

**Local Government
Financial Statistics England
No.28 2018**



Ministry of Housing,
Communities &
Local Government



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PREFACE

This is the 28th 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. Links have been provided to the relevant statistical releases within chapters, and these may contain more up to date statistics and the current definitions of terms. Most of the information comes from forms sent to the Ministry of Housing, 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 2016-17, the latest year for which complete information is available, and some estimates for 2017-18. 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 Ministry of Housing, 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 MHCLG 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/ministry-of-housing-communities-and-local-government/about/statistics#statistical-collections>

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 26th *LGFS* was streamlined to present only an overview of all the data collected on local government finance by MHCLG. 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

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. Outside agencies also play a role in service delivery.

1.2 Local government structure and services

- 1.2.1 This document covers local government in England in 2016-17. 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. Mayoral Combined Authorities came into existence on the 1 April 2018 in these areas, and so do not feature in this publication.
- 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 includes the following:

- Mayor’s Office for Policing and Crime (MOPAC)
- London Fire Commissioner
- Transport for London (TfL)
- Old Oak and Park Royal Development Corporation
- London Legacy Development Corporation.

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, 8,817 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.

	<i>Local authority level</i>			<i>Parish Level</i>	
	Billing authorities	Major precepting authorities^(a)	Other authorities^(b)	All authorities	Parishes^(c)
Shire areas	257	81	13	351	8,581
Metropolitan areas	36	12	8	56	233
London	33	1	5	39	3
England	326	94	26	446	8,817

(a) The count of precepting authorities excludes parish councils.
 (b) Other authorities are parks, waste and combined 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** on the next page provides details of how much income has been raised through these funding streams between 2012-13 and 2016-17.

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 subsidy¹, 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 at least 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 business rates revenue that comes to Central Government is then used to fund the majority of Revenue Support Grant provided to local authorities. Revenue Support Grant is a central government grant given

¹ See **Chapter 3** for further details of housing subsidy.

to local authorities which can be used to finance revenue expenditure on any service.

Table 2.1a: Summary of local authority income 2012-13 to 2016-17					
	£ million				
	2012-13	2013-14	2014-15	2015-16	2016-17
Grant income:					
Revenue Support Grant ^(a)	448 II	15,175	12,675	9,520	7,188
Redistributed non-domestic rates ^(a)	23,129 II	-	-	-	-
Police Grant ^(a)	4,224 II	7,565	7,784	7,423	7,387
Specific and special grants inside Aggregate External Finance (AEF)	41,820	41,760	40,805	40,119	39,218
Local Services Support Grant (LSSG)	223	77	48	29	19
General GLA Grant	50 II	-	-	-	-
Grants outside AEF ^(b)	18,850	18,417	18,655	18,296	21,608
Housing subsidy ^(c)	-791	-795	-692	-734	-767
Grants towards capital expenditure	9,739	8,782	9,996	10,863	9,610
Total grant income	97,692	90,982	89,271	85,516	84,263
Locally-funded income:					
Council tax ^(d)	26,715	23,371	23,964	24,734	26,083
Retained Income from Rate Retention Scheme ^(a)	- II	10,719	11,331	11,855	11,735
External interest receipts	815	839	865	1,047	1,088
Capital receipts ^(e)	2,124	2,481	2,996	2,196	2,327
Sales, fees and charges ^(f)	12,201	12,695 II	11,741	11,666	12,103
Council rents	6,916	7,215	7,439	7,468	7,110
Total locally-funded income	48,771	57,319	58,335	58,966	60,445
Other income and adjustments ^(g)	8,842	9,253 II	18,469	19,390	18,305
Total income	155,306	157,554 II	166,075	163,871	163,014
Grants as a percentage of total income	63%	58% II	54%	52%	52%
Sources: Revenue Outturn (RO) returns and Capital Outturn Returns (COR), 2012-13 to 2016-17					
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 used to finance capital expenditure. Circa £100m 'Capital receipts used to finance revenue expenditure under receipts flexibility' in 2016-17 not included					
(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 2012-13 to 2016-17.

Table 2.3a: Sales, fees and charges by service area 2012-13 to 2016-17 ^(a)					
	2012-13	2013-14	2014-15	2015-16	£ million 2016-17
Service Expenditure:					
Education	1,713	1,672	1,814	1,554	1,589
Highways and transport	2,011	2,063	1,884	2,053	2,147
Social Care	2,747	2,834	2,799	2,830	2,898
<i>of which:</i>					
<i>Children Social Care</i>	119	110	147	164	154
<i>Adult Social Care</i>	2,628	2,724	2,653	2,666	2,744
Public Health ^(b)	-	24	16	21	18
Housing (excluding HRA) ^(c)	600	636	653	774	819
Cultural, environmental and planning	2,549	2,593	2,738	2,753	2,862
<i>of which:</i>					
<i>Cultural</i>	872	860	860	818	784
<i>Environmental</i>	1,050	1,034	1,108	1,153	1,222
<i>Planning and development</i>	627	700	769	782	856
Police	446	469	455	449	477
Fire	29	30	31	34	40
Central services	1,169	1,396	1,304	1,137	1,201
Other	51	50	47	60	53
Total All Services	11,316	11,768	11,741	11,666	12,103
External Trading Accounts ^(d)	885	927	...	...	...
Total	12,201	12,695	...	...	...

Source: Revenue Outturn (RO) returns - RSX and TSR, 2012-13 to 2016-17
(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 has only collected net surplus/deficit so it is 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 2013 to 2017, 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 2013-2017^(a)

	Thousands				
	2013	2014	2015	2016	2017
Total number of dwellings on valuation lists	23,312	23,466	23,652	23,863	24,076
<i>less:</i>					
Number of dwellings exempt from council tax	516	520	531	542	568
Number of demolished dwellings	2	2	2	1	1
Number of dwellings on valuation list liable for Council tax ^(b)	22,793	22,944	23,120	23,320	23,506
<i>Of this</i>					
Number of dwellings subject to a discount or a premium	8,161	8,111	8,085	8,075	8,090
<i>of which:</i>					
- second homes	40	27	27	22	19
- empty homes subject to a discount	135	121	107	93	79
- empty homes subject to a premium	56	56	59	59	61
- single person	7,698	7,669	7,653	7,657	7,680
- all residents disregarded for council tax purposes	33	34	34	34	34
- all but one resident disregarded for council tax purposes	199	203	205	209	217
Number of dwellings not subject to a discount or a premium	14,632	14,834	15,035	15,245	15,417
<i>of which:</i>					
- empty homes	290	283	283	290	314
- second homes	215	224	219	225	230
- others	14,127	14,326	14,533	14,730	14,873

Source: CTB returns
(a) Data taken as at the second Monday in September.
(b) Total dwellings on valuation list less those exempt from council tax and demolished dwellings.

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 2012-13 to 2017-18. 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.

Table 2.4b: Average Band D council tax in England and the annual percentage change 2012-13 to 2017-18^(a)

	£	% change
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 ^(b)	1,530	3.1
2017-18 ^(c)	1,591	4.0

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.

(c) Local authorities given flexibility to increase council tax by an additional 3% to fund adult social care in 2017-18.

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.

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. In 2017-18, this was increased to an additional 3%. 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, 2013-14 to 2017-18

Parishes and other local precepting authorities charging a non-zero precept					
	2013-14	2014-15	2015-16	2016-17	2017-18
Total number	8,805	8,813	8,810	8,818	8,838
Tax base ^(a) (thousands)	7,307.4	7,424.2	7,560.4	7,754.3	7,954.3
Aggregate of local precepts ^(b) (£000)	367,048	388,808	409,146	445,073	485,474
Average parish precept per Band D (£)	50.23	52.37	54.12	57.40	61.03
Change (£)	2.49	2.14	1.75	3.28	3.64
Percentage change	5.2%	4.3%	3.3%	6.1%	6.3%

Source : CTR returns

(a) Council taxpayers 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.

(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.

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/collections/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. This is periodically reviewed, and is known as revaluation. 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 2012-13 to 2017-18 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. Until 2018-19, the multipliers increase in line with the Retail Price Index (RPI) in September of the preceding year. In 2018-19, the RPI was replaced by the Consumer Price Index. 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 2012-13 to 2017-18 are shown in **Table 2.5a**
- 2.5.5. Every few years, the government adjusts the rateable value of business properties to reflect changes in the property market. This is known as a revaluation. At revaluation, the Government also revises the business rates multiplier to reflect the aggregate change in rateable values. The data up to 2016-17 shown below is based on a value at 1 April 2008, using a list compiled for 1 April 2010. The data for 2017-18 is based on a value at 1 April 2017, using a list compiled for 1 April 2015.

Table 2.5a: Number of hereditaments, rateable value and multipliers used, England, 2013-14 to 2017-18					
	2013-14	2014-15	2015-16	2016-17	2017-18^(b)
Number of hereditaments on rating list as at 30 Sept ('000s) ^(a)	1,771	1,787	1,816	1,831 ||	1,856
Aggregate rateable value on rating list as at 30 Sept ^(a)	57,154	57,069	57,224	57,289 ||	63,212
Small business rate multiplier (pence)	46.2	47.1	48.0	48.4 ||	46.6
National non-domestic rates multiplier (pence)	47.1	48.2	49.3	49.7 ||	47.9

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.
(b) Data taken from draft VOA local list as at 25 September 2016 (for 2017 Revaluation effective from 1 April 2017)

- 2.5.6. 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 services².
- 2.5.7. 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.
- 2.5.8. **Table 2.5b** shows details of the amount of non-domestic rates that local authorities collected in 2013-14 to 2016-17 and their forecasts for 2017-18.
- 2.5.9. 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

² In 2017-18, some local authorities took part in a pilot to retain 100% of their business rates revenue.

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.

- 2.5.10. 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.
- 2.5.11. 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 2017-18

	Out-turn				£ million
	2013-14	2014-15	2015-16	2016-17	Forecast 2017-18 ^(d)
Gross rates payable in year	25,630	26,039	26,660	27,215	|| 29,488
Net cost of Small Business Rate relief	591	580	539	584	|| 908
Other mandatory relief	2,452	2,471	2,594	2,655	|| 2,744
Discretionary relief	100	312	445	143	|| 128
Total cost of reliefs	3,142	3,363	3,577	3,382	|| 3,780
Gross Rates Payable in year less total cost of reliefs	22,488	22,675	23,083	23,833	|| 25,708
Net cost of transitional arrangement ^(a)	36	119	165	109	|| -119
Net Rates Yield (Gross Rates Payable less net cost of Transition)	22,523	22,794	23,248	23,942	|| 25,589
Accounting adjustments					
Losses in collection ^(b)	90	221	228	235	|| 303
Losses on appeal	1,745	770	287	-164	|| 1,318
Interest payable	-	2	4	1	|| -
Deferrals	-	60	-	-	|| -
Total cost of accounting adjustments	1,835	932	519	72	|| 1,621
Other deductions from collectable rates^(c)	128	214	260	204	|| -24
Disregarded Amounts					
Amounts retained in respect of Designated Areas	4	15	14	29	|| 27
Amounts retained in respect of Renewable Energy schemes	4	22	38	51	|| 50
Total Disregarded Amounts	7	38	51	80	|| 77
Non-domestic rating income from rates retention scheme (Net Rates Yield less Accounting adjustments, Other deductions & Disregarded amounts) for year	20,553	21,610	22,417	23,585	|| 23,915

Source: Out-turn data are taken from auditor confirmed NNDR3 forms, forecast data are taken from NNDR1 forms

(a) No transitional relief given in 2015-16 or 2016-17, so the amount shown in these years represent 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

(d) Revaluation came into effect on 1st April 2017

Table 2.5c: Cost of reliefs from non-domestic rates, 2013-14 to 2017-18

	Out-turn				£ million Forecast 2017-18 ^(b)
	2013-14 ^(a)	2014-15	2015-16	2016-17	
MANDATORY RELIEFS					
Small Business Rate Relief					
In respect of current year					
Relief provided in year	986	1,061	1,123	1,165	|| 1,537
<i>of which: relief on existing properties where a 2nd property is occupied</i>		-	-	-	|| 3
Additional yield generated from the small business supplement	447	543	646	651	|| 629
Net cost of small business rate relief in respect of current year	539	518	477	514	|| 908
Net cost of small business rate relief in respect of previous years	52	62	61	69	|| -
Net cost of small business rate relief	591	580	539	584	|| 908
Other Mandatory reliefs					
In respect of current year					
Charitable occupation	1,391	1,476	1,558	1,616	|| 1,775
Community Amateur Sports Clubs (CASCs)	18	19	20	19	|| 19
Rural rate relief	6	6	6	6	|| 5
Partially occupied hereditaments	34	32	32	28	|| 21
Empty premises	988	947	935	950	|| 832
Total other mandatory relief in respect of current year	2,438	2,480	2,551	2,619	|| 2,652
Other mandatory relief in respect of previous years	14	-9	42	36	|| -
Changes as a result of local estimates of growth or decline in mandatory relief	-	-	-	-	|| 92
Total cost of other mandatory relief	2,452	2,471	2,594	2,655	|| 2,744
Total cost of mandatory relief	3,042	3,051	3,132	3,239	|| 3,652
DISCRETIONARY RELIEFS					
In respect of current year					
Charitable occupation	43	44	44	44	|| 51
Non-profit making bodies	35	36	38	41	|| 35
Community Amateur Sports Clubs (CASCs)	1	1	1	1	|| 1
Rural rate relief	3	3	3	3	|| 1
Small rural businesses	2	2	2	2	|| 1
Other relief awarded under s47	8	12	13	17	|| 21
Hardship relief	3	3	2	2	|| -
Total discretionary relief in respect of current year	95	100	104	109	|| 109
Discretionary relief in respect of previous years	1	2	4	7	|| -
Discretionary reliefs funded through Section 31 grants					
"New Empty" properties	1	4	7	7	|| 6
"Long term empty" properties	-	4	13	10	|| 4
Retail relief	-	196	296	0	|| -
Flooding relief	3	1	7	2	|| -
In lieu of Transitional relief	-	-	4	2	|| -
Rural rate relief	-	-	-	-	|| 5
Local newspaper temporary relief	-	-	-	-	|| 0
Total cost of discretionary reliefs funded through S31 grant	4	205	328	21	|| 15
Discretionary relief funded through S31 grants in respect of previous years	-	5	10	6	|| -
Changes as a result of local estimates of growth or decline in discretionary relief	-	-	-	-	|| 3
Total cost of discretionary relief	100	312	445	143	|| 128
TOTAL COST OF ALL RELIEFS	3,142	3,363	3,577	3,382	|| 3,780

Source: Out-turn data are taken from auditor confirmed NDR3 forms, forecast data are taken from NDR1 forms

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

(b) Revaluation came into effect on 1st April 2017

Council tax and Non-Domestic rates collection

2.5.12. 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 2012-13 to 2016-17 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, 2012-13 to 2016-17

	Receipts of council taxes				Receipts of non-domestic rates				£ millions
	In respect of the billing year	In respect of previous years (a)	In respect of subsequent billing year (b)	Total receipts collected in financial year	In respect of the billing year	In respect of previous years (a)(c)	In respect of subsequent billing year (b)	Total receipts collected in financial year	
2012-13	22,053	392	314	22,759	21,590	-253	295	21,632	
2013-14	23,087	399	362	23,848	22,434	-195	341	22,580	
2014-15	23,709	457	392	24,558	22,797	-291	362	22,868	
2015-16	24,409	509	400	25,318	23,319	-486	344	23,177	
2016-17	25,654	507	452	26,613	23,929	-445	430	23,914	

Source: QRC4

(a) Does not include court or administration costs.

(b) In respect of subsequent billing year = Prepayments for year ahead

(c) 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.

2.5.13. 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 between 2012-13 and 2016-17.

Table 2.5e : Collection rates of council tax and non-domestic rates, England, 2012-13 to 2016-17

	% of total collected				
	2012-13	2013-14	2014-15	2015-16	2016-17
Council tax	97.4	97.0	97.0	97.1	97.2
Non-domestic rates	97.7	97.9	98.1	98.2	98.2

Source : QRC4

2.5.14. 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.

2.5.15. Further details associated with the data in this table are available via <https://www.gov.uk/government/collections/council-tax-statistics>

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, 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 are 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 2012-13 to 2016-17 and budget 2017-18

	2012-13	2013-14	2014-15	2015-16	2016-17	£ million 2017-18 (B)
Education	37,134 ||	35,881 ||	34,477 ||	34,136 ||	33,382 ||	33,343
Highways and transport	4,823	4,795	4,537	4,331	4,013	4,240
Social care	21,136	21,480	22,587	22,702	23,390	23,651
<i>of which:</i>						
<i>Children's Social Care</i>	6,612	6,915	8,091	8,303	8,476	8,028
<i>Adult Social Care</i>	14,524	14,565	14,496	14,399	14,914	15,623
Public Health ^(a)	- ||	2,508	2,737	3,152	3,480	3,410
Housing (excluding Housing Revenue Account)	1,996	2,025	1,852	1,608	1,508	1,543
Cultural, environmental and planning	9,407	9,176	8,915	8,698	8,445	8,333
Police	11,337	10,920	10,889	10,932	11,050	11,145
Fire & rescue	2,119	2,089	2,045	1,984	1,961	2,055
Central services	3,002	2,845	3,068	3,022	3,159	2,987
Other Services	118	91	92	70	56	264
Total Service Expenditure	91,072 ||	91,809	91,199	90,634	90,444	90,970
Housing Benefits ^(b)	20,748	20,982	21,113	20,917	20,228	20,304
Parish Precepts and Levies ^(c)	434	423	436	461	507	554
Trading Account Adjustments and Other Adjustments ^(d)	-312	-329	-344	-325	-455	-458
Total Net Current Expenditure	111,941 ||	112,885	112,404	111,686	110,724	111,370
Capital financing ^(e)	4,348	4,468	4,528	4,419	4,239	4,261
Capital Expenditure charged to Revenue Account (CERA)	1,307	2,778	3,010	1,966	1,536	1,785
Other non-current expenditure ^(f)	4,337 ||	149	165	208	195	79
Private Finance Initiative (PFI) difference from service charge	51	33	41	37	78	-41
Appropriations to(+)/ from(-) financial instruments adjustment acc.	7	-45	3	19	37	53
Appropriations to(+)/ from(-) unequal pay back pay account	16	28	33	51	60	-45
<i>less</i> Interest receipts	815	839	865	1,047	1,088	988
<i>less</i> Specific grants outside AEF	26,829 ||	22,805	23,045	22,452	21,608	21,477
<i>less</i> Business rates supplement	235	212	221	222	235	275
<i>less</i> Community Infrastructure Levy	6	47	123	154	302	138
<i>less</i> Carbon Reduction Commitment	-27	-26	-13	-18	-17	-21
<i>less</i> Capital receipts used to finance revenue expenditure	-	-	-	- ||	85	136
Total Revenue Expenditure	94,148	96,419	95,943	94,529	93,567	94,470

Source: Revenue Summary (RS) returns 2012-13 to 2016-17, Revenue Account (RA) budget return 2017-18

(a) 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.

(b) '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.

(c) '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.

(d) '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.

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

(f) '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 2012-13 to 2016-17 and budget 2017-18 (continued)

	2012-13	2013-14	2014-15	2015-16	2016-17	£ million 2017-18 (Budget)
Total Revenue Expenditure	94,148	96,419	95,943	94,529	93,567	94,470
financed by:						
Reserves and Other	-2,461	-2,249	-664	858	1,942	1,985
Transfers and Adjustments ^(a)	0	1	2	-1	-8	-1
Appropriation to (-)/from (+) Reserves (excluding Pensions)	-2,592	-2,379	-948	400	1,523	1,444
Other items	131	130	282	459	427	540
Total Government Funding	42,043	41,837	40,853	40,148	39,237	39,027
Specific grants inside AEF	41,820	41,760	40,805	40,119	39,218	39,004
Local Services Support Grant	223	77	48	29	19	23
Formula Grant ^(b)	27,802 ||	33,460	31,790	28,788	26,310	25,827
of which:						
Revenue Support Grant	448 ||	15,175	12,675	9,520	7,188	3,868
Redistributed non-domestic rates	23,129 ||	-	-	-	-	-
Retained Income from Rate Retention Scheme	- ||	10,719	11,331	11,845	11,735	14,665
Police grant ^(c)	4,224 ||	7,565	7,784	7,423	7,387	7,293
General Greater London Authority Grant	50 ||	-	-	-	-	-
Council tax requirement	26,715	23,371	23,964	24,734	26,083	27,631

Source: Revenue Summary (RS) returns 2012-13 to 2016-17, Revenue Account (RA) budget return 2017-18

(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 to 2015-16. 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. An update to this table is planned for Autumn 2018.

Table 3.3a: Labour, goods and services 2011-12 to 2015-16 ^(a)

	2011-12	2012-13	2013-14	2014-15	£ million 2015-16	% of total 2015-16
Teachers ^(b)	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
Total employee expenditure	60,195	56,136	53,899	53,136	51,802	100
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 ^(c)	27,156	27,224	30,232	...	...
Internal trading services	2,075	1,781	1,239	...	...
Other ^(d)	737	1,114	2,033	...	...
Total procurement expenditure ^(e)	57,344	57,082	60,654	...	...
Total employee and procurement expenditure ^(e)	117,538	113,218	114,554	...	...

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

(a) Data are not currently available for 2016-17. This is due to be published in Autumn 2018.

(b) 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.

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

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

(e) 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.

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. **Table 3.4a** shows the level and use of revenue reserves. 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 3.4a: Level and use of Revenue Reserves, 31 March 2012 - 31 March 2017

£ million								
Revenue reserves								
Non-ringfenced reserves								
At	Revenue		Public	Other		Non-	Total	% change
31 March	expenditure ^(a)	Schools	Health	earmarked	Unallocated	ringfenced	Revenue	over previous
						total	Reserves	years
2012	99,278	2,414	-	12,412	4,086	16,498	18,913	15.9
2013	94,148	2,372	-	14,886	4,537	19,423	21,795	15.2
2014	96,419	2,378	207	17,084	4,299	21,383	23,967	10.0
2015	95,943	2,414	320	17,971	4,483	22,454	25,188	5.1
2016	94,529	2,315	259	17,675	4,458	22,133	24,707	-1.9
2017	93,567	1,839	246	16,818	4,194	21,012	23,097	-6.5
Revenue reserves as a % of revenue expenditure								
%								
Non-ringfenced reserves								
At			Public	Other		Non-	Total	
31 March		Schools	Health	earmarked	Unallocated	ringfenced	Revenue	
						total	Reserves	
2012		2.4	-	12.5	4.1	16.6	19.1	
2013		2.5	-	15.8	4.8	20.6	23.1	
2014		2.5	0.2	17.7	4.5	22.2	24.9	
2015		2.5	0.3	18.7	4.7	23.4	26.3	
2016		2.4	0.3	18.7	4.7	23.4	26.1	
2017		2.0	0.3	18.0	4.5	22.5	24.7	

Source: Revenue Summary (RS) returns 2011-12 to 2016-17

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 2017 is outturn for financial year 2016-17.

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, 2012-13 to 2016-17

	£ million				
	2012-13	2013-14	2014-15 ^(a)	2015-16	2016-17
Internal Trading Accounts					
Total Expenditure	3,056	2,596	...	...	...
Income	3,126	2,650	...	...	...
Net surplus/deficit of Internal Trading Account ^(b)	25	35	8	14	34
External Trading Accounts					
Expenditure	791	773	...	...	...
Income	1,092	1,081	...	...	...
Net surplus/deficit of External Trading Account ^(b)	-205	-229	-186	-391	-267
Total Trading Accounts					
Expenditure	3,847	3,369	...	...	...
Income	4,218	3,732	...	...	...
Net surplus/deficit of Total Trading Accounts ^(b)	-180	-194	-178	-377	-232

Source: Trading Account Services Returns (TSR) to 2016-17

(a) Since 2014-15 we have only collected the net surplus / deficit of the internal and external trading accounts

(b) Includes capital items

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.

3.6.4 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.

3.6.5 Details of the income and expenditure on the HRA since 2012-13 can be found in **Table 3.6a**.

Table 3.6a: Housing Revenue Account income and expenditure, 2012-13 to 2016-17, and budget 2017-18

	2012-13	2013-14	2014-15	2015-16	£ million 2016-17	% of total 2016-17	£ million 2017-18 (Budget)
Expenditure							
Repairs and maintenance	1,720	1,772	1,844	1,794	1,738	22%	1,743
Supervision and management: general	1,761	1,878	1,819	1,953	1,890	24%	1,963
Supervision and management: special services	487	464	488	473	420	5%	560
Expenditure for capital purposes	428	618	708	707	505	6%	898
Debt charges ^(a)	1,161	1,293	1,187	1,177	1,270	16%	1,224
Interest payable and similar charges	1,154	988	970	1,013	894	11%	850
Transfers to GF or MRR ^(b)	1,022	1,084	1,013	1,064	921	12%	833
Other expenditure ^(c)	121	122	123	188	180	2%	218
Total expenditure	7,854	8,219	8,152	8,369	7,819	100%	8,290
Income							
Rents from dwellings	6,743	7,043	7,286	7,316	6,966	85%	7,095
Rents other than dwellings	174	171	153	152	144	2%	161
Heating and other services	636	687	699	706	711	9%	654
Government subsidy	231	289	321	330	155	2%	171
Interest income	30	54	48	42	46	1%	16
Transfers from GF or MRR ^(b)	211	124	70	55	69	1%	65
Other income ^(d)	140	144	148	105	123	1%	107
Total income	8,165	8,512	8,700	8,706	8,214	100%	8,269

Source: Revenue Outturn (RO4) return from 2012-13, Revenue Account (RA) budget return 2017-18.

(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. Further statistics on capital expenditure can be found on-line at <https://www.gov.uk/government/collections/local-authority-capital-expenditure-receipts-and-financing>
- 4.1.7. 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, out-turn data from 2012-13 to 2016-17

	£ million				
	2012-13	2013-14	2014-15	2015-16	2016-17
Expenditure:					
Acquisition of land and existing buildings and works	823	1,191	1,022	1,177	2,813
New construction and conversion	11,494	11,650	12,983	13,526	13,212
Vehicles, plant equipment and machinery	1,210	1,231	1,270	1,210	1,234
Intangible assets	178	209	226	240	230
Total payments on fixed assets	13,705	14,281	15,500	16,153	17,488
Grants, loans and other financial assistance	4,002	3,770	4,403	4,492	4,251
Acquisition of share and loan capital	1,225	1,611	1,635	2,002	1,538
Total capital expenditure	18,931	19,662	21,537	22,647	23,277
<i>of which GLA:</i>	<i>4,120</i>	<i>4,487</i>	<i>5,080</i>	<i>5,087</i>	<i>4,150</i>
Expenditure by virtue of a section 16(2)(b) direction ^(a)	111	10	1	-1	32
Notional capital receipts set aside and Large Scale Voluntary Transfer levy	0	0	0	0	0
One-off HRA self-financing determination payment:					
Total expenditure and other transactions	19,042	19,671	21,539	22,646	23,309
Receipts:					
Sales of fixed assets	2,033	2,426	2,876	3,327	3,206
Intangible fixed assets	..	..	..	..	10
Repayments of grants, loans and financial assistance	9	8	35	5	320
Disposal of investments including share and loan capital	76	231	72	224	45
One-off HRA self-financing determination & premium	7	6	13	20	-
Total capital receipts	2,125	2,671	2,996	3,576	3,580

Source: COR 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

Table 4.1b: Local authority capital expenditure by service: England: 2012-13 to 2017-18

	2012-13	2013-14	2014-15	2015-16	£ million 2016-17
Education ^(a)	4,528	3,741	3,480	3,196	3,072
Highways & transport	6,046	6,615	7,438	8,306	7,816
<i>of which GLA</i>	3,016	3,502	3,802	4,309	3,571
Social Care	207	343	264	261	312
Public health ^(b)	-	4	7	10	19
Housing	3,731	3,969	4,807	4,604	4,698
<i>of which GLA ^(c)</i>	652	414	676	259	166
Culture & Related services	877	829	957	1,068	1,004
Environmental & Regulatory services	526	581	680	726	619
Planning & development services	879	1,129	1,467	1,686	1,667
Police	500	481	546	611	628
Fire & Rescue Services	172	178	192	172	183
Central services ^(d)	1,264	1,325	1,375	1,489	2,226
Trading ^(e)	201	464	323	518	1,194
Total capital expenditure	18,931	19,661	21,537	22,647	23,277

Source: COR returns

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

(b) Public health grant has been provided since 2013-14 to give local authorities the funding needed to discharge their new public health responsibilities.

(c) The drop in GLA expenditure on Housing after 2014-15 is the result of the planned end of their Affordable Homes Programme, the GLA's main funding stream for affordable housing from 2011 to 2015

(d) Central services include court costs, local tax collection, and other core council services costs (such as IT).

(e) 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 2012-13 to 2017-18.

Table 4.2a: Financing of capital expenditure, 2012-13 to 2016-17					
	2012-13	2013-14	2014-15	2015-16	£ million 2016-17
Central government grants	8,481	7,483	8,520	9,302	7,954
Grants and contributions from Local Enterprise Partnerships ^(a)		-	-	-	574
EU structural funds grants	55	57	132	114	13
Grants and contributions from private developers and from leaseholders etc	693	750	727	1,069	1,112
Grants and contributions from NDPBs ^(b)	442	443	564	505	471
National lottery grants	67	49	53	47	59
Use of capital receipts	1,294	1,516	1,879	2,196	2,327
Revenue financing of capital expenditure <i>of which:</i>	3,167	4,920	5,241	4,654	3,997
<i>Housing Revenue Account (CERA)</i>	466	578	686	775	759
<i>Major Repairs Reserve</i>	1,259	1,491	1,526	1,815	1,642
<i>General Fund (CERA)</i>	1,442	2,851	3,029	2,065	1,595
Capital expenditure financed by borrowing/credit <i>of which:</i>	4,842	4,454	4,422	4,759	6,792
<i>SCE(R) Single Capital Pot ^(c)</i>	88	70	-	-	-
<i>SCE(R) Separate Programme Element ^(c)</i>	30	8	-	-	-
<i>Other borrowing & credit arrangements not supported by central government ^(d)</i>	4,724	4,376	4,422	4,759	6,792
Total resources used to finance capital expenditure ^(c)	19,042	19,671	21,539	22,646	23,693

Source: COR returns

(a) New category introduced for 2016-17 out-turn. Grants and contributions from Local Enterprise Partnerships were previously reported under the Central government grants category.

(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 that attracted central government support was discontinued as of 31 March 2011. The 2012-13 and 2013-14 figures represent the residue of schemes from earlier years.

(d) 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.

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 2012-13 to 2016-17. 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 31st March from 2012-13 to 2016-17.
- 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> and https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/716234/Borrowing_and_Investment_Live_Table_Q4_2017_18.xlsx

Table 5.1a: Local authority borrowing, England 2012-13 to 2016-17

	£ million				
	2012-13	2013-14	2014-15	2015-16	2016-17
Temporary borrowing					
Banks	54	54	51	59	43
Building societies	0	0	4	0	0
Other financial intermediaries	78	94	88	128	121
Public corporations	54	42	57	35	36
Private non-financial corporations	4	5	8	12	13
Central government	2	5	0	0	0
Household sector	38	17	13	29	17
Other sources	36	40	48	48	46
Total	265	257	270	311	275
Longer-term borrowing					
Negotiable bonds	1,901	2,601	3,106	4,400	4,384
Listed securities other than bonds	2,059	1,666	1,727	1,236	1,233
Public Works Loan Board	51,368	51,181	51,462	51,362	52,731
Banks	9,015	8,584	8,356	8,165	8,226
Building societies	5	2	1	1	1
Other financial intermediaries	300	332	435	516	498
Public corporations	6	6	9	6	6
Private non-financial corporations	11	120	149	151	155
Central government	7	22	35	49	83
Household sector	3	4	3	3	3
Other Sources	4,248	4,710	5,056	5,438	5,837
Total	68,923	69,228	70,339	71,325	73,156
Total borrowing	69,188	69,485	70,609	71,637	73,430
TFL and GLA ^(a)	9,993	11,105	11,805	12,855	13,009
Total borrowing excluding TFL and GLA	59,196	58,380	58,804	58,782	60,422

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

(a) 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 2012-13 to 2016-17

	£ million				
	2012-13	2013-14	2014-15	2015-16	2016-17
Investments					
Deposits: banks	14,908	14,951	12,863	12,083	10,720
Deposits: building societies	1,856	2,022	2,706	1,782	1,689
Treasury bills	1,029	1,772	2,004	671	671
Certificates of deposit: banks	133	377	965	742	713
Certificates of deposit: building societies	0	8	6	23	23
British Government (Gilt-edge) securities	206	1,227	597	481	471
Other financial intermediaries	12	23	46	37	37
Public corporations	156	200	285	1,040	1,040
Debt Management Account deposit facility	336	486	918	495	458
Money market funds	3,445	3,634	4,545	6,272	5,857
Externally managed funds	1,492	1,399	1,568	2,367	1,811
Other investments	2,616	2,722	3,520	3,425	3,219
Total investments	26,189	28,823	30,023	29,419	26,710

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

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 2012-13 to 2016-17.

Table 5.2a: Local Government Net Cash Requirement, 2012-13 to 2016-17

	£ million				
	2012-13	2013-14	2014-15	2015-16	2016-17
Annual change in temporary borrowing	20	-8	13	41 (R)	-37
Annual change in longer-term borrowing	1,909	305	1,111	986 (R)	1,830
Total	1,928	297	1,124	1,028 (R)	1,794
less annual change in investments	3,415	2,634	1,200	-604 (R)	-2,709
Net Cash Requirement	-1,486	-2,337	-76	1,631 (R)	4,503

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

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 2016-17, 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 groups³, and **Table 6.2b** shows employee expenditure as a proportion of service expenditure for each of the service areas for 2016-17.

	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%
Total pay^(a)	46.2	43.3	41.4	41.2	39.7	77%
Total non-pay for all groups ^(b)	11.4	10.7	9.7	9.9	10.2	20%
Other pay related costs ^(c)	2.6	2.2	2.8	2.1	1.9	4%
Total employee expenditure	60.2	56.1	53.9	53.2	51.7	100%

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

³ 2016-17 data not available

Table 6.2b: Employee expenditure as a proportion of total service expenditure for 2016-17

	£ billion		%
	Employee expenditure	Service expenditure ^(b)		Employees expenditure
Education services	21.9	37.2	59%
Highways, roads and transport services	1.2	7.3	16%
Children Social Care	3.3	9.2	36%
Adult Social Care	3.3	20.9	16%
Public Health	0.4	3.7	10%
Housing services ^(a)	0.6	2.9	21%
Cultural and related services	1.3	3.6	35%
Environmental services	1.6	6.9	23%
Planning and development services	1.0	2.5	42%
Police services	9.6	12.1	79%
Fire and rescue services	1.6	2.1	76%
Central services	5.7	11.7	49%
Other services	0.1	0.4	30%
Total service expenditure	51.6	120.4	43%

Source: RSX form (2016-17)

(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 (LGPS) is operated in England via 80 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 2012-13 and 2016-17.

Table 6.3a: Local Government Pension Scheme income and market value of funds 2012-13 to 2016-17

	2012-13	2013-14	2014-15	2015-16	£ million 2016-17
Contributions (including those from admitted					
Employees ^(a)	1,785	1,827	1,934	1,961	1,969
Employers ^(b)	5,732	6,030	6,837	6,604	6,942
Investment income (gross)	2,983	3,164	// 3,338	// 3,413	3,755
<i>of which:</i>					
Dividends receivable	2,015	2,161	2,160	2,231	2,441
Interest receivable	345	361	347	320	289
Income from property	395	423	450	489	528
Other investment income ^(c)	227	218	// 380	// 373	497
Transfer values ^{(d)(e)}	519	559	// 3,036	// 399	// 1,140
Other income	79	53	58	51	57
Total income	11,098	11,632	// 15,204	// 12,428	// 13,863

Source: SF3 returns

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

(b) Includes employers' secondary contributions.

(c) 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.

(d) 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.

(e) Transfer values for 2016-17 includes £675 million transfer to Wandsworth for the merger of Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016.

- 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 2012-13 and 2016-17.

Table 6.3b: Local Government Pension Scheme expenditure 2012-13 to 2016-17

	£ million				
	2012-13	2013-14	2014-15	2015-16	2016-17
Total expenditure on benefits	7,504	7,848	8,269	8,642	8,932
<i>of which:</i>					
<i>Pensions or annuities</i>	5,998	6,323	6,691	6,962	7,196
<i>Lump sums paid on retirement</i>	1,241	1,242	1,295	1,392	1,422
<i>Lump sums paid on death</i>	163	168	172	189	200
<i>Optional lump sum</i>	98	115	110	96	111
<i>Other benefits</i>	4	1	1	3	3
Disposal of Liabilities	476	472 //	2,952 //	477 //	1,208
<i>of which:</i>					
<i>Transfer values ^{(a)(b)}</i>	476	471 //	2,950 //	472 //	1,204
<i>Pensions Act premiums</i>	0	0	2	4	4
<i>Refunds of contributions</i>	0	0	0	0	0
Total Management expenses charged to the fund	492	572 //	810	890	956
<i>of which: ^(c)</i>					
<i>Fund Management costs ^(d)</i>	374	449 //	689	-	-
<i>Administration costs</i>	119	123 //	121	-	-
<i>Investment management expenses</i>	-	-	-	741	800
<i>Administrative expenses</i>	-	-	-	101	106
<i>Governance and oversight costs</i>	-	-	-	48	49
Other expenditure	17	15	22	19	29
Total expenditure	8,490	8,907 //	12,054 //	10,027 //	11,125

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) Transfer values for 2016-17 includes £675 million transfer from Richmond upon Thames for the merger of Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016.

(c) Recording of Management expenses in SF3 2015-16 was changed in line with CIPFA guidance.

(d) The way Fund Management costs are reported was changed during 2014-15 following revised guidance from CIPFA.

6.3.7. **Table 6.3c** shows the types of retirements from the LGPS between 2012-13 and 2016-17.

Table 6.3c: Number by type of retirements from the Local Government Pension Scheme 2012-13 to 2016-17

	2012-13	2013-14	2014-15	2015-16	2016-17
Redundancy	13,110	12,876	12,074	12,346	12,581
Tier 1,2 & 3 ill health retirement awards under LGPS	2,441	2,621	2,480	2,487	2,429
Early payment of deferred benefits	25,139	24,392	29,402	30,296	33,336
Normal retirements	19,717	20,779	18,883	21,404	23,382
Total retirements	60,407	60,668	62,839	66,533	71,728

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>

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