payment of the back pay is due

(e) Aggregate External Finance; see Definitions

Community Infrastructure Levy totalled £159 million in 2015-16, an increase of £36 million compared to 2014-15. Over this time period there were also increases in the number of authorities becoming charging authorities, however there is a delay between an authority becoming a charging authority and them receiving money through the levy.

# Revenue Expenditure Financing

After determining the total Revenue Expenditure, this section outlines the funding available to local authorities to finance their revenue expenditure for 2015-16 and how this has changed compared to 2014-15. Income authorities received from sales, fees and charges, levies and interest receipts and grants passed on to a third party have been all accounted for in the determination of Revenue Expenditure in the previous chapter.

The main sources of funding available to authorities to finance this revenue expenditure are Government Grants, locally retained business rates, use of financial reserves and Council tax.

The Department for Communities and Local Government's annual [Local Government Finance Settlement](#) includes Revenue Support Grant and the local share of business rates.

**Table 5: Revenue expenditure and financing, England, 2014-15 and 2015-16**

	£ million			
	Net current expenditure 2014-15	Net current expenditure 2015-16	£ Change	% Change
<b>Revenue expenditure</b>	<b>95,942</b>	<b>94,547</b>	<b>-1,395</b>	<b>-1.5</b>
<b>Financed by:</b>				
<b>Government Grants</b>	<b>61,312</b>	<b>57,088</b>	<b>-4,224</b>	<b>-6.9</b>
<i>of which:</i>				
Specific grants inside AEF	40,805	40,117	-688	-1.7
<i>of which:</i>				
<i>Dedicated Schools Grant (DSG)</i>	28,254	28,057		
<i>Public Health Grant</i>	2,796	3,032		
<i>Pupil Premium Grant</i>	1,753	1,656		
<i>NewHomes Bonus</i>	879	1,112		
<i>The Private Finance Initiative (PFI)</i>	1,205	1,277		
<i>Education Services Grant</i>	712	564		
<i>GLA Transport Grant</i>	1,756	595		
<i>Universal Infants Free School Meals</i>	-	441		
<i>Housing Benefit Subsidy and Council Tax Support Admin Grant</i>	330	293		
<i>Adult Social Care Implementation</i>	-	195		
<i>Other grants inside AEF</i>	3,120	2,894		
Local Services Support Grant (LSSG)	48	29	-19	-39.5
Revenue Support Grant	12,675	9,520	-3,155	-24.9
Police grant	7,784	7,423	-362	-4.6
<b>Council tax requirement</b>	<b>23,964</b>	<b>24,756</b>	<b>792</b>	<b>3.3</b>
<b>Retained income from Business Rate Retention Scheme</b>	<b>11,331</b>	<b>11,854</b>	<b>524</b>	<b>4.6</b>
<b>Appropriations to(-) / from (+) revenue reserves</b>	<b>-949</b>	<b>391</b>	<b>1,340</b>	<b>-</b>
<b>Other items<sup>(a)</sup></b>	<b>284</b>	<b>458</b>	<b>174</b>	<b>61.1</b>

(a) Other items includes 'Inter-authority transfers in respect of reorganisation' and 'Other Items' which is the net collection fund surpluses/deficits from the previous year

## Revenue Expenditure financing

The majority of financing is from central government grants, with around a quarter from council tax and the remainder set to be financed through locally retained business rates and use of (or appropriations) from the reserves.

**Central government grants** financed 60.4% of Revenue Expenditure in 2015-16. This totalled £57.1 billion, a decrease from £61.3 billion in 2014-15. This total comprises Local Services Support Grant (LSSG), Specific grants inside AEF, Revenue Support Grant and Police Grant

- Specific grants inside Aggregate External Finance (AEF) decreased from £40.8 billion in 2014-15 to £40.1 billion in 2015-16. The downward trend is driven by the Dedicated Schools Grant which decreased from £28.3 billion in 2014-15 to £28.1 billion in 2015-16. Dedicated Schools Grant accounts for 69.9% of grants inside AEF and 49.1% of all central government grants.
- Local authorities with public health responsibilities received £3.0 billion in Public Health Grant in 2015-2016. 2015-16 includes financing for services for children aged 0 to 5, which transferred to LAs in October 2015.
- GLA grant decreased from £1.8 billion in 2014-15 to £595 million in 2015-16. As this largely affected TfL, which is involved in large capital projects such as Crossrail, this decrease resulted in reduced capital expenditure from the revenue account.
- Revenue Support Grant is set to decrease by £3.2 billion (24.9%) compared to 2014-15. This large change is due to the changes outlined by the Department for Communities and Local Government in the [Local Government Finance Settlement](#).

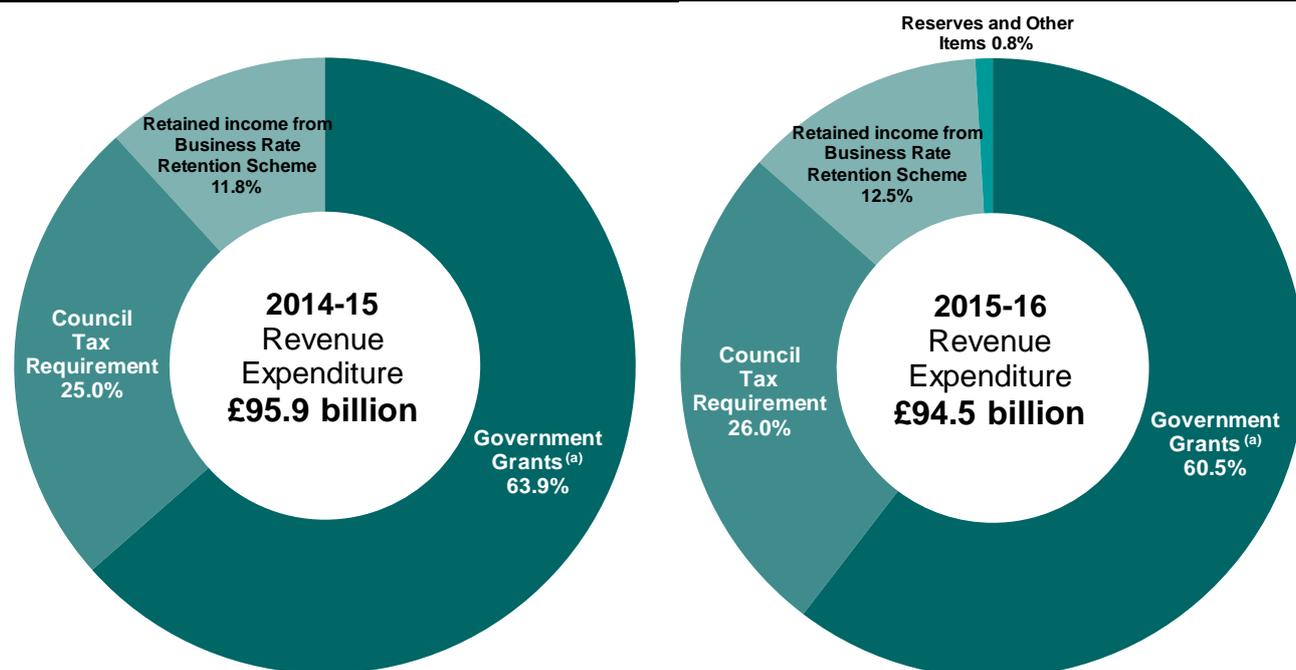
**Council tax requirement** was £24.8 billion in 2015-16 which is an increase of 3.3% from £24.0 billion in 2014-15. As Chart B shows, Council Tax accounts for just over a quarter of all local authority financing.

**Retained income from Business Rate Retention Scheme** totalled £11.9 billion in 2015-16. This is an increase of 4.6%, or £524 million, from the equivalent figure for 2014-15.

This 'retained income' specifically relates to the amount of business rates authorities **used** within the year and is not necessarily the same as rates collected.

Local authorities used £391 million of their financial **Reserves** in 2015-16. During the previous year authorities added £949 million to their reserves. This is the first year where there has been a net use of reserves across England reserves since 2008-09.

**Chart B: Financing of revenue expenditure, England, 2014-15 and 2015-16**



(a) 'Government Grants' includes 'Local Services Support Grant (LSSG)', 'Specific grants inside AEF', 'Revenue Support Grant' and 'Police Grant'. Since 2013-14 this specific grants inside AEF have included public health grant, local council tax support grant and the central share of non-domestic rates.

Table 6 show funding of revenue expenditure in terms of government grants, redistributed non-domestic rates, retained income from rate retention scheme and council tax since 2010-11.

The proportion of centrally distributed income fell from 75.9% in 2010-11 to 60.4% in 2015-16 and there's a corresponding increase in the income retained by local authorities from 25.2% in 2010-11 to 38.7% in 2015-16.

Since 2013-14 local authorities have been more reliant on locally retained income, although this is largely due to changes to council tax and business rates policies.

Business rates moved from being a centrally redistributed function to one where authorities retain a percentage of what they collect. As part of the 2015 Spending Review, this is set to increase to 100% rate retention by 2020.

**Table 6: Financing of revenue expenditure, England, since 2010-11**

	£ million					£ million				£ million	
	Revenue Expenditure	Centrally distributed income			% of total	Locally retained income		% of total	Reserves and Other Items <sup>(c)</sup>	% of total	
		Government Grants <sup>(a)</sup>	Redistributed non-domestic rates	Centrally distributed income		Retained income from Business Rate Retention Scheme	Council Tax <sup>(b)</sup>				Locally retained income
<b>Outturn</b>											
2010-11	104,256	57,657	21,517	79,173	75.9	...	26,254	26,254	25.2	-1,172	-1.1
2011-12	99,278	56,237	19,017	75,254	75.8	...	26,451	26,451	26.6	-2,427	-2.4
2012-13	94,148	46,765	23,129	69,895	74.2	...	26,715	26,715	28.4	-2,461	-2.6
2013-14	96,419	64,578	...	64,578	67.0	10,719	23,371	34,090	35.4	-2,249	-2.3
2014-15	95,942	61,312	...	61,312	63.9	11,331	23,964	35,295	36.8	-665	-0.7
2015-16	94,547	57,088	...	57,088	60.4	11,854	24,756	36,611	38.7	849	0.9

(a) Includes 'Local Services Support Grant (LSSG)', 'Specific grants inside AEF', 'Revenue Support Grant' and 'Police Grant'. Since 2013-14 the specific grants inside AEF have included 'public health grant', 'local council tax support grant' and the 'central share of non-domestic rates'

(b) Since 2013-14 Council Tax has not included the 'local council tax support grant', this is now included in Government Grants

(c) Reserves and Other items includes all appropriations to (-) and from (+) the reserves, any income from Inter-authority transfers and net collection fund surpluses (+)/deficits (-) from the previous year. This figure is an adds to financing when reserves and surpluses are being used (+) and draws from financing when reserves are being added to and deficits are being financed (-).

# Local Authority Financial Reserves

Reserves are the funds which are set aside to finance future spend. The movement of money to and from reserves affects the financing requirement for the year, these transfers are the 'appropriations' identified in the previous section. Increases in reserves may be due to a change in circumstances over a project (delayed/cancelled) or an authority saving for a large project in the future. Decreases to the levels therefore indicating authorities are using the funds set aside in previous years.

Schools reserves and Public Health reserves are the amounts of remaining financing from the Dedicated Schools Grant (DSG) and the Public Health grant respectively. As 'Other earmarked' and 'Unallocated' reserves are not specifically related to a ring-fenced grant these are considered 'Non-ringfenced reserves'.

Table 7 shows the level of local authority revenue reserves at the beginning of each of the last five financial years and the end position for 2015-16. Although Housing revenue account (HRA) also has reserves figures, these are not included in this table because they are not part of the general fund revenue account.

Table 7: Level of revenue reserves, England, since 2011-12						
						£ million
		Non-ringfenced reserves				Total Reserves
	Schools reserves	Public Health reserves	Other earmarked	Unallocated	Non-ringfenced Total	
<b>At 1 April</b>						
2011	2,047	-	10,451	3,862	13,228	15,062
2012	2,413	-	12,534	4,255	14,313	16,360
2013	2,354	7	14,930	4,297	16,790	19,203
2014	2,419	207	17,200	4,454	21,653	24,279
2015	2,436	311	17,829	4,520	22,349	25,096
<b>At 31 March</b>						
2016	2,301	263	17,660	4,481	22,141	24,705

Local authorities decreased their total reserves levels from £25.1bn at 1 April 2015 to £24.7bn at 31 March 2016. This is a reduction of £0.3 billion, equivalent to 1.6% of the total amount of held at 1 April.

# Definitions

A list of terms relating to local government finance is given in *Local Government Finance Statistics England* (LGFS). The most recent edition is LGFS No. 25 2015. This is accessible at:

<https://www.gov.uk/government/statistics/local-government-financial-statistics-england-2015> . The most relevant terms for this release are explained below.

## **Aggregate External Finance**

is the total amount of grant provided to finance all local government expenditure, excluding that subject to separate arrangements under statutory schemes, rent allowances and rebates and council tax benefit, which are funded by specific grants outside Aggregate External Finance.

## **Central Government Grants**

the biggest source of funding that local authorities receive is from central government. This is made up from 'specific' grants and a general grant (also called the Revenue Support Grant). Central government grant money pays for capital projects, such as roads or school buildings, as well as revenue spending, such as the cost of maintaining council housing and running services, including employee wages.

## **Central Services**

these are services organised on a corporate basis that support the delivery of services to the public. Central services include building costs, administration and IT

## **Community Infrastructure Levy**

a levy available to registered local authorities allowing them to choose to charge on new developments in their area to pay for new infrastructure developments

## **Council Tax Requirement**

The amount of revenue a local authority needs to raise through council tax, (its council tax requirement) is calculated by deducting from its planned spending any funding from reserves, income it expects to raise, and funding it will receive from the Government.

## **Current expenditure**

is the cost of running local authority services within the financial year. This includes the costs of staffing, heating, lighting and cleaning, together with expenditure on goods and services consumed within the year. This expenditure is offset by income from sales, fees and charges and other (non-grant) income, which gives total **net current expenditure**. Total net current expenditure also includes payments made by local authorities on behalf of central government, under statutory schemes and the payment of rent allowances and rebates. Such payments are fully funded by central government through specific grants outside **Aggregate External Finance**.

## **Dedicated Schools Grant (DSG)**

there was a change in the funding of specific and formula grants in 2006-07 largely due to changes in the way that expenditure on schools is funded. From 2006-07, local authorities receive

school funding through specific grant rather than funding previously included in formula grant.

### **Funding through the Settlement Grant**

the main channel of government funding. This includes **Retained Income from the Rate Retention Scheme, Revenue Support Grant**, and Police grant. The distribution is determined by the Formula spending shares formulae, also taking account of authorities' relative ability to raise council tax and the floor damping mechanism. There are no restrictions on what local government can spend it on.

### **Greater London Authority (GLA) Group**

this includes GLA and its constituent bodies, Metropolitan Police Authority, London Fire and Emergency Planning Authority, Transport for London (TfL) and London Development Agency (LDA). Transactions in their General Fund Revenue Account are reported by the GLA and the four functional bodies as a group.

### **Housing Revenue Account**

is a local authority statutory account, it contains all the spending and income related to the housing stock owned by the council.

### **Local Services Support Grant**

is an non-ringfenced grant paid under section 31 of the Local Government Act 2003 to support local government functions.

### **Mandatory Housing Benefit**

financial help given to local authority or private tenants whose income falls below prescribed amounts as required by law. This usually consists of mandatory Rent Allowances and mandatory Rent Rebates, to HRA and non-HRA tenants.

### **Net Current Expenditure**

see **Current Expenditure**

### **Other items**

are Council Tax and Business Rates collection fund surpluses / deficits from previous financial years

### **Public Health Grant**

is a ringfenced grant for providing public health services. The grant is provided to give local authorities the funding needed to carry out their public health responsibilities.

The conditions of the grant are funds are only spent on activities whose main or primary purpose is to improve the public health of local populations.

### **Reserves**

sums set aside to finance future spending for purposes falling outside the definition of a provision. Reserves set aside for stated purposes are known as earmarked reserves.

### **Retained income from the Rate Retention Scheme**

expected retained non-domestic rate income after payment of central share, major precepting shares and any tariff, top up, levy or safety net payments.

### **Revenue expenditure**

is equal to total net current expenditure (line 849), plus capital financing costs and a few minor adjustments, but excludes expenditure financed by grants outside **Aggregate External Finance**. Revenue expenditure is financed by grants inside Aggregate External Finance, council tax and authorities' reserves.

### **Revenue Support Grant**

a general grant now distributed as part of **Funding through the Settlement Grant**.

### **Ringfenced Grant**

these grants have specific conditions on how they are spent. Financing received from the grant must only be spent on the services it is provided for.

### **Specific Grants inside AEF**

These are revenue grants which are paid to local authorities by individual government departments, for which the local authority has sole responsibility for decisions on how the grant is allocated. The main purpose for the provision of these grants is to deliver core local authority services.

### **Specific Grants outside AEF**

These are revenue grants, which are paid to local authorities by individual government departments. However, the local authority usually only acts as the 'middle person', as the grants are passed over to a third party who administers the service. The local authority does not normally have any control over the service for which the grant was intended for. This responsibility rests solely with the third party that receives the grant.

# Accompanying tables

Accompanying dropdown tables, presenting detailed revenue expenditure and financing figures for 2015-16 for all local authorities are available to download alongside this release.

These tables present all revenue outturn information, by local authority, in the same format as it is returned to Department for Communities and Local Government and forms the basis of the tables in this release. These are available here:

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2015-to-2016-individual-local-authority-data-outturn>

Description	Form
Revenue Outturn Summary	RS
Service Expenditure Summary	RSX
Specific and Special Revenue Grants	RG

## Technical notes

### Data collection

#### Survey design for collecting Revenue Outturn data in 2015-16

From May until July 2016, all 444 local authorities in England were requested to complete the Revenue Outturn (RO) suite of forms to show all transactions for the 2015-16 financial year related to the general fund revenue account. This included net current expenditure, capital charges and also elements that finance net current expenditure, which includes; levy payments, interest receipts, central government grants, use of reserves, council tax and other non-current expenditure items.

The estimates requested cover local authority revenue expenditure and financing for the financial year 1 April 2015 to 31 March 2016. These estimates are on a non-International Accounting Standard 19 (IAS19) and PFI "Off Balance Sheet" basis except where stated otherwise.

## Data quality

This Statistical Release contains National Statistics and as such has been produced to the high professional standards set out in the Code of Practice for Official Statistics. National Statistics products undergo regular quality assurance reviews to ensure that they meet customer demands.

The information for 2015-16 in this release is derived from Department for Communities and Local Government (DCLG) Revenue Account (RO) forms and is based on returns from 442 of the 444 local authorities in England. Reading and Copeland were unable to submit in time for release and we are currently working with these authorities to return this. Additionally data for 3 authorities have been removed from the by authority data due to outstanding data quality issues but are included in the England figures.

Figures are subjected to rigorous pre-defined validation tests both within the form itself, while the form is being completed by the authority and also by Department for Communities and Local Government as the data are received and stored.

## Revisions policy

This policy has been developed in accordance with the UK Statistics Authority Code of Practice for Official statistics and the Department for Communities and Local Government Revisions Policy (found at <https://www.gov.uk/government/publications/statistical-notice-dclg-revisions-policy>).

There are two types of revisions that the policy covers:

### Non-Scheduled Revisions

Where a substantial error has occurred as a result of the compilation, imputation or dissemination process, the statistical release, live tables and other accompanying releases will be updated with a correction notice as soon as is practical.

### Scheduled Revisions

At time of publication there are no scheduled revisions for this series

## User engagement

Users are encouraged to provide feedback on how these statistics are used and how well they meet user needs. Comments on any issues relating to this statistical release are welcomed and encouraged. Responses should be addressed to the "Public enquiries" contact given in the "Enquiries" section below. The Department's engagement strategy to meet the needs of statistics users is published here: <https://www.gov.uk/government/publications/engagement-strategy-to-meet-the-needs-of-statistics-users>

Comments and feedback from end users for further improvement or about your experiences with this product will be welcomed. Please send all views to: [lqf1.revenue@communities.gsi.gov.uk](mailto:lqf1.revenue@communities.gsi.gov.uk)

We are currently running a survey to understand more about how local government finance statistics and data are used. Please see the link to the short survey below:

<https://www.surveymonkey.co.uk/r/LGFuserengagement>

## Notes

Timings of future releases are regularly placed on the Department's website:

<http://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics#forthcoming-publications>

and on the National Statistics website: <https://www.gov.uk/government/statistics/announcements>

The CIPFA Finance and General Statistics publication also contains detailed information on local government finance.

CLIP Finance (CLIP-F) is a consultative group which considers the collection, presentation and analysis of data on local government finance. To ensure users are made aware of significant changes and adjustments to Local Government Finance forms papers are tabled, discussed and published. Please visit the website for details of likely changes for future Revenue/Capital statistical releases.

<https://knowledgehub.local.gov.uk/web/clip>

## Devolved administration statistics

The Scottish, Welsh Assembly and Northern Ireland Government also collect revenue budget data. Their information can be found at the following websites:

### **Scotland:**

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance>

### **Wales:**

<https://statswales.wales.gov.uk/Catalogue/Local-Government/Finance/Revenue>

### **Northern Ireland:**

[http://www.doeni.gov.uk/index/local\\_government/local\\_government\\_funding.htm](http://www.doeni.gov.uk/index/local_government/local_government_funding.htm)

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Information on Official Statistics is available via the UK Statistics Authority website:  
[www.statisticsauthority.gov.uk/national-statistician/types-of-official-statistics/index.html](http://www.statisticsauthority.gov.uk/national-statistician/types-of-official-statistics/index.html)

Timings of future releases are placed on the Department's website at:  
<https://www.gov.uk/government/statistics/announcements>

Information about statistics at DCLG is available via the Department's website:  
[www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics](http://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics)

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August 2016

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ISBN: 978-1-4098-4885-1