



Department for  
Communities and  
Local Government



# Local Government Financial Statistics England

No.27 2017



Department for  
Communities and  
Local Government



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# PREFACE

This is the 27th edition of *Local Government Financial Statistics (LGFS) England*, providing a summary of financial data from local authorities with links to the statistical releases that contain the full set of data. The first 24 editions have provided more context and commentary on the data, and earlier versions of *LGFS* have been published and presented to Parliament since the 1930s. A separate document containing background to local government structures and definitions will be available on-line, and will be updated as necessary. Links have been provided to the relevant statistical releases within chapters, and these may contain more up to date statistics. Most of the information comes from forms sent to the Department for Communities and Local Government by all local authorities in England.

Local government expenditure represents nearly a quarter of all public expenditure, and the data are used in the monitoring of public expenditure and the compilation of the National Accounts. Local government finance data are also used by the Government to inform the allocation of resources to local government and the development and monitoring of local government finance policy, and more widely, by local authorities, businesses and members of the public.

This volume contains outturn summaries of local government expenditure and income for years up to 2015-16, the latest year for which complete information is available, and estimates for 2016-17. Data are published throughout the year in statistical releases and live tables. These are all available on the Department's website. Therefore more up to date data will be available before the next edition of *LGFS*.

Some of the data within this publication are published as National Statistics and as such have been produced to the high professional standards set out in the National Statistics Code of Practice. Other data are published as Official Statistics. Most of the information in this publication is based on data supplied by local authorities to the Department for Communities and Local Government in statutory statistical returns. Due to the statutory nature of the returns, response rates are normally 100%. Figures are subject to rigorous pre-defined validation tests both within the form itself and also within DCLG as the forms are received and stored. The publication itself, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.

Local government finance statistics publications and other detailed data can be found online at:

<https://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics>

Further information on data quality, methodology and the uses of the data can be found on these releases, as well as a more detailed look at the statistical outputs. If you cannot locate the data you require please use the contact details below.

The key purpose of the *LGFS* compendium is to present a copy of the data collected for statistics to parliament every year as required by law. However, it is also used by a variety of different users and has been developed through time to be accessible to a wider audience. Users include local authorities (including fire, police, transport and waste authorities), central government colleagues, libraries, schools, contacts in government or local government organisations and the private sector.

In 2016, the 26<sup>th</sup> *LGFS* was streamlined to present only an overview of all the data collected on local government finance by DCLG. This follows a consultation which showed that limited use was made of the *LGFS* as all the information collected is published online. Users who want detailed commentary of the data are advised to refer to previous versions of the *LGFS*, or to refer to the statistical releases.

As there have been no recent changes to local government's structure, maps and lists of all local authorities as well as any significant changes to the functions and structure of local government since the 1970s can be found in the 2014 *LGFS* publication, which can be found online at

<https://www.gov.uk/government/statistics/local-government-financial-statistics-england-2014>

We welcome comments and suggestions for further improvement or about your experiences with this product. This may include comments on data quality, timing and the format of the statistics. In addition local authority level data are available upon request.

Please contact us at: [lgfstats@communities.gsi.gov.uk](mailto:lgfstats@communities.gsi.gov.uk)

**Responsible Statistician:** Jo Coleman

## Symbols and conventions

...	=	not available	E	=	estimate
-	=	not relevant	F	=	forecast
-	=	negative	P	=	provisional
0	=	zero or negligible	R	=	revised
B	=	budget		=	discontinuity

## Rounding

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

# CHAPTER 1

## Local government

### 1.1 What is local government?

- 1.1.1 Local government is one way in which the country's governance, administration and public service delivery is carried out. Two key features of local authorities are that they tend to have elected representatives and the ability to raise taxes locally.
- 1.1.2 Local authorities are statutory bodies created by Acts of Parliament. They are not accountable to Parliament as they are directly elected by their local communities. Local government is a devolved responsibility in Scotland, Wales and Northern Ireland.
- 1.1.3 Local authorities, their members and the administrative units supporting them have a number of objectives, the key one being the delivery of services. They deliver services in line with national objectives, and in a manner that meets the diverse requirements of different neighbourhoods and communities. Services are delivered directly through their employees and indirectly through other bodies. More recently, outside agencies have played an increasing role in service delivery.

### 1.2 Local government structure and services

- 1.2.1 This document covers local government in England in 2015-16. The structure of local government varies across the country. The structure of local authorities takes one of six forms:
- Metropolitan Districts
  - London Boroughs
  - Unitary Authorities
  - Shire Counties
  - Shire Districts
  - Single Purpose Authorities
- 1.2.2 In the six metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire), most services are run by metropolitan districts.
- 1.2.3 In London, the London boroughs and the City of London deliver most of the functions. The Greater London Authority (GLA) comprises a directly elected Mayor and a separately elected Assembly. The GLA group consists of the following four functional bodies:

- Mayor’s Office for Policing and Crime (MOPAC)
- London Fire and Emergency Planning Authority (LFEPA)
- Transport for London (TfL)
- GLA Land and Property (GLAP).

1.2.4 In most of the rest of England, called the shire areas, there are two main tiers of local authorities: shire counties and shire districts. However, in some parts of the country, a single unitary authority carries out shire county and shire district responsibilities. Since 1995, 56 single unitary authorities have been created.

1.2.5 Fire & rescue and passenger transport are typically the responsibility of single purpose authorities, which usually share the same boundaries. Single purpose authorities also extend to National Parks and some waste disposal services. There is also a Police and Crime Commissioner for each constabulary which cover each metropolitan area and shire county (sometimes combinations of these).

1.2.6 Additionally, Parishes and Charter Trustees represent the third tier of local government, the most local level of government in England. They typically fund their activities by charging an additional cost known as a “precept” to each householder’s council tax bill. There are more than 10,000 local parishes in England. Of these, 8,800 charge a precept, which is collected by the local billing authority on their behalf. Further details on geographies can be found online at <https://www.ons.gov.uk/methodology/geography>. **Table 1.2a** shows details on the number of authorities in England.

<b>Table 1.2a: Billing, major precepting and other authorities, England as at 1 April 2015</b>						
	<i>Local authority level</i>				<i>Parish Level</i>	
	<b>Billing authorities</b>	<b>Major precepting authorities<sup>(a)</sup></b>	<b>Other authorities<sup>(b)</sup></b>	<b>All authorities</b>	<b>Parishes<sup>(c)</sup></b>	
Shire areas	257	82	10	349	8,581	
Metropolitan areas	36	12	8	56	233	
London	33	1	5	39	3	
<b>England</b>	<b>326</b>	<b>95</b>	<b>23</b>	<b>444</b>	<b>8,817</b>	

(a) The count of precepting authorities excludes parish councils.  
 (b) Other authorities are parks, waste and passenger transport authorities  
 (c) includes non-zero precepting authorities only

1.2.7 Local authority spending can be divided into revenue expenditure and capital expenditure. On the whole, revenue expenditure (see Chapter 3) is financed through a balance of central government grant, retained non-domestic rates and the locally raised council tax (see Chapter 2). Capital expenditure is principally financed through central government grants, borrowing and capital receipts (see Chapter 4).



- 1.2.8 Local authorities are required by law to secure the necessary funds to finance their operations, to provide an accurate account of where the money goes and to provide accounts which balance.
- 1.2.9 Only some of the local authorities may collect money directly through council tax. These are called billing authorities. Others receive funds indirectly, either by precepting on a billing authority or by other channels, such as levies. In shire areas, county councils are precepting authorities, as district councils are the billing authorities. Police and fire and rescue authorities are also precepting authorities. Of the 444 local authorities in England, 326 are billing authorities, who raise money via council tax, and 95 are major precepting authorities. Additionally, there are over 8,800 parishes that charge a precept, and these are situated in 242 billing authorities.

# CHAPTER 2

## How is the money found?

### 2.1. Summary of sources of local government income

- 2.1.1. The main sources of income for local government in England are council tax, retained non-domestic rates, other government grants (including specific government grants), borrowing and investments, interest receipts, capital receipts, sales, fees and charges and council rents.
- 2.1.2. **Table 2.1a** provides details of how much income has been raised through these funding streams between 2011-12 and 2015-16.

### 2.2. Revenue grants

- 2.2.1. Funding distributed through the local government finance settlement plus certain non-housing revenue specific grants are known as Aggregate External Finance (AEF). AEF includes Revenue Support Grant (RSG), redistributed non-domestic rates and certain specific grants. AEF does not include housing subsidy<sup>1</sup>, which until its cessation at the end of 2011-12 was administered and recorded separately, as part of the Housing Revenue Account (HRA).
- 2.2.2. Prior to 2014-15, the funding distributed through the local government finance settlement was distributed based on the socio-economic and demographic characteristics of authorities, together with a measure of the authority's ability to raise council tax locally i.e. the number of Band-D equivalent properties within its area.
- 2.2.3. The business rate retention scheme, introduced in April 2013 has reformed the way in which local government is funded. It provides a direct link between business rates growth and the amount of money available to local authorities to spend on local people and services. Under the business rates retention scheme, authorities overall keep half of the local business rates revenue as well as the growth on their share. A system of tariffs and top-ups provides a one-off rebalancing of resources at the outset in order to ensure that no authority loses out in its ability to meet local service needs as a result of their business rates tax base.
- 2.2.4. The other half of business rates revenue is used to fund the majority of Revenue Support Grant provided to local authorities. Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service.

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<sup>1</sup> See **Chapter 3** for further details of housing subsidy.

Table 2.1a: Summary of local authority income 2011-12 to 2015-16					
	2011-12	2012-13	2013-14	2014-15	£ million 2015-16
<b>Grant income:</b>					
Revenue Support Grant <sup>(a)</sup>	5,873	448 II	15,175	12,675	9,520
Redistributed non-domestic rates <sup>(a)</sup>	19,017	23,129 II	-	-	-
Police Grant <sup>(a)</sup>	4,546	4,224 II	7,565	7,784	7,423
Specific and special grants inside Aggregate External Finance (AEF)	45,502	41,820	41,760	40,805	40,119
Local Services Support Grant (LSSG)	253	223	77	48	29
General GLA Grant	63	50 II	-	-	-
Grants outside AEF <sup>(b)</sup>	18,614	18,850	18,417	18,655	18,296
Housing subsidy <sup>(c)</sup>	-704	-791	-795	-692	-734
Grants towards capital expenditure	8,637	9,739	8,782	9,996	10,863
<b>Total grant income</b>	<b>101,800</b>	<b>97,692</b>	<b>90,982</b>	<b>89,271</b>	<b>85,516</b>
<b>Locally-funded income:</b>					
Council tax <sup>(d)</sup>	26,451	26,715	23,371	23,964	24,734
Retained Income from Rate Retention Scheme <sup>(a)</sup>	-	- II	10,719	11,331	11,855
External interest receipts	860	815	839	865	1,047
Capital receipts <sup>(e)</sup>	2,013	2,124	2,481	2,996	2,196
Sales, fees and charges <sup>(f)</sup>	11,991	12,201	12,695 II	11,741	11,666
Council rents	6,583	6,916	7,215	7,439	7,468
<b>Total locally-funded income</b>	<b>47,899</b>	<b>48,771</b>	<b>57,319</b>	<b>58,335</b>	<b>58,966</b>
Other income and adjustments <sup>(g)</sup>	9,995	8,842	9,253 II	18,469	19,390
<b>Total income</b>	<b>159,694</b>	<b>155,306</b>	<b>157,554 II</b>	<b>166,075</b>	<b>163,871</b>
<i>Grants as a percentage of total income</i>	<i>64%</i>	<i>63%</i>	<i>58% II</i>	<i>54%</i>	<i>52%</i>
Sources: Revenue Outturn (RO) returns and Capital Outturn Returns (COR), 2011-12 to 2015-16					
Comparisons across years may not be valid owing to changing local authority responsibilities and methods of funding. Major changes are separated with a time series break marked as II					
(a) Since 2013-14 there were changes to the Department's Local Government Finance Settlement policy. This affects the figures for Revenue Support Grant, Police Grant and Non-domestic rates.					
(b) Excludes council tax benefit subsidy and rent rebates granted to HRA tenants.					
(c) Housing Subsidy includes 'Government grants and assistance (including downward adjustments)' less Transfers to the General Fund Revenue Account (GFRA) and Major Repairs Reserve (MRR). These are all recorded in the Housing Revenue Account (HRA) in RO4					
(d) Includes council taxes financed from Council Tax Benefit Grant but excludes council taxes financed from local authority contributions to council tax benefit.					
(e) Capital receipts for 2011-12 excludes the One-off HRA self-financing determination & premium					
(f) Since 2014-15 Sales, Fees and Charges from the Trading account are no longer recorded. For 2014-15 onwards this figure excludes the any sales, fees and charges from the trading accounts.					
(g) Other income and adjustments includes 'Other Income' from the Services areas, 'Other Items' (surpluses/deficits from the collection fund), 'Inter-authority reorganisation recoupment', HRA leaseholder charges and 'other contributions toward expenditure' in the Housing Revenue Account. Prior to 2014-15 this also included other income in the Trading Accounts, this was not recorded for 2014-15 onwards. To avoid double counting, 'levies and recharges from other accounts' recorded in the RO6 are removed from this. Before 2014-15 Receipts from other authorities were also excluded but this figure is no longer regularly collected as part of the SAR return.					

## 2.3. Sales, fees and charges

2.3.1. Sales, fees and charges are the amounts received by local government as a result of providing a service. They vary widely between services in both the amount of money involved, and their nature, for example library fines and planning application fees. Local authorities receive income from sales fees and charges from over 100 service areas. **Table 2.3a** shows sales, fees and charges by service area from 2011-12 to 2015-16.

**Table 2.3a: Sales, fees and charges by service area 2011-12 to 2015-16 <sup>(a)</sup>**

	2011-12	2012-13	2013-14	2014-15	£ million 2015-16
<b>Service Expenditure:</b>					
Education	1,841	1,713	1,672	1,814	1,554
Highways and transport	1,984	2,011	2,063	1,884	2,053
Social Care	2,686	2,747	2,834	2,799	2,830
<i>of which:</i>					
<i>Children Social Care</i>	115	119	110	147	164
<i>Adult Social Care</i>	2,570	2,628	2,724	2,653	2,666
Public Health <sup>(b)</sup>	-	-	24	16	21
Housing (excluding HRA) <sup>(c)</sup>	515	600	636	653	774
Cultural, environmental and planning	2,515	2,549	2,593	2,738	2,753
<i>of which:</i>					
<i>Cultural</i>	889	872	860	860	818
<i>Environmental</i>	1,013	1,050	1,034	1,108	1,153
<i>Planning and development</i>	613	627	700	769	782
Police	446	446	469	455	449
Fire	25	29	30	31	34
Central services	987	1,169	1,396	1,304	1,137
Other	76	51	50	47	60
<b>Total All Services</b>	<b>11,073</b>	<b>11,316</b>	<b>11,768</b>	<b>11,741</b>	<b>11,666</b>
External Trading Accounts <sup>(d)</sup>	918	885	927	...	...
<b>Total</b>	<b>11,991</b>	<b>12,201</b>	<b>12,695</b>	<b>...</b>	<b>...</b>

Source: Revenue Outturn (RO) returns - RSX and TSR, 2011-12 to 2015-16  
(a) Sales, fees and charges for General Fund only  
(b) Responsibility for Public Health transferred to Local Government in 2013-14  
(c) Housing Revenue Account  
(d) Since 2014-15 the TSR only collects net surplus/deficit so unable to identify Sales, Fees and Charges for Trading Accounts

## 2.4. Council tax

- 2.4.1. Council tax is the main source of locally-raised income for many local authorities. It is therefore an important source of funding used for meeting the difference between the amount a local authority wishes to spend and the amount it receives from other sources such as government grants. The amount of council tax payable on a property depends in part on the valuation band to which it is allocated and in part on the number of occupants that live in the property.
- 2.4.2. **Table 2.4a** provides figures for the total number of domestic dwellings in England in September each year from 2012 to 2016, those that are liable for council tax i.e. chargeable dwellings, those that are exempt from council tax, those that receive discount on their council tax and those that are required to pay a premium on their council tax.

**Table 2.4a: Number of chargeable dwellings 2012-2016 <sup>(a)</sup>**

	Thousands				
	2012	2013	2014	2015	2016
<b>Total number of dwellings on valuation lists</b>	<b>23,178</b>	<b>23,312</b>	<b>23,466</b>	<b>23,652</b>	<b>23,863</b>
<i>less:</i>					
Number of dwellings exempt from council tax	802	516	520	531	542
Number of demolished dwellings	2	2	2	2	1
<b>Number of dwellings on valuation list liable for council tax <sup>(b)</sup></b>	<b>22,374   </b>	<b>22,793</b>	<b>22,944</b>	<b>23,120</b>	<b>23,320</b>
<b>Number of dwellings subject to a discount or a premium</b>	<b>8,293   </b>	<b>8,161</b>	<b>8,111</b>	<b>8,085</b>	<b>8,075</b>
<i>of which:</i>					
- second homes <sup>(c)</sup>	255	40	27	27	22
- empty homes subject to a discount <sup>(d)</sup>	98	135	121	107	93
- empty homes subject to a premium <sup>(d)</sup>	-	56	56	59	59
- single person	7,706	7,698	7,669	7,653	7,657
- all residents disregarded for council tax purposes	33	33	34	34	34
- all but one resident disregarded for council tax purposes	201	199	203	205	209
<b>Number of dwellings not subject to a discount or a premium</b>	<b>14,081   </b>	<b>14,632</b>	<b>14,834</b>	<b>15,035</b>	<b>15,245</b>
<i>of which:</i>					
- empty homes <sup>(d)</sup>	161	290	283	283	290
- second homes <sup>(c)</sup>	-	215	224	219	225
- others	13,920	14,127	14,326	14,533	14,730

Source: CTB return

(a) Data taken as at the second Monday in September.

(b) Total dwellings on valuations list less those exempt from council tax and demolished dwellings

(c) Until 2012, at local authority discretion, second homes could be subject to a discount of between 10% and 50%. From 1 April 2013 this became between 0% and 50%.

(d) Long-term empty homes are those dwellings which are unoccupied and substantially unfurnished and, at local authority discretion, can be subject to a discount of between 0% and 100%. From 1 April 2013, if they have been empty for more than two years, they may be charged a premium of up to 50%.

2.4.3. Band D council tax is the usual standard measure of council tax and is the council tax payable on a Band D dwelling occupied as a main residence by at least two adults, before any reductions due to discounts, exemptions or local council tax support schemes. This definition is widely regarded as a benchmark when comparing council tax levels in different areas or over time.

2.4.4. The council tax paid by a dwelling may be made up of several elements. Depending on its location, in addition to the council tax for the local authority responsible for the area, it may consist of council tax that will be redistributed to some or all of the following: county council (the Greater London Authority in London), fire and rescue authority, police & crime commissioner. Dwellings may also be liable for council tax to fund their local parish council activities.

## Council tax levels

2.4.5. **Table 2.4b** gives figures for levels of, and changes in, the average Band D council tax for England for 2011-12 to 2016-17. These figures include parish precepts. Authorities are required to hold a referendum if their relevant basic amount of council tax for the year is in excess of the council tax referendum principles which apply to them. These referendum principles differ between each type of authority and each year.

<b>Table 2.4b: Average Band D council tax in England and the annual percentage change 2011-12 to 2016-17<sup>(a)</sup></b>		
	<b>£</b>	<b>% change</b>
2011-12	1,439	0.0
2012-13	1,444	0.3
2013-14	1,456	0.8
2014-15	1,468	0.9
2015-16	1,484	1.1
2016-17 <sup>(b)</sup>	1,530	3.1

Source: CTR returns  
 (a) Figures include parish precepts.  
 (b) Local authorities given flexibility to increase council tax by an additional 2% to fund adult social care in 2016-17.

2.4.6. Between 2011-12 and 2015-16 a grant was offered to those authorities that set their average Band D council tax (excluding parish precepts) either at or below the level for the previous year. As a result there was no increase in the average band D figure for England in 2011-12.

2.4.7. In 2016-17, an additional precept was introduced which allowed local authorities with adult social care responsibilities to increase council tax up to an additional 2% to fund adult social care only. This is in addition to the usual funding of adult social care through council tax.

## Parishes and other local precepting authorities in England

2.4.8. Local precepting authorities represent the most local level of government in England. They vary widely both in terms of the populations they represent and the functions they perform. Some have a very limited, local role while others are more active, carrying out activities similar to that of a smaller district council. Typical responsibilities include village halls, war memorials, cemeteries, allotments, open spaces, playgrounds, maintenance of public footpaths and cultural projects.

2.4.9. **Table 2.4c** shows information relating to parishes and other local precepting authorities and the precepts they raise. For many authorities this is their main source of income; it is set at their discretion and is used to finance their net expenditure. Not all local precepting authorities set a precept as they do not require funds for local activities; however they still maintain the power to set a precept in future years.

**Table 2.4c: Average Band D parish precept, England, 2012-13 to 2016-17**

Parishes and other local precepting authorities charging a non-zero precept					
	2012-13	2013-14	2014-15	2015-16	2016-17
Total number <sup>(a)</sup>	9,065 II	8,805	8,813	8,810	8,818
Tax base <sup>(a) (c)</sup> (thousands)	8,046.2 II	7,307.4	7,424.2	7,560.4	7,754.3
Aggregate of local precepts <sup>(b)</sup> (£000)	384,104 II	367,048	388,808	409,146	445,073
Average parish precept per Band D (£)	47.74	50.23	52.37	54.12	57.40
Change (£)	1.77	2.49	2.14	1.75	3.28
Percentage change	3.9%	5.2%	4.3%	3.3%	6.1%

Source : CTR returns

(a) In some cases parishes group together for precepting purposes. Data for 2012-13 was collected by CIPFA and they split all groupings and listed all parishes individually. Data from 2013-14 onwards are collected by DCLG and grouped parishes are treated as a single precept, making this figure lower than in previous years

(b) The localisation of council tax support in 2013-14 has changed the way in which the council tax requirement is calculated. These changes mean the tax base and aggregate of local precepts in 2013-14 onwards are not comparable with earlier years.

(c) Council tax payers in the Charter Trustees for the City of Durham have only been included once here, although they are actually spread across multiple parishes in Durham

2.4.10. Further details about council tax, parishes and other local precepting authorities and collection rates can be found via

<https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/council-tax-statistics>

## 2.5. Non-domestic rates

2.5.1. Non domestic rates, also known as business rates, are collected by billing authorities and are the way in which those that occupy a non-domestic property (or hereditament) contribute towards the funding of local services. The introduction of the business rates retention scheme in 2013-14 allows local authorities to retain a proportion of the revenue that is generated in their area.

2.5.2. Each hereditament has a rateable value that is based, broadly, on the annual rent that the property could have been let for on the open market at a particular date (the data below is based on a value at 1 April 2008, using a list compiled for 1 April 2010). Details of the hereditaments are recorded on rating lists that are compiled and maintained by the Valuation Office Agency (VOA), an agency of HM Revenue and Customs. The total number of hereditaments in England and their rateable value for 2011-12 to 2016-17 are shown in **Table 2.5a**.

2.5.3. Generally, the rates bill for a property is the product of its rateable value and the relevant national non-domestic rating multiplier and billing authorities work out the rates liability for every hereditament by multiplying the rateable value of the property by the appropriate multiplier. There are two multipliers, the non-domestic multiplier and the small business non domestic rate multiplier. The former is higher because it includes a supplement which is used to fund the Small Business Rate

Relief scheme, which is designed to help small businesses meet the cost of their business rates.

- 2.5.4. The Government sets the multipliers for each financial year for England according to formulae set by legislation. Generally, the multipliers increase in line with the Retail Price Index in September of the preceding year. However in 2014-15, the Government capped the increase in the multiplier for that year at 2% to provide business rate payers with additional support. The multipliers for 2011-12 to 2016-17 are shown in **Table 2.5a**.

**Table 2.5a: Number of hereditaments, rateable value and multipliers used, England, 2012-13 to 2016-17**

	2012-13	2013-14	2014-15	2015-16	2016-17
Number of hereditaments on rating list as at 30 Sept ('000s) <sup>(a)</sup>	1,759	1,771	1,787	1,816	1,831
Aggregate rateable value on rating list as at 30 Sept <sup>(a)</sup>	57,178	57,154	57,069	57,224	57,289
Small business rate multiplier( pence)	45	46.2	47.1	48.0	48.4
National non-domestic rates multiplier (pence)	45.8	47.1	48.2	49.3	49.7

Source: NNDR1 returns

(a) Data taken from VOA local list as at 30 September of the previous year e.g 2015-16 data taken as at 30 September 2014.

- 2.5.5. Since the introduction of the business rates retention scheme, the local government sector (local authorities and fire and rescue authorities) are now able to benefit directly from supporting local business growth as they are allowed to keep half of any increases in business rates revenue to invest in local services.
- 2.5.6. In addition, safety net payments are available if a council's business rates income falls by a certain amount. This safety net is funded by a levy paid by those councils whose business rates revenue increases by a disproportionate amount compared to their needs. The levy is designed to ensure that the more councils grow their business rates, the more they benefit.
- 2.5.7. **Table 2.5b** shows details of the amount of non-domestic rates that local authorities collected in 2013-14 to 2015-16 and their forecasts for 2016-17. It does not show information prior to 2013-14 as this was under the old non-domestic rates system and so is not strictly comparable.
- 2.5.8. There are a number of rate reliefs that can be granted in certain circumstances by local authorities. **Table 2.5c** provides details of these reliefs. In addition to the Small Business Rate Relief scheme which, as its name suggests, is targeted at small businesses there are mandatory reliefs which are automatic entitlements in any local authority area, and discretionary reliefs which are granted at a local authority's discretion. An example of these two types of relief is properties held by charities, which are automatically entitled to mandatory relief of 80 per cent, and local



authorities then have the discretion to top that up to 100 per cent. The cost of both mandatory and discretionary relief is borne by both central and local government.

2.5.9. In addition, at a revaluation, transitional arrangements are introduced which cap significant increases and decreases in bills. The transitional scheme introduced from April 2010 aimed to be revenue neutral by phasing in both increases and decreases over five years, instead of all ratepayers receiving the full impact of the changes immediately on 1 April 2010.

2.5.10. Information for the amounts of non-domestic rates collected prior to 2013-14 and further details on data in this table are available via <https://www.gov.uk/government/collections/national-non-domestic-rates-collected-by-councils>

**Table 2.5b: Non-domestic rates to be collected by local authorities under the business rates retention scheme, England, 2013-14 to 2016-17**

	Outturn			£ million
	2013-14	2014-15	2015-16	Forecast 2016-17
<b>Gross rates payable in year</b>	<b>25,630</b>	<b>26,039</b>	<b>26,660</b>	<b>27,745</b>
Net cost of Small Business Rate relief	591	580	539	481
Other mandatory relief	2,452	2,471	2,594	2,552
Discretionary relief	100	312	445	137
<b>Total cost of reliefs</b>	<b>3,142</b>	<b>3,363</b>	<b>3,577</b>	<b>3,170</b>
<b>Gross Rates Payable in year less total cost of reliefs</b>	<b>22,488</b>	<b>22,675</b>	<b>23,083</b>	<b>24,575</b>
Net cost of transitional arrangement <sup>(a)</sup>	36	119	165	0
<b>Net Rates Yield (Gross Rates Payable less net cost of Transition)</b>	<b>22,523</b>	<b>22,794</b>	<b>23,248</b>	<b>24,575</b>
<b>Accounting adjustments</b>				
Losses in collection <sup>(b)</sup>	90	221	228	283
Losses on appeal	1,745	770	287	621
Interest payable	-	2	4	-
Deferrals	-	60	-	-
<b>Total cost of accounting adjustments</b>	<b>1,835</b>	<b>932</b>	<b>519</b>	<b>904</b>
<b>Other deductions from collectable rates<sup>(c)</sup></b>	<b>128</b>	<b>214</b>	<b>260</b>	<b>95</b>
<b>Disregarded Amounts</b>				
Amounts retained in respect of Designated Areas	4	15	14	29
Amounts retained in respect of Renewable Energy schemes	4	22	38	39
<b>Total Disregarded Amounts</b>	<b>7</b>	<b>38</b>	<b>51</b>	<b>69</b>
<b>Non-domestic rating income from rates retention scheme (Net Rates Yield less Accounting adjustments, Other deductions &amp; Disregarded amounts) for year</b>	<b>20,553</b>	<b>21,610</b>	<b>22,417</b>	<b>23,507</b>

Source: Outturn data are taken from auditor confirmed NNDR3 forms, forecast data are taken from NNDR1 forms

(a) No transitional relief allowed in 2015-16 or 2016-17. Amount shown in 2015-16 represents adjustment to previous years

(b) Losses in collection - write offs are not included in the Total cost of Accounting Adjustments

(c) Other deductions from collectable rates includes an allowance for cost of collection & legal costs, a special authority deduction for the City of London, and the net cost of transitional protection payments made to authorities to reverse the effects of transitional arrangements

**Table 2.5c: Cost of reliefs from non-domestic rates, 2013-14 to 2016-17**

	Outturn			£ million
	2013-14 <sup>(a)</sup>	2014-15	2015-16	Forecast 2016-17
<b>MANDATORY RELIEFS</b>				
<b>Small Business Rate Relief</b>				
<b>In respect of current year</b>				
Relief provided in year	986	1,061	1,123	1,129
Additional yield generated from the small business supplement	447	543	646	648
Net cost of small business rate relief in respect of current year	539	518	477	481
Net cost of small business rate relief in respect of previous years	52	62	61	-
<b>Net cost of small business rate relief</b>	<b>591</b>	<b>580</b>	<b>539</b>	<b>481</b>
<b>Other Mandatory reliefs</b>				
<b>In respect of current year</b>				
Charitable occupation	1,391	1,476	1,558	1,575
Community Amateur Sports Clubs (CASCs)	18	19	20	21
Rural rate relief	6	6	6	6
Partially occupied hereditaments	34	32	32	27
Empty premises	988	947	935	838
Total other mandatory relief in respect of current year	2,438	2,480	2,551	2,466
Other mandatory relief in respect of previous years	14	-9	42	-
Changes as a result of local estimates of growth or decline in mandatory relief	-	-	-	86
<b>Total cost of other mandatory relief</b>	<b>2,452</b>	<b>2,471</b>	<b>2,594</b>	<b>2,552</b>
<b>Total cost of mandatory relief</b>	<b>3,042</b>	<b>3,051</b>	<b>3,132</b>	<b>3,033</b>
<b>DISCRETIONARY RELIEFS</b>				
<b>In respect of current year</b>				
Charitable occupation	43	44	44	46
Non-profit making bodies	35	36	38	36
Community Amateur Sports Clubs (CASCs)	1	1	1	1
Rural rate relief	3	3	3	3
Small rural businesses	2	2	2	2
Other relief awarded under s47	8	12	13	19
Hardship relief	3	3	2	-
Total discretionary relief in respect of current year	95	100	104	106
Discretionary relief in respect of previous years	1	2	4	-
<b>Discretionary reliefs funded through Section 31 grants</b>				
"New Empty" properties	1	4	7	8
"Long term empty" properties	-	4	13	10
Retail relief	-	196	296	-
Flooding relief	3	1	7	-
In lieu of Transitional relief	-	-	4	7
Total cost of discretionary reliefs funded through S31 grant	4	205	328	25
Discretionary relief funded through S31 grants in respect of previous years	-	5	10	-
Changes as a result of local estimates of growth or decline in discretionary relief	-	-	-	6
<b>Total cost of discretionary relief</b>	<b>100</b>	<b>312</b>	<b>445</b>	<b>137</b>
<b>TOTAL COST OF ALL RELIEFS</b>	<b>3,142</b>	<b>3,363</b>	<b>3,577</b>	<b>3,170</b>

Source: Outturn data are taken from auditor confirmed NNDR3 forms, forecast data are taken from NNDR1 forms

(a) Data for 2013-14 also include reliefs granted (or recouped for previous awards made in error) in respect of previous years

## Council tax and Non-Domestic rates collection

2.5.11. The collection of council tax and non-domestic rates doesn't stop at the end of March; authorities will continue to attempt to collect the outstanding amounts until such times that they make a decision that it is no longer practical, or cost effective to try to collect it. **Table 2.5d** shows the amount of council tax and non-domestic rates collected in 2011-12 to 2015-16 irrespective of the year to which it relates.

**Table 2.5d: Receipts of council tax and non-domestic rates collected irrespective of the year to which it relates, England, 2011-12 to 2015-16**

£ millions								
Receipts of council taxes					Receipts of non-domestic rates			
	In respect of the billing year	In respect of previous years <sup>(a)</sup>	In respect of subsequent billing year	Total receipts collected in financial year	In respect of the billing year	In respect of previous years <sup>(a)</sup>	In respect of subsequent billing year	Total receipts collected in financial year
2011-12	21,761	393	342	<b>22,496</b>	20,568	-131	309	<b>20,746</b>
2012-13	22,053	392	314	<b>22,759</b>	21,590	-253	295	<b>21,632</b>
2013-14	23,087	399	362	<b>23,848</b>	22,434	-195	341	<b>22,580</b>
2014-15	23,709	457	392	<b>24,558</b>	22,797	-291	362	<b>22,868</b>
2015-16	24,409	509	400	<b>25,318</b>	23,319	-486	344	<b>23,177</b>

Source: QRC4

(a) A negative figure indicates that local authorities repaid more than they collected in respect of previous years. This is usually down to revaluations and appeals which often stretch back over a number of years.

2.5.12. The in-year collection rate is the amount received by 31 March of the year in question of that financial year's council tax and non-domestic rates, shown as a percentage of the net collectable debit in respect of that year's council tax or non-domestic rates. In other words it is how much the local authority collected by 31 March of the local tax they would have collected if everyone liable had paid what they were supposed to. **Table 2.5e** shows the in-year collection rates for England since 2011-12.

**Table 2.5e: Collection rates of council tax and non-domestic rates, England, 2011-12 to 2015-16**

	2011-12	2012-13	2013-14	% of total collected	
				2014-15	2015-16
Council tax	97.3	97.4	97.0	97.0	97.1
Non-domestic rates	97.8	97.7	97.9	98.1	98.2

Source : QRC4

2.5.13. It includes prepayments made in the previous year in respect of the current year but it does not include prepayments made in the current year in respect of future years nor does it include the payment of any arrears. The collection of council tax and non-domestic rates continue once the financial year to which they relate has ended; this means that the final collection rate achieved is somewhere between the figures shown and 100 per cent.

2.5.14. Further details associated with the data in this table are available via <https://www.gov.uk/government/collections/council-tax-statistics#collection-rates-for-council-tax-and-non-domestic-rates>

# CHAPTER 3

## How is the money spent? – Revenue expenditure

### 3.1. Summary of revenue expenditure

- 3.1.1. Revenue spending by local authorities is mainly for meeting employee costs, such as the salaries of staff; procurement costs, such as transport, fuel and building maintenance; levies paid to other local authorities which provide a service (for example, a metropolitan district pays a waste disposal authority); payment of awards/benefits on behalf of central government (for example, mandatory rent allowances) and recharges to other accounts
- 3.1.2. Such spending is often referred to as current or revenue expenditure, in order to distinguish it from capital spending. However, the terms current expenditure and revenue expenditure also have particular meanings in the context of local government finance
- 3.1.3. Further statistics about revenue expenditure in England that is summarised in this chapter can be found via <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

### 3.2. General Fund Revenue Account expenditure definitions

- 3.2.1. **Total current expenditure** is the cost of running local authority services within the financial year. This expenditure is offset by income from sales, fees and charges and other (non-grant) income, which gives **total net current expenditure**. Net current expenditure includes that expenditure financed by specific government grants within and outside Aggregate External Finance (AEF).
- 3.2.2. **Revenue expenditure** is equal to net current expenditure plus capital financing costs and a few minor adjustments, but excluding expenditure funded by grants outside AEF and income from interest receipts. The sum of government grants, redistributed non-domestic rates, and council tax does not normally exactly equal revenue expenditure because of the use of reserves.
- 3.2.3. **Net revenue expenditure** is revenue expenditure, excluding that funded by all specific grants inside AEF, and excluding the Local Services Support Grant. Police Grant is not included in this. This represents an authority's budget requirement and use of reserves.
- 3.2.4. Changes and comparisons over time can be misleading owing to changes in functions that are the responsibilities of local government and the definition of service lines, but these discontinuities have been highlighted in the tables. For example, education expenditure by local authorities has decreased because of the increase in the number of academy schools, which are centrally funded rather than funded by the local authorities. These discontinuities have a knock on effect for comparing the total net current expenditure over time. Recent trends in revenue

spending by broad service group and how it has been financed are shown in summary form in **Table 3.2a**

Table 3.2a: General fund revenue account: Outturn 2011-12 to 2015-16 and budget 2016-17						
	2011-12	2012-13	2013-14	2014-15	2015-16	£ million 2016-17 (B)
Education <sup>(a)</sup>	40,219	37,134	35,881	34,477	34,133	34,211
Highways and transport	5,381	4,823	4,795	4,537	4,331	4,401
Social care <sup>(b)</sup>	21,160	21,136	21,480	22,587	22,701	22,224
of which:						
Children's Social Care	6,423	6,612	6,915	8,091	8,303	7,835
Adult Social Care	14,738	14,524	14,565	14,496	14,398	14,390
Public Health <sup>(c)</sup>	-	-	2,508	2,737	3,152	3,496
Housing (excluding Housing Revenue Account)	2,102	1,996	2,025	1,852	1,603	1,610
Cultural, environmental and planning	9,742	9,407	9,176	8,915	8,703	8,438
Police	11,650	11,337	10,920	10,889	10,932	11,094
Fire & rescue	2,118	2,119	2,089	2,045	1,984	2,052
Central services	2,952	3,002	2,845	3,068	3,024	3,055
Other Services	112	118	91	92	70	342
<b>Total Service Expenditure</b>	<b>95,435</b>	<b>91,072</b>	<b>91,809</b>	<b>91,199</b>	<b>90,633</b>	<b>90,923</b>
Housing Benefits <sup>(d)</sup>	19,766	20,748	20,982	21,113	20,918	20,792
Parish Precepts and Levies <sup>(e)</sup>	418	434	423	436	461	503
Trading Account Adjustments and Other Adjustments <sup>(f)</sup>	-406	-312	-329	-344	-325	-332
<b>Total Net Current Expenditure</b>	<b>115,213</b>	<b>111,941</b>	<b>112,885</b>	<b>112,404</b>	<b>111,686</b>	<b>111,886</b>
Capital financing <sup>(g)</sup>	4,639	4,348	4,468	4,528	4,418	4,193
Capital Expenditure charged to Revenue Account (CERA)	2,915	1,307	2,778	3,010	1,966	1,265
Other non-current expenditure <sup>(h)</sup>	4,332	4,337	149	165	208	77
Private Finance Initiative (PFI) difference from service charge	5	51	33	41	37	-7
Appropriations to(+)/ from(-) financial instruments adjustment acc.	-217	7	-45	3	19	-21
Appropriations to(+)/ from(-) unequal pay back pay account	-15	16	28	33	51	2
less Interest receipts	860	815	839	865	1,047	889
less Specific grants outside AEF	26,542	26,829	22,805	23,045	22,448	21,966
less Business rates supplement	230	235	212	221	222	224
less Community Infrastructure Levy	-	6	47	123	154	122
less Carbon Reduction Commitment	-31	-27	-26	-13	-18	-21
less Capital receipts used to finance revenue expenditure	-	-	-	-	-	83
<b>Total Revenue Expenditure</b>	<b>99,278</b>	<b>94,148</b>	<b>96,419</b>	<b>95,943</b>	<b>94,533</b>	<b>94,134</b>

Source: Revenue Summary (RS) returns 2011-12 to 2015-16, Revenue Account (RA) budget return 2016-17

(a) Education expenditure since 2011-12 are not comparable to previous years due to a number of schools changing their status to become academies, which are centrally funded rather than funded by local authorities.

(b) Adult social care for 2011-12 is not comparable to previous years due to a change in responsibility between NHS and local government for adults with learning disabilities, where from 1st April 2011 the transfer of funding was made directly from Department for Health to LA's, where they now receive a new non-ring fenced

(c) Service Expenditure and Net Current Expenditure in 2013-14 is not comparable to previous years due to a transfer of Public Health duties to local authorities in 2013-14, following the Health and Social Care Act 2012.

(d) 'Housing Benefits' includes all mandatory payments on rent allowances and rent rebates to Housing Revenue Account tenants and non-HRA tenants. This also includes HRA items shared by the whole community and subsidy transfers. For more information please see the Revenue Summary (RS) tables for actuals and the Revenue Account (RA) table for budgets.

(e) 'Parish Precepts and levies' comprises all Parish Precepts, Integrated Transport Authority levy, Waste Disposal Authority levy, London Pensions Fund Authority levy and any Other levies.

(f) 'Trading Account and other adjustments' comprises the net surplus(-)/ deficit(+) of the Internal and External Trading Accounts less any Capital items, movements to and from the Accumulated Absences Account and Adjustments to net current expenditure.

(g) 'Capital financing' includes 'Provision for repayment of principal', 'Leasing payments', 'Interest payable and similar charges' and 'HRA item 8 payments'

(h) 'Other non-current expenditure' includes flood defence payments to the environment agency and bad debt provision. This previously included gross expenditure on council tax benefit and discretionary non-domestic rate relief

**Table 3.2a: General fund revenue account: Outturn 2011-12 to 2015-16 and budget 2016-17 (continued)**

	2011-12	2012-13	2013-14	2014-15	2015-16	£ million 2016-17 (B)
<b>Total Revenue Expenditure</b>	<b>99,278</b>	<b>94,148</b>	<b>96,419</b>	<b>95,943</b>	<b>94,533</b>	<b>94,134</b>
financed by:						
<b>Reserves and Other</b>	<b>-2,427</b>	<b>-2,461</b>	<b>-2,249</b>	<b>-664</b>	<b>853</b>	<b>2,489</b>
Transfers and Adjustments <sup>(a)</sup>	0	0	1	2	1	-1
Appropriation to (-)/from (+) Reserves (excluding Pensions)	-2,553	-2,592	-2,379	-948	394	1,885
Other items	126	131	130	282	459	606
<b>Total Government Funding</b>	<b>45,754</b>	<b>42,043</b>	<b>41,837</b>	<b>40,853</b>	<b>40,148</b>	<b>39,437</b>
Specific grants inside AEF	45,502	41,820	41,760	40,805	40,119	39,411
Area Based Grant (ABG)	-	-	-	-	-	-
Local Services Support Grant	253	223	77	48	29	26
<b>Formula Grant <sup>(b)</sup></b>	<b>29,436</b>	<b>27,802</b>	<b>33,460</b>	<b>31,790</b>	<b>28,797</b>	<b>26,126</b>
of which:						
Revenue Support Grant	5,873	448	15,175	12,675	9,520	7,184
Redistributed non-domestic rates	19,017	23,129	-	-	-	-
Retained Income from Rate Retention Scheme	-	-	10,719	11,331	11,855	11,555
Police grant <sup>(c)</sup>	4,546	4,224	7,565	7,784	7,423	7,387
<b>General Greater London Authority Grant</b>	<b>63</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Council tax requirement</b>	<b>26,451</b>	<b>26,715</b>	<b>23,371</b>	<b>23,964</b>	<b>24,734</b>	<b>26,082</b>

Source: Revenue Summary (RS) returns 2011-12 to 2015-16, Revenue Account (RA) budget return 2016-17

(a) Specifically 'Inter-authority transfers in respect of reorganisation'.

(b) Formula Grant in 2013-14 is not comparable to previous years due to a change in business rates, whereby authorities now retain a share of business rates and keep the growth on that share, thereby giving them a significant financial incentive to help deliver growth locally. This will have a significant effect on the amount of Revenue Support Grant each authority receives following 2013-14.

(c) Police authorities, which are not part of the rates retention scheme, will receive all of their funding through Police Grant from 2013-14.

### 3.3. Labour, goods and services purchased

3.3.1. Revenue expenditure can also be analysed in terms of the labour, goods and services purchased by local authorities.

3.3.2. A sample of local authorities completes the Subjective Analysis Return (SAR). This is a more detailed return showing how net current expenditure is broken down between pay and the procurement of goods and services. Pay is analysed to show the major pay negotiating groups (see Chapter 6). Procurement of goods and services is analysed to show goods and services purchased directly and services provided by external contractors or internal trading services.

3.3.3 **Table 3.3a** shows this analysis from 2011-12 onwards. Total expenditure on pay and the procurement of goods and services is consistent with *Revenue Outturn* data, but has been adjusted to exclude double counting of expenditure that has been recharged between service blocks within the General Fund Revenue Account, or between one local authority and another. Discretionary transfer payments have also been excluded.

**Table 3.3a: Labour, goods and services 2011-12 to 2015-16**

	£ million					% of total
	2011-12	2012-13	2013-14	2014-15	2015-16	2015-16
Teachers <sup>(a)</sup>	18,155	15,970	14,109	13,700	13,325	26
Police	10,439	9,967	9,492	6,633	6,871	13
Firefighters	1,454	1,400	1,509	1,282	1,219	2
Other local government	27,547	26,628	25,985	29,435	28,534	55
Pay related costs	2,599	2,171	2,805	2,085	1,854	4
<b>Total employee expenditure</b>	<b>60,195</b>	<b>56,136</b>	<b>53,899</b>	<b>53,136</b>	<b>51,802</b>	<b>100</b>
Premises related expenditure	6,724	6,716	6,349	...	...	
Transport expenditure	2,829	2,741	2,830	...	...	
Supplies and services expenditure	17,822	17,507	17,973	...	...	
External contractors <sup>(b)</sup>	27,156	27,224	30,232	...	...	
Internal trading services	2,075	1,781	1,239	...	...	
Other <sup>(c)</sup>	737	1,114	2,033	...	...	
<b>Total procurement expenditure<sup>(d)</sup></b>	<b>57,344</b>	<b>57,082</b>	<b>60,654</b>	...	...	
<b>Total employee and procurement expenditure<sup>(d)</sup></b>	<b>117,538</b>	<b>113,218</b>	<b>114,554</b>	...	...	

Source: Subjective Analysis Returns (SAR) 2011-12 to 2015-16

<https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

(a) The number of teachers has been decreasing due to schools moving to academy status, where academies are directly funded by central government and are independent of local government control.

(b) Excludes expenditure on inter local authority recoupment (RO1).

(c) Excludes expenditure on concessionary fares and administration and support services recharges (RO2, RO6).

(d) Since the SAR collection methodology was reviewed in 2013-14, total procurement expenditure and the component expenditure is now only collected as part of the SAR return every three years and unavailable for 2014-15 and 2015-16.

### 3.4. Revenue reserves

3.4.1. Revenue reserves are an accumulation of income, which can be used to finance future spending and to provide working balances. Authorities hold reserves for a variety of reasons including:

- to meet unexpected calls on their resources, like the consequences of flooding or of snow and ice on roads,
- to act as a cushion against uneven cash flows,
- to avoid the need for temporary borrowing,
- to build up resources to cover certain or probable future liabilities.

3.4.2. Planning for unexpected expenditure is an important element of authorities' risk management strategies, and decisions on the amount held for this reason should follow a careful assessment of risks faced by an authority and other means by which the risks can be mitigated. **Table 3.4a** shows the level and use of revenue reserves.

3.4.3. There are four main types of revenue reserves:



- **schools' reserves**, which represent amounts retained by schools out of their delegated budgets; schools hold these reserves for the same reasons as local authorities,
- **public health reserves**, which represent amount retained by local authorities out of their public health budgets and can only be used for public health expenditure,
- **other earmarked reserves**, which have been set aside for other particular purposes,
- **unallocated reserves**, which are intended for general contingencies.

3.4.4. In presenting how much finance a local authority has in reserve at any point in time it is normal to exclude schools' reserves as they are not immediately available to a local authority.

**Table 3.4b: Level and use of Revenue Reserves, 31 March 2011 - 31 March 2016**

At 31 March	£ million								% change over previous years	Revenue reserves as a % of revenue expenditure					%	
	Revenue reserves							Total Revenue Reserves		Non-ringfenced reserves						Total Revenue Reserves
	Revenue expenditure (a)	Schools	Public Health	Other earmarked	Unallocated	Non- ringfenced total	Non-ringfenced total			Schools	Public Health	Other earmarked	Unallocated	Non- ringfenced total		
2011	104,256	2,057	-	10,503	3,762	14,265	16,322									
2012	99,278	2,414	-	12,412	4,086	16,498	18,913	15.9	2.4	-	12.5	4.1	16.6	19.1		
2013	94,148	2,372	-	14,886	4,537	19,423	21,795	15.2	2.5	-	15.8	4.8	20.6	23.1		
2014	96,419	2,378	207	17,084	4,299	21,383	23,967	10.0	2.5	0.2	17.7	4.5	22.2	24.9		
2015	95,943	2,414	320	17,971	4,483	22,454	25,188	5.1	2.5	0.3	18.7	4.7	23.4	26.3		
2016	94,533	2,316	264	17,673	4,458	22,130	24,710	-1.9	2.5	0.3	18.7	4.7	23.4	26.1		

Source: Revenue Summary (RS) returns 2010-11 to 2015-16  
This table shows end year reserves levels only and compares these with the end years of previous financial year.  
(a) This figure represents the Revenue Expenditure for the full financial year. For example, Revenue expenditure for 2016 is outturn for financial year 2015-16.

## 3.5 External trading services

3.5.1 Local authorities operate a variety of trading services, which are either defined under general or local Acts of Parliament or by custom. They are services of a commercial nature which are substantially financed by charges made to recipients of the services. **Table 3.5a** shows details of the internal and external trading accounts.

**Table 3.5a: Trading Account Services, 2011-12 to 2015-16**

	2011-12	2012-13	2013-14	2014-15 <sup>(a)</sup>	2015-16 <sup>(a)</sup>
	<b>£ million</b>				
<b>Internal Trading Accounts</b>					
Total Expenditure	3,405	3,056	2,596	...	...
Income	3,480	3,126	2,650	...	...
<b>Net surplus/deficit of Internal Trading Account</b>	<b>18</b>	<b>25</b>	<b>35</b>	<b>8</b>	<b>12</b>
<b>External Trading Accounts</b>					
Expenditure	815	791	773	...	...
Income	1,131	1,092	1,081	...	...
<b>Net surplus/deficit of External Trading Account</b>	<b>-165</b>	<b>-205</b>	<b>-229</b>	<b>-186</b>	<b>-391</b>
<b>Total Trading Accounts</b>					
Expenditure	4,220	3,847	3,369	...	...
Income	4,611	4,218	3,732	...	...
<b>Net surplus/deficit of Total Trading Accounts</b>	<b>-147</b>	<b>-180</b>	<b>-194</b>	<b>-178</b>	<b>-378</b>

Source: Trading Account Services Returns (TSR) to 2015-16  
(a) Since 2014-15 we have only collected the net surplus / deficit of the internal and external trading accounts

3.5.2 External trading services are typically organisations funded mainly by sales outside the authority. These include civic halls and theatres, markets, industrial estates, tolled bridges, roads, ferries and tunnels. Their receipts are conditional on actual work done. They differ from public corporations in that they do not have a full commercial style set of accounts, or autonomy from the local authority in day to day business operations in their legal identity and financial transactions. An operating profit on the Trading Accounts Services (TSR) return is shown as a negative on the expenditure form.

### 3.6 Housing Revenue Account (HRA)

3.6.1 The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's own housing stock and dates back to the Housing Act 1935.

3.6.2 Most other local authority services are funded through council tax and central government support for the benefit of all local taxpayers. However housing is provided directly to a relatively small sub-group of local residents and council tenants and funded by the rents they pay and by central government subsidy.

3.6.3 The HRA is a ring-fenced account. The ring-fence, introduced in the Local Government and Housing Act 1989, ensures that rents paid by local authority tenants make a fair contribution to the cost of providing the housing service. Rent levels can therefore not be subsidised by increases in the council tax and equally, local authorities are prevented from increasing rents in order to keep council tax levels down.

3.6.1 In March 2012 the HRA subsidy system was abolished and replaced with a self-financing system. This involved transfers of assets and liabilities between central and local government. The net result of these transactions was that local

government borrowing increased by approximately £8.1 billion in March 2012 to cover the housing stock they took over.

### 3.6.2 Details of the income and expenditure on the HRA since 2011-12 can be found in **Table 3.6a.**

**Table 3.6a: Housing Revenue Account income and expenditure, 2011-12 to 2015-16, and budget 2016-17**

	2011-12 (Estimate)	2012-13	2013-14	2014-15	£ million 2015-16	% of total 2015-16	£ million 2016-17 (Budget)
<b>Expenditure</b>							
Repairs and maintenance	1,535	1,720	1,772	1,844	1,794	21%	1,785
Supervision and management: general	1,710	1,761	1,878	1,819	1,953	23%	1,902
Supervision and management: special services	637	487	464	488	473	6%	592
Expenditure for capital purposes	324	428	618	708	707	8%	939
Debt charges <sup>(a)</sup>	2,904	1,161	1,293	1,187	1,177	14%	1,197
Interest payable and similar charges	-	1,154	988	970	1,013	12%	900
Transfers to GF or MRR <sup>(b)</sup>	1,013	1,022	1,084	1,013	1,064	13%	888
Other expenditure <sup>(c)</sup>	652	121	122	123	188	2%	223
<b>Total expenditure</b>	<b>8,776</b>	<b>7,854</b>	<b>8,219</b>	<b>8,152</b>	<b>8,369</b>	<b>100%</b>	<b>8,425</b>
<b>Income</b>							
Rents from dwellings	6,412	6,743	7,043	7,286	7,316	84%	7,192
Rents other than dwellings	171	174	171	153	152	2%	159
Heating and other services	613	636	687	699	706	8%	663
Government subsidy	309	231	289	321	330	4%	149
Interest income	1,449	30	54	48	42	0%	21
LA subsidy	18	-	-	-	-	-	-
Transfers from GF or MRR <sup>(b)</sup>	-	211	124	70	55	1%	110
Other income <sup>(d)</sup>	965	140	144	148	105	1%	102
<b>Total income</b>	<b>9,937</b>	<b>8,165</b>	<b>8,512</b>	<b>8,700</b>	<b>8,706</b>	<b>100%</b>	<b>8,394</b>

Source: HRA Subsidy claims to 2011-12 (estimates for 2011-12), Revenue Outturn (RO4) return from 2012-13, Revenue Account (RA) budget return 2016-17.

(a) Comprises 'Charges to the HRA for debt repayment or non-interest charges in respect of credit arrangements (including on balance sheet PFI schemes)' and 'Debt management costs'

(b) Transfers to and from the 'General Fund Revenue Account' (GFRA) and 'Major Repairs Reserve' (MRR)

(c) Other HRA expenditure comprises 'Provision for bad debts' and 'Rents, rates, taxes and other charges'

(d) Other HRA Income comprises 'Contributions towards expenditure other than government grants' and appropriations from the 'Accumulated Absences Account'

# CHAPTER 4

## How is the money spent? – Capital expenditure

### 4.1. Capital spending and receipts

- 4.1.1. Capital spending by local authorities is mainly for buying, constructing or improving physical assets such as - buildings – schools, houses, libraries, museums, police and fire stations etc.; land – for development, roads, playing fields etc.; and vehicles, plant and machinery – including street lighting, road signs etc.
- 4.1.2. It also includes grants and advances made to the private sector or the rest of the public sector for capital purposes, such as advances to Registered Social Landlords.
- 4.1.3. Authorities finance this spending in a number of ways, including use of their own revenue funds, capital receipts, borrowing or grants and contributions from elsewhere.
- 4.1.4. Authorities do not need prior government approval to finance capital spending by borrowing or credit. They operate under the prudential capital finance system and, although they receive central government support for a major part of their capital programmes, are free to borrow to fund additional investment as long as they can prudently afford to service the debt.
- 4.1.5. A **capital receipt** is the money received by a local authority from the sale of a capital asset, such as a council house, or from the repayment of a grant or loan made by the authority to someone else to use for capital spending.
- 4.1.6. Local authorities are required to set aside any part of a receipt, though authorities are still free to earmark all or some of their receipts for debt redemption if they wish. However, a pooling system is in place requiring authorities to pay to the government a proportion of their capital receipts from the sale of housing land and dwellings. Large and Small Scale Voluntary Transfers are excluded from this scheme.
- 4.1.7. Further statistics on capital expenditure can be found on-line at <https://www.gov.uk/government/collections/local-authority-capital-expenditure-receipts-and-financing>
- 4.1.8. Recent trends in capital expenditure by type of spending are shown in **Table 4.1a**. **Table 4.1b** provides details of capital expenditure by service.

**Table 4.1a: Capital expenditure by economic category, 2011-12 to 2016-17**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (F)
<b>£ million</b>						
<b>Expenditure:</b>						
Acquisition of land and existing buildings and works	721	823	1,191	1,022	1,177	918
New construction and conversion	13,300	11,494	11,650	12,983	13,526	16,512
Vehicles, plant equipment and machinery	1,426	1,210	1,231	1,270	1,210	1,301
Intangible assets	221	178	209	226	240	213
<b>Total expenditure on fixed assets</b>	<b>15,668</b>	<b>13,705</b>	<b>14,281</b>	<b>15,500</b>	<b>16,153</b>	<b>18,945</b>
Grants, loans and other financial assistance	4,166	4,002	3,770	4,403	4,492	3,789
Acquisition of share and loan capital	198	1,225	1,611	1,635	2,002	820
<b>Total capital expenditure</b>	<b>20,032</b>	<b>18,931</b>	<b>19,662</b>	<b>21,537</b>	<b>22,647</b>	<b>23,553</b>
<i>of which GLA:</i>	<i>3,431</i>	<i>4,120</i>	<i>4,487</i>	<i>5,080</i>	<i>5,087</i>	<i>3,432</i>
Expenditure by virtue of a section 16(2)(b) direction <sup>(a)</sup>	263	111	10	1	-1	17
Notional capital receipts set aside and Large Scale Voluntary Transfer levy	16	0	0	0	0	0
One-off HRA self-financing determination payment	13,295	-	-	-	-	-
<b>Total expenditure and other transactions</b>	<b>33,606</b>	<b>19,042</b>	<b>19,671</b>	<b>21,539</b>	<b>22,646</b>	<b>23,571</b>
<b>Total expenditure excl HRA self-financing determination payment</b>	<b>20,311</b>	-	-	-	-	-
<b>Receipts:</b>						
Sales of fixed assets	1,923	2,033	2,426	2,876	3,327	...
Intangible fixed assets						...
Repayments of grants, loans and financial assistance	21	9	8	35	5	...
Disposal of investments including share and loan capital	43	76	231	72	224	...
One-off HRA self-financing determination & premium	27	7	6	13	20	...
<b>Total capital receipts</b>	<b>2,013</b>	<b>2,125</b>	<b>2,671</b>	<b>2,996</b>	<b>3,576</b>	<b>3,206</b> (h)
<b>Total receipts excl HRA self-financing determination &amp; premium</b>	<b>1,986</b>	-	-	-	-	-

Source: COR/CER/CPR4 returns

(a) Expenditure which does not fall within the definition of expenditure for capital purposes, but is treated as capital expenditure by a direction under section 16(2)(b) of the Local Government Act 2003

(b) GLA's grants and loans total £2.9 billion, including GLA's £1 billion contribution to Crossrail.

(c) Reflects a one-off loan within the TfL Group of £1.6bn to London Underground financed by an equivalent loan from Tube lines

(d) Local authorities subject to the transactions associated with the HRA Self-financing Determinations are required to include the determination in relation to expenditure or receipts and also the financing if applicable. This is a one-off exercise for 2011-12 and figures are provided both inclusive and exclusive of this transaction.

(e) This reflects reallocation of expenditure by TfL as part of year end process of reconciling funding to its subsidiaries.

(f) The reason for a significant increase in acquisition of share or loan capital is the higher levels of spend now being witnessed on the Crossrail project, as construction is fully underway

(g) This reflects the disposal of assets by the Greater London Authority (GLA)

(h) Breakdown of Capital Receipts taken from Capital Payments and Receipts Live Tables. 2016-17 Total Capital receipts figure taken from CER16-17. Outturn breakdown of this years figure will be available in 2016-17 CPR4.

**Table 4.1b: Local authority capital expenditure by service: England: 2011-12 to 2016-17**

	£ million					
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	(F)					
Education <sup>(b)</sup>	5,495	4,528	3,742	3,480	3,196	3,523
Highways & transport	6,574	6,046	6,615	7,438	8,306	6,616
of which GLA	3,137	3,016	3,502	3,802	4,309	3,317
Social services	253	207	343	264	261	385
Public health(a)	...	...	4	7	10	16
Housing	3,274	3,731	3,969	4,807 <sup>(c)</sup>	4,604	5,457
of which GLA	0	652	414	676	259	334
Culture & related services	1,102	877	830	957	1,068	1,187
Environmental services	488	526	581	680	726	975
Planning & development services	653	879	1,129	1,467	1,686	2,353
Police	538	500	481	546	611	766
Fire & rescue	136	172	178	192	172	256
Central services <sup>(d)</sup>	1,160	1,264	1,325	1,375	1,489	1,634
Trading services <sup>(d)</sup>	358	201	464	323	518	403
<b>Total capital expenditure</b>	<b>20,032</b>	<b>18,931</b>	<b>19,661</b>	<b>21,537</b>	<b>22,647</b>	<b>23,571</b>

(a) Public health grant is being provided in 2013-14 to give local authorities the funding needed to discharge their new public health responsibilities

(b) Expenditure on education services in 2015-16 is not comparable to previous years due to a number of schools changing their status to become academies, which are centrally funded rather than funded by local authorities

(c) GLA incurring additional housing expenditure in 2014-15 compared to 2013-14 primarily in relation to affordable housing, the Mayor's housing covenant and decent homes

(d) Central services include court costs, local tax collection, and other core council services costs (such as IT). Trading services include the maintenance of direct labour and service organisations, such as civic halls, retail markets and industrial estates

## 4.2. Capital financing

### 4.2.1. Capital spending is financed by:

- grants received from government departments for any purpose, but mainly given for schools, transport, housing or regeneration work; contributions or grants from elsewhere, including the National Lottery and Non-Departmental Public Bodies such as Sports England, English Heritage and Natural England. These can also come from private sector partners, for example for access roads or traffic management schemes;
- capital receipts (that is proceeds from the sale of land, buildings or other fixed assets);
- revenue resources – either the General Fund Revenue Account, the Housing Revenue Account (HRA) or the Major Repairs Reserve although an authority cannot charge council tenants for spending on general services, or spending on council houses to local taxpayers;
- self-financed borrowing within limits of affordability, having regard to the 2003 Act and the CIPFA *Prudential Code*.

4.2.2. **Table 4.2a** provides details of capital expenditure financing from 2011-12 to 2016-17.

Table 4.2a: Financing of capital expenditure, 2011-12 to 2016-17						
	£ million					
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (F)
Central government grants	7,170 <sup>(a)</sup>	8,481	7,483	8,520	9,302	9,001
EU structural funds grants	77	55	57	132	114	24
Grants and contributions from private developers and from leaseholders etc	747	693	750	727	1,069	1,421
Grants and contributions from NDPBs <sup>(b)</sup>	522	442	443	564	505	698
National lottery grants	121	67	49	53	47	83
Use of capital receipts	1,647	1,294	1,516	1,879	2,196	3,298
Revenue financing of capital expenditure <i>of which:</i>	4,504 <sup>(a)</sup>	3,167	4,920	5,241	4,654	5,070
<i>Housing Revenue Account (CERA)</i>	324	466	578	686	775	1,509
<i>Major Repairs Reserve</i>	1,160	1,259	1,491	1,526	1,815	1,595
<i>General Fund (CERA)</i>	3,020	1,442	2,851	3,029	2,065	1,965
Capital expenditure financed by borrowing/credit <i>of which:</i>	18,819	4,842	4,454	4,422	4,759	9,925
<i>SCE(R) Single Capital Pot<sup>(c)</sup></i>	338	88	70	0	0	0
<i>SCE(R) Separate Programme Element<sup>(c)</sup></i>	74	30	8	0	0	0
<i>Other borrowing &amp; credit arrangements not supported by central government<sup>(e)</sup></i>	18,406 <sup>(d)</sup>	4,724	4,376	4,422	4,759	9,925
<b>Total</b>	<b>33,606 <sup>(d)</sup></b>	<b>19,042</b>	<b>19,671</b>	<b>21,539</b>	<b>22,646</b>	<b>29,519 <sup>(f)</sup></b>

(a) There is a discontinuity from 2010-11 owing to a change in the treatment of expenditure by GLA. Previously this was recorded as 'Central government grant' but for 2011-12 it has been recorded as CERA to align with figures received on the Revenue Outturn

(b) Non-Departmental Public Bodies, organisations that are not government departments but which have a role in the processes of national government, such as Sport England, English Heritage and the Natural England.

(c) Supported capital expenditure (SCE) financed by borrowing attracted central government support was discontinued as of March 31 2011. A residue of schemes in 2011-12 and 2012-13 continue to be financed in reliance of supported borrowing from earlier years.

(d) It is estimated that approximately £13 billion is associated with the financing of the HRA self-financing determination payment.

(e) The Prudential System, which came into effect on 1 April 2004, allows local authorities to raise finance for capital expenditure - without Government consent - where they can afford to service the debt without extra Government support.

(f) Financing of capital expenditure forecast has not been adjusted, unlike the forecast capital expenditure data in table 1. This means total forecast spend is approximately 20% lower than the resource total.

# CHAPTER 5

## Borrowing and Investments

### 5.1. Outstanding debt and holdings of investments

- 5.1.1. Local authorities have the power to determine how much debt they can take on to deliver services. Each local authority sets its own debt limit. In doing so, the authority will need to be confident that it can service the debt, without the costs of doing so adversely impacting on service delivery.
- 5.1.2. Outstanding debt includes temporary borrowing, issued with a term of less than one year, for the purpose of managing cash flow, and longer-term borrowing, issued with a term greater than one year, taken out to finance capital projects.
- 5.1.3. **Table 5.1a** outlines the total borrowing figures across the past five years from 2011-12 to 2015-16. These are broken down by borrowing source. Separate totals for Transport for London (TFL) and the Greater London Authority (GLA) have been provided as these two authorities manage funds for some of the largest capital investment programmes in the country, such as Crossrail. Borrowing to finance these projects contributes significantly to UK borrowing trends.
- 5.1.4. **Table 5.1b** shows the local authority investment levels as at the 31<sup>st</sup> March from 2011-12 to 2015-16.
- 5.1.5. Local authorities are permitted to invest their surplus funds to generate a return. However, certain types of investments that are considered too risky are prohibited.
- 5.1.6. The stock of local authority investments is the financial representation of local authorities' reserves, unused capital receipts and cash flow surpluses. Authorities that are net borrowers may use such resources to reduce their borrowing rather than hold them as investments.
- 5.1.7. Further statistics on Borrowing and Investments can be found on-line at <https://www.gov.uk/government/collections/borrowing-and-investments-by-uk-local-authorities>



**Table 5.1a: Local authority borrowing, England, 2011-12 to 2015-16**

	£ million				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Temporary borrowing</b>					
Banks	55	54	54	51	43
Building societies	4	0	0	4	0
Other financial intermediaries	45	78	94	88	121
Public corporations	77	54	42	57	36
Private non-financial corporations	2	4	5	8	13
Central government	1	2	5	0	0
Household sector	25	38	17	13	17
Other sources	36	36	40	48	46
<b>Total</b>	<b>245</b>	<b>265</b>	<b>257</b>	<b>270</b>	<b>275</b>
<b>Longer-term borrowing</b>					
Negotiable bonds	1,494	1,901	2,601	3,106	4,384
Listed securities other than bonds	2,226	2,059	1,666	1,727	1,233
Public Works Loan Board <sup>(a)</sup>	49,977	51,368	51,181	51,462	52,731
Banks	9,325	9,015	8,584	8,356	8,226
Building societies	5	5	2	1	1
Other financial intermediaries	301	300	332	435	498
Public corporations	1	6	6	9	6
Private non-financial corporations	12	11	120	149	155
Central government	3	7	22	35	83
Household sector	4	3	4	3	3
Rest of the World and Other Sources	3,665	4,248	4,710	5,056	5,837
<b>Total</b>	<b>67,014</b>	<b>68,923</b>	<b>69,228</b>	<b>70,339</b>	<b>73,156</b>
<b>Total borrowing</b>	<b>67,260</b>	<b>69,188</b>	<b>69,485</b>	<b>70,609</b>	<b>73,430</b>
TFL and GLA <sup>(b)</sup>	8,472	9,993	11,105	11,805	13,009
<b>Total borrowing excluding TFL and GLA</b>	<b>58,788</b>	<b>59,196</b>	<b>58,380</b>	<b>58,804</b>	<b>60,422</b>

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns; Public Works Loan Board

(a) Reform of the Housing Revenue Account (HRA) saw net one-off borrowing of £8,100 million by Local Authorities from the Public Works Loan Board in March 2012

(b) Transport for London (TFL) and the Greater London Authority (GLA) figures are included as they contribute significantly to the overall change in borrowing each year

**Table 5.1b: Local authority investments, England, 2010-11 to 2014-15**

	£ million				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Investments</b>					
Deposits: banks	12,592	14,908	14,951	12,863	12,083
Deposits: building societies	1,738	1,856	2,022	2,706	1,782
Treasury bills	1,141	1,029	1,772	2,004	671
Certificates of deposit: banks	94	133	377	965	742
Certificates of deposit: building societies	14	0	8	6	23
British Government (Gilt-edge) securities	887	206	1,227	597	481
Other financial intermediaries	30	12	23	46	37
Public corporations	153	156	200	285	1,040
Debt Management Account deposit facility	435	336	486	918	495
Money market funds	3,990	3,445	3,634	4,545	6,272
Externally managed funds	1,473	1,492	1,399	1,568	2,367
Other investments (a)	229	2,616	2,722	3,520	3,425
<b>Total investments</b>	<b>22,774</b>	<b>26,189</b>	<b>28,823</b>	<b>30,023</b>	<b>29,419</b>

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns, Debt Management Office

(a) Includes investments made with public corporations, other financial institutions and British Government securities. £2.3 billion of the increase in 2012-13 was due to investments made by GLA for Crossrail.

## 5.2. Borrowing and investment transactions

- 5.2.1. New borrowing and drawing down of investments are ways of accessing funds. New borrowing is a major way of financing capital spending. Funds that are received as income or capital receipts, but are not needed for immediate expenditure, may be invested or used to redeem debt.
- 5.2.2. Local government Net Cash Requirement summarises changes in local authority borrowing less change in investments. When Net Cash Requirement is positive, local authorities are increasing their borrowing and/or reducing their investments. When Net Cash Requirement is negative, local authorities are reducing their borrowing and/or increasing their investments.
- 5.2.3. **Table 5.2a** shows the change in borrowing, investments and net cash requirement across local government from 2011-12 to 2015-16.

<b>Table 5.2a: Local Government Net Cash Requirement</b>					
	<b>£ million</b>				
	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Annual change in temporary borrowing	-261	20	-8	13	5
Annual change in longer-term borrowing <sup>(a)</sup>	11,109	1,909	305	1,111	2,816
<b>Total</b>	<b>10,848</b>	<b>1,928</b>	<b>297</b>	<b>1,124</b>	<b>2,821</b>
<i>less</i> annual change in investments	1,043	3,415	2,634	1,200	-604
<b>Net Cash Requirement</b>	<b>9,805</b>	<b>-1,486</b>	<b>-2,337</b>	<b>-76</b>	<b>3,425</b>

Source: Monthly (MB) and Quarterly Borrowing (QB) returns and the PWLB

(a) In March 2012 English local authorities borrowed £8.1bn from the Public Works Loan Board (PWLB) as part of the settlement associated with the reform of the Housing Revenue Account.

# CHAPTER 6

## Local government pay and pensions

### 6.1. Local government employment

6.1.1. Local government is collectively one of the largest employers in England, employing over 1 million full time equivalent staff (FTEs). Pay negotiating groups are responsible for negotiating, amongst other aspects, the pay rewards for employees in their group and cover the majority of local government employees. These groups are Teachers, Police, Police Support Staff, Firefighters; and Other Local Government Staff. For the purposes of this publication, police and police support staff are treated as one group.

6.1.2. The group classified as 'Other Local Government Staff' is covered by a number of separate negotiating bodies and includes fire support staff, all non-teachers working in education including teaching assistants, and all other local government employees such as social workers, planners, chief executives, chief officers and other administrative staff.

### 6.2. Local government pay expenditure

6.2.1. In 2015-16, local government employee expenditure accounted for 43 per cent of all local government service expenditure (gross of income) and was the single largest area of spending for local government. Employee expenditure includes pay, employers' National Insurance and pension contributions, location allowances and other employee related costs such as training and recruitment. **Table 6.2a** illustrates levels of local government pay since 2011-12 for each of the main pay negotiating groups, and **Table 6.2b** shows employee expenditure as a proportion of service expenditure for each of the service areas for 2015-16.

Table 6.2a: Local government pay by pay negotiating group 2011-12 to 2015-16						
	2011-12	2012-13	2013-14	2014-15	£ billion 2015-16	% of total 2015-16
Teachers	15.0	13.2	11.8	11.5	10.9	21%
Police and Police Support Staff	7.5	7.3	7.1	7.0	6.9	13%
Firefighters	1.1	1.1	1.0	1.0	0.9	2%
Other Local Government Staff	22.5	21.7	21.4	21.8	20.9	40%
<b>Total pay<sup>(a)</sup></b>	<b>46.2</b>	<b>43.3</b>	<b>41.4</b>	<b>41.2</b>	<b>39.7</b>	<b>77%</b>
Total non-pay for all groups <sup>(b)</sup>	11.4	10.7	9.7	9.9	10.2	20%
Other pay related costs <sup>(c)</sup>	2.6	2.2	2.8	2.1	1.9	4%
<b>Total employee expenditure</b>	<b>60.2</b>	<b>56.1</b>	<b>53.9</b>	<b>53.2</b>	<b>51.7</b>	<b>100%</b>

Source: Revenue Outturn - Subjective Analysis Return (SAR).  
 (a) Includes overtime, bonuses, severance payments, etc.  
 (b) Includes employers' National Insurance, pensions contributions and location allowances.  
 (c) Includes recruitment, retention and training

**Table 6.2b: Employee expenditure as a proportion of total service expenditure for 2015-16**

	£ billion		%
	Employee expenditure	Service expenditure <sup>(b)</sup>	Employees expenditure
Education services	22.1	38.5	57%
Highways, roads and transport services	1.2	7.4	17%
Children Social Care	3.2	9.0	36%
Adult Social Care	3.4	20.1	17%
Public Health	0.3	3.3	10%
Housing services <sup>(a)</sup>	0.6	2.9	20%
Cultural and related services	1.3	3.8	35%
Environmental services	1.5	6.8	22%
Planning and development services	1.0	2.5	40%
Police services	9.5	12.0	80%
Fire and rescue services	1.6	2.1	75%
Central services	5.9	12.2	48%
Other services	0.1	0.4	30%
<b>Total service expenditure</b>	<b>51.8</b>	<b>121.1</b>	<b>43%</b>

Source: RSX form (2015-16)  
(a) Expenditure on the General Fund Revenue Account only.  
(b) Total Expenditure is Employees expenditure plus Running Expenses

6.2.2 Further statistics on local government pay expenditure can be found via <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

### 6.3. Local authority pension funds

#### The Local Government Pension Scheme

- 6.3.1. The Local Government Pension Scheme is operated in England via 81 administering authorities, typically at county council or London borough local authority level. The Scheme provides pensions for most local authority employees, as well as some staff working in the wider public sector such as academies, and certain individuals employed by private and voluntary sector organisations that deliver services for local government.
- 6.3.2. These authorities have the responsibility to meet pension liabilities as and when they arise. The administering authorities hold assets which they invest to help ensure that liabilities can be paid and to stabilise employer contribution rates to the Scheme over the medium and long term. The assets of the administering authorities are part of the financial corporations sector in the National Accounts, not part of the local government sector.
- 6.3.3. Although pensions are paid out under the scheme by local authorities in their capacity as administering authorities, this does not count as expenditure of the local authorities themselves. Employers' contributions, part of the income of the funds, are recorded as expenditure by local authorities in their revenue accounts, either directly or indirectly under employees' expenses.

- 6.3.4. Separate arrangements apply for the pensions of the police, fire fighters and teachers. The police and fire fighters' pensions are provided through unfunded schemes administered locally, and the cost of police and fire fighters' pensions are therefore included in local authority expenditure. Teachers' pensions are provided through a notionally funded scheme administered by the Department for Education (DfE). There is no fund of assets, and teachers' pensions are paid by the DfE. Employers' contributions are paid by local authorities to the DfE and are recorded as expenditure in their revenue accounts.
- 6.3.5. Income into the LGPS is sourced from employee and employer contributions, investment income, the value of transfers between pension schemes plus other income. **Table 6.3a** show much income comes from each of these sources between 2011-12 and 2015-16.

**Table 6.3a: Local Government Pension Scheme income and market value of funds 2011-12 to 2015-16**

	2011-12	2012-13	2013-14	2014-15	£ million 2015-16
Contributions (including those from admitted					
Employees <sup>(a)</sup>	1,839	1,785	1,827	1,934	1,961
Employers <sup>(b)(c)</sup>	5,920	5,732	6,030	6,837	6,604
Investment income (gross)	3,045	2,983	3,164	// 3,338	// 3,413
of which:					
Dividends receivable	2,071	2,015	2,161	2,160	2,231
Interest receivable	370	345	361	347	320
Income from property	387	395	423	450	489
Other investment income <sup>(d)</sup>	217	227	218	// 380	// 373
Transfer values <sup>(e)</sup>	662	519	559	// 3,036	// 399
Other income	82	79	53	58	51
<b>Total income</b>	<b>11,547</b>	<b>11,098</b>	<b>11,632</b>	<b>// 15,204</b>	<b>// 12,428</b>

Source: SF3 returns

(a) Employee's contributions to the scheme are dependent on salary

(b) Includes employers' secondary contributions

(c) Employers contribution for 2011-12 includes a one-off exceptional item of £65m due to transfer of responsibility of scheme

(d) Other investment income includes a one-off exceptional item of £120m due to the transfer to the Greater Manchester Pension Fund of MoJ/Probation Service staff from other LGPS schemes during 2014-15.

(e) Transfer values for 2014-15 includes an exceptional transfer of £2.6 billion to the Greater Manchester Pension Fund from other LGPS funds in respect of MoJ/Probation Service staff who were transferred to that fund during 2014-15.

- 6.3.6. The majority of LGPS' expenditure is on benefits, either as pensions or lump sums on the retirement or the death of members. **Table 6.3b** shows how the LGPS expenditure is divided between each of the categories between 2011-12 and 2015-16.

**Table 6.3b: Local Government Pension Scheme expenditure 2011-12 to 2015-16**

	2011-12	2012-13	2013-14	2014-15	£ million 2015-16
Total expenditure on benefits	7,534	7,504	7,848	8,269	8,642
of which:					
Pensions or annuities	5,503	5,998	6,323	6,691	6,962
Lump sums paid on retirement	1,706	1,241	1,242	1,295	1,392
Lump sums paid on death	164	163	168	172	189
Optional lump sum	161	98	115	110	96
Other benefits	1	4	1	1	3
Disposal of Liabilities	551	476	472	// 2,952	// 477
of which:					
Transfer values <sup>(a)</sup>	551	476	471	// 2,950	// 472
Pensions Act premiums	0	0	0	2	4
Refunds of contributions	0	0	0	0	0
Total Management expenses charged to the fund	468	492	572	// 810	890
of which:					
Fund Management costs <sup>(b)</sup>	353	374	449	// 689	-
Administration costs	118	119	123	// 121	-
Investment management expenses	-	-	-	-	741
Administrative expenses	-	-	-	-	101
Governance and oversight costs	-	-	-	-	48
Other expenditure	38	17	15	22	19
<b>Total expenditure</b>	<b>8,592</b>	<b>8,490</b>	<b>8,907</b>	<b>// 12,054</b>	<b>// 10,027</b>

Source: SF3 returns

(a) Transfer values for 2014-15 includes an exceptional transfer of £2.6 billion from a number of LGPS funds to the Greater Manchester Pension Fund in respect of MoJ/Probation Service staff who were transferred to that fund during 2014-15.

(b) The way Fund Management costs are reported was changed during 2014-15 and again in 2015-2016 following revised guidance from CIPFA.

6.3.7. **Table 6.3c** shows the types of retirements from the LGPS between 2011-12 and 2015-16.

**Table 6.3c: Type of retirements from the Local Government Pension Scheme 2011-12 to 2015-16**

	2011-12	2012-13	2013-14	2014-15	£ million 2015-2016
Redundancy	27,525	13,110	12,876	12,074	12,346
Ill health retirement	2,820	2,441	2,621	2,480	2,487
Early payment of deferred benefits	20,923	25,139	24,392	29,402	30,296
Normal retirements	23,016	19,717	20,779	18,883	21,404
<b>Total retirements</b>	<b>74,284</b>	<b>60,407</b>	<b>60,668</b>	<b>62,839</b>	<b>66,533</b>

Source : SF3 returns

6.3.8. Further statistics about the Local Government Pension schemes in England can be found via <https://www.gov.uk/government/collections/local-government-pension-scheme>

6.3.9. Responsibility for the collection of Firefighters pension schemes became the responsibility of the Home Office in January 2016. Further information about the Firefighters' pension schemes in England can be found via <https://www.gov.uk/government/collections/firefighters-pension-scheme-statistics>

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