



# *Statistical Release*

30 September 2011

## QUARTERLY REVENUE OUTTURN FOR LOCAL AUTHORITIES IN ENGLAND: QUARTER 1 2011-12

- Total net current expenditure for quarter 1 was estimated to be £29.16bn.
- The forecast net current expenditure figure for 2011-12 is £116.69bn.
- This is a decrease of 1.2 per cent on the initial reported budget of £118.06bn.

This is a new statistical release, which provides quarterly revenue outturn data for local authorities in England, for quarter 1 of the financial year 2011-12, and compares it to revenue account data for the same financial year. The data are drawn from Quarterly Revenue Outturn (QRO) forms and Revenue Account (RA) forms for all of the 444 authorities in England which complete the form. To conform to National Accounts principles, these figures are provided on a non International Accounting Standard 19 (IAS19) and a PFI “off balance sheet” basis, unless otherwise stated. This version of the release is a revision to the original document published on 29<sup>th</sup> September 2011.

The release has been compiled by the Local Government Finance: Data Collection, Analysis and Accountancy division of the Department for Communities and Local Government.

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David Lacey. We welcome comments and suggestions for further improvement, or about your experiences with this product, which may include comments on data quality, timing and formatting. Please email [gro@communities.gsi.gov.uk](mailto:gro@communities.gsi.gov.uk)

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## Contents

Revisions to the original publication .....	2
Quarterly revenue outturn data.....	3
Additional table.....	5
Methodology.....	6
Strengths and limitations of the data .....	7
Data quality .....	8
Uses made of the data .....	8
Terminology used in this release.....	9
Background notes .....	10
Symbols and conventions .....	11

## Index of tables

Table 1: Estimated Quarterly Revenue Outturn data for England, Q1 2011-12 .....	<b>Error! Bookmark not defined.</b>
Table 2: Forecast Revenue Outturn data for England at Q1 2011-12.....	4
Table 3: Total net current expenditure by region and class of authority.....	5

### Additional table (available online)

Estimated Quarterly Revenue Outturn data, Q1 2011-12 by local authority, region and class of authority

### Revisions to the original publication

1. Following publication at 09:30 on Thursday 29<sup>th</sup> September, an error was identified in the data used in this release.
2. In the original version of this publication the Revenue Account figures for total service expenditure and for net current expenditure, referred to in tables 2 and 3, as well as in the commentary, did not agree with figures published in the Statistical Release “Local authority revenue expenditure and financing England: 2011-12 Budget”. The error was in the budget figures quoted in this release, which was caused by the way in which non-pay elements of schools expenditure are imputed. These figures have been replaced by the figures published in the above named release.
3. As a consequence of this change, comparison figures (percentage changes on budget) calculated and described in this document have been revised. The commentary has been updated to reflect these changes.
4. In correcting this error, the need to further caveat figures relating to education and to the in-year forecast for net current expenditure has become apparent. In light of this, additions have been made to the “Strengths and limitations of the data” and “Data quality” sections of this release.

## Quarterly revenue outturn data

5. Authorities in England submit budget data to the Department before the start of each financial year on the Revenue Account (RA) form, and Revenue Outturn (RO) data after the end of the year.
6. The Quarterly Revenue Outturn (QRO) data, which are collected following quarters 1, 2 and 3 of the financial year, provide an early indication of local authority revenue outturn. Historically, outturn on revenue spending has differed from budget, and these quarterly returns allow data to be improved as spending patterns become clearer throughout the year.
7. The figures in this release are based on valid returns from 428 authorities. Authorities whose data are missing or invalid are listed in paragraph 20.f. Where authority information is missing or invalid, figures have been imputed for the purpose of calculating aggregate figures, as described in the methodology section of this release.
8. This release provides the first estimate of quarter 1 revenue outturn data. Authorities will have the opportunity to revise their Q1 data following quarter 2, and an update of these figures will then be published.
9. Table 1 shows the QRO data for quarter 1 of 2011-12 at a national level, subject to grossing as outlined in sections 15 and 16.

- Nationally, net current expenditure for the quarter was £29.16bn.
- One quarter of the comparable budgeted (RA) figure was £29.51bn. Quarter 1 outturn expenditure was 1.2 per cent lower than this RA figure.

<b>Table 1: Estimated Quarterly Revenue Outturn data for England, Q1 2011-12</b>		<b>Q1 Outturn</b>
<b>Net current expenditure (£m)</b>		
QRO line		
1, 2	<b>General Public Services</b>	<b>824</b>
3	<b>Defence</b>	11
4,5	<b>Public order and Safety</b>	<b>3,455</b>
6, 7, 8	<b>Economic Affairs</b>	<b>1,359</b>
9	<b>Environmental Protection</b>	<b>1,047</b>
10, 11, 12	<b>Housing and Community Amenities</b>	<b>395</b>
13	<b>Health<sup>(a)</sup></b>	<b>0</b>
14	<b>Recreation, Culture and Religion</b>	<b>669</b>
15	<b>Education</b>	<b>9,015</b>
Imputed	Non-pay element of schools expenditure	1,779
16, 17	<b>Social Protection</b>	<b>5,516</b>
18	<b>Non-distributed costs: retirement benefits</b>	123
19	<b>Other Services</b>	145
20	<b>TOTAL SERVICE EXPENDITURE (TOTAL OF LINES 1 TO 19)<sup>(b)</sup></b>	<b>24,339</b>

22	<b>Housing benefits:</b> rent allowances - mandatory payments	3,537
23	<b>Housing benefits:</b> non-HRA rent rebates - mandatory payments	147
24	<b>Housing benefits:</b> rent rebates to HRA tenants - mandatory payments	987
25	<b>Housing benefits:</b> subsidy limitation transfers from HRA	3
27	<b>Contribution to the HRA re items shared by the whole community</b>	2
28	Parish precepts	159
29	Passenger Transport Authority levy <sup>(c)</sup>	-13
30	Waste Disposal Authority levy	0
31	London Pensions Fund Authority levy	8
32	Other levies	14
33	<b>External Trading Accounts net surplus(-)/ deficit(+)</b>	-89
37	<i>Capital charges included in External Trading Accounts (Line 33)</i>	-5
34	<b>Internal Trading Accounts net surplus(-)/ deficit(+)</b>	56
38	<i>Capital charges included in Internal Trading Accounts (Line 34)</i>	3
35	Adjustments to net current expenditure	11
36	<b>NET CURRENT EXPENDITURE (TOTAL OF LINES 20 TO 35)<sup>(b)</sup></b>	<b>29,160</b>
39	Interest payable and similar charges	582
(a)	Under the definition of health expenditure in COFOG-1 (see glossary) this figure is currently zero for all authorities.	
(b)	Includes non-pay element of schools expenditure imputed from RA returns.	
(c)	This levy should net out to zero across the year. The fact that it does not do so for the Q1 figure is likely to be due to timing differences and estimation on the part of authorities.	

10. In-year forecasts (predicted outturn for the whole year) are provided for a number of lines on the QRO. Table 2 shows these figures at a national level and compares them to the RA figures provided at the start of the financial year.

- The in-year forecast for total service expenditure is 99.8 per cent of the RA figure for the year.
- The in-year forecast for net current expenditure is 98.8 per cent of the RA figure.

	2011-12 Forecast Outturn (QRO)	2011-12 Budgeted (RA) figure	Percentage change from budget
<b>Net current expenditure (£m)</b>			
20 <b>TOTAL SERVICE EXPENDITURE<sup>(a)</sup></b>	<b>99,277</b>	<b>99,504</b>	<b>-0.2%</b>
36 <b>NET CURRENT EXPENDITURE<sup>(a)(b)</sup></b>	<b>116,687</b>	<b>118,059</b>	<b>-1.2%</b>
39 Interest payable and similar charges	2,601	3,098	-16.0%
(a)	Includes non-pay element of schools expenditure imputed from RA returns.		
(b)	See Strengths and Limitations section of this release; quality of reporting for this cell is less robust than for the rest of the form.		

11. Table 3 shows total net current expenditure (including the imputed non-pay element of schools expenditure) for quarter 1, the in-year forecast, and the comparable RA figure, by region and by class of authority.

- Nationally, total net current expenditure for quarter 1 made up 25.0 per cent of the in-year forecast figure.
- The in-year forecast outturn ranges from 103.3 per cent of the RA figure for London Boroughs to 93.1 per cent for Shire Counties.
- Quarter one outturn ranges from 26.0 per cent of the in-year forecast for Shire Counties to 15.5 per cent for Other Authorities.

<b>Table 3: Total net current expenditure by region and class of authority</b>					
<b>Total net current expenditure (£m)</b>	<b>Quarter 1 outturn</b>	<b>2011-12 Forecast Outturn (QRO)<sup>(a)</sup></b>	<b>2011-12 Budgeted (RA) figure</b>	<b>Q1 outturn as percentage of in-year forecast</b>	<b>In-year forecast as percentage of budget</b>
ENGLAND	29,160	116,687	118,059	25.0	98.8
<u>Region</u>					
North East	1,491	5,850	6,002	25.5	97.5
North West	4,002	16,060	16,056	24.9	100.0
Yorkshire and Humber	2,807	11,384	11,066	24.7	102.9
East Midlands	2,167	8,566	8,778	25.3	97.6
West Midlands	2,991	12,260	12,022	24.4	102.0
East of England	2,797	9,548	11,446	29.3	83.4
London	6,322	26,244	25,769	24.1	101.8
South East	4,056	16,792	16,791	24.2	100.0
South West	2,526	9,984	10,130	25.3	98.6
<u>Class of authority</u>					
London Boroughs	5,022	20,653	19,998	24.3	103.3
Greater London Authority	1,297	5,576	5,756	23.3	96.9
Metropolitan Districts	6,007	24,221	23,649	24.8	102.4
Unitary Authorities	5,592	22,129	22,289	25.3	99.3
Shire Counties	6,718	25,823	27,745	26.0	93.1
Shire Districts	2,094	8,170	8,261	25.6	98.9
Police Authorities	2,034	8,397	8,643	24.2	97.2
Fire Authorities	359	1,473	1,477	24.4	99.8
Other Authorities	38	245	241	15.5	101.6
(a) See Strengths and Limitations section of this release; data quality for this cell is less robust than for the rest of the form.					

### Additional table

12. An additional table has been produced at local authority level, for authorities which submitted valid data. This is not included in the printed version of this release. It is available on the Department's website at <http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/revenue201112/> and shows

quarter 1 outturn data and in-year forecast data at local authority, region and class of authority level.

## Methodology

13. This release compares QRO data with RA data in a number of cases. The forms are not directly comparable and so, in order to make the comparison, relevant RA lines have had to be aggregated to provide a comparison to each QRO line. A mapping document which shows the relationship between lines on the RA, RO and QRO forms is available online at <http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/revenue201112/>.
14. The non-pay element of schools expenditure is not collected on the QRO form, but is imputed from the 2011-12 RA figure. This non-pay element is taken to be RA line 190 (total schools expenditure) for each authority, multiplied by the percentage in paragraph 16 which converts it to a quarterly figure, minus the QRO line 15 figure (as reported or as imputed, as applicable).
15. Aggregate national, regional and class of authority figures are produced by using imputed figures for any authority which failed to submit its form by the deadline for inclusion in this release, or for which the form was received but contained significant data quality issues which could not be resolved with the authority in time for publication.
16. The imputed figures for such authorities are taken to be a percentage of the comparable Revenue Account (RA) figures submitted for the financial year. This is the Q1 outturn figure as a percentage of the comparable RA figure for valid authorities. For this release, this percentage was calculated to be 25.1 per cent. This methodology assumes that the missing authority's outturn is in keeping with its budgeted expenditure and that its expenditure in the current quarter, as a percentage of its budgeted expenditure for the year, is the same as that for authorities for which validated QRO data are available. As the RA and QRO lines are not identical, RA lines have been aggregated to form a comparison with the relevant QRO line.
17. In order to estimate the education line (line 15) for authorities with missing or invalid data, both RA and RO (Revenue Outturn) figures are used. The 2009-10 RO for each authority is used to determine the percentage of its total net current expenditure on schools which is made up of employee costs. This percentage is applied to the RA figure for total net current expenditure on schools to estimate the employee element of this expenditure, and is added to RA lines 150 and 160 (services to young people, and other school related education functions) to produce an estimate of the annual QRO education figure for the authority. The quarterly figure is then estimated by applying to this annual figure the percentage described in paragraph 16.

18. Where such methodology has been applied to an authority for the purpose of producing aggregate figures, no data are published for that authority in the online LA-level table (available at <http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/revenue201112/>).

### **Strengths and limitations of the data**

19. The QRO data provide a timely indication of revenue expenditure at local authority level, giving an earlier indication than was previously possible using only the RO data collected after year-end.

20. The data are limited by certain factors, as outlined below.

- a. Local authorities are asked to work to a level of materiality of £1m for all lines except 33, 34, 37 and 38 (trading account lines), for which the materiality level is £5m.
- b. For the purposes of the QRO return, authorities are asked to estimate the apportionment of central service charges to the appropriate service lines on an accrued basis. However, the majority of authorities do not undertake this apportionment formally until year end. There is a large difference, therefore, between the RA and QRO for line 2 within General Public Services, as authorities have either had to estimate the apportionment or have not undertaken any apportionment of recharges in their return (instead including all costs in line 2 of the return).
- c. A number of authorities misinterpreted the forecast figure required in line 36 (net current expenditure) and provided a partial forecast covering only lines 20, 33 and 34. Although the validation process attempted to resolve the problem, the line 36 forecast figure remains less accurate than the remainder of the data. We will undertake further work with authorities to improve the accuracy of this line prior to the quarter 2 release. It is likely that, of the percentage changes shown in table 2, the figure for total service expenditure, rather than for net current expenditure, gives the most accurate indication of the national trend at this point.
- d. The non-pay element of schools expenditure is not collected on the QRO form, but is imputed from the RA form as outlined in paragraph 14. This methodology assumes that spending pattern for this type of expenditure is the same as the average spending pattern of valid authorities across all lines on the form.
- e. Where authorities fail to submit a return, or where, at the point of publication, significant data quality issues remain, figures for the authority are imputed for the purpose of calculating aggregate figures (see paragraphs 16 and 17). This imputation relies on a number of assumptions, including that the authority's expenditure remains in line with its budget and that the proportion of its expenditure occurring in the current quarter is equal to the same proportion for validated

authorities. **1.7 per cent of the net current expenditure reported for England is comprised of imputed values.**

- f. Authorities for whom valid data were not available at the point at which this release was finalised were:
- i. Avon Combined Fire Authority
  - ii. Braintree
  - iii. Brentwood
  - iv. Epping Forest
  - v. Hambleton
  - vi. Haringey
  - vii. Harlow
  - viii. Lee Valley Regional Park Authority
  - ix. Mendip
  - x. Peak District National Park Authority
  - xi. Portsmouth UA
  - xii. Thurrock UA
  - xiii. Wealden
  - xiv. West London Waste Authority
  - xv. West Midlands Passenger Transport Authority
  - xvi. Wiltshire Police Authority

### **Data quality**

21. The information in this Statistical Release is derived from Department for Communities and Local Government Quarterly Revenue Outturn (QRO) returns submitted by local authorities in England. All local authorities are required to complete all relevant parts of the QRO return.
22. Figures are subjected to rigorous pre-defined validation tests as the data are received and stored, and queries are followed up with authorities prior to publication.
23. The release document, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.
24. It should be recognised that this is the first release of QRO data, and that data were collected from authorities on a statutory basis for the first time for Q1 of 2011-12. Data quality can be expected to improve as local authorities become more familiar with the form, and as an increase in the amount of data available provides more options for validation checks. In particular, and as described above, we are aware of particular data quality issues in the apportionment of pay and non-pay expenditure for line 15 (education) and in the forecast for line 36 (net current expenditure).

### **Uses made of the data**

25. The purpose of the QRO collection is to improve the economic data used for fiscal monitoring by HM Treasury and the data used to monitor changes in the wider economy which are maintained by the Office for National Statistics. This in turn supports the Government's aims of



maintaining sound public finances and macroeconomic stability. Improving the local authority data provided to central government is a key part of this.

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

### Terminology used in this release

27. A list of terms relating to local government finance is given in the glossary at Annex G of Local Government Finance Statistics England No. 21 2011. This is accessible at <http://www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011>. The terms most relevant to this release are explained below.
28. **Aggregate External Finance** is the total amount of grant provided to finance all local government expenditure, excluding that subject to separate arrangements under statutory schemes, rent allowances and rebates and council tax benefit, which are funded by specific grants outside Aggregate External Finance.
29. **Classification of the Functions of Government (COFOG) codes** provide a standard means of referring to services provided by government. Further detail on what is covered by each COFOG code is available from the UN Statistics Division (link below). COFOG-1 codes (the highest level of the hierarchy) are used on the QRO form. Line 13 of the form (Health) is included so that a full picture of expenditure under all COFOG codes can be provided. However, at present, no local authorities are responsible for services which fall under the COFOG definition of Health. (<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>).
30. **Current expenditure** is the cost of running local authority services within the financial year. This includes the costs of staffing, heating, lighting and cleaning, together with expenditure on goods and services consumed within the year. This expenditure is offset by income from sales, fees and charges and other (non-grant) income, which gives **total net current expenditure**. Total net current expenditure also includes payments made by local authorities on behalf of central government, under statutory schemes and the payment of rent allowances and rebates. Such payments are fully funded by central government through specific grants outside **Aggregate External Finance**.
31. **International Accounting Standard 19 (IAS 19)**. Local authorities' final accounts are required to comply in full with International Accounting Standard 19 on employment benefits. This requires future liabilities for retirement benefits to be recognised in the accounts for all the main categories of local government employees, with the exception of teachers. However, for National Accounts purposes, the cost of retirements is taken to be the benefits and contributions actually payable in the year.

32. **PFI schemes in accordance with the International Financial Reporting Standards (IFRS).** Under the International Financial Reporting Standards (IFRS), assets provided under PFI schemes are normally shown on the authority's balance sheet. Local authorities are required to account for their PFI schemes on the IFRS basis. For National Accounts purposes, however, PFI schemes are accounted for on an "on balance sheet" basis only where economic ownership of the asset rests with the authority. **Economic ownership** for national accounts purposes is determined by whether the local authority or the contractor has an asset of the property used to provide the contracted services. A party has an asset of the property where that party has access to the benefits of the property and exposure to the risks inherent in those benefits.

### Background notes

33. This Statistical Release can be found at the following web address:  
<http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/revenue201112/>
34. For press enquiries about this Statistical Release, please contact the Local Government press desk on 0303 444 0444 or email [press.office@communities.gsi.gov.uk](mailto:press.office@communities.gsi.gov.uk). For other enquiries please contact Katy Fone on 0303 444 1213 or email [qro@communities.gsi.gov.uk](mailto:qro@communities.gsi.gov.uk).
35. Timings of future releases are regularly placed on the Department's website,  
<http://www.communities.gov.uk/corporate/researchandstatistics/statistics/publicationschedule/> and on the National Statistics website,  
[www.statistics.gov.uk/press\\_release/currentreleases.asp](http://www.statistics.gov.uk/press_release/currentreleases.asp)
36. Guidance notes, which accompany each form sent to local authorities, can be found at:  
<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/quarterlyrevenue/>
37. For a fuller picture of recent trends in local government finance, readers are directed to Local Government Finance Statistics England No. 21 2011, which is available electronically from the Department for Communities and Local Government website:  
<http://www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011>
38. The Scottish Government, Welsh Assembly Government and Northern Ireland Government collect annual revenue outturn data. Their information can be found at the following websites:
- a. Scotland:  
<http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance>
  - b. Wales:  
<http://wales.gov.uk/topics/statistics/headlines/localgov2010/100623/?lang=en>

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

39. Quarterly capital statistics are published for England and are available at the following weblink:

<http://www.communities.gov.uk/documents/statistics/xls/1984124.xls>

40. Revenue Account (RA) and Revenue Outturn (RO) data for England are available at the following weblink:

<http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/>

41. A draft statistics plan describing our proposals for collecting and publishing official statistics over the period April 2011 to March 2012 can be found at:

<http://www.communities.gov.uk/publications/corporate/statistics/plan201112consultation>

## **Symbols and conventions**

### **Symbols**

... Not available

0 Zero or negligible

n/a Not applicable

|| Discontinuity

(P) Provisional

(R) Revised since the last statistical release

### **Rounding**

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

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