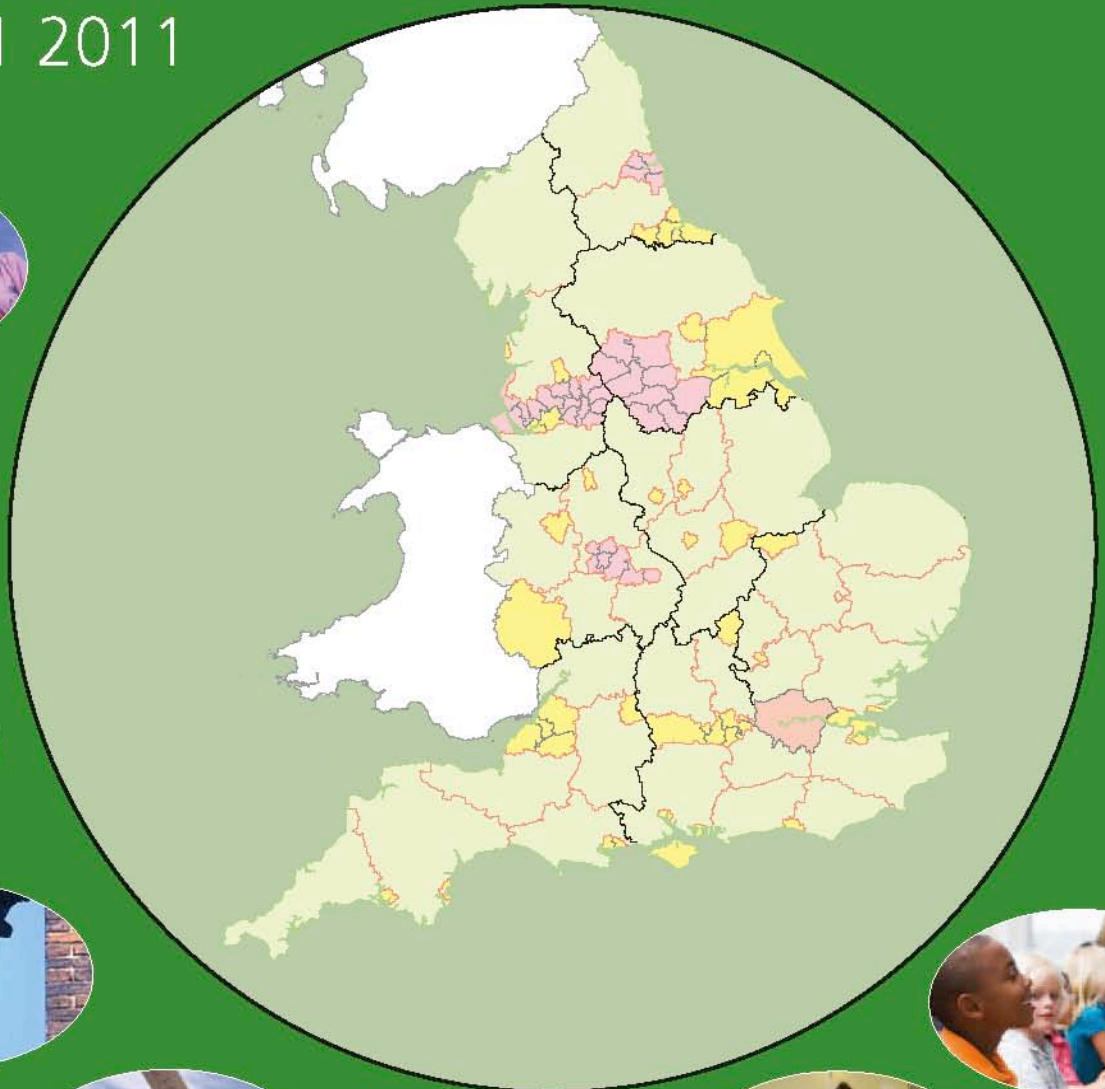


Local Government Financial Statistics England

No.21 2011





Local Government Financial Statistics England No.21 2011

Presented to Parliament pursuant to
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Elizabeth II, c70

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

Symbols and conventions

...	=	not available
–	=	not relevant
-	=	negative
0	=	zero or negligible
B	=	budget
E	=	estimate
F	=	forecast
P	=	provisional
R	=	revised since the last statistical release
	=	discontinuity

Rounding

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

PREFACE

This is the 21st edition of *Local Government Financial Statistics England*, providing summaries of financial data from local authorities, though earlier versions of this document have been published and presented to Parliament since the 1930s. Most of the information comes from forms sent to the Department for Communities and Local Government (DCLG) by all local authorities in England.

Local government expenditure represents about 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 detailed outturn summaries of local government expenditure and income for years up to 2009-10, the latest year for which complete information is available, and estimates for 2010-11. Before the publication of the next edition of *Local Government Financial Statistics* in mid 2012, the latest information will be made available in releases of 2010-11 outturn summaries and 2011-12 budgets, which will be published on the Department's website.

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

Local government finance statistics publications and other detailed data can be found at: <http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/>

This link is also home to detailed statistical releases on revenue, capital and local tax statistics. Further information on data quality, methodology and the uses of the data can be found on these releases as well as a more detailed look at the statistical outputs. If you cannot locate the data you require please use the contact details below or in Annex E which can be found online.

The key purpose of the Local Government Financial Statistics compendium is to fulfil the statutory requirement to present a copy to Parliament every year. However, it is also used by 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, and contacts in government or local government organisations and the private sector.

Local Government Financial Statistics provides users with a comprehensive and quantitative view of the financial system of local government but they are also guided through this with detailed commentary. This ensures that Local Government Financial Statistics is both accessible to users who already have a good understanding of the subject area as well as those who are new to the topics. Local Government Financial Statistics brings together local government finance topics all in one place. These topics include revenue expenditure and financing, capital expenditure and financing, local tax, borrowing and investments, pensions and pay and workforce. In addition information is provided to ensure that users understand the structure and responsibilities of local government and its significance in the national context. Maps and lists of all local authorities are provided for users as well as any significant changes to the functions and structure of local government since the 1970s. This documentation is essential for work on historical data and time series analysis.

Local Government Financial Statistics provides contact numbers online in Annex E for fourteen different subject areas to ensure that users are able to request and seek advice on any data or explanation they require.

As part of a wider corporate initiative we continue to ask customers how they use our data in order to build up greater understanding of their fitness for purpose.

More generally we have asked all of our users to tell us about the uses to which they put our statistics in two corporate documents: our User Engagement Strategy: <http://www.communities.gov.uk/publications/corporate/statistics/engagementstrategystatistics>

Our Statistics Plan

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

Responsible statisticians:

Mike Young and Steve Melbourne

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

Telephone number: 030 344 44183

For specific contact telephone numbers, please refer to **Annex E** which can be found online.

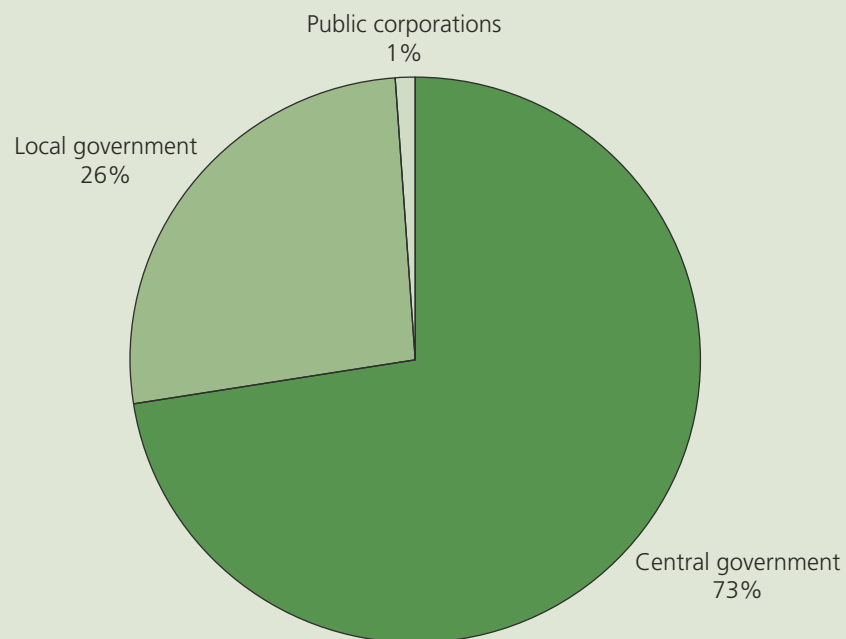
TRENDS IN LOCAL GOVERNMENT FINANCE

Local government finance in England

K.1 Overview

- Setting out local government expenditure and income in context, local government accounts for 26% of the expenditure of the UK public sector as a whole (see **section 1.5**).

Chart K.1a: Local government expenditure in Total Managed Expenditure, UK 2009-10

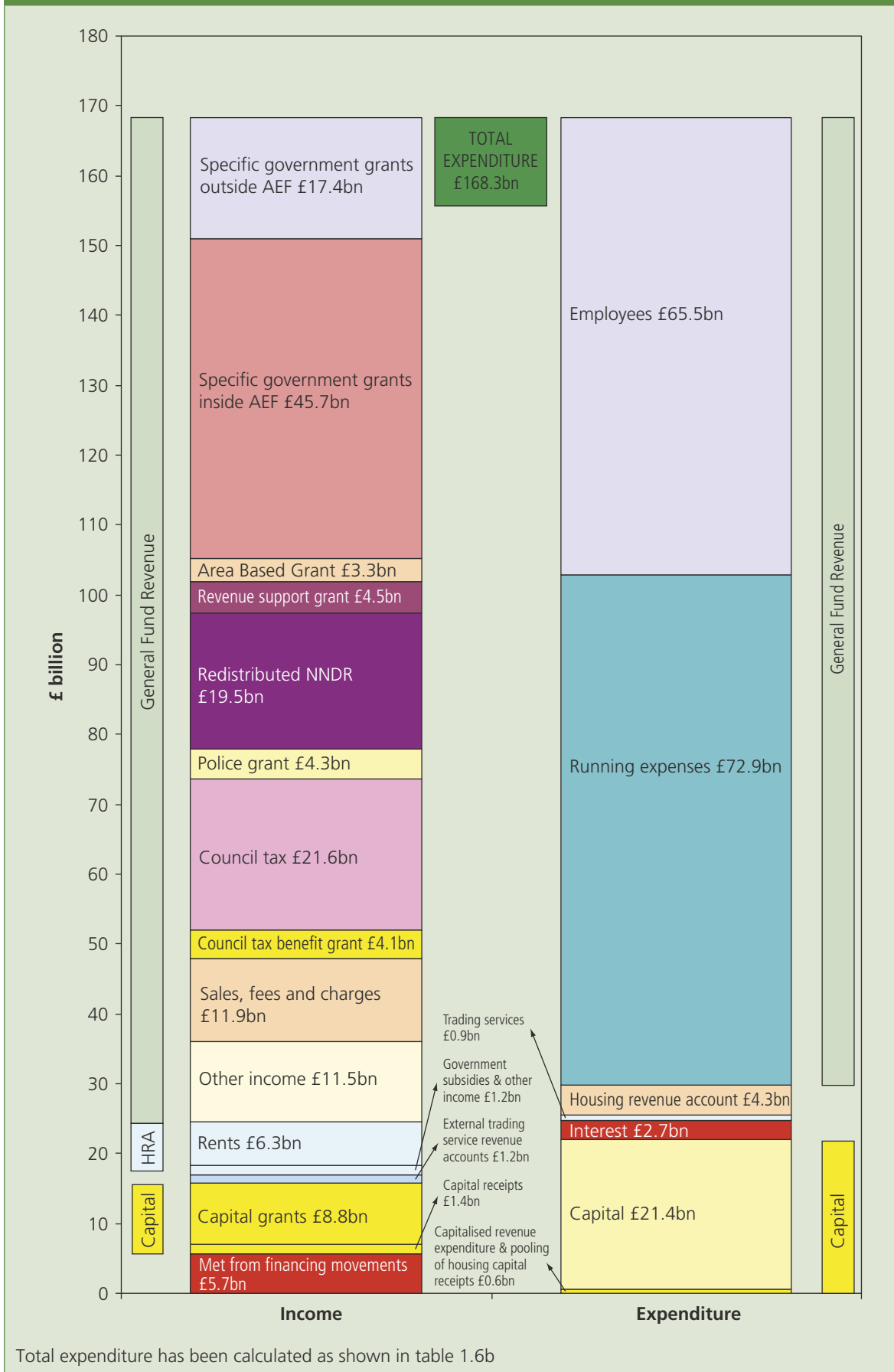


Source: Office for National Statistics

Total managed expenditure has been derived using the National Accounts definition

- In England, local authorities' total expenditure was £168bn in 2009-10 compared with £160bn in 2008-09 and £154bn in 2007-08.
- After deducting non-grant income, the overall cost to the central and local taxpayer of local authority services was around £129.3bn, or £2,490 per head in 2009-10.

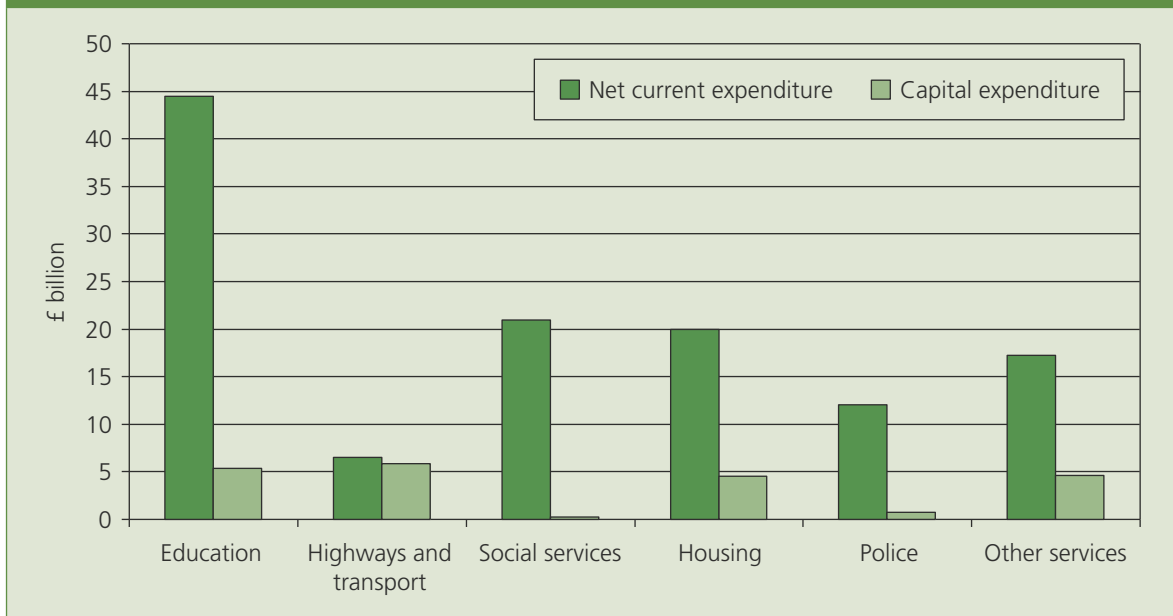
Chart K.1b: Local authority gross income and expenditure 2009-10



K.2 The pattern of spending

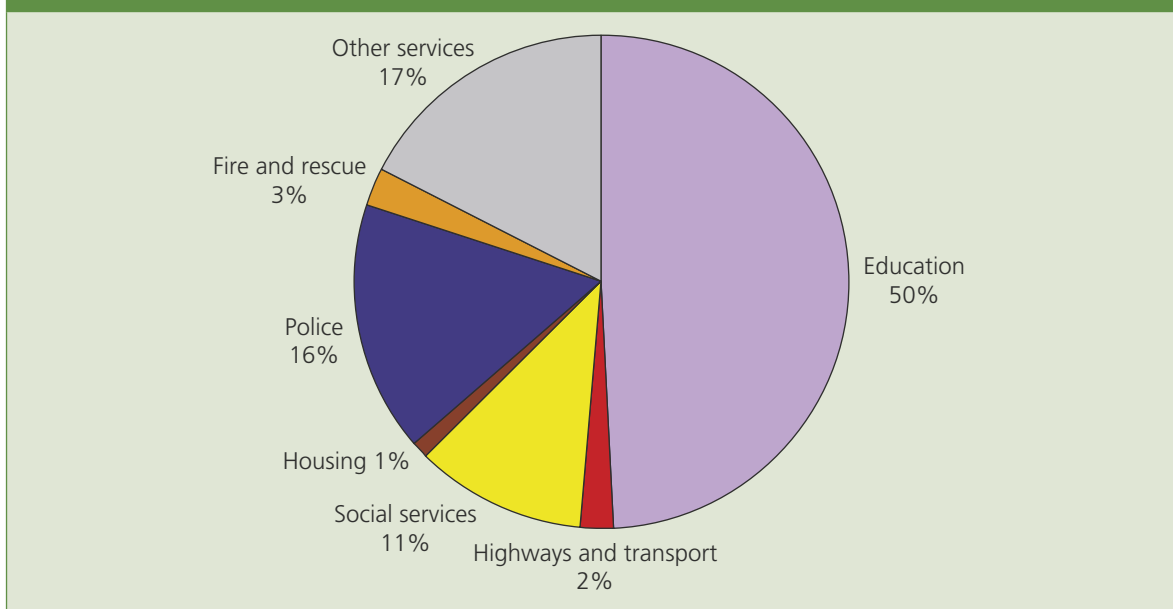
- In 2009-10, net current expenditure (see **section 3.2**) on general services was £115.6bn. Total capital expenditure was £22.1bn (see **section 4.2**).

Chart K.2a: Expenditure on services 2009-10



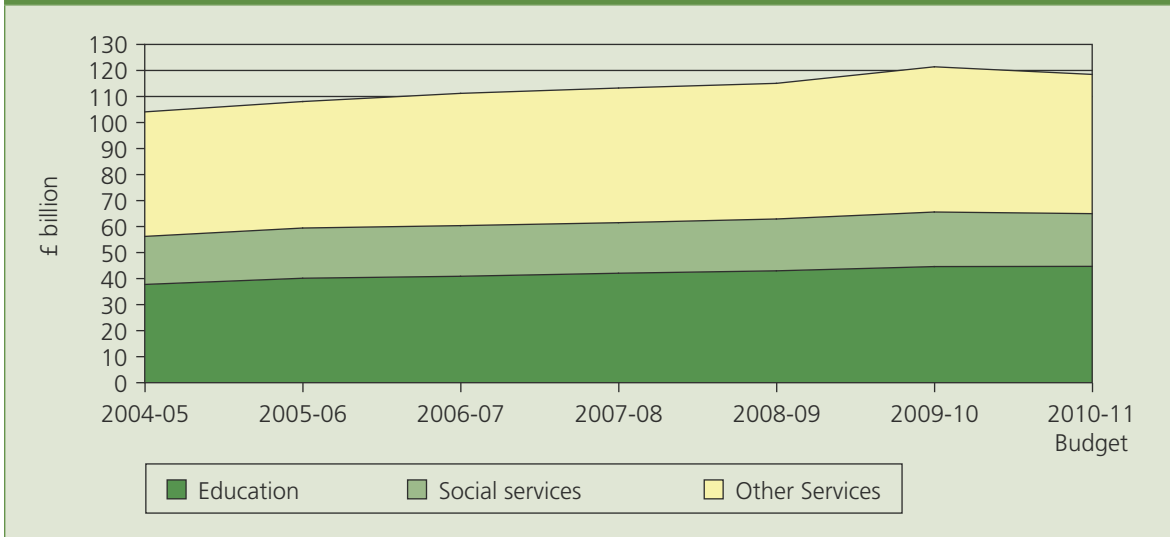
- Local government is collectively one of the largest employers in England, employing nearly 1.8m full-time equivalent staff. The majority of these are in administration and other support services (see **section 6.3**). In 2009-10, local government employee expenditure accounted for 49% of all local government service expenditure (gross of income) (see **section 6.2**).

Chart K.2b: Employee expenditure by service 2009-10



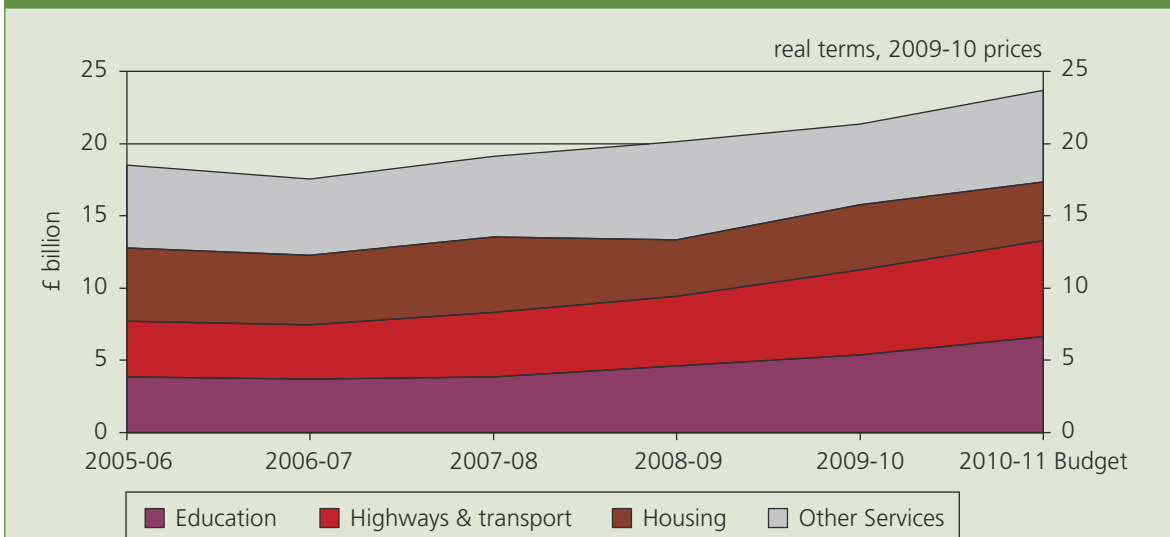
- Comparisons of service expenditure over time are affected by changes in local government responsibilities. Net current expenditure on education increased by 11% in real terms between 2005-06 and 2009-10. Other services have increased by 13% over the same period, mainly due to a rise of 28% in non-housing revenue account housing (see **section 3.2**).

Chart K.2d: Annual change in net current expenditure by service 2005-06 to 2010-11



- In real terms, capital spending increased by 16% between 2005-06 and 2009-10. During this period, capital expenditure on Transport has increased by 52% and on Education by 39%, while Housing has declined by 10% and expenditure on Other Services by 2% (see **section 4.2**). These figures exclude the Greater London Authority (Transport for London) grant payment of £1.7bn in respect of Metronet in 2007-08.

Chart K.2e: Total capital expenditure by service 2005-06 to 2010-11

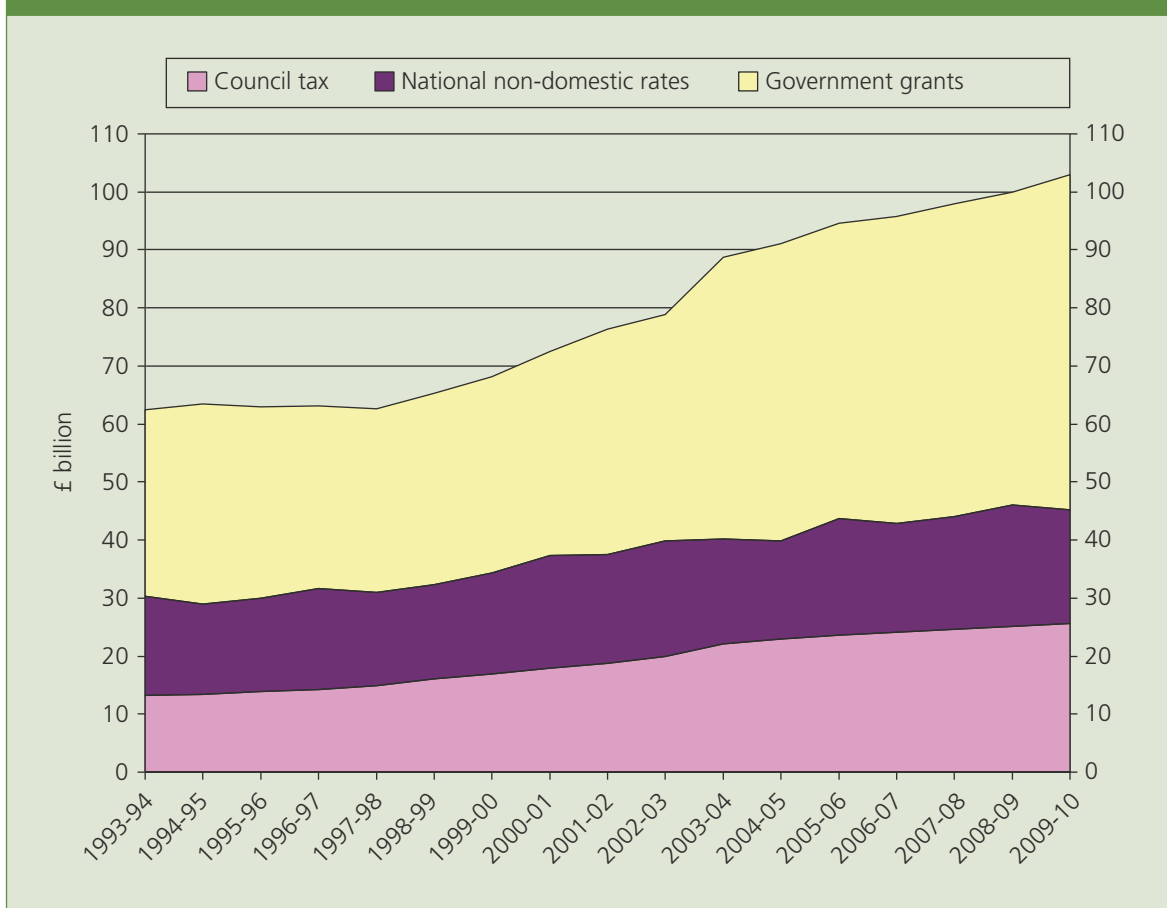


Transport excludes GLA (TfL) grant payment of £1.7 billion in respect of Metronet in 2007-08

K.3 Balance of funding

- About 64% of local authorities' total gross income in 2009-10 came from central government (including redistributed non-domestic rates, revenue and capital grants), and the remaining 36% from local sources, including council tax, charges, rents and capital receipts (see **section 2.1** for full breakdown of local authority income).
- Using a narrower definition, as seen in chart K.3a, 56% of revenue expenditure was funded from government grants in 2009-10, 25% from local taxes and 19% from redistributed non-domestic rates. The locally-funded percentage increased slightly after the introduction of the council tax in 1993-94 (see **section 3.2**).

Chart K.3a: Source of local authority income (at 2009-10 prices)



- Sources of local authority income have not been equally stable. Revenue from council tax has steadily increased each year; central government grants have seen sudden surges and occasional troughs; while the level of non-domestic rates has been subject to annual oscillations without a definite trend.

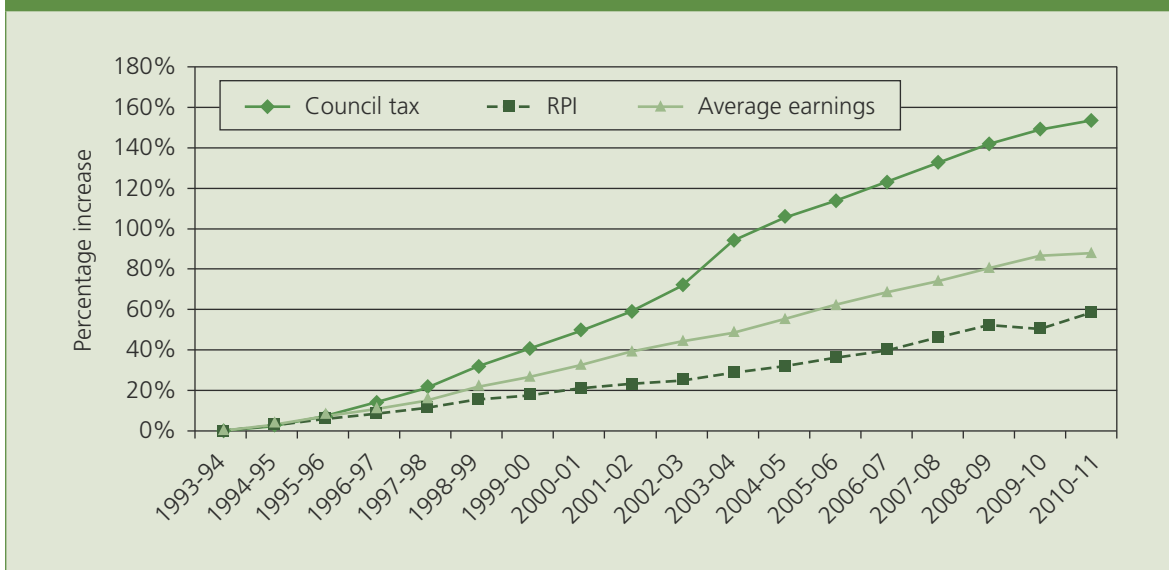
K.4 Council tax

- Council tax requirement was £26.3bn in 2010-11, around £4.4bn of which was expected to be funded by council tax benefit. Since the introduction of council tax in 1993-94 average Band D council tax bills have increased by 153%, 2.6 times the rate of inflation, and 1.7 times the increase in average earnings (see **section 2.2**).

Table K.4a: Annual increases in average Band D council tax

	% increase	"real terms % increase"
1994-95	2.1	-0.4
1995-96	5.0	1.6
1996-97	6.1	3.6
1997-98	6.5	4.0
1998-99	8.6	4.4
1999-00	6.8	5.1
2000-01	6.1	3.1
2001-02	6.4	4.6
2002-03	8.2	6.6
2003-04	12.9	9.5
2004-05	5.9	3.3
2005-06	4.1	0.8
2006-07	4.5	1.9
2007-08	4.2	-0.3
2008-09	3.9	-0.3
2009-10	3.0	3.9
2010-11	1.8	0.7

Chart K.4b: Cumulative increase in council tax, retail prices and average earnings since 1993-94



K.5 Regional variations

- In 2009-10, average revenue expenditure plus capital expenditure per head in England was £2,408. Of the English regions, London had the highest expenditure per head at £3,721, 43% above the average for revenue and 116% for capital. The South East had the lowest expenditure per head for both revenue and capital at 15% below the average and 33% below the average respectively (see **section 3.3** and **section 4.1**).
- Net current expenditure on services was around £2,340 per head in 2009-10. London's spend was 46% above the England average including 167% above average for transport, 83% above average for police and 91% above average for housing. The East of England, South East, South West and East Midlands were all 13-15% below the England average over all services. This was mainly due to the variations in levels of spending on the three services mentioned above.

Chart K.5a: Revenue and capital expenditure per head 2009-10 by region percentage difference from England average

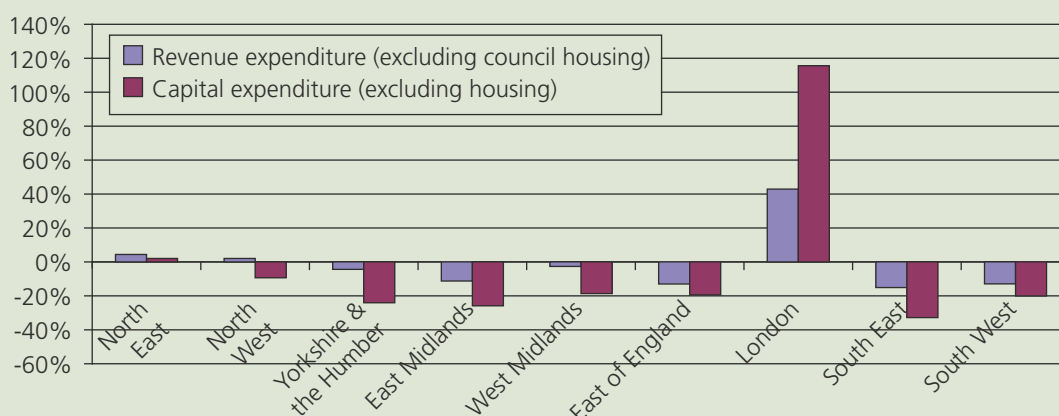
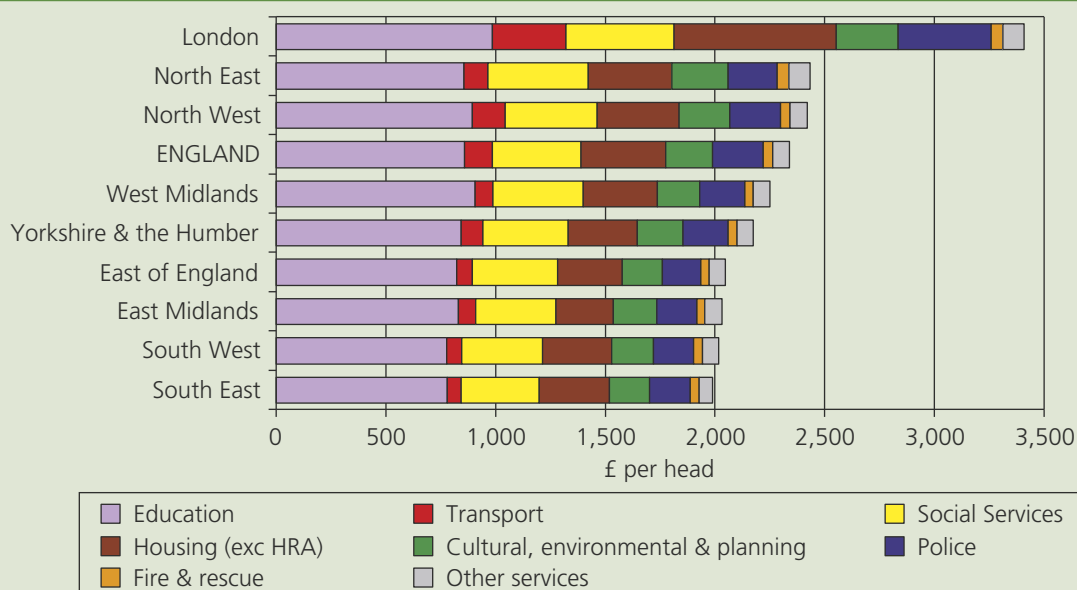


Chart K.5b: Net current expenditure on services per head 2009-10



CHAPTER 1

Local government

1.0.1 This chapter provides an overview of the functions, structure and financial context of local government in England. It is divided into the following sections:

- **What is local government?** **section 1.1**
- **What local government does** **section 1.2**
- **How local government is structured** **section 1.3**
- **How big is local government?** **section 1.4**
- **Local government in the national context** **section 1.5**
- **How local government works financially** **section 1.6**
- **Local government accounting practice** **section 1.7**

1.1 What is local government?

- 1.1.1 Local government is one way in which the country's governance and administration is carried out, and its public services delivered. Two features distinguish local government from other local service providers – most local authorities are elected and most have 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. Local authorities, their members and the administrative units supporting them have a number of objectives, amongst which are delivering national objectives locally using national and local resources to meet the diverse requirements of different neighbourhoods and communities.
- 1.1.3 The style and constitutional arrangements under which local government operates have changed and are still changing. Traditionally local government was about the delivery of a range of services. Over time, more and more of these services have been delivered by outside agencies and the role of local government has changed as a result.

1.2 What local government does

- 1.2.1 Local government delivers a wide range of services either directly through its employees or indirectly by employing others or by facilitating delivery by other bodies.

Table 1.2a: Services delivered by local government – England

Major service	Examples of what is delivered
Education	Maintained Schools – nursery, primary, secondary and special schools and services for them such as school meals, education welfare and support for those with special educational needs Youth, adult, family and community education
Highways, Roads and Transport	Highways – construction and maintenance of non-trunk roads and bridges Street lighting Traffic management and road safety; new line parking services Public transport – concessionary fares, support to operators, co-ordination Airports, harbours and toll facilities
Social Care for Children and Adults	Children's and families' services – support; welfare; fostering; adoption Youth justice – secure accommodation; youth offender teams Services for older people – nursing, home, residential and day care; meals Services for people with a physical disability, sensory impairment, learning disabilities or mental health needs Asylum seekers Supported employment
Housing	Council housing (Housing Revenue Account) Housing strategy and advice; housing renewal Housing benefits; welfare services Homelessness
Cultural services	Culture and heritage – archives, museums and galleries; public entertainment Recreation and sport – sports development; indoor and outdoor sports and recreation facilities Open spaces – national and community parks; countryside; allotments Tourism – marketing and development; visitor information Libraries and information services
Environmental services	Cemetery, cremation and mortuary services Community safety, consumer protection, coast protection, trading standards Environmental health – food safety; pollution & pest control; housing standards; public conveniences; licensing Agricultural and fisheries services Waste collection and disposal; street cleaning
Planning and development	Building and development control Planning policy – including conservation and listed buildings Environmental initiatives Economic and community development
Protective services	Police Fire and rescue services Court services – coroners etc
Central and other services	Local tax collection Registration of births, deaths and marriages Elections – including registration of electors Emergency planning Local land charges Democratic representation Corporate management

1.3 How local government is structured

- 1.3.1 The structure of local government varies across the country and is mapped in **Annex A1. Map A1a** shows the shire counties, metropolitan districts, unitary authorities and boundaries of the regions. The shire counties (upper tier authorities) are broken down into shire districts (lower tier authorities) shown on **Maps A1b to A1e**.
- 1.3.2 In London (**Map A1f**), most functions are delivered by the London boroughs and the City of London which are all lower tier authorities. The upper tier consists of the **Greater London Authority** and its four functional bodies. The Greater London Authority itself comprises a directly elected Mayor and a separately elected Assembly. The functional bodies are the following four organisations:
- Metropolitan Police Authority
 - London Fire and Emergency Planning Authority
 - Transport for London
 - London Development Agency
- 1.3.3 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. However, fire and rescue, police, passenger transport and, in some cases, waste disposal, are the responsibility of single purpose authorities as shown in **Maps A1g to A1i**.
- 1.3.4 In most of the rest of England, called the shire areas, there are two main tiers of local authorities: shire counties and shire districts. These have different responsibilities. However, in some parts of the country, shire county and shire district responsibilities are carried out by a single unitary authority. There were 46 of these authorities created between 1 April 1995 and 1 April 1998 and a further 9 were created on 1 April 2009 with the unitary authority in each case taking over both shire district and shire county functions for their area. Most unitary authorities did not take over responsibility for the fire and rescue service, so most shire counties that were affected by the creation of unitary authorities also have a combined fire authority to administer these services in the old county area – see **Map A1g**. There is also a police authority for each constabulary which covers each metropolitan area and shire county (sometimes combinations of these) – see **Map A1h**.
- 1.3.5 The classification of inner and outer London Boroughs used by the Department for Communities and Local Government is as defined in law by the London Government Act 1963, and the definition is used for purposes such as the local government finance system. The inner London boroughs correspond to the former London County Council area. The outer London boroughs correspond to areas transferred in 1965 for administrative purposes from the counties of Essex, Hertfordshire, Kent, Middlesex and Surrey.

- 1.3.6 The local government finance statistical data collected by the Department for Communities and Local Government are not only used to provide ministers with the most up to date information available on local government finance, but also to inform policy decisions. As long as the definition of inner and outer London boroughs used within the local government finance system is as defined in law, it is both appropriate and consistent for our statistical data to follow the legal definition to correctly inform policy decisions, rather than follow the definition used by the Office for National Statistics.
- 1.3.7 Most information in this publication is supplied by the principal authorities mentioned above, plus the park authorities and waste authorities shown in **Map A1i**.
- 1.3.8 Information is not collected from the third tier of local government, the 9,920 parish councils (of which around 700 are quality parish and town councils) or the approximately 1,000 parish meetings where there is no parish council. Further details on parish and town councils are given in **Annex A2**.
- 1.3.9 **Table 1.3a** shows the responsibilities for major services in the local authorities and **Annex A3** gives details of the main changes to local authority structure in recent years.

Table 1.3a: Local authority responsibility for major services in England												
	Metropolitan areas			Shire areas			London area					
	District councils	Single purpose authorities	Unitaries	County councils	District councils	Single purpose authorities	City of London	London boroughs	GLA	Single purpose authorities		
Number of authorities	36	20	56	27	201	55	1	32	1	4		
Education	✓		✓	✓			✓	✓				
Highways ^(a)	✓		✓	✓			✓	✓	✓			
Transport planning	✓		✓	✓			✓	✓	✓			
Passenger transport		✓	✓	✓					✓			
Social care	✓		✓	✓			✓	✓				
Housing	✓		✓		✓		✓	✓				
Libraries	✓		✓	✓			✓	✓				
Leisure and recreation	✓		✓		✓		✓	✓				
Environmental health	✓		✓		✓		✓	✓				
Waste collection	✓		✓		✓		✓	✓				
Waste disposal ^(b)	✓	✓	✓	✓			✓	✓		✓		
Planning applications	✓		✓		✓		✓	✓				
Strategic planning	✓		✓	✓			✓	✓	✓			
Police		✓				✓	✓		✓			
Fire and rescue ^(c)		✓		✓		✓			✓			
Local taxation	✓		✓		✓		✓	✓				

(a) Transport for London (TfL), a body of the Greater London Authority (GLA), is the highways authority for about 5% of London roads.

(b) Waste disposal for some areas of London is carried out by separate waste disposal authorities. The GLA has strategic, but not operational, responsibility for municipal waste.

(c) Combined fire authorities are responsible for fire and rescue services in the shire areas affected by reorganisation from April 1996. Cornwall, Isle of Wight, Northumberland and Isles of Scilly are the Unitary Authorities with responsibility for fire and rescue services.

The table excludes 10 park authorities in England – for the eight National Parks, The Broads and the Lee Valley Regional Park. These authorities have various powers and aims that straddle some of the normal functions of local government. In particular, park authorities have responsibility for planning and leisure functions.

1.4 How big is local government?

- 1.4.1 Local authorities in England spend around £148.2bn (revenue expenditure) a year and employ nearly 1.8m full-time equivalent staff.
- 1.4.2 Of all local authority employees over 0.4m full-time equivalent staff work in education as teachers, almost 0.3m full-time equivalent staff are employed on protection, law and order: police, fire, traffic wardens and police civilians, and almost 1.1m full-time equivalent staff work in administration and other support services.
- 1.4.3 There are 18,404 elected councillors serving on 354 local authorities. A further 89 single purpose authorities do not have directly elected councillors.

Table 1.4a: Size of local government at 1 April 2010 – England

	Land area in hectares		Population mid-2009		Number of elected authorities	Number of councillors		Number of single purpose authorities	All authorities	
	million	%	million	%		number	%		number	%
Shire areas	12.2	93	32.8	63	284	13,974	76	64	348	79
Metropolitan areas	0.7	5	11.2	22	36	2,446	13	20	56	13
London	0.2	2	7.8	15	34	1,984	11	5	39	9
England	13.1	100	51.8	100	354	18,404	100	89	443	100

Source: ONS Regional Trends publication, ONS mid-year population estimates, LGA Census of Local Authority Councillors

- 1.4.4 In addition there are around 11,000 parish and town councils or parish meetings in England, which deal with very local issues close to their communities. This publication is not directly concerned with this tier of local government, but some further details are provided in **Annex A2**.

1.5 Local government in the national context

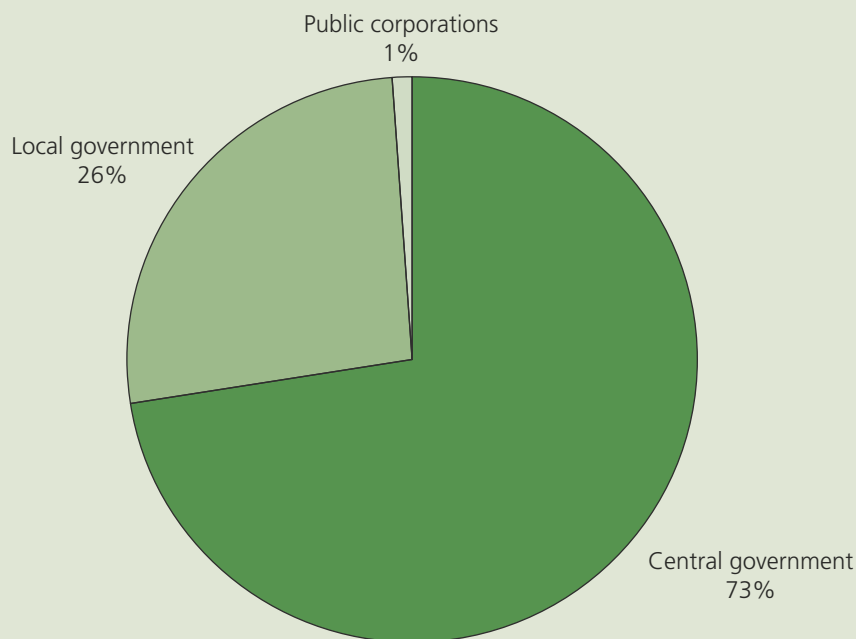
- 1.5.0 This section sets out local government's expenditure and income in the context of the public sector as a whole, local government's part in meeting HM Treasury's fiscal policy objectives, and the size of the local government sector in the UK economy as a whole.

LOCAL GOVERNMENT IN THE PUBLIC SECTOR

- 1.5.1 Local government is a part of the public sector, and local authorities' expenditure is part of public expenditure that pays for the delivery of public services. The main services funded by central government are the National Health Service, social benefits and pensions, defence, and higher and further education. The main services delivered by local government are primary and secondary education, housing and social services.

- HM Treasury measures public expenditure using the aggregate Total Managed Expenditure. In the United Kingdom, local government expenditure is about a quarter of Total Managed Expenditure, and this proportion has changed little for many years.

Chart 1.5a: Local Government expenditure in Total Managed Expenditure, UK 2009-10



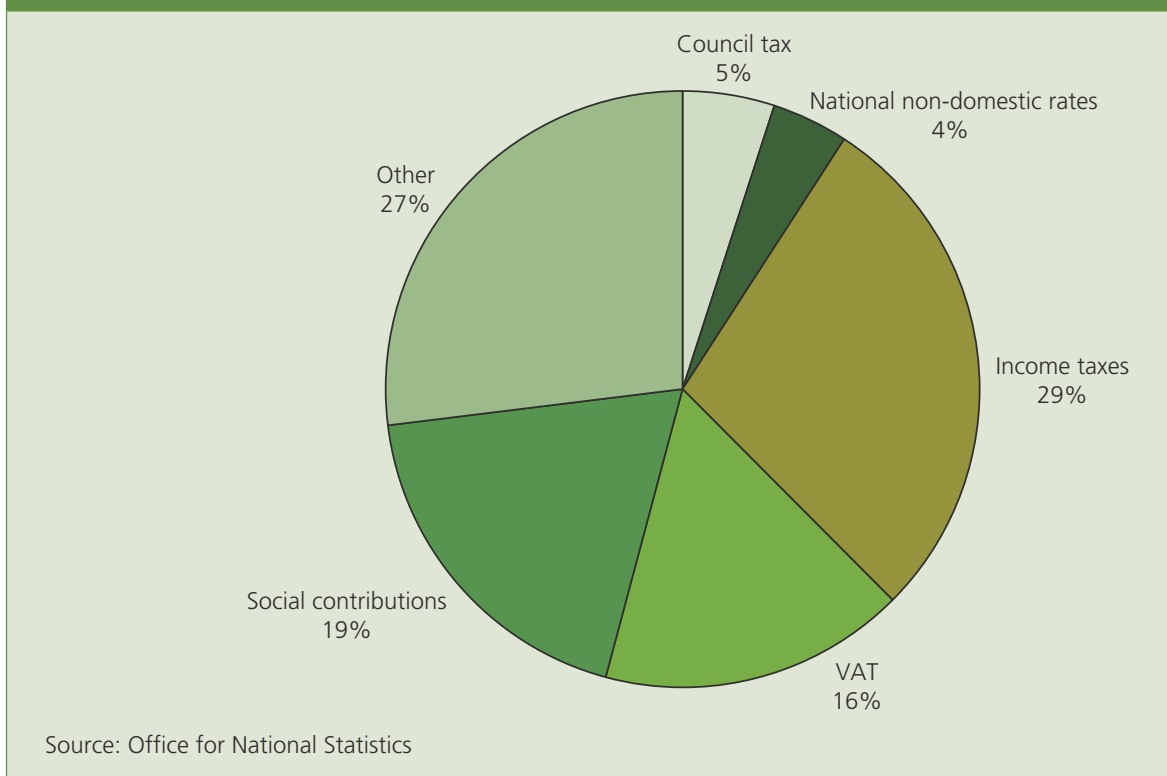
Source: Office for National Statistics

Total managed expenditure has been derived using the National Accounts definition

- 1.5.2 The data underlying **Chart 1.5a** can be found on the electronic version of this publication on the Department's website.
- 1.5.3 Government needs to raise revenue to pay for its expenditure. Some of the main sources of UK government income are:
- income taxes, including income tax, corporation tax and capital gains tax
 - Value Added Tax (VAT)
 - social contributions (mainly National Insurance)

- Council tax is about 5% of UK government revenue, though this figure excludes contributions paid by the Department of Work and Pensions on behalf of Council Tax Benefit claimants.
- National non-domestic rates are about 4% of UK government revenue. In consequence, local government also needs funds from taxes raised centrally, provided in the form of grants, to pay for all of its expenditure.
- The bulk of local government expenditure is financed by grants provided from taxes raised centrally.

Chart 1.5b: Council tax and national non-domestic rates in government receipts, UK 2009-10



1.5.4 The data underlying **Chart 1.5b** can be found on the electronic version of this publication on the Department's website.

LOCAL GOVERNMENT IN THE FISCAL POLICY FRAMEWORK

1.5.5 In November 2010 HM Treasury published a draft Charter for Budget Responsibility setting out the new Government's fiscal policy framework. This stated that:

- The Treasury's objectives for fiscal policy are to ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider Government policy; and support and improve the effectiveness of monetary policy in stabilising economic fluctuations.
- The Treasury's mandate for fiscal policy for this Parliament, announced in the Budget on 22 June 2010, is a forward-looking target to achieve cyclically-adjusted current balance by the end of the rolling, five-year forecast period. At this time of rapidly rising debt, the Treasury's mandate for fiscal policy is supplemented by a target for public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16, ensuring the public finances are restored to a sustainable path.

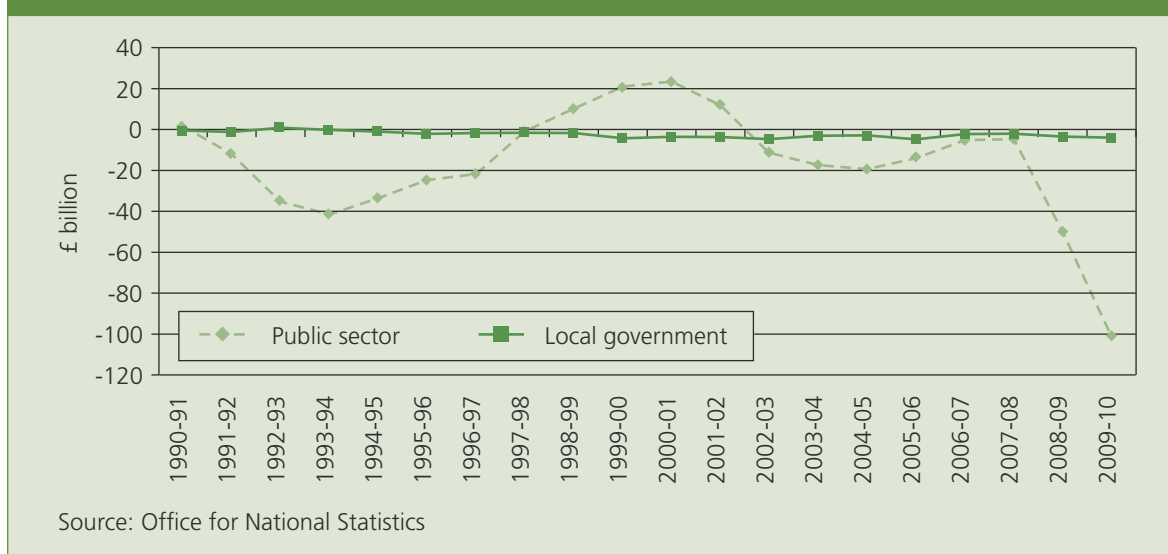
1.5.6 The achievement of the fiscal mandate requires fiscal consolidation to reduce the scale of public sector borrowing. The greatest contribution to this consolidation is planned to come from public spending reductions, rather than tax increases. The October 2010 Spending Review settlement means that on average, central government funding to local authorities decreases

by around 26% over the next four years. Over this period local authorities' budgets are expected to decrease by around 14 per cent once the Office for Budget Responsibility's projections for council tax are taken into account.

1.5.7 The Local Government Finance Settlement, detailing grant allocations to individual authorities for 2011-12 and 2012-13, was announced in January 2011. This resulted in an average reduction of spending power for authorities of 4.5% in 2011-12. A transitional grant was introduced to ensure that no authority will face more than an 8.8% reduction in spending power in either 2011-12 or 2012-13.

- From 1990-91 to 2009-10 the Local Government Current Budget has stayed close to balance. This is a consequence of the local government revenue finance system, which requires revenue expenditure and movements in reserves to be financed from council tax, redistributed national non-domestic rates, and government grants.

Chart 1.5c: Current budget, UK

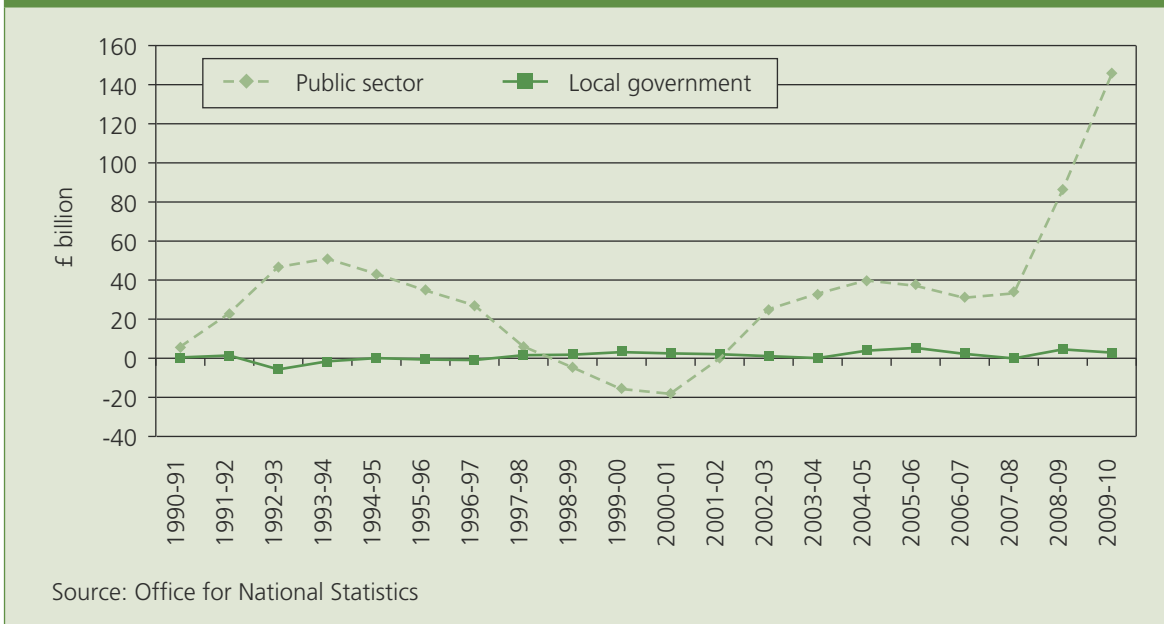


1.5.8 The data underlying **Chart 1.5c** can be found on the electronic version of this publication on the Department's website.

1.5.9 **Public sector net borrowing** is also used to show the overall financial position of the public sector: this measure includes revenue expenditure and capital expenditure. Local Government Net Borrowing is a subset of total Public Sector Net Borrowing.

- As with *Current Budget*, *Local Government Net Borrowing* has been close to balance in most years. Up to 31 March 2004, this was a consequence of the local government capital finance system, which controlled the sources of finance for capital expenditure. Since 1 April 2004 the new prudential code has regulated the way decisions about financing are taken.

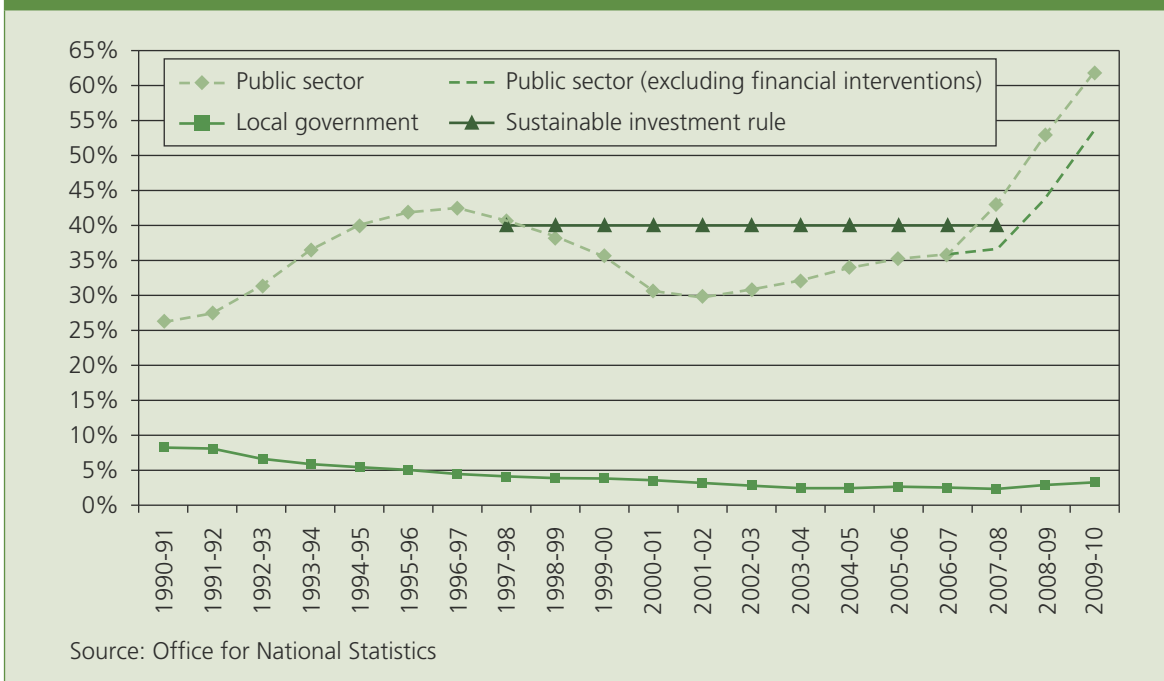
Chart 1.5d: Net borrowing, UK



1.5.10 The data underlying **Chart 1.5d** can be found on the electronic version of this publication on the Department’s website.

- *Local Government Net Debt* has fallen from 8% of Gross Domestic Product at 31 March 1991 to 3% of GDP at 31 March 2010. This partly reflects increased financial investments of capital receipts by local authorities, which reduce net debt.

Chart 1.5e: Net debt as percentage of GDP, UK



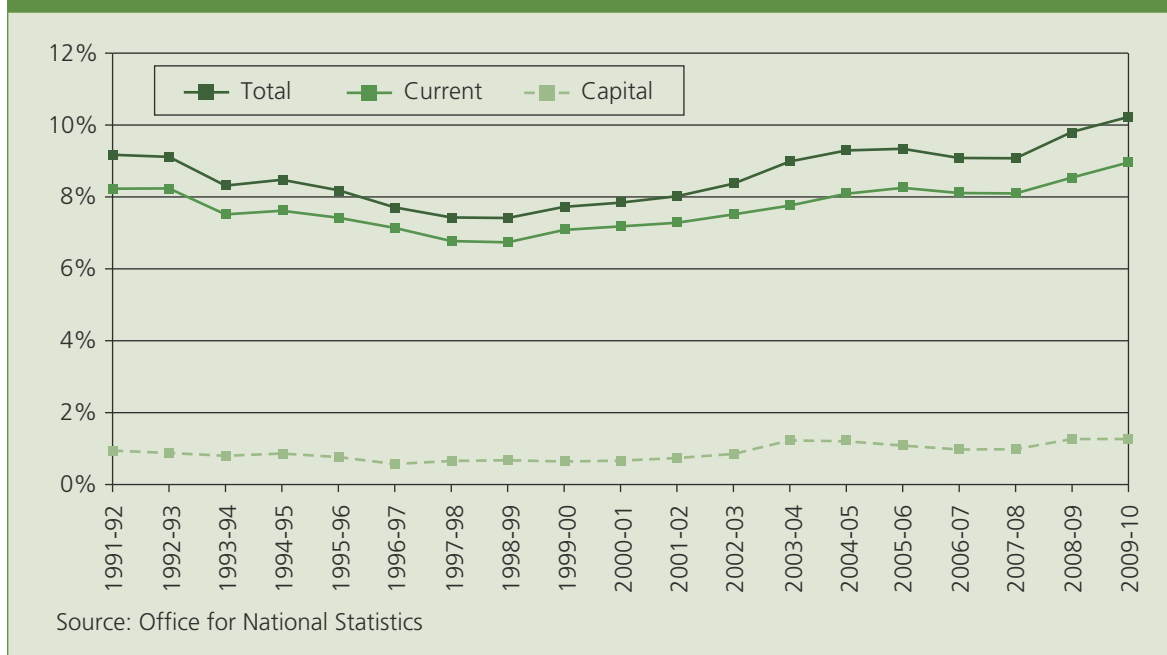
1.5.11 The data underlying **Chart 1.5e** can be found on the electronic version of this publication on the Department's website.

LOCAL GOVERNMENT IN THE UK ECONOMY

1.5.12 Local government expenditure can also be compared to total domestic expenditure in the UK economy, as defined in the National Accounts. This also includes central government expenditure, final expenditure by households, and capital expenditure by all sectors of the economy.

- In 2009-10, local government's share of all domestic expenditure was 10.2%; an increase compared to 9.8% in 2008-09.
- The share was at its lowest in 1998-99, at 7.4%.

Chart 1.5f: Local government expenditure as a percentage of domestic expenditure – England



1.5.13 The data underlying **Chart 1.5f** can be found on the electronic version of this publication on the Department's website.

1.6 How local government works financially

1.6.1 Local authority spending can be divided into **revenue expenditure** and **capital expenditure**, and broadly speaking, each is financed in a different way. On the whole, revenue expenditure is financed through a balance of central government grant including **non-domestic rates** and the locally raised **council tax** (see **Chapter 2**). Capital expenditure is principally financed through central government grant, borrowing and capital receipts (see **Chapter 4**).

1.6.2 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
- to provide accounts which balance

1.6.3 Not all the local authorities counted in **Table 1.4a** are allowed to collect money directly through council tax. Those which can are called **billing authorities**. Others receive funds indirectly either by precepting on a billing authority or by other channels.

- Of the 443 local authorities in England, 326 are billing authorities, who raise money via council tax, and 95 are major precepting authorities. Altogether these 421 authorities are known collectively as 'receiving authorities' because they receive Revenue Support Grant.

Table 1.6a: Billing, major precepting and other authorities at 1 April 2010 – England

	Billing authorities	Major precepting authorities ^(a)	Other authorities ^(b)	All authorities
Shire areas	257	82	9	348
Metropolitan areas	36	12	8	56
London	33	1	5	39
England	326	95	22	443

(a) The count of precepting authorities excludes parish councils.
(b) Other authorities are parks, waste and passenger transport authorities

1.6.4 **Table 1.6b** shows the revenue and capital accounts in order to calculate a figure for local government expenditure and income. Transfers between the accounts are eliminated to avoid any double counting of expenditure or income.

1.6.5 The revenue accounts included are:

- **General Fund Revenue Account**
- **Housing Revenue Account**
- external **Trading Services Revenue Account**

1.6.6 Pension funds in the Local Government Pension Scheme are excluded: the actuarial reserves of the pension funds are owned by the fund members and these are part of the financial corporations sector in the National Accounts, not part of the local government sector. This information is given separately in **Table 7.2a** and **Table 7.2d**. Companies owned by local authorities are also excluded.

1.6.7 Where possible, the tables in this chapter eliminate double counting of flows of money. There are three types of such flows:

- (i) *Between services within the same account.* The most significant flow or recharge of this kind is from general administration to other services and also recharges within general administration.
- (ii) *Between accounts of the same authority.* For example, contributions by the General Fund Revenue Account to the Housing Revenue Account.
- (iii) *Between authorities.* This occurs when an authority pays another authority for goods and services it provides (for example, payments to other local education authorities in respect of pupils educated outside their area of residence – education recoupment).

The most significant of these flows can be identified and eliminated but some cannot, such as recharges made by services other than general administration and some payments and receipts between authorities.

- 1.6.8 There are several different measures of expenditure. The measures used here exclude payments of rent rebates to tenants and payments of council tax benefit. These payments have been excluded because their purpose is to *finance* local authority expenditure rather than to increase it.

Table 1.6b: Summary of expenditure and income (excluding double counting of flows) 2007-08 to 2009-10 – ENGLAND

EXPENDITURE	2007-08	2008-09	£ million 2009-10	Table refs
General Fund revenue account				
Employees	61,701	62,858 (R)	65,519	3.4a
Running expenses	68,869	72,998 (R)	79,866	3.2c
less expenditure at (1) below	-4,698	-5,102 (R)	-6,943	
Pension FRS17 adjustment ^(a)	-786	647 (R)	-	C2a
Housing revenue account				
Supervision, management, repairs and other expenditure	4,382	4,358	4,326	3.8e
External Trading services revenue account				
Employees	166	156	155	C1g
Running expenses	626	672	731	C1g
less expenditure at (2) below	-	-	18	
External interest payments (all accounts)	2,821	2,947 (R)	2,724	C2a
Total all revenue account expenditure^(b)	133,082	139,534 (R)	146,395	
Capital account^(c):				
Total capital expenditure	19,958	19,801	21,362	4.2a
Capitalised revenue expenditure ^(d)	437	432	465	4.2a
Pooling of housing capital receipts ^(e)	653	153	117	4.6e
TOTAL EXPENDITURE	154,129	159,920 (R)	168,338	
<i>continued</i>				
Double accounting adjustments (as numbered above)				

Table 1.6b: Summary of expenditure and income (excluding double counting of flows) 2007-08 to 2009-10 – ENGLAND

EXPENDITURE	2007-08	2008-09	£ million 2009-10	Table refs
EXPENDITURE				
(1)				
Net contribution to Housing Revenue Account (HRA)	9	13	8	C2a
Net contribution to Trading Services Revenue (TSR) accounts	30	273 (R)	-10	C2a
Recharges to other accounts	752	747 (R)	859	C1f
Rent rebates to HRA tenants	3,459	3,622 (R)	3,775	C2a
Payments to other local authorities ^(f)	448	447	482	C1h
Revenue expenditure funded from capital by statute (RECS) – excluding trading (TSR) ^(g)	–	–	1,830	C2a
(2)				
Revenue expenditure funded from capital by statute (RECS) – trading (TSR) only ^(g)	–	–	18	C2a
<p>(a) Defined as the difference between line 787 and line 817 on the Revenue Summary Outturn in table C2a. From 2009-10 the figures above were calculated on a non-FRS17 basis so no adjustments were necessary.</p> <p>(b) Excluding double counting of flows between revenue accounts and capital financing except external interest payments.</p> <p>(c) Payments of fixed assets, payments on grants and advances, acquisition of share or loan capital, credit cover required for leases and credit cover required for other credit arrangements.</p> <p>(d) Comprises capitalised revenue expenditure under section 16(2)(b) of the Local Government Act 2003 and LSVT (Large Scale Voluntary Transfer) levy.</p> <p>(e) Payments to the Secretary of State under regulations 12 and 13 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.</p> <p>(f) Comprises income/expenditure in respect of students educated by another local education authority (inter-authority education recoupment).</p> <p>(g) Running expenses estimates for 2009-10 are not fully comparable to previous years due to revenue expenditure from capital by statute (RECS).</p>				

Table 1.6b: Summary of expenditure and income (excluding double counting of flows) 2007-08 to 2009-10 – England

INCOME	2007-08	2008-09	£ million 2009-10	Table refs
General Fund revenue account				
Specific government grants outside AEF ^(h)	14,112	15,014 (R)	17,374	2.1a
Specific government grants inside AEF	44,485	42,920 (R)	45,737	2.1a
Area Based Grant	...	3,050 (R)	3,314	2.1a
Revenue Support Grant	3,105	2,854	4,501	3.2a
Redistributed NNDR	18,506	20,506	19,515	3.2a
Police Grant	4,028	4,136	4,253	3.2a
General GLA grant	38	48	48	3.2a
Council tax ⁽ⁱ⁾	20,236	21,231 (R)	21,567	C2a/C2b
Council tax benefit grant	3,373	3,528 (R)	4,066	C2b
Sales, fees and charges	11,148	11,607 (R)	11,929	3.2c
Other income	11,025	11,110 (R)	12,039	3.2c
less income at (3) below	-1,200	-1,194 (R)	-1,341	
<i>continued</i>				

Table 1.6b: Summary of expenditure and income (excluding double counting of flows) 2007-08 to 2009-10 – England

INCOME	2007-08	2008-09	£ million 2009-10	Table refs
Housing revenue account				
Rents	6,265	6,219	6,326	3.8e
Government subsidies	11	-235	-134	3.8e
Other income	739	921	1,339	3.8e
External trading service revenue accounts				
Sales, fees and charges	736	965	923	C1g
Other income	368	174	235	C1g
External interest receipts (all accounts)	1,862	1,926	778	C2a
Total revenue income	138,838	144,780 (R)	152,470	
Capital account				
Government grants ⁽ⁱ⁾	7,007	5,733	7,494	4.4a
Other grants and contributions	2,019	1,978	1,266	4.4a
Capital receipts ^(k)	3,992	1,353	1,364	4.6a
Total capital income	13,019	9,064	10,125	
TOTAL INCOME	151,857	153,844 (R)	162,595	
LESS TOTAL EXPENDITURE	-154,129	-159,920 (R)	-168,338	
AMOUNT TO BE MET FROM FINANCING MOVEMENTS	-2,272	-6,076 (R)	-5,744	
Financing Movements				
Overhanging debt on housing sold, repaid by CLG	983	524 (R)	136	
Increase in borrowing	3,790	1,190	820	5.3a
less increase in investments ^(l)	-4,268	3,283	4,002	5.3a
Implied accruals and timing adjustments ^(m)	1,767	1,079 (R)	786	
Total Financing Movements	2,272	6,076 (R)	5,744	
Double accounting adjustments (as numbered above)				
INCOME				
(3)				
Recharges to other accounts	752	747 (R)	859	C1f
Receipts from other local authorities ^(f)	448	447	482	C1h
(h) Excludes council tax benefit grant and rent rebates granted to HRA tenants.				
(i) Council tax due to be paid into the collection fund net of council tax benefit.				
(j) Government grants in 2007-08 include GLA (TfL) grant payment of £1.7 billion in respect of Metronet.				
(k) Capital receipts comprise disposal of tangible fixed assets, intangible assets, leasing disposals, repayments of grants, loans and advances, disposal of share and loan capital and disposal of other investments.				
(l) Increase in local authority investments excluding inter-authority investments.				
(m) The balancing item is the difference between the expenditure and income account and includes, amongst other items, unresolved inconsistencies between data sources, movements in cash balances and timing adjustments.				

1.7 Local government accounting practice

- 1.7.1 The principal statements of the accounting practices applicable to local authority accounts are:
- ***The Code of Practice on Local Authority Accounting in the United Kingdom: a statement of recommended practice***. This is a comprehensive statement of the structure of local authority statements of accounts, and the accounting concepts, accounting policies and estimation techniques to be applied in preparing them
 - ***Service Reporting Code of Practice***. This sets out a mandatory service expenditure analysis for local authorities and a definition of Total Cost to be used in reporting service expenditure, together with a recommended standard subjective analysis.
- 1.7.2 Both documents are published by the Chartered Institute of Public Finance Association and are available for sale on their website at www.cipfa.org.uk. New editions are issued regularly, usually annually.
- 1.7.3 Both Codes are given statutory backing as “proper practices” by regulations under section 21 of the Local Government Act 2003. Various other statutory provisions also affect the preparation of local authority accounts. The form and content of some important accounts, such as the **Housing Revenue Account** and the **Collection Fund**, are closely regulated by legislation. Section 21 of the 2003 Act states that where there is any conflict between provisions in legislation and the requirements of the two Codes, then the legislation prevails. In practice conflict is avoided by drafting the Codes to conform to legislation.
- 1.7.4 With effect from the 2010-11 financial year the Code of Practice on Local Authority Accounting (“the Accounting Code”) is based primarily on International Financial Reporting Standards as adopted by the European Union, though account can also be taken of International Public Sector Accounting Standards and standards issued by the UK Accounting Standards Board. The standards can be adapted as necessary for the public sector context. Until 2001 the international standards were issued as International Accounting Standards; since then they have been issued as International Financial Reporting Standards.
- 1.7.5 The Accounting Code is prepared by the CIPFA/LASAAC Local Authority Code Board, a standing committee of Chartered Institute of Public Finance Accountancy and the Local Authority (Scotland) Accounts Advisory Committee. Before finalisation the Code is reviewed by the Financial Reporting Advisory Board, a body that reports to Parliament and also reviews the accounting codes for central government, the devolved administrations and other bodies including the National Health Service. Based on its review the Financial Reporting Advisory Board issues a statement stating its conclusion on whether the Code is consistent with International Financial Reporting Standards as applied by the central government Financial Reporting Manual.

- 1.7.6 For years up to and including 2009-10 the Accounting Code was based on UK financial reporting standards and had the status of a "Statement of Recommended Practice" in the UK Accounting Standard Board's hierarchy of standards and statements. The subsequent move to international standards was in line with changes being made in the rest of the UK public sector.
- 1.7.7 With effect from the financial year 2010-11 local authority accounts will be based on International Financial Reporting Standards. This is in line with changes being made in the rest of the UK public sector. The *Code of Practice on Local Authority Accounting* will continue to be published by the Chartered Institute of Public Finance and Accountancy but will no longer be reviewed by the UK Accounting Standards Board and will cease to have the status of a Statement of Recommended Practice. Instead the Code will come under the oversight of the Financial Reporting Advisory Board, which also oversees the accounting codes for central government and other parts of the UK public sector. It will continue to have statutory backing as "proper practices" under the 2003 Act. The International Financial Reporting Standards-based Code for 2010-11 has already been published by the Chartered Institute of Public Finance Association and is available for sale at the website in paragraph 1.7.2.

CHAPTER 2

How is the money found?

2.0.1 This chapter describes the main sources of income for local government in England. It is divided into the following sections:

- **Summary of sources of local government income** **section 2.1**
- **Council tax** **section 2.2**
- **Non-domestic rates** **section 2.3**
- **Revenue grants** **section 2.4**
- **Sales, fees and charges** **section 2.5**

2.0.2 Further information can be found in **Annex B – Council tax exemptions**.

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
- redistributed non-domestic rates
- other government grants (including specific government grants)
- borrowing and investments
- interest receipts
- capital receipts
- sales, fees and charges; and
- council rents

- Total local government income has increased from £134.5bn in 2005-06 to £162.7bn in 2009-10.
- 64% of the total local government income received in 2009-10 was in the form of government grants.

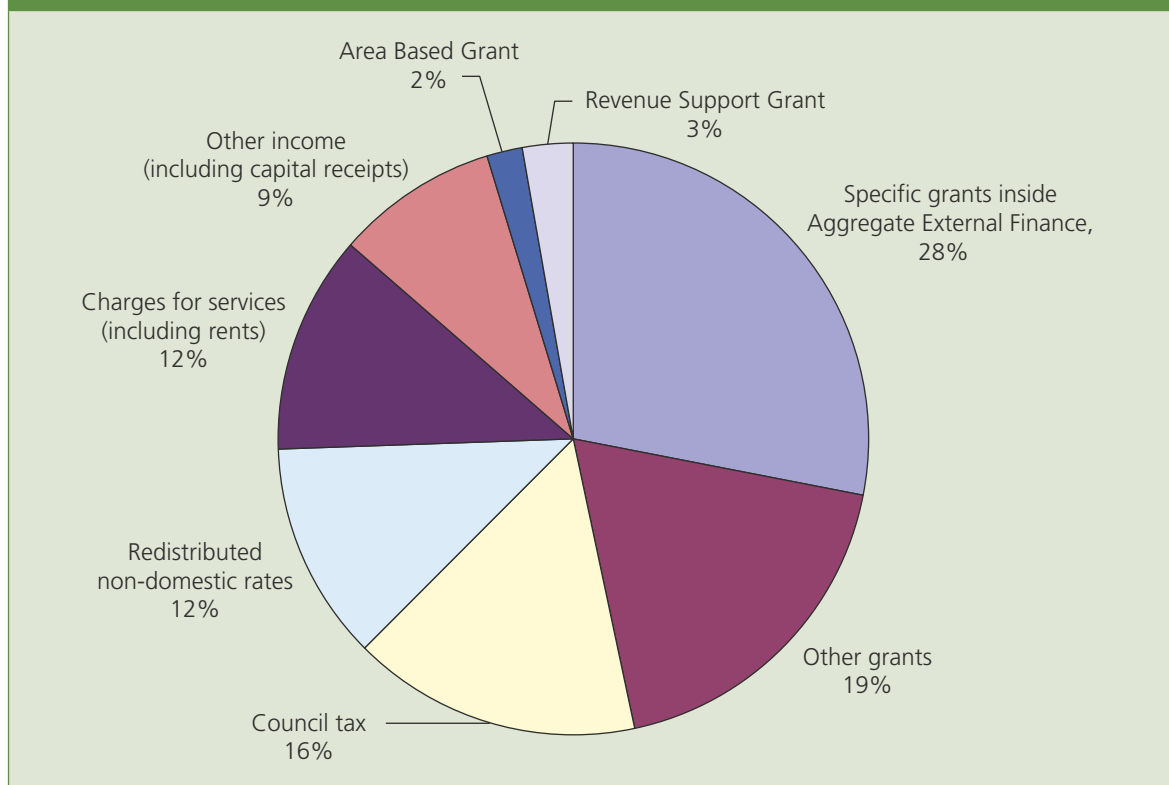
Table 2.1a: Summary of local authority income 2005-06 to 2009-10

	2005-06	2006-07	2007-08	2008-09	£ million 2009-10
Grant income:					
Revenue Support Grant ^(a)	26,663	3,378	3,105	2,854	4,501
Redistributed non-domestic rates	18,004	17,506	18,506	20,506	19,515
Police Grant	4,353	3,936	4,028	4,136	4,253
Specific and special grants inside Aggregate External Finance (AEF) ^(a)	14,785	41,741	44,485	42,920	45,737
Area Based Grant	3,050	3,314
Other grants inside AEF ^(b)	37	38	38	48	48
Grants outside AEF ^(c)	11,804	12,999	14,112	15,014	17,374
Housing subsidy ^(d)	217	150	11	-235	-134
Grants towards capital expenditure	5,298	5,427	9,027	7,711	8,761
Total grant income	81,161	85,174	93,312	96,004	103,369
Locally-funded income:					
Council tax ^(e)	21,315	22,453	23,608	24,759	25,633
External interest receipts	1,215	1,481	1,862	1,926	778
Capital receipts	3,777	3,671	3,992	1,353	1,427
Sales, fees and charges	11,420	11,495	11,884	12,549	12,852
Council rents	6,208	6,240	6,265	6,219	6,326
Total locally-funded income	43,935	45,339	47,612	46,806	47,017
Other income and adjustments	9,384	10,029	10,932	11,079	12,272
Total income	134,481	140,542	151,857	153,866	162,658
Grants as a percentage of total income	60%	61%	61%	62%	64%

Sources: Tables 1.6b, 2.4a, 3.5a, C2b-C2d

- (a) Comparisons across years may not be valid owing to changing local authority responsibilities and methods of funding. In particular, the large switch between Revenue Support Grant and Specific and special grants from 2006-07 was largely due to the introduction of the Dedicated Schools Grant (DSG) as a specific grant.
- (b) Includes Standard Spending Assessment Reduction Grant, Central Support Protection Grant, City of London offset, Transitional Reduction Scheme Grant and General GLA Grant.
- (c) Excludes council tax benefit grant and rent rebates granted to HRA tenants.
- (d) This has decreased due to interest income from Housing Revenue Account increasing substantially; as a result the government subsidy amount dropped (see 3.8e).
- (e) Includes council taxes financed from Council Tax Benefit Grant but excludes council taxes financed from local authority contributions to council tax benefit.

Chart 2.1b: Local authority income by source 2009-10



2.1.2 The remainder of this chapter provides more information on council tax, non-domestic rates, grants and sales, fees and charges. Further information on other sources of income can be found in the following chapters:

- **Council rents and other Housing Revenue Account income** – Chapter 3
- **Capital grants and capital receipts** – Chapter 4
- **Borrowing and investments** – Chapter 5

2.1.3 In addition, local authority pension funds had a total income of approximately £11.2bn in 2009-10. However, this falls outside the usual definition of local authority income. Further information is provided in **Chapter 7**.

2.2 Council tax

2.2.1 Council tax was introduced on 1 April 1993. It replaced the **community charge** (poll tax) which, in turn, replaced domestic rates on 1 April 1990.

2.2.2 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.

- 2.2.3 The impact on council tax of increasing budgeted revenue expenditure varies widely between local authorities. This effect, known as **gearing**, can be thought of as a balance of funding between that part of revenue expenditure to be met through council tax and the part met through other sources. As such it is also often used to measure the ratio of the percentage by which an authority would need to raise its council tax requirement to finance a given percentage change in revenue spending and the percentage change in revenue spending that it is financing. However, this is an imprecise measure because council tax is not the only local source for additional financing of revenue spending. It can also be open to an authority to draw on its available revenue reserves or to extend its use of charging.
- 2.2.4 One way of calculating a gearing ratio is to compare revenue expenditure with council tax requirement. **Table 2.2a** shows the gearing ratios calculated in this way for each class of authority from 2005-06 through to 2010-11. These figures are calculated on a **non-FRS17 basis**.

Table 2.2a: Ratio of revenue expenditure and council tax by class of authority						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (B)
Inner London boroughs ^(a)	6.1	6.3	6.2	6.4	6.7	6.7
Outer London boroughs	4.0	4.1	4.1	4.2	4.2	4.3
Greater London Authority ^(b)	7.2	6.8	6.9	6.8	8.0	8.5
Metropolitan districts	5.0	4.9	4.9	5.0	5.0	5.0
Metropolitan police authorities	7.1	6.8	6.8	6.7	6.6	6.4
Metropolitan fire and rescue authorities	3.3	2.9	2.9	2.9	2.8	2.8
Shire unitary authorities	4.1	4.1	4.1	4.2	4.0	3.9
Shire counties	3.3	3.2	3.2	3.3	3.3	3.3
Shire districts	2.3	2.4	2.4	2.4	2.4	2.4
Shire police authorities	3.7	3.5	3.4	3.3	3.3	3.3
Shire fire and rescue authorities	2.0	1.9	1.9	1.9	1.9	1.9
England	4.0	3.9	3.9	4.0	4.0	4.0

Source: RO returns for 2005-06 to 2009-10 and RA returns for 2010-11
All Figures are on a non-FRS17 basis.

(a) Includes City of London.
(b) The large increase from 2008-09 to 2009-10 was due to an increased transport grant (Capital Expenditure charged to the Revenue Account; CERA)

- 2.2.5 **Table 2.2b** shows the distribution of the ratio of revenue expenditure and council tax by class of authority in 2009-10.

- For a majority of London boroughs and metropolitan districts, their revenue expenditure is three or more times greater than their council tax requirement; for most shire districts (approximately 84%) their revenue expenditure is less than three times their council tax requirement.

Table 2.2b: Ratio of revenue expenditure and council tax by class of authority 2009-10

Band	Number of Authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
Fewer than 2	0	0	0	0	43	18	61
2 up to 2.5	1	0	0	0	82	7	90
2.5 up to 3	1	0	5	6	44	13	69
3 up to 4	9	3	22	20	27	18	99
4 up to 5	5	20	17	1	5	5	53
5 and above	17	13	12	0	0	7	49
Total	33	36	56	27	201	68	421

Source: RO returns
Figures are on a non-FRS17 basis

2.2.6 **Table 2.2c** gives national totals for the council tax requirement budgeted for each year since 2005-06. It shows how the amounts were derived when setting budgets, and how they changed during the course of each year, for example by council tax becoming due from new properties that had not been included in the budget calculations. The table also includes figures for **Council Tax Benefit**, which is a means-assessed social security benefit.

Table 2.2c: Council tax budgets and outturn

	2005-06 ^(a)	2006-07	2007-08	2008-09 ^(a)	2009-10 ^(a)	£ million 2010-11 (B)
As budgeted:						
Council tax requirement	21,315	22,453	23,608	24,759	25,633	26,254
Council tax benefit	3,199	3,386	3,583	3,658	4,039	4,441
Net council tax income	18,349	19,104	20,025	21,101	21,594	21,813
Outturn figures:						
Gross council tax due	21,806	22,939	24,080	25,230	26,110	–
Council tax benefit	3,230	3,385	3,471	3,672	4,091	–
Net collectable debit	18,576	19,554	20,609	21,558	22,071	–
Gross council tax due as a % of budgeted gross income	101.5	102.2	102.0	101.9	102.1	–
Net collectable debit as a % of budgeted net income	101.2	102.4	102.9	102.2	102.2	–

Source: BR1, BR2, BR3, RA and QRC4 returns and DWP

(a) Amounts shown are after the designation of authorities requiring them to recalculate their budget requirement and council tax. Cross reference to 2.21

2.2.7 The amount of council tax payable on a property depends in part on the valuation band to which it is allocated. There are currently eight bands in England ranging from Band A for dwellings valued at less than £40,000 on 1 April 1991 to Band H for dwellings valued at more than £320,000 on that date.

2.2.8 Within an authority, the council tax for each valuation band is a fixed ratio of that for Band D. For example, a Band A dwelling will pay six-ninths of the Band D amount, and a Band H dwelling will pay twice the Band D amount. The ratios for all bands to Band D are shown in **Table 2.2d**.

- Nationally, two-thirds of properties are in Bands A to C and only 9% are in the top three bands.
- The pattern varies widely across regions. In the North East 56% of all properties are in Band A; in London the figure is just 3%. London and the South East account for 70% of all Band H properties in England.

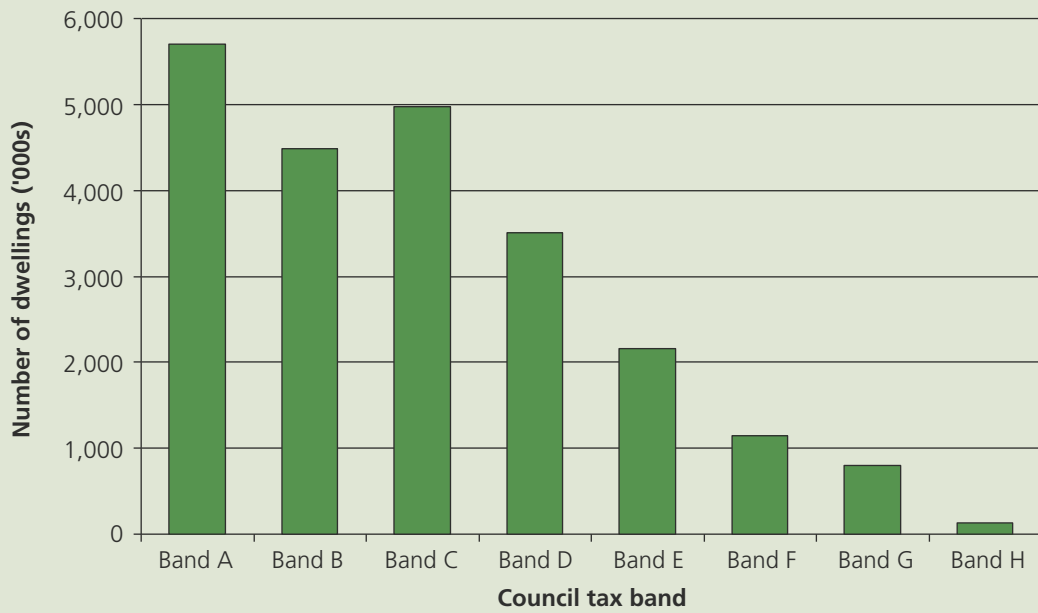
Table 2.2d: Number of dwellings on valuation list as at 13 September 2010 (by region)

	Thousands								
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Valuation band ranges	Under £40,000	£40,001 to £52,000	£52,001 to £68,000	£68,001 to £88,000	£88,001 to £120,000	£120,001 to £160,000	£160,001 to £320,000	Over £320,000	
Ratio to Band D ^(a)	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
North East	659	175	171	93	47	20	12	1	1,178
North West	1,322	621	550	317	183	89	60	6	3,147
Yorkshire & the Humber	1,019	461	384	214	133	64	37	3	2,315
East Midlands	741	441	353	210	123	60	34	3	1,966
West Midlands	739	595	456	261	164	89	54	5	2,363
East of England	362	538	660	439	266	145	98	12	2,520
London	117	455	908	855	507	254	203	58	3,357
South East	325	612	950	738	486	294	235	33	3,673
South West	418	582	548	376	250	127	73	7	2,380
Total England	5,701	4,481	4,979	3,503	2,161	1,141	804	130	22,899
% in band	24.9	19.6	21.7	15.3	9.4	5.0	3.5	0.6	100.0

Source: Valuation Office Agency

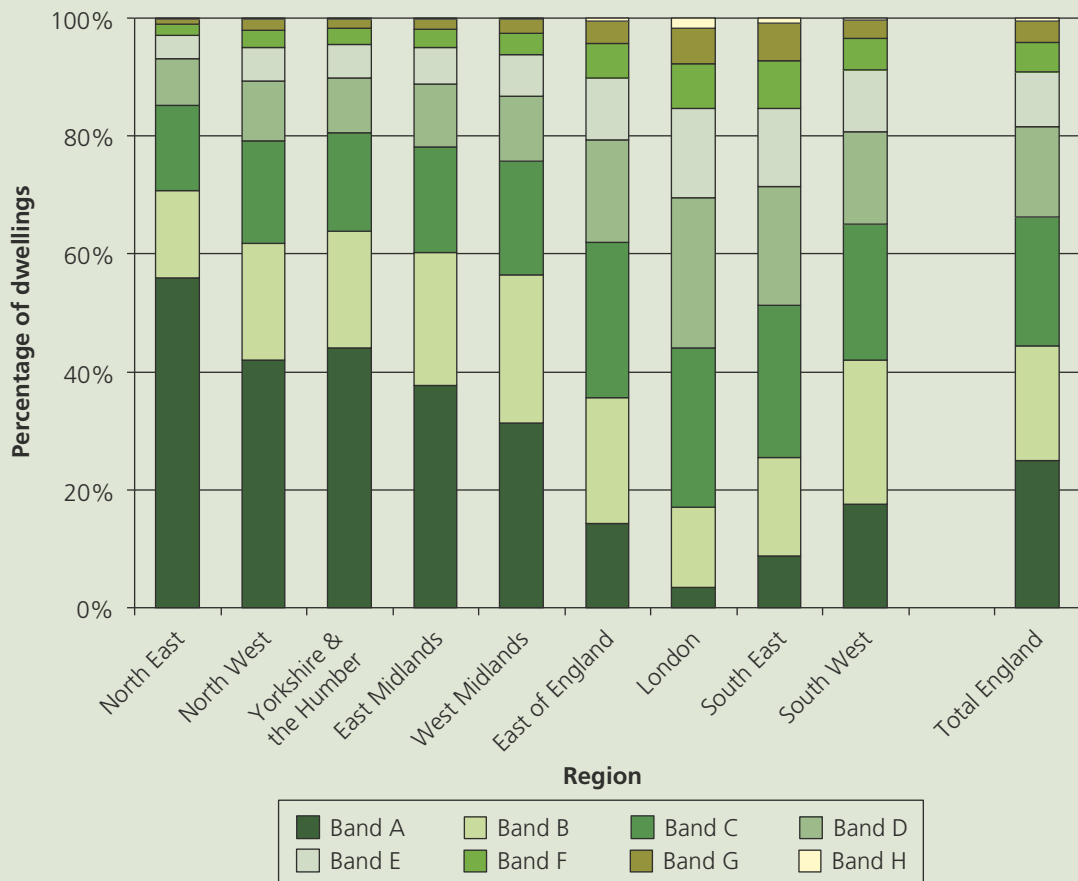
(a) Within an authority, the council tax for each valuation band is a fixed ratio of that for Band D. For example, a Band A dwelling will pay 6/9 the Band D amount, and a Band H dwelling will pay twice the Band D amount.

Chart 2.2e: Distribution of dwellings by council tax band as at 13 September 2010



Source: Valuation Office Agency

Chart 2.2f: Distribution of dwellings by council tax band and region as at 13 September 2010



Source: Valuation Office Agency

- 2.2.9 Band D is used as the basis for calculating the tax base (the number of Band D equivalent properties) and for year-on-year comparisons of tax levels set. However, as only a minority of properties in each local authority are in Band D, the average Band D council tax does not enable direct comparison to be made of the average amounts of council tax payable by people in different areas.
- 2.2.10 In contrast, average council tax per dwelling reflects the wide variation between authorities in the distribution of properties across bands. It is therefore a helpful measure to use when comparing the amounts payable in different areas. Variations between figures on this basis are due to a combination of local authority tax-setting decisions and the distribution of properties across bands within each authority's area.
- 2.2.11 The Government has the power to 'designate' an authority which sets an excessive budget requirement for a financial year ('the relevant year') and to set a maximum budget requirement for that authority for that year (i.e. 'cap' the authority). This requires the authority to calculate a lower budget requirement and consequently re-bill for a lower council tax or precept. Alternatively, the Government can 'nominate' the authority and either designate the authority in advance for capping in the subsequent financial year or years, or set a notional budget requirement for the relevant year which notional amount can then be used in comparisons with its budget requirement in the following financial year or years for capping purposes. Neither nomination option requires re-billing.

- In 2003-04, no authorities' budget requirements were designated in-year and no notional budget requirements were set. The average Band D council tax increase in England was 12.9%.
- In 2004-05, six authorities' budget requirements were designated in-year and notional budget requirements were set for eight authorities. The average Band D council tax increase in England was 5.9%.
- In 2005-06, eight authorities' budget requirements were designated in-year and a notional budget requirement was set for one authority. The average Band D council tax increase in England was 4.1%.
- In 2006-07, no authorities' budget requirements were designated in-year and notional budget requirements were set for two authorities. The average Band D council tax increase in England was 4.5%.
- In 2007-08, no authorities' budget requirements were designated in-year and no notional budget requirements were set. The average Band D council tax increase in England was 4.2%.
- In 2008-09, one authority's budget requirement was designated in-year, notional budget requirements were set for four authorities and three authorities were designated in advance for capping in 2009-10. The average Band D council tax increase in England was 3.9%.
- In 2009-10, one authority's budget requirement was designated in-year, a notional budget requirement was set for one authority and the three authorities which were designated in advance for 2009-10 were also designated in advance for 2010-11. The average Band D council tax increase in England was 3.0%.
- In 2010-11, no authorities' budget requirements were designated in-year, no notional budget requirements were set and two authorities were designated in advance for capping in 2011-12. The average Band D council tax increase in England was 1.8%.

2.2.12 **Table 2.2g** shows trends in average council taxes since 1993-94, expressed in two ways: the average Band D figure (including amounts funded by Council Tax Benefit); and the average council tax per dwelling. The table also gives figures for increases in the **Retail Prices Index** and average UK earnings.

2.2.13 The average council tax per dwelling is lower than the average Band D council tax. This is partly because most dwellings are in bands lower than Band D; and partly because properties that are subject to a discount (for example for a single person, or because it is a second home) are counted as a whole property in the calculation of average council tax per dwelling, but as only part of a property in the calculation of the average Band D council tax.

- Band D council taxes, including amounts funded by benefit, increased by about 153% in cash terms or 60% in real terms between 1993-94 and 2010-11.

Table 2.2g: Average council taxes and increase in Retail Prices Index 1993-94 to 2010-11

	Council tax ^(a)			Average per dwelling £	Retail Prices Index % increase	Average UK earnings ^(c) % increase
	Band D, 2 adults for area					
	£	% increase	% increase real terms ^(b)			
1993-94 ^(d)	568	–	–	456	–	–
1994-95 ^(d)	580	2.1	-0.4	473	2.6	3.0
1995-96 ^(d)	609	5.0	1.6	498	3.3	4.0
1996-97 ^(d)	646	6.1	3.6	529	2.4	3.4
1997-98 ^(d)	688	6.5	4.0	564	2.4	3.8
1998-99 ^(d)	747	8.6	4.4	614	4.0	5.8
1999-00	798	6.8	5.1	656	1.6	4.1
2000-01	847	6.1	3.1	697	3.0	4.5
2001-02	901	6.4	4.6	741	1.8	5.0
2002-03	976	8.2	6.6	804	1.5	3.8
2003-04	1,102	12.9	9.5	908	3.1	3.0
2004-05 ^(d)	1,167	5.9	3.3	967	2.5	4.5
2005-06 ^(d)	1,214	4.1	0.8	1,009	3.2	4.5
2006-07	1,268	4.5	1.9	1,056	2.6	3.8 (R)
2007-08	1,321	4.2	-0.3	1,101	4.5	3.4 (R)
2008-09 ^(d)	1,373	3.9	-0.3	1,145	4.2	3.6 (R)
2009-10 ^(d)	1,414	3.0	3.9	1,175	-1.2	3.4 (R)
2010-11	1,439	1.8	0.7	1,195	5.3	0.7
% change 1993-94 to 2010-11		153.4	59.9	162.0	58.5	68.9

Source: BR1, BR2, BR3 and CTB returns

(a) Amounts shown are headline taxes, before transitional reliefs and benefits.

(b) Adjusted using the All Items Retail Prices Index (RPI) as at April each year.

(c) Change in the Average Earnings Index for the whole economy at April each year. Data have been updated from April 2005 in line with ONS figures.

(d) Amounts shown are after the designation of authorities requiring them to recalculate their budget requirement and council tax.

(R) Revised

- The difference between Band D council tax and the average council tax per dwelling is greater in the northern regions of the country. This is mainly due to lower average property prices in the North.
- The average Band D council tax is generally higher in the more rural authorities than in the more urban authorities.

Table 2.2h: Average council taxes by region and class 2006-07 to 2010-11

	Band D council tax ^(a) , 2 adults for area					£
						Average per dwelling
	2006-07	2007-08	2008-09 ^(b)	2009-10 ^(b)	2010-11	2010-11
North East	1,329	1,380	1,429	1,479	1,511	1,059
North West	1,289	1,345	1,396	1,442	1,469	1,087
Yorkshire & the Humber	1,234	1,286	1,337	1,379	1,406	1,046
East Midlands	1,295	1,348	1,408	1,454	1,486	1,139
West Midlands	1,246	1,297	1,346	1,387	1,415	1,112
East of England	1,290	1,349	1,408	1,451	1,480	1,292
London	1,214	1,258	1,292	1,308	1,309	1,210
South East	1,275	1,331	1,390	1,436	1,468	1,374
South West	1,294	1,352	1,413	1,462	1,499	1,273
Total England	1,268	1,321	1,373	1,414	1,439	1,195
<i>of which:</i>						
<i>Inner London</i>	<i>1,059</i>	<i>1,090</i>	<i>1,112</i>	<i>1,117</i>	<i>1,116</i>	<i>1,019</i>
<i>Outer London</i>	<i>1,308</i>	<i>1,361</i>	<i>1,402</i>	<i>1,426</i>	<i>1,429</i>	<i>1,332</i>
<i>Metropolitan areas</i>	<i>1,237</i>	<i>1,284</i>	<i>1,328</i>	<i>1,372</i>	<i>1,399</i>	<i>998</i>
<i>Shire unitary authorities</i>	<i>1,251</i>	<i>1,302</i>	<i>1,358</i>	<i>1,429</i>	<i>1,461</i>	<i>1,164</i>
<i>Shire district areas</i>	<i>1,303</i>	<i>1,362</i>	<i>1,422</i>	<i>1,465</i>	<i>1,495</i>	<i>1,310</i>
<i>Predominantly Urban^(c)</i>	<i>1,250</i>	<i>1,300</i>	<i>1,348</i>	<i>1,383</i>	<i>1,404</i>	<i>1,109</i>
<i>Significant Rural^(c)</i>	<i>1,280</i>	<i>1,339</i>	<i>1,396</i>	<i>1,444</i>	<i>1,472</i>	<i>1,265</i>
<i>Predominantly Rural^(c)</i>	<i>1,305</i>	<i>1,362</i>	<i>1,422</i>	<i>1,468</i>	<i>1,503</i>	<i>1,291</i>
	Band D council tax ^(a) , 2 adults for area					% increase
	2006-07	2007-08	2008-09 ^(b)	2009-10 ^(b)	2010-11	
North East	3.8	3.8	3.5	3.5	2.2	
North West	4.3	4.4	3.7	3.3	1.9	
Yorkshire & the Humber	4.4	4.2	3.9	3.2	2.0	
East Midlands	4.2	4.1	4.4	3.3	2.2	
West Midlands	4.1	4.1	3.8	3.1	2.1	
East of England	4.7	4.6	4.3	3.1	2.0	
London	4.5	3.6	2.7	1.3	0.0	
South East	4.7	4.4	4.4	3.3	2.2	
South West	4.7	4.5	4.5	3.5	2.5	
Total England	4.5	4.2	3.9	3.0	1.8	<i>continued</i>

Table 2.2h: Average council taxes by region and class 2006-07 to 2010-11

	Band D council tax ^(a) , 2 adults for area					% increase
	2006-07	2007-08	2008-09 ^(b)	2009-10 ^(b)	2010-11 ^(b)	
	<i>of which:</i>					
<i>Inner London</i>	3.9	2.9	2.0	0.5	-0.1	
<i>Outer London</i>	4.9	4.1	3.0	1.7	0.2	
<i>Metropolitan areas</i>	3.9	3.8	3.4	3.3	2.0	
<i>Shire unitary authorities^(d)</i>	4.5	4.1	4.3	3.5	2.3	
<i>Shire district areas^(e)</i>	4.6	4.5	4.4	3.2	2.1	
<i>Predominantly Urban^(c)</i>	4.4	4.0	3.6	2.6	1.5	
<i>Significant Rural^(c)</i>	4.6	4.6	4.3	3.4	1.9	
<i>Predominantly Rural^(c)</i>	4.5	4.4	4.4	3.2	2.4	

Source: BR1, BR2 and BR3 returns

(a) Amounts shown are headline taxes, before transitional relief and benefits.

(b) Amounts shown are after the designation of authorities requiring them to recalculate their budget requirement and council tax.

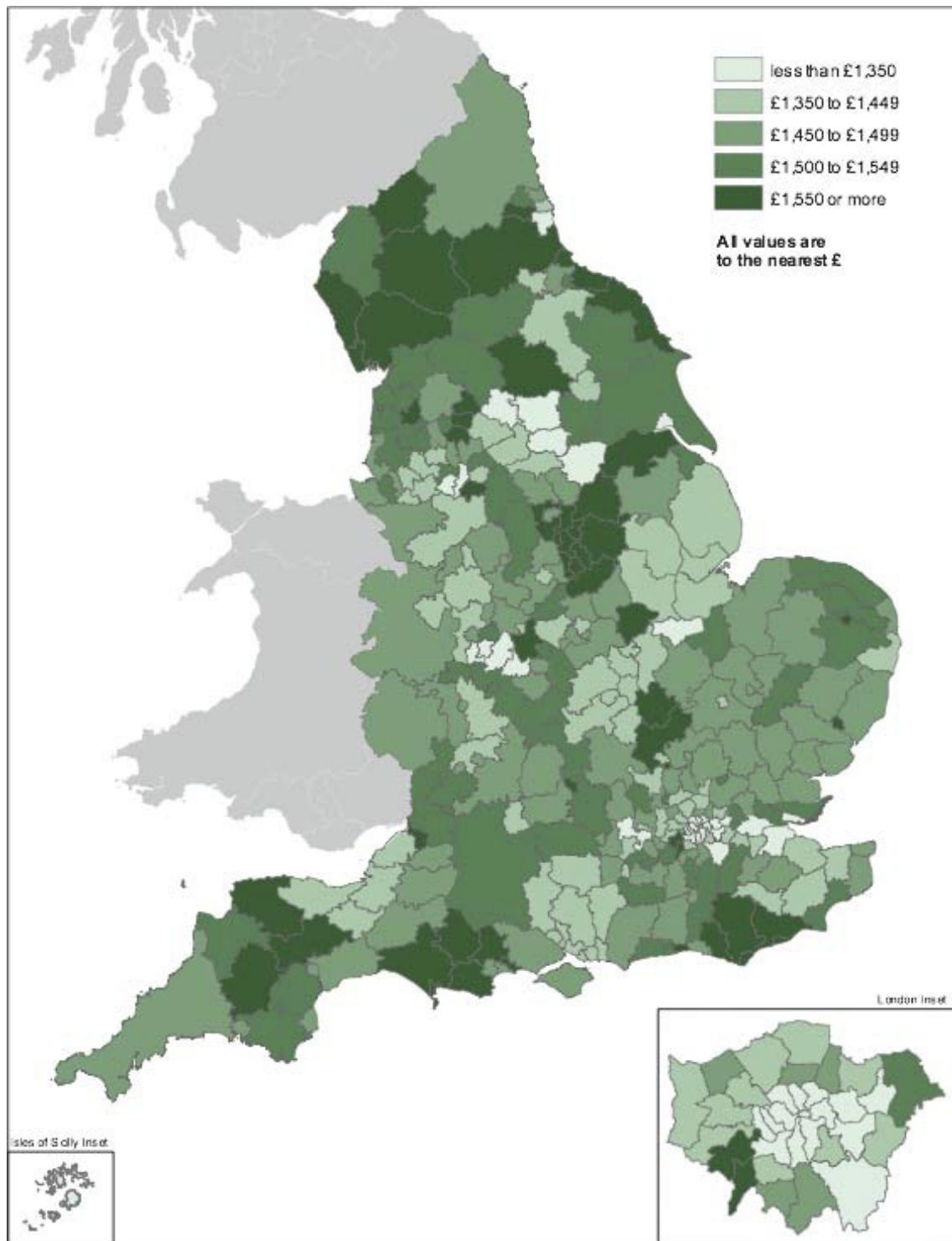
(c) Based on the Rural Definition and Local Authority Classification published by Defra. (see <http://www.defra.gov.uk/evidence/statistics/rural/rural-definition.htm> for more detail).

(d) Percentage change figures assume that the new unitary authorities created on 1 April 2009 were also in existence in 2008-09. To allow meaningful comparisons, the corresponding 2008-09 district and county figures have been aggregated.

(e) Percentage change figures exclude those authorities that were disbanded on 31 March 2009 (as part of the establishment of nine new unitary authorities) from 2008-09 and 2009-10 data. This ensures that data are comparable.

- There are several concentrations of higher Band D council tax. These are found in the North, the Midlands, the South West and the South East. (see **Map 2.2i**).

Map 2.2i: Band D area council tax 2010-11

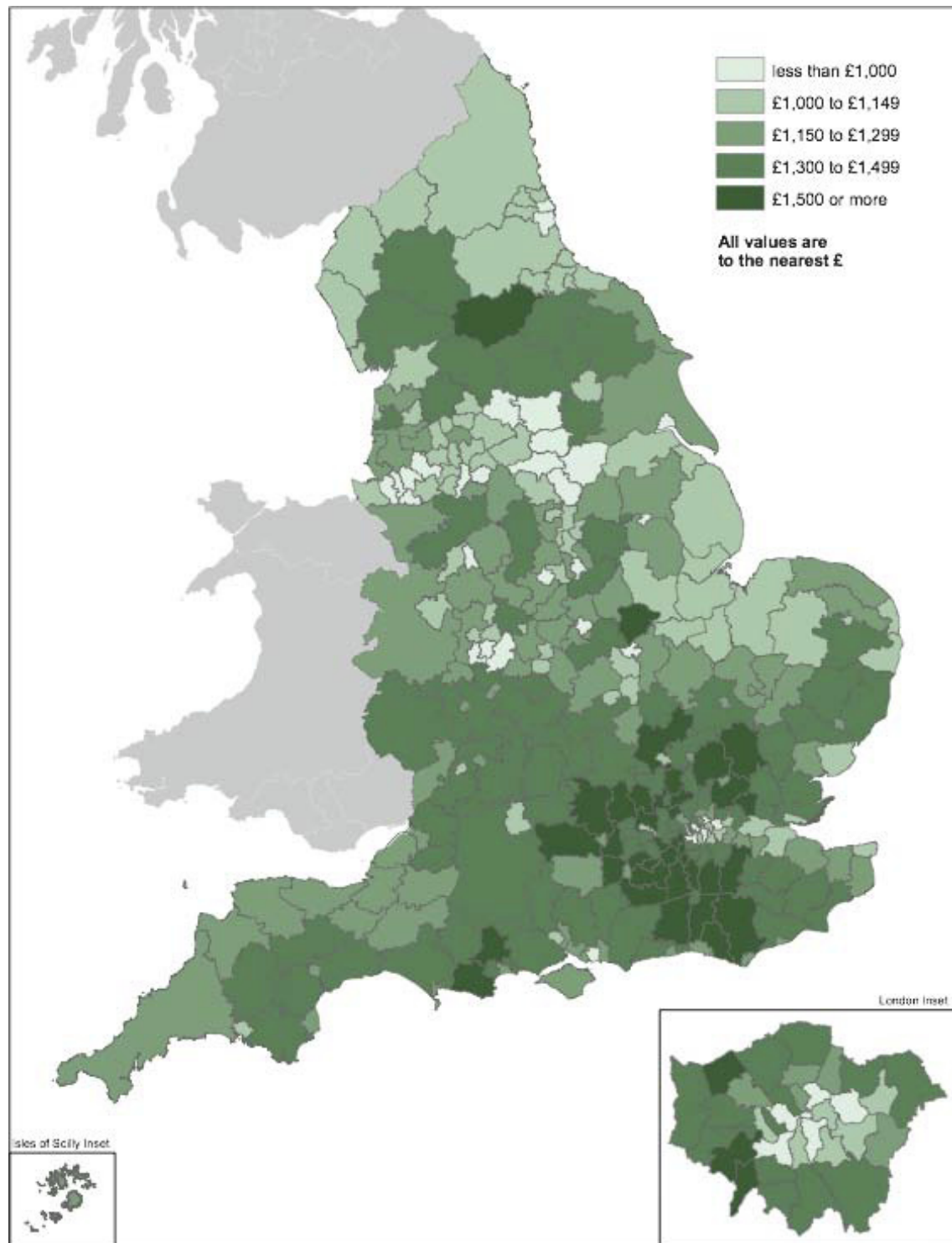


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Data Sources:
 BR returns,
 CTB returns

- High average council tax per dwelling (that is the average council tax paid by a household) is mainly concentrated in the South of England (see **Map 2.2j**).

Map 2.2j: Average council tax per dwelling 2010-11



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Data Sources:

BR returns,
CTB returns

- Band D area council tax for 2010-11 was between £1,450 and £1,550 in more than 50% of billing authorities (164 of 326).

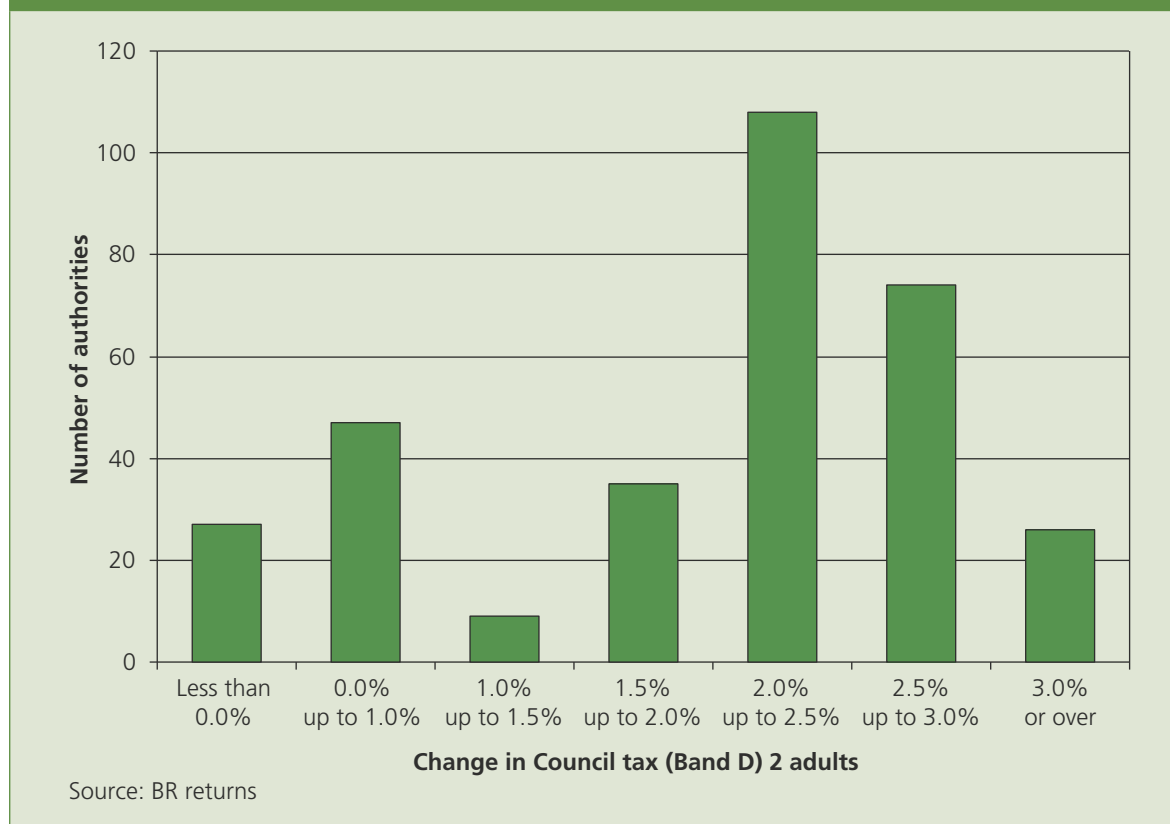
Chart 2.2k: Distribution of authorities by area council tax, Band D, 2 adults, 2010-11



Source: BR returns

- For 25 of the 326 billing authorities, there was either no change in the level of their Band D area council tax or it decreased between 2009-10 and 2010-11.
- For 56% of the 326 billing authorities (182 out of 326) the increase was between 2.1% and 3.0%.
- For a further 8% of billing authorities, the percentage increase was higher than 3.0%. Most billing authorities will have a larger increase for the area than for its individual element as Band D area council taxes combine the amounts for the billing authority along with its precepting authorities.

Chart 2.2I: Distribution of authorities by area change in council tax, Band D, 2 adults, 2009-10



- 2.2.14 Not every property on the valuation list is liable to pay a full council tax, which is partly based on the property and partly based on the occupants of the property. Some properties are exempt, for example due to being empty for fewer than six months, or subject to a discount. The full council tax bill assumes that there are two adults living in a dwelling. If only one adult lives in a dwelling (as their main home), the council tax bill is reduced by a quarter (25%).
- 2.2.15 Before 1 April 2004, the council tax bill for a dwelling which was no-one's main home was reduced by a half (50%) in all local authority areas. However, since 1 April 2004, the Local Government Act 2003 has given councils in England the choice to apply council tax discounts of between 10% and 50% for second homes, to reduce or end discounts for long term empty property, and to grant discretionary discounts and exemptions.
- 2.2.16 Certain people are not counted when looking at the number of adults resident in a dwelling, such as students and severely mentally impaired people. More detailed information on council tax exemptions is set out online in **Table B1** and **Table B2** of **Annex B**. Council tax exemptions are taken into account by billing authorities when they calculate their taxbase (the number of Band D equivalent properties in their area).

- In England there were 22.1 million dwellings listed on the Valuation Office Agency valuation list as being liable for council tax as at 13 September 2010 an increase of 1%, on a year earlier.
- The number of dwellings on the valuation list that are exempt from council tax decreased by 1% compared with 2009 – the first time that this has happened since 2001.
- 7.7 million dwellings were entitled to a discount as a result of being occupied by single adults. This represents 34% of all dwellings.
- The number of long term empty properties that were subject to a discount has fallen by 28,000, or 15%, between 2008 and 2010. In the same period the number of long term empty properties that do not receive a discount has remained broadly stable.

Table 2.2m: Number of chargeable dwellings^(a)

	Thousands				
	2006(R)	2007	2008(R)	2009	2010
Total number of dwellings on valuation list	22,177	22,388	22,596	22,766	22,899
Number of dwellings exempt from council tax	735	762	777	784	776
Number of demolished dwellings	4	3	3	2	2
Number of dwellings on valuation list liable for council tax^(b)	21,439	21,623	21,816	21,979	22,121
Number of dwellings subject to a discount	8,067	8,106	8,177	8,243	8,308
<i>of which:</i>					
<i>second homes^(c)</i>	240	239	246	252	246
<i>long-term empty homes^(d)</i>	206	188	184	174	157
<i>single adults</i>	7,432	7,485	7,544	7,604	7,677
<i>all residents disregarded for council tax purposes</i>	32	32	32	33	33
<i>all but one resident disregarded for council tax purposes</i>	156	162	170	181	195
Number of dwellings not subject to a discount	13,372	13,517	13,638	13,736	13,813
<i>of which:</i>					
<i>long-term empty homes^(d)</i>	109	126	143	143	145
<i>others</i>	13,264	13,391	13,496	13,593	13,668

Source: CTB returns

(a) As at 18 September 2006, 17 September 2007, 15 September 2008, 14 September 2009 and 13 September 2010

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

(c) At local authority discretion, second homes can be subject to a discount of between 10% and 50%.

(d) Long-term empty homes are those dwellings which are unoccupied and substantially unfurnished and, at local authority discretion, can be subject to a discount of between 0% and 50%.

- Average in year council tax collection rates have been slowly increasing, reaching 97.1% nationally in 2007-08 before falling back to 97.0% in 2008-09. In 2009-10 council tax collection rates increased again to 97.1%.
- The average in year council tax collection rate in Inner London Boroughs rose by 18.7 percentage points in the period 1993-94 to 2007-08 although it fell back slightly in 2008-09 but remained the same in 2009-10.

2.2.17 The collection of council taxes continues 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%.

Table 2.2n: Collection rates^(a): Council tax 1993-94 to 2009-10

	All English authorities	Inner London boroughs ^(b)	Outer London boroughs	London boroughs	Metropolitan districts	Unitary authorities	% Shire districts
1993-94	92.6	76.0	90.0	86.0	91.0	–	95.0
1994-95	93.4	80.0	91.8	88.0	92.0	–	95.1
1995-96	94.5	84.4	92.9	90.1	93.6	–	95.8
1996-97	95.3	86.7	93.8	91.4	94.6	–	96.2
1997-98	95.5	88.0	93.8	91.8	95.0	94.5	97.2
1998-99	95.6	88.5	93.9	92.0	94.9	94.9	97.1
1999-00	95.6	88.7	93.7	92.1	94.8	95.1	97.1
2000-01	95.8	89.6	94.3	92.8	95.1	95.0	97.2
2001-02	96.1	91.1	94.9	93.7	95.2	95.3	97.4
2002-03	96.4	91.9	95.0	94.1	95.2	95.7	97.6
2003-04	96.5	92.0	95.0	94.1	95.6	95.5	97.8
2004-05	96.6	92.9	95.1	94.4	95.7	95.8	97.8
2005-06	96.8	93.9	95.4	94.9	95.6	96.4	97.9
2006-07	96.9	94.1	95.5	95.1	95.3	96.6	98.0
2007-08	97.1	94.7	96.0	95.6	95.6	96.7	98.1
2008-09	97.0	94.6	96.0	95.5	95.7	96.7	98.0
2009-10	97.1	94.6	96.2	95.7	95.9	97.0	98.1

Source: QRC4 returns

(a) Receipts of annual council taxes collected by end of financial year as a percentage of net collectable debit. The net collectable debit is the council tax for the relevant year that authorities would collect if everyone liable paid, i.e. net of discounts, exemptions, disabled relief, transitional relief and council tax benefits.

(b) Includes City of London.

2.2.18 **Table 2.2o** shows the distribution of council tax collection rates by class of authority for 2009-10.

- Two metropolitan districts and four London boroughs had a council tax collection rate of over 98% compared with 11 unitary authorities and 122 shire districts.
- One shire districts had a collection rate of less than 95% compared to 11 London boroughs, five unitary authorities and five metropolitan districts.

Table 2.2o: Council tax collection rates by class of authority 2009-10

Band (%)	Number of Authorities				
	London boroughs	Metropolitan districts	Unitary authorities	Shire districts	England
less than 95	11	5	5	1	22
95 up to 96	8	9	7	5	29
96 up to 97	7	13	11	16	47
97 up to 98	3	7	22	57	89
98 up to 99	3	2	9	110	124
99 and above	1	0	2	12	15
Grand Total	33	36	56	201	326

Source: QRC4 returns

Table 2.2p: Outstanding arrears of council tax

	Council tax		£ million
	Estimated arrears at start of the year	Arrears collected	
1998-99	1,100		302
1999-00	1,200		307
2000-01	1,255		343
2001-02	1,435		364
2002-03	1,486		401
2003-04	1,568		389
2004-05	1,658		355
2005-06	1,733		447
2006-07	1,838		427
2007-08	1,952		442
2008-09	2,026		427
2009-10	2,157		440

Source: QRC4 returns, and CIPFA (for figures prior to 2003-04).

2.3 Non-domestic rates

- 2.3.1 Since 1 April 1990 most non-domestic properties in England have been liable for nationally-set non-domestic rates, which are also known as **business rates** (or sometimes the unified business rate). Before 1990, non-domestic rates were set locally. Since then, they have been set nationally, and paid into a central pool. Prior to 2006-07 they were then distributed among local authorities on a per head basis. From 2006-07 onwards, they are distributed among local authorities on the same basis as Revenue Support Grant, with the payments being regarded as a type of government grant.
- 2.3.2 Liable properties include public buildings, pipelines and advertising hoardings, as well as businesses. However, some non-domestic properties, such as agricultural land and associated buildings, and churches, are exempt.

Each property liable to non-domestic rates is known as a **hereditament**, and is recorded on a rating list that is compiled and maintained by the Valuation Office Agency of HM Revenue and Customs.

- 2.3.3 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 (currently 1 April 2008, using a list compiled for 1 April 2010).

Table 2.3a: Number of non-domestic hereditaments on local rating lists at 1 April 2010

Rateable value	Thousands						Total
	Under £1,000	£1,000 to £4,999	£5,000 to £14,999	£15,000 to £24,999	£25,000 to £49,999	£50,000 and over	
North East	3	18	16	5	5	6	53
North West	15	80	74	22	19	21	230
Yorkshire & the Humber	10	65	62	18	15	17	186
East Midlands	9	51	47	14	12	12	145
West Midlands	12	59	59	18	16	17	182
East of England	17	46	60	20	18	19	180
London	12	57	96	42	38	53	298
South East	15	67	99	33	30	33	277
South West	12	54	59	18	15	16	173
Total England	105	497	572	190	168	194	1,724
% of Total	7	33	32	10	9	10	100

Source: HM Revenue and Customs

- 2.3.4 In broad terms, the rates bill for a property is the product of its rateable value and the relevant national non-domestic rating multiplier. For 2010-11, this was 40.7p in the pound for ratepayers benefiting from the **small business rate relief scheme**, and 41.4p in the pound for other properties. Further adjustments may be made for other reliefs.

Table 2.3b: Rateable values on local rating lists at 1 April 2010

	£ million						Number of hereditaments (thousand)
	Shops	Offices	Warehouses	Factories	Others	Total	
North East	454	263	197	240	533	1,683	53
North West	1,511	949	946	690	1,996	6,078	230
Yorkshire & the Humber	1,151	702	762	710	1,579	4,890	186
East Midlands	751	355	747	621	1,194	3,654	145
West Midlands	1,060	718	959	706	1,397	4,831	182
East of England	1,235	874	950	630	1,671	5,350	180
London	3,285	7,475	1,341	514	3,996	16,695	298
South East	2,174	1,702	1,476	861	2,931	9,133	277
South West	1,135	636	654	478	1,489	4,382	173
Total England	12,756	13,674	8,032	5,449	16,785	56,696	1,724
% of Total	22	24	14	10	30	100	

Source: HM Revenue and Customs

Table 2.3c: Outturn national non-domestic rate yield from local lists, in England, since 2006-07^(a)

	2006-07	2007-08	2008-09	2009-10	£ million 2010-11(B)
Yield before reliefs in respect of current year	20,013	20,521	21,307	22,473	22,929
<i>add</i>					
Changes in respect of previous years	-477	-948	-670	0	0
<i>less</i>					
Buoyancy Factor Allowance	–	–	–	188	289
Yield before reliefs	19,536	19,573	20,637	22,285	22,641
<i>less</i>					
Transitional Relief	278	-120	-73	0	470
Mandatory Relief	2,191	2,137	1,396	1,493	1,896
Discretionary Relief	38	39	42	42	42
Small Business Rate Relief	-57	148	145	127	-49
Schedule of Payment agreements	–	–	59	–	–
Net rate yield	17,086	17,369	19,068	20,623	20,281
<i>less</i>					
Collection costs including losses ^(b)	233	232	347	225	275
Contribution to the pool	16,853	17,138	18,722	20,398	20,006
	2006-07	2007-08	2008-09	2009-10	2010-11
Small business rate multiplier (pence)	42.6	44.1	45.8	48.1	40.7
National non-domestic rates multiplier (pence)	43.3	44.4	46.2	48.5	41.4
Number of hereditaments ('000) ^(c)	1,663	1,681	1,692	1,698	1,718
Rateable value ^(c)	47,094 ^(d)	47,314 ^(d)	46,888 ^(d)	46,721 ^(d)	56,337 ^(e)

Source: NNDR1 and NNDR3 returns – data for 2006-07 to 2009-10 are outturn figures from NNDR3; those for 2010-11 are budget estimates from NNDR1.

(a) This excludes contributions from the central list and other contributions to the pool.
(b) Includes the City of London offset of £9.8million in 2009-10 and £10million in 2010-11.
(c) As at 31 December in previous year.
(d) Based on draft list for use following April 2005 revaluation.
(e) Based on draft list for use following April 2010 revaluation.

- 2.3.5 Rate reliefs can be granted in certain circumstances by local authorities. **Mandatory reliefs** are automatic entitlements in any local authority area, and **discretionary reliefs** 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% and where local authorities have the discretion to top the amount up to 100%. The cost of discretionary relief is met, in part, by local authorities.
- 2.3.6 In addition, at a revaluation, **transitional** arrangements are introduced which cap significant increases and decreases in bills. The 2010 transitional scheme aims 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.

- In 2007-08 local authorities granted relief for empty properties of £1.3bn. In 2008-09 the rules governing empty property rate relief and partly occupied relief were reformed by the Rating (Empty Properties) Act 2007. This resulted in a reduction of more than 60% in the amount of empty property relief granted in 2008-09 compared with 2007-08. Subsequent changes in legislation introduced further reforms for 2009-10 and, as a result of these reforms, local authorities reported that they granted empty property relief of £1,118m in 2009-10, which is £631m, or 130% more than the relief they granted in 2008-09, and £176m or 14% less than 2007-08.

Table 2.3d: Mandatory and discretionary rate reliefs^(a)

	2006-07	2007-08	2008-09	2009-10	£ million 2010-11(B)
Mandatory Reliefs					
Charity	759.5	770.7	853.8	945.1	952.1
Rural village shop	5.2	5.9	6.1	6.3	5.5
Former agricultural premises ^(b)	0.6	0.0	0.0	0.0	–
Partly occupied	54.5	55.9	36.3	45.2	17
Empty premises ^(c)	1,361.8	1,294.0	487.0	1,117.9	907.8
Community amateur sports clubs	9.4	10.6	12.7	14.9	13.9
Total	2,191.0	2,137.0	1,395.8	2,129.5	1,896.3
Discretionary Reliefs					
Charity	8.2	8.8	9.1	10.1	9.7
Non-profit making bodies	25.4	25.7	27.9	28.9	28.6
Rural village shop	1.9	2.0	2.1	2.3	2
Other small rural business	1.2	1.3	1.3	1.4	1.2
Former agricultural premises ^(b)	0.1	0.0	0.0	0.0	–
Hardship	1.4	0.9	1.3	3.7	–
Charges on property	0.0	0.0	0.1	0.1	–
Community amateur sports club	0.1	0.2	0.2	0.2	0.2
Total	38.2	38.9	41.9	46.8	41.8

Source: NNDR1 and NNDR3 returns – data for 2006-07 to 2009-10 are outturn figures from NNDR3; those for 2010-11 are budget estimates from NNDR1.

(a) Excludes small business rate relief.

(b) Relief for former agricultural premises ended in August 2006.

(c) Rules governing the award of empty property relief changed in April 2008 & April 2009

Table 2.3e: Non-domestic rate yields from 2002-03 to 2011-12

Local List								£ million
Multiplier (pence)	Number of hereditaments ^(a) ('000s)	Rateable value ^(a)	Notional yield in respect of current year	Contribution to the pool	Central list receipts	Other contributions ^(b)	Total contribution to the pool	
2002-03	43.7	1,638	39,607	17,198	14,478	1,044	49	15,571
2003-04	44.4	1,642	39,586	17,463	14,385	1,029	121	15,535
2004-05	45.6	1,647	39,466	17,908	14,738	1,030	87	15,855
2005-06	41.5 ^(c)	1,651	46,280	19,484	15,677	1,097	10	16,784
2006-07	42.6 ^(c)	1,663	47,094	20,013	16,853	1,148	0	18,001
2007-08	44.1 ^(d)	1,681	47,314	20,521	17,138	1,177	20	18,335
2008-09	45.8 ^(e)	1,692	46,888	21,307	18,722	1,153	11	19,886
2009-10	48.1 ^(e)	1,698	46,664	22,473	19,039	1,237	11	20,287
2010-11	40.7 ^(c)	1,718	56,373	22,929	20,006	1,156	11	21,173
2011-12 ^(f)	42.6 ^(c)	1,716	56,824	24,262	20,845	1,156	11	22,012

Source: NNDR1 and NNDR3 returns

(a) Data taken from NNDR1 are as at 31 December of the previous year ie number of hereditaments shown for 2004-05 taken as at 31 December 2003.

(b) Includes Crown contributions and Contributions in lieu of rates for crown properties (CILOR).

(c) This figure applies to ratepayers in receipt of small business rate relief. A supplement of 0.7p in the pound applies to other properties.

(d) This figure applies to ratepayers in receipt of small business rate relief. A supplement of 0.3p in the pound applies to other properties.

(e) This figure applies to ratepayers in receipt of small business rate relief. A supplement of 0.4p in the pound applies to other properties.

(f) The figures for 2011-12 are estimates used in the calculation of the Distributable Amount (see table 2.3k).

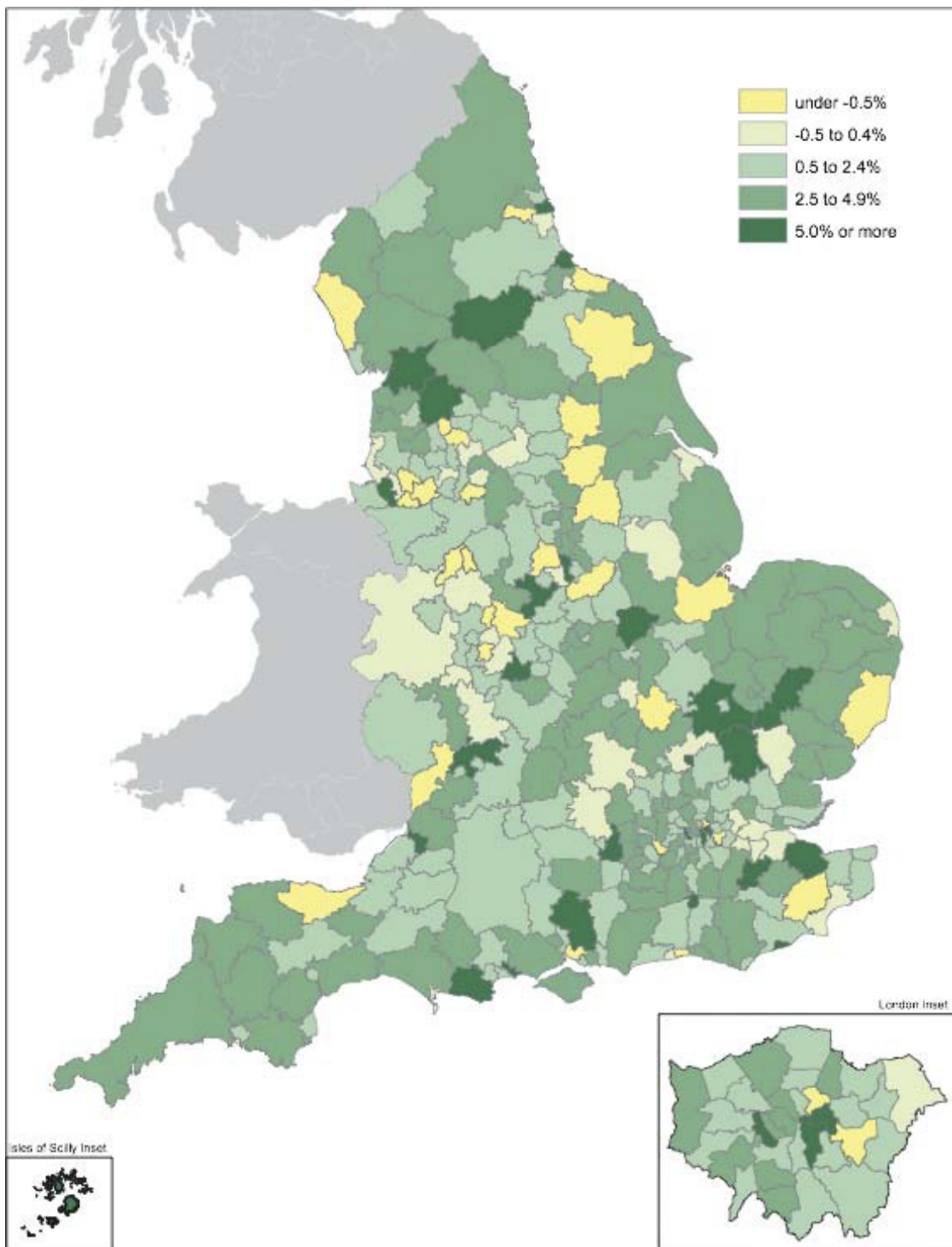
- London accounts for 27% of the contribution to the national pool while having only 15% of the population.

Table 2.3f: Contribution to national non-domestic rates pool by region 2010-11

	Contribution to pool (£ million)	Proportion of contribution to pool %	Proportion of total population %
North East	744	3.7	5.0
North West	2,305	11.5	13.4
Yorkshire & the Humber	1,666	8.3	10.1
East Midlands	1,323	6.6	8.6
West Midlands	1,799	9.0	10.5
East of England	1,990	9.9	11.1
London	5,411	27.0	14.9
South East	3,119	15.6	16.3
South West	1,649	8.2	10.1
Total England	20,006	100.0	100.0

Source: NNDR1 returns and ONS mid-year 2009 population estimates

Map 2.3g: Change in amount of collectable NNDR from 2008-09 to 2009-10



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Data Sources:
QRC4 form

- Although the average in-year non-domestic rates collection rate has been gradually increasing year-on-year, reaching 98.8% nationally in 2007-08, it fell by 1 percentage point in 2008-09 and has remained stable since.

Table 2.3h: Collection rates: non-domestic rates 2000-01 to 2009-10^(a)

	All English authorities	Inner London boroughs ^(b)	Outer London boroughs	London boroughs	Metropolitan districts	Unitary authorities	% Shire districts
2000-01	97.4	96.8	96.7	96.8	97.3	97.3	97.9
2001-02	97.9	97.9	97.1	97.6	97.4	97.9	98.2
2002-03	98.2	98.0	98.1	98.0	97.8	98.1	98.5
2003-04	98.3	98.5	98.2	98.4	97.8	97.8	98.6
2004-05	98.3	98.3	98.3	98.3	97.9	98.1	98.7
2005-06	98.4	97.9	98.4	98.1	97.9	98.4	98.8
2006-07	98.7	98.5	98.7	98.6	98.3	98.8	98.9
2007-08	98.8	98.9	98.9	98.9	98.5	98.6	99.0
2008-09	97.8	98.1	97.8	98.0	97.2	<u>97.5</u>	<u>98.2</u>
2009-10	97.8	98.1	97.8	98.0	97.5	97.4	98.2

Source: QRC4 returns

(a) Calculated as receipts of annual business rates collected by end of financial year as a percentage of net collectable debit. The net collectable debit is the business rate for the relevant year that authorities would collect if everyone liable paid ie, net of relief or voids.

(b) Includes the City of London.

2.3.7 As with council taxes, the collection of non-domestic rates continues 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%.

2.3.8 **Table 2.3i** shows the distribution of non-domestic rates collection rates by class of authority for 2009-10.

Table 2.3i: NNDR collection rates by class of authority 2009-10

Band (%)	Number of Authorities				
	London boroughs	Metropolitan districts	Unitary authorities	Shire districts	England
less than 97	12	12	18	24	66
97 up to 98	7	14	11	56	88
98 up to 98.5	6	7	16	40	69
98.5 up to 99	3	2	7	36	48
99 up to 99.5	5	1	4	37	47
99.5 and above	0	0	0	8	8
Grand Total	33	36	56	201	326

Source: QRC4 returns

- It is estimated that £1.1bn of non-domestic rates arrears were outstanding as at 31 March 2010.

Table 2.3j: Non-domestic rate arrears 1999-00 to 2009-10

	Arrears at start of the year	Debit raised	Amount received (for arrears) ^(a)	Amount received (for current year)	Estimated write-offs	£ million Arrears at end of the year
1999-00	825	12,301	-102	11,951	419	858
2000-01	858	13,607	-236	13,255	582	864
2001-02	864	14,737	-44	14,421	433	791
2002-03	791	15,172	-210	14,891	576	706
2003-04	706	15,368	-527	15,102	818	680
2004-05	680	15,742	-550	15,481	779	712
2005-06	712	16,527	-459	16,258	714	726
2006-07	726	17,454	-298	17,225	579	674
2007-08	674	17,964	-482	17,749	759	612
2008-09	612	19,507	-452	19,083	586	902
2009-10	902	19,984	-419	19,552	636	1,117

Source: NNDR3 and QRC4 returns

(a) A negative figure means that the increase in amounts due for previous years exceeded the arrears collected.

- 2.3.9 Having been collected, the income from non-domestic rates is paid into a central pool and is then redistributed to local authorities. The method of distribution is explained in **section 2.3.1**. Each year, the Government estimates how much will be redistributed from the pool in the forthcoming year, based on the amount likely to be paid into it and the difference in previous years between the amounts payable to the pool and the amounts paid from it. This is known as the **Distributable Amount**. The calculation of the Distributable Amount for 2011-12 is shown in **Table 2.3k**.
- 2.3.10 Non-domestic rates come mainly from two sources: properties on local rating lists (which since 2000-01 have included Crown properties, such as central government properties and Ministry of Defence establishments) and properties on the central list (such as national utilities and pipelines etc). The income from properties on local rating lists is collected by billing authorities and paid by them into the pool. Rates from properties on the central list are collected directly by the Department for Communities and Local Government.
- 2.3.11 Ratepayers can find further information on non-domestic rates on the Valuation Office Agency managed website www.businesslink.gov.uk.
- 2.3.12 Further information on rateable values and non-domestic rates is given in the HM Revenue and Customs' *Non-domestic rating in England and Wales*, which can be seen at www.hmrc.gov.uk/stats/non_domestic/menu.htm. Further information on rateable values can also be seen in *Commercial and Industrial Floorspace and Rateable Value Statistics* in the *Planning statistics* section of the *Planning* section of the Department for Communities and Local Government website.

- The amount being redistributed to local authorities in 2011-12 is £19.5bn.

Table 2.3k: Calculation of the Distributable Amount for 2011-12^(a)

	2007-08	2008-09	2009-10	2010-11	£ million 2011-12
	Outturn	Outturn	Provisional Outturn	Estimated contribution	Estimated contribution
1. Income from Local lists	44.1	45.8	48.1	40.7	42.6
Multiplier (pence)	20,521	21,307	22,463	22,929	24,262
Gross Rate Yield					
(i) Reliefs					
(a) Net Transitional Relief	-138	-66	0	-471	-353
(b) Small Business Rate Relief	-128	-122	-157	-146	-156
(c) Empty or partly occupied properties ^(b)	-1,408	-633	-1,165	-925	-987
(d) Charitable	-786	-850	-941	-952	-1,016
(e) Rural shops & post offices	-6	-6	-6	-6	-6
(f) Community amateur sports clubs	-9	-12	-15	-14	-15
(g) Former agricultural premises	-1	0	0	-	-
(h) Discretionary	-39	-42	-47	-42	-44
Net Yield after reliefs	18,006	19,576	20,133	20,375	21,685
(ii) Collection costs/reductions to contributions					
(a) Costs of collection	-84	-84	-85	-85	-84
(b) Losses on collection	-103	-215	-238	-181	-193
(c) City of London offset	-	-	-10	-10	-10
Total contribution in respect of year	17,820	19,277	19,801	20,100	21,398
(iii) Repayments/interest payments					
(a) Interest on repayments	-45	-48	-40	-40	-43
(b) Repayments	-637	-448	-613	-566	-566
Net Local Yield	17,138	18,721	19,042	19,550	20,845
2. Income from Central list					
Net Central List Yield	1,177	1,153	1,171	1,156	1,156
3. Income from former crown list					
Net Crown Yield	20	11	11	11	11
Total NNDR Yield	18,335	19,885	20,224	20,717	22,012
Total NNDR pool payments^(c)	18,335	19,885	20,224	20,717	22,012

continued

Table 2.3k: Calculation of the Distributable Amount for 2011-12^(a)

	2007-08	2008-09	2009-10	2010-11	£ million 2011-12
	Outturn	Outturn	Provisional Outturn	Estimated contribution	Estimated contribution
4. Adjustments					
Surplus brought forward	-845	-1,010	-1,625	-876	-1,829
Combined total	17,490	18,875	18,600	19,195	19,582
Distributable Amount^(d)	18,500	20,500	19,476	21,025	19,500
Surplus carried forward	-1,010	-1,625	-876	-1,829	-82

Source: NNDR1 and 3 returns and HM Revenue and Customs

(a) Figures shown are those used in the calculation of the Distributable Amount for 2011-12 in the autumn of 2010. Some of them have changed since then.

(b) The introduction of the Rating (Empty Properties) Act 2007 altered the amount of relief allowable for empty properties in 2008-09 and 2009-10. The figures reflect the estimates of the amount of relief that will be given for both empty and partially occupied properties.

(c) Calculated by adding income from local lists, income from central list, income from crown and Exchequer contributions.

(d) The calculation involves estimating several figures that are inherently difficult to forecast accurately, such as the gross rate yield and prior year adjustments. The resulting figure of £19.582 billion has therefore been rounded to £19.5 billion reflecting the uncertainty caused by these elements of the calculation.

2.4 Revenue grants

2.4.1 The main non-housing revenue grants are referred to collectively as **Aggregate External Finance**. Aggregate External Finance includes **Revenue Support Grant, redistributed non-domestic rates** and certain specific grants. From 2003-04, redistributed non-domestic rates, Revenue Support Grant and Police Grant (where appropriate) were distributed together as **Formula Grant**. Specific grants are distributed by individual government departments. From 2008-09 onwards **Area Based Grant** was distributed to local authorities. This is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

2.4.2 Aggregate External Finance does not include housing subsidy, which is administered and recorded separately, as part of the **Housing Revenue Account**. (see **Chapter 3** for further details of housing subsidy.)

- In 2010-11 Aggregate External Finance was budgeted at £79.5bn, up from £77.4bn in 2009-10.
- In 2010-11 specific and special grants remained about the same as compared to 2009-10 whereas Area Based Grant increased by 41%. This was largely due to the Supporting People grant moving from specific and special grants to Area Based Grant.
- Revenue Support Grant decreased and specific and special grants increased from 2005-06 to 2006-07. This was largely due to changes in the way that expenditure on schools was funded. Since 2006-07, local authorities receive **Dedicated Schools Grant** within specific and special grants rather than in Revenue Support Grant.

Table 2.4a: Aggregate External Finance provided to local authorities 2005-06 to 2010-11

	2005-06	2006-07	2007-08	2008-09 (R)	2009-10	£ million 2010-11 (B)
Formula Grant	49,020	24,820	25,639	27,496	28,269	29,012
<i>of which</i>						
Revenue Support Grant ^(a)	26,663	3,378	3,105	2,854	4,501	3,122
Redistributed non-domestic rates	18,004	17,506	18,506	20,506	19,515	21,516
Police grant	4,353	3,936	4,028	4,136	4,253	4,374
Specific & special grants	14,785	41,741	44,485	42,920	45,767	45,737
Area Based Grant (ABG)	–	–	–	3,050	3,314	4,679
City of London offset	–	–	–	–	–	–
General GLA grant	37	38	38	48	48	48
Total Grants To Local Authorities	63,842	66,598	70,162	73,514	77,398	79,476

Source: Revenue Summary (RS) returns and Revenue Account (RA) budget returns

(a) Comparisons across years may not be valid owing to changing local authority responsibilities and methods of funding. In particular, the large switch between Revenue Support Grant and Specific and special grants from 2006-07 was largely due to the introduction of the Dedicated Schools Grant (DSG) as a specific grant.

- The average grant per head towards revenue expenditure in 2009-10 was £1,494.
- At a regional level, figures varied from £1,132 per head in the South East to £1,610 in the North East and £2,301 in London.

Table 2.4b: Grants towards revenue expenditure by region 2009-10

	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England	£ million
Formula Grant	1,773	4,359	3,012	2,107	3,145	2,323	6,366	3,053	2,132	28,269	
<i>of which</i>											
Revenue Support Grant	294	709	490	340	509	367	984	470	338	4,501	
Redistributed non-domestic rates	1,273	3,071	2,122	1,474	2,205	1,590	4,277	2,038	1,464	19,515	
Police grant	205	580	400	293	431	365	1,105	545	330	4,253	
Specific & special grants	2,150	6,004	4,382	3,500	4,551	4,351	10,864	6,131	3,833	45,767	
Area Based Grant	239	615	387	262	350	260	564	369	268	3,314	
General GLA Grant	0	0	0	0	0	0	48	0	0	48	
Total	4,162	10,978	7,782	5,869	8,046	6,934	17,842	9,553	6,232	77,398	
Amounts per head											£ per head
Formula Grant	686	632	573	473	579	403	821	362	407	546	
<i>of which</i>											
Revenue Support Grant	114	103	93	76	94	64	127	56	65	87	
Redistributed non-domestic rates	493	445	404	331	406	276	552	242	280	377	
Police grant	79	84	76	66	79	63	142	65	63	82	
Specific & special grants	832	870	833	786	838	755	1,401	727	733	883	
Area Based Grant	92	89	74	59	64	45	73	44	51	64	
General GLA Grant	0	0	0	0	0	0	6	0	0	1	
Total	1,610	1,592	1,480	1,319	1,482	1,202	2,301	1,132	1,191	1,494	
Source: Revenue Summary (RS) returns and ONS mid-year 2009 population estimates											

2.4.3 Formula Grant is not provided for a specific purpose and so can be spent on any service. From 1990-91 to 2002-03, it was allocated to local authorities through **Standard Spending Assessments** system and from 2003-04 to 2005-06, Formula Grant was allocated to authorities using the **Formula Spending Shares** system. Since 2006-07 Formula Grant has been distributed to local authorities by means of system that concentrates on the actual cash grant for local authorities rather than notional figures for spending and local taxation.

Under the current system, Formula Grant is largely allocated 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. The same formulae are applied to all authorities that provide the same services and the best data are used that are available on a consistent basis across all authorities. Every authority is guaranteed to receive at least a minimum percentage increase year-on-year (the 'floor') on a like-for-like basis i.e. after adjusting for changes in funding and function. In order to pay for the cost of the floor, the increase above the floor for all other authorities is scaled back.

- 2.4.4 Specific revenue grants such as Dedicated Schools Grant and other schools grants are allocated to particular service areas. However, specific revenue grants such as the Homelessness and Area Based Grant can fund a variety of services. The increasing proportion of such cross service grants means that it is not possible to give accurate figures for specific revenue grants by service block. Further information on specific grants in 2009-10 (outturn figures) and 2010-11 (budget figures) are given online in **Tables C2b, C2d** and **C4b** of **Annex C**.

2.5 Sales, fees and charges

- 2.5.1 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.

- Sales, fees and charges, excluding external trading accounts, totalled £11.9bn in 2009-10, up from £11.6bn in 2008-09.

Table 2.5a: Sales, fees and charges by service area 2005-06 to 2009-10 ^(a)					
	2005-06	2006-07	2007-08	2008-09	2009-10
	£ million				
Education	2,039	2,025	2,049	2,298	2,248
Highways and transport	1,781	1,858	2,126	2,078	2,190
<i>of which:</i>					
Highways	209	206	231	208	214
Public and other transport	1,572	1,652	1,895	1,870	1,976
Social Care	2,130	2,282	2,331	2,446	2,614
Housing (excluding Housing Revenue Account)	584	637	593	619	678
Cultural, environmental and planning	2,328	2,348	2,443	2,529	2,510
<i>of which:</i>					
Cultural	829	829	866	919	935
Environmental	821	810	852	887	929
Planning and development	679	710	726	722	645
Police	403	362	391	455	426
Fire	44	37	39	27	29
Central services ^(b)	1,181	1,077	1,063	1,053	1,136
Other	154	116	132	102	98
Total all services	10,646	10,742	11,166	11,607	11,929
External Trading Accounts	727	752	736	965	923
Total	11,374	11,495	11,902	12,573	12,852

Source: Revenue Outturn (RO) returns – RSX and TSR

(a) Sales, fees and charges for General Fund only.

(b) Court services were previously included as a separate service and have now been integrated with central services.

2.5.2 **Table 2.5b** shows the distribution by value and class of authority of the sales, fees and charges received by local authorities in 2009-10.

- None of the London boroughs, metropolitan districts and shire counties have income from sales fees and charges below £20m. However, most shire districts and other authorities have less than £20m.

Table 2.5b: Sales, fees and charges by class of authority 2009-10							
Band (£ million)	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Number of Authorities		
					Shire districts	Other authorities	England
less than 1	0	0	1	0	5	39	45
1 up to 5	0	0	0	0	76	30	106
5 up to 10	0	0	1	0	79	11	91
10 up to 20	0	0	7	0	36	4	47
20 up to 50	8	22	29	1	5	5	70
50 and above	25	14	18	26	0	1	84
Total	33	36	56	27	201	90	443

Source: Revenue Outturn (RSX) returns

Table 2.5c shows the service areas of sales, fees and charges over £200m (in 2009-10) for 2005-06 to 2009-10.

- In 2009-10, 'Older people including older mentally ill' was the service area with the highest sales, fees and charges, with £1.9bn.
- In 2009-10 income from sales fees and charges for 'On-street parking Penalty Charge Notice income' increased by 8% whereas 'Development control' decreased by 9% compared to 2008-09.

Table 2.5C Sales, fees and charges by service area over £200m from 2005-06 to 2009-10

	2005-06	2006-07	2007-08	2008-09	£million 2009-10
Older people (aged 65 or over) including older mentally ill	1623	1705	1741	1814	1935
Secondary schools	803	807	840	935	932
Primary schools	674	689	707	795	799
Management and Support Services ^(a)	844	714	687	729	773
On-street parking	571	600	666	664	682
<i>of which:</i>					
<i>On street parking: other sales, fees and charges income</i>	290	303	333	352	343
<i>On-street parking: Penalty Charge Notice income</i>	282	297	333	312	339
Off-street parking	561	572	604	595	598
Total Police Services	403	362	391	455	426
Sports and recreation facilities, including golf courses	352	353	351	373	378
Congestion charging	254	253	328	326	313
Adults aged under 65 with learning disabilities	231	243	264	302	307
Economic development	186	211	219	246	244
Private managed accommodation leased by the authority	n/a	n/a	n/a	n/a	223
Development control	236	255	254	243	220
Cemetery, cremation and mortuary services	172	177	187	199	205
Other	3735	3801	3927	3931	3893
Total	10646	10742	11166	11607	11929

Source: Revenue Outturn (RO) returns

(a) This includes recharges within central services, recharges to general fund revenue account (excluding central services), recharges to central government.

CHAPTER 3

How is the money spent? – Revenue spending and how it is financed

3.0.1 This chapter describes the pattern and trends in revenue spending by local authorities and how it is financed. It is divided into the following sections:

- **General Fund Revenue Account and expenditure definitions** **section 3.1**
- **Revenue expenditure and financing** **section 3.2**
- **Pattern of spending by region and class of authority** **section 3.3**
- **Labour, goods and services purchased** **section 3.4**
- **Capital charges** **section 3.5**
- **Revenue reserves** **section 3.6**
- **External trading services** **section 3.7**
- **Housing Revenue Account** **section 3.8**

3.0.2 Revenue spending by local authorities is mainly for:

- meeting employee costs such as the salaries of staff
- procurement costs, such as transport, fuel and building maintenance
- levies paid to other local authorities which provide a service for example, a metropolitan district pays a waste disposal authority
- payment of awards/benefits on behalf of central government for example, mandatory rent allowances
- recharges to other accounts

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 – see **section 3.1**.

3.0.3 Detailed figures on revenue account spending for 2009-10, along with budgeted estimates for 2010-11, can be found online in **Annex C**.

3.1 General Fund Revenue Account and Expenditure definitions

- 3.1.1 **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 **net current expenditure**. This definition can be used to describe expenditure on individual services. Net current expenditure includes that expenditure financed by specific government grants within and outside **Aggregate External Finance**. This definition of net current expenditure is useful, as it is similar to the National Accounts' concept of current expenditure on goods and services.
- 3.1.2 The term **revenue expenditure** is used to describe expenditure funded from Aggregate Finance, **council tax**, and authorities' reserves and external. Revenue expenditure is equal to net current expenditure plus capital financing costs and a few minor adjustments, but excluding expenditure funded by grants outside Aggregate Finance and income from external interest receipts. Revenue expenditure is a familiar and widely used measure of expenditure. It is used particularly in the context of funding of local government expenditure.
- 3.1.3 **Net revenue expenditure** is revenue expenditure excluding that funded by all **specific grants** except Police Grant.
- 3.1.4 Expenditure on individual services has traditionally been collected on a Net Current Expenditure basis. Following an initiative by the Chartered Institute of Public Finance and Accountancy (CIPFA) enshrined in the *Best Value Accounting Code of Practice*, authorities were instructed to complete final accounts on what is called a **Financial Reporting Standard 17** basis from 2003-04 up until 2009-10. From 1 April 2010 local authority accounts were prepared on the basis of International Financial Reporting Standard. As a result local authorities were instructed to complete final accounts for each of their public services on an **International Accounting Standard 19** and Private Finance Initiative 'off-balance' sheet basis.
- 3.1.5 The move to the International Financial Reporting Standards-based code required that employee costs included in total expenditure complied with International Accounting Standard 19 Employee Benefits; whereas local authorities accounted for employee benefits when they became committed to give them, even if the actual payment of benefits would be many years in the future. International Accounting Standard 19 therefore requires that pension costs be accounted for as employees work the years of service that give them a right to a pension when they retire. On both a Financial Reporting Standard 17 and International Accounting Standard 19 basis, revenue expenditure is financed by appropriations from pension reserves in addition to appropriations from other financial reserves, Revenue Support Grant, National Non-Domestic rates, Police Grant and Council Tax.

- 3.1.6 For national accounts purposes, local authorities were requested to provide service expenditure for each of their public functions on both a non-Financial Reporting Standard 17 and a Financial Reporting Standard 17 basis on their Revenue Summary and Revenue Accounts Budget returns.
- 3.1.7 Where relevant, each of the tables in this chapter has footnotes to show whether the data in the table are on a Financial Reporting Standard 17 or non-Financial Reporting Standard 17/non-International Accounting Standard 19 basis. For **Annex C** all the data are on a non-Financial Reporting Standard 17/non-International Accounting Standard 19 basis unless otherwise stated.

3.2 Revenue expenditure and financing

- 3.2.1 Recent trends in revenue expenditure spending by broad service group and how it has been financed are shown in summary form in **Table 3.2a** and **Chart 3.2b**.

- Net current expenditure on services totalled £121.3bn in 2009-10 compared with £97.1bn in 2005-06, an increase of 25%.
- There have been two changes to the definition of net current expenditure for 2009-10. The first change involves including revenue expenditure funded from capital under statute. The second change involves reporting net current expenditure on a non-FRS17 Reporting Standard (FRS17) basis (previously prior to 2009-10 local authorities accounted for retirement benefits (pensions) in their service expenditure in accordance with FRS17). If we remove revenue expenditure funded from capital from 2009-10's figure and use the 2005-06 figure on a non-Financial Reporting Standard 17 basis, then the 2009-10 net current expenditure is £119.4bn and the figure for 2005-06 is £97.3bn, an increase of 23%
- 37% of net current expenditure in 2009-10 was on education and 17% on social care.
- Capital financing costs in 2009-10 amounted to £3.4bn, compared with £2.5bn in 2005-06.
- In 2009-10, £2.0bn of capital expenditure was charged to the revenue account, up from £0.9bn in 2005-06, with the Greater London Authority accounting for £1.0bn of the increase.
- Other non-current expenditure in 2009-10 was £4.1bn, which includes the payment of council tax benefit, discretionary non-domestic rate relief, flood defence payments to the Environment Agency and bad debt provision. This is netted off by income from specific grants outside Aggregate External Finance.
- The large changes in specific and formula grants from 2006-07 onwards are mainly due to changes in the way that expenditure on schools is funded through Dedicated Schools Grant rather than as part of formula grant and the introduction of Area Based Grant, a unringfenced grant replacing a number of grants previously recorded as specific grants.

Table 3.2a: General fund revenue account: outturn 2005-06 to 2009-10 and budget 2010-11

	£ million					
	2005-06 ^(a)	2006-07 ^(a)	2007-08 ^(a)	2008-09 ^(a)	2009-10 ^(b)	2010-11 ^(c) (B)
Education ^(d)	36,020	37,942	40,135	42,148	44,473	45,966
Highways and transport	4,843	5,316	5,634	5,679	6,531	6,661
Social care ^(e)	17,359	18,108	18,587	19,604	20,968	20,857
Housing (excluding Housing Revenue Account) ^(f)	14,066	14,963	15,841	16,964	19,990	19,373
Cultural, environmental and planning	9,162	9,658	10,143	10,474	11,053	10,959
Police	10,957	11,542	11,704	11,555	12,028	12,165
Fire & rescue	2,040	2,193	2,233	2,104	2,177	2,284
Central services ^(g)	2,490	3,492	3,596	3,846	3,761	3,644
Other	206	128	369	643	277	86
Total net current expenditure	97,142	103,341	108,243	113,018	121,259	121,994
Capital financing	2,473	2,993	3,008	2,971	3,388	3,861
Capital Expenditure charged to Revenue Account	891	1,103	1,096	1,706	1,964	1,993
Other non-current expenditure ^(h)	3,194	3,350	3,448	3,660	4,089	4,025
Pension Interest Costs (FRS17)	4,785	4,534	4,808	7,042	–	–
Appropriation to/from Pension Reserves (FRS17)	-4,582	-6,025	-5,595	-6,395	–	–
Appropriations to(+)/ from(-) financial instruments adjustment account	–	–	–	-135	31	-6
Appropriations to(+)/ from(-) unequal pay back pay account	–	–	–	-64	24	21
Private Finance Initiative (PFI) schemes – difference from service charge	–	–	–	–	18	63
<i>less</i> Reversal of revenue expenditure funded from capital under statute (RECS)	–	–	–	–	1,848	868
<i>less</i> Interest receipts	1,214	1,481	1,862	1,926	778	424
<i>less</i> Specific grants outside AEF	18,267	19,643	20,762	21,772	24,742	24,869
Revenue expenditure (Non-FRS17 / Non-IAS19)	84,422	88,172	92,384	98,107	103,404	105,790
<i>less</i> Specific grants inside AEF	14,785	41,741	44,485	42,920	45,767	45,737
<i>less</i> Area Based Grant (ABG)	–	–	–	3,050	3,314	4,679
Net revenue expenditure	69,637	46,432	47,899	52,137	54,323	55,373
Appropriation to/from Reserves (excluding Pension Reserves)	816	974	1,497	248	-308	10
Other adjustments	24	16	2	2	1	-4
Budget requirement	70,477	47,421	49,398	52,387	54,016	55,380
Revenue Support Grant	-26,663	-3,378	-3,105	-2,854	-4,501	-3,122
Redistributed non-domestic rates	-18,004	-17,506	-18,506	-20,506	-19,515	-21,516
Police grant	-4,353	-3,936	-4,028	-4,136	-4,253	-4,374
General Greater London Authority Grant	-37	-38	-38	-48	-48	-48

continued

Table 3.2a: General fund revenue account: outturn 2005-06 to 2009-10 and budget 2010-11

	£ million					
	2005-06 ^(a)	2006-07 ^(a)	2007-08 ^(a)	2008-09 ^(a)	2009-10 ^(b)	2010-11 ^(c) (B)
Other items	-104	-111	-112	-85	-65	-65
Council tax requirement	21,315	22,453	23,608	24,759	25,633	26,254

Source: Revenue Summary (RS) returns 2005-06 to 2009-10, Revenue Account (RA) budget return 2010-11.

(a) Produced on a Financial Reporting Standard 17 (FRS17) basis.

(b) Produced on a non-FRS17 and PFI off-balance sheet basis

(c) Produced on a non-IAS19 and PFI off-balance sheet basis (IAS19 replaces the previous FRS17 accounting system)

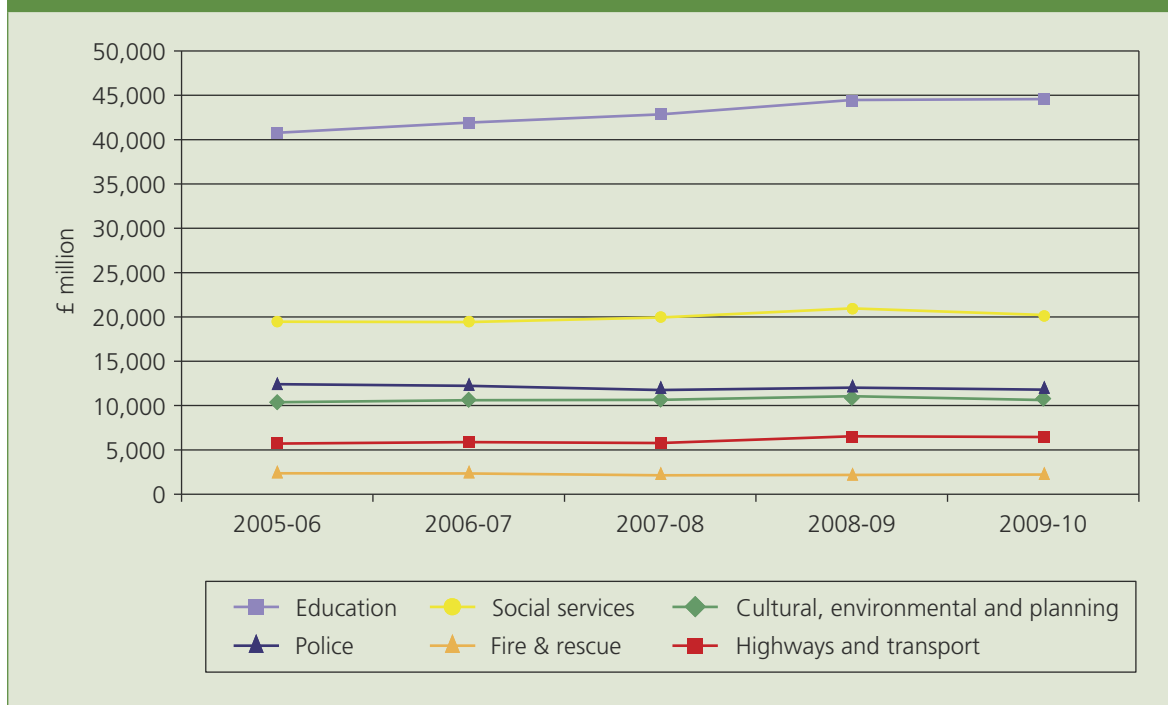
(d) Includes mandatory student awards and inter-authority education recoupment.

(e) Includes supported employment.

(f) Includes mandatory rent allowances, rent rebates granted to HRA tenants.

(g) Court services were previously included as a separate service and have now been intergrated with central services.

(h) Includes: (i) gross expenditure on council tax benefit, (ii) discretionary non-domestic rate relief, (iii) flood defence payments to the Environment Agency, (iv) bad debt provision.

Chart 3.2b: Trends in net current expenditure (at 2009-10 prices)

3.2.2 **Table 3.2c** shows expenditure on the main services that take and took place through the **General Fund Revenue Account** in 2009-10. **Chart 3.2d** shows the percentage of expenditure by service in 2009-10. Recharges of administration and support services within the accounts have been excluded to remove double-counting. A detailed breakdown of expenditure and income can be found online in **Annex C**.

Table 3.2c: Current expenditure by service 2009-10^(a)

	EXPENDITURE						INCOME ^(b)					£ million	
	Running expenses						Total expenditure	Sales, fees and charges	Other income	Recharges	Total income		Net current expenditure
	Employees	Procurement	Levies and transfers	Recharges	Total running expenses								
Education	32,269	17,661	0 ^(c)		17,662	49,931	2,248	3,209		5,458	44,473		
Highways and transport	1,361	8,164			8,164	9,526	2,190	805		2,995	6,531		
Social services	7,239	19,315			19,315	26,554	2,614	2,972		5,586	20,968		
Housing (excluding Housing Revenue Account)	807	3,159	17,272	-15 ^(d)	20,416	21,222	678	554		1,232	19,990		
Cultural, environmental and planning	4,919	10,381			10,381	15,300	2,510	1,738		4,247	11,053		
<i>of which:</i>													
<i>Cultural</i>	1,877	3,048			3,048	4,925	935	525		1,460	3,465		
<i>Environmental</i>	1,775	5,115	0 ^(e)		5,115	6,891	929	664		1,593	5,298		
<i>Planning and development</i>	1,267	2,217			2,217	3,484	645	549		1,194	2,290		
Police	10,665	2,353			2,353	13,018	426	564		990	12,028		
Fire & rescue	1,748	505			505	2,253	29	47		76	2,177		
Central services	6,307	7,479	369 ^(f,g)		7,848	14,154	1,136	1,894	7,364	10,394	3,761		
Other services	203	387	51 ^(h)	-10 ⁽ⁱ⁾	428	631	98	255		354	277		
Administration recharges		-7,364 ^(j)			-7,364	-7,364			-7,364	-7,364			
Total net current expenditure	65,519	62,040	17,692	-25	79,707	145,226	11,929	12,039	0	23,968	121,259		

continued

Table 3.2c: Current expenditure by service 2009-10^(a)

	EXPENDITURE				INCOME ^(b)				£ million	
	Running expenses				Sales, fees and charges	Other income	Recharges	Total income		
	Employees	Procurement	Levies and transfers	Recharges						Total running expenses
Non-current expenditure										
Discretionary Non-Domestic Rate relief									30	
Flood defence payments to the Environment Agency									30	
Bad debt provision									76	
Leasing payments									23	
Total running expenses carried to Table 1.6b									79,866	

Source: Revenue Outturn (RO) and Revenue Summary (RS) returns

(a) Produced on a non-Financial Reporting Standard 17 (FRS17) and PFI "off-balance" sheet basis.

(b) This income includes sales, fees and charges, payments from other local authorities and non-government organisation grants. It does not include central government grants, council tax, interest receipts or appropriations from reserves.

(c) Includes payment of mandatory student awards

(d) Negative subsidy entitlement from Housing Revenue Account (HRA) and other revenue account contributions to/from the HRA.

(e) Waste disposal authority levy.

(f) Net current expenditure on London Pensions Fund Authority levy.

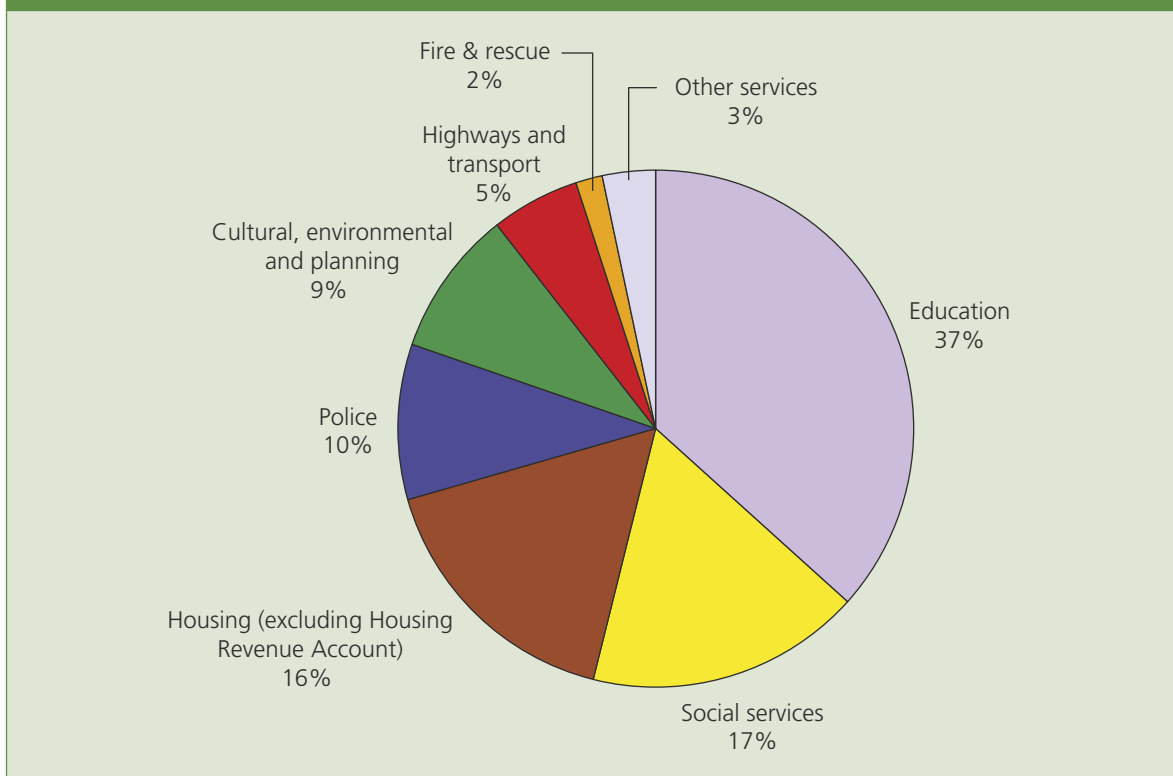
(g) Parish precepts (see Annex A2)

(h) Other levies.

(i) Net surplus/deficit on internal and external trading services.

(j) Administration recharge expenditure within the general fund is recorded twice; alongside the individual service and also as a central services recharge. To ensure the expenditure is recorded only once, the recharge has been subtracted.

Chart 3.2d: Net current expenditure by service 2009-10



3.2.3 Longer-term trends in local authority revenue expenditure and how it has been financed since 1993-94 are shown in **Table 3.2e** and **Chart 3.2f**, in both cash terms and also in real terms at 2009-10 prices, using the **GDP deflator** to take account of inflation. Expenditure met by sales, fees and charges and expenditure under other accounts, such as the **Housing Revenue Account** are excluded.

3.2.4 Changes and comparisons over time can often be misleading owing to changes in functions that are the responsibilities of local government. 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.

- Revenue expenditure, in cash terms, has increased by 149% (more than double) between 1993-94 and 2009-10. The corresponding increase in real terms was 68%.
- In 2009-10, approximately 56% of revenue expenditure was funded through government grants, 25% through council tax and 19% through redistributed non-domestic rates.

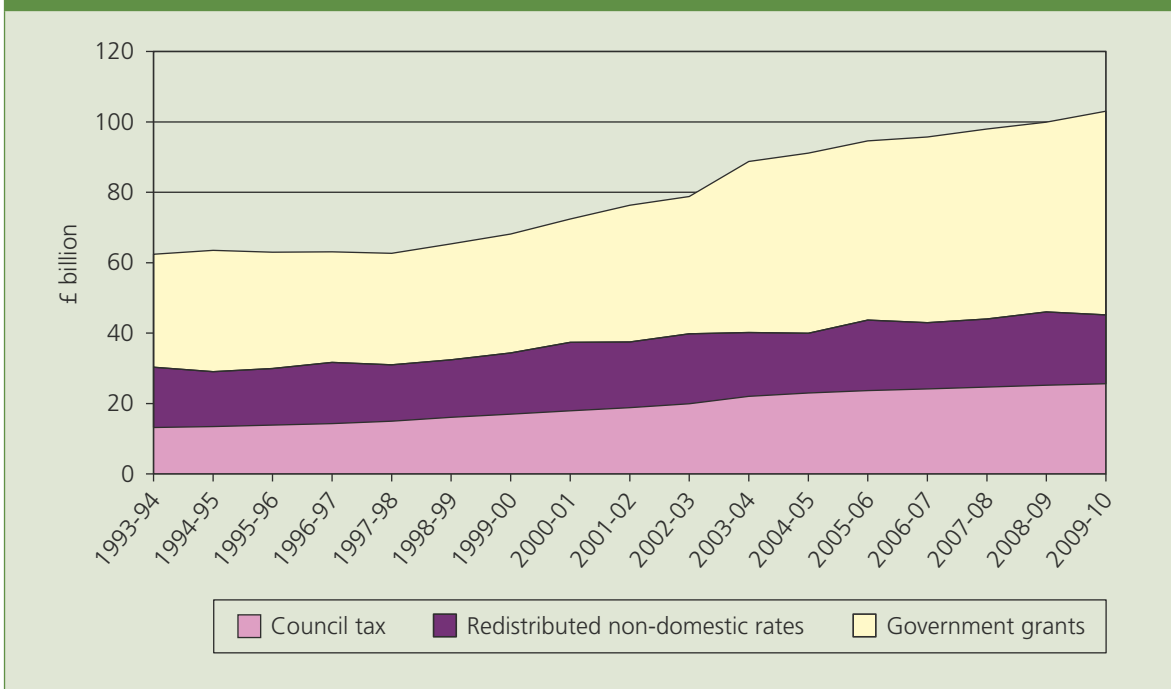
Table 3.2e: Financing of revenue expenditure since 1993-94^(a)

	Revenue Expenditure ^(b) (£ million)	Government grants ^(c) (£ million)	% of total	Redistributed non-domestic rates ^(d) (£ million)	% of total	Council tax ^(e) (£ million)	% of total
Council tax system							
1993-94	41,506	21,685	52	11,584	28	8,912	21
1994-95	43,602	23,679	54	10,692	25	9,239	21
1995-96	44,827	23,335	52	11,361	25	9,777	22
1996-97	46,532	23,003	49	12,743	27	10,461	22
1997-98	47,256	23,840	50	12,034	25	11,241	24
1998-99	50,189	25,291	50	12,531	25	12,332	25
1999-00	53,651	26,421	49	13,619	25	13,278	25
2000-01	57,329	27,809	49	15,407	27	14,200	25
2001-02	61,952	31,469	50	15,144	24	15,246	25
2002-03	65,898	32,634	50	16,639	25	16,648	25
2003-04	75,244	41,777	56	15,611	21	18,946	25
2004-05	79,303	45,258	57	15,004	19	20,299	26
2005-06	84,422	45,838	54	18,004	21	21,315	25
2006-07	88,172	49,093	56	17,506	20	22,453	26
2007-08	92,384	51,656	56	18,506	20	23,608	26
2008-09	98,107	53,007	54	20,506	21	24,759	25
2009-10	103,404	57,883	56	19,515	19	25,633	25

Source: Revenue Summary (RS) returns to 2009-10

- (a) Produced on a non Financial Reporting Standard 17 (non-FRS17) and PFI "off-balance" sheet basis.
- (b) The sum of government grants, business rates and local taxes does not normally equal revenue expenditure because of the use of reserves. The figures shown in the revenue expenditure column are expenditure financed from Revenue Support Grant, specific and special grants within AEF, redistributed non-domestic rates, council taxes and balances. The figures also include spending met by Standard Spending Assessment (SSA) reduction grant (1994-95 to 2001-02), Police grant (1995-96 onwards), Central Support Protection Grant (1999-00 to 2001-02) and General GLA grant (2000-01 onwards).
- (c) The figures shown in the Government grants column are Revenue Support Grant and specific and special grants within AEF. In addition, also included are SSA reduction grant (1994-95 to 2001-02), Police grant (1995-96 onwards), Central Support Protection Grant (1999-00 to 2001-02) and General GLA grant (2000-01 onwards).
- (d) The figures shown in the redistributed non-domestic rates column include City of London offset from 1993-94 to 2003-04.
- (e) The figures shown in the council tax column are gross of council tax benefit and council tax transitional reduction scheme.

Chart 3.2f: Funding of local authority income (at 2009-10 prices)



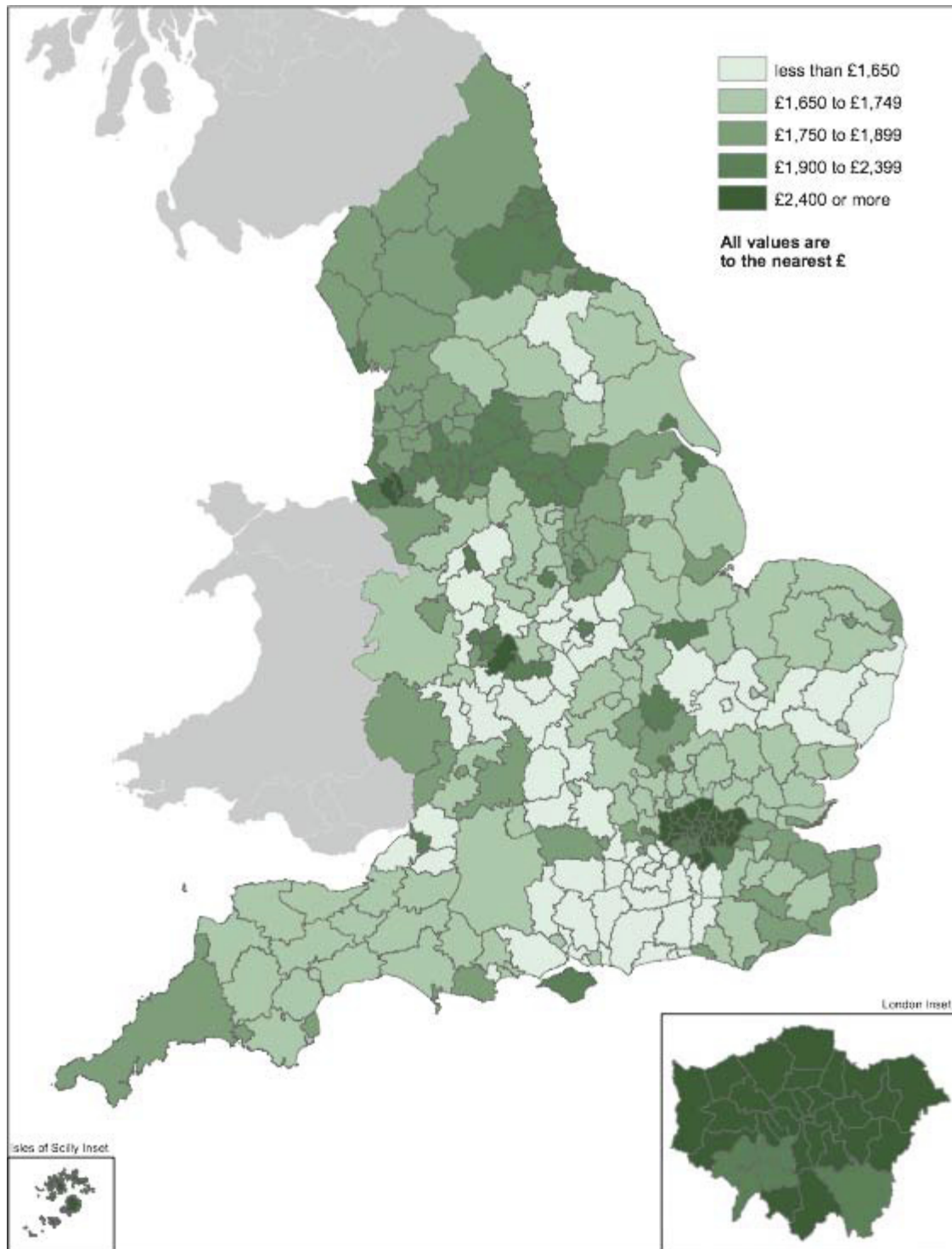
3.2.5 The following three maps illustrate variations in expenditure and funding in 2009-10:

- **Map 3.2g** Revenue expenditure per head
- **Map 3.2h** Central Government finance per head (comprises Central Government Grants and National Non-Domestic Rates)
- **Map 3.2i** Council tax as a proportion of revenue expenditure.

3.2.6 The maps show average expenditure and funding by billing authority. Services, such as police and fire (provided by joint and combined authorities and the Greater London Authority) have been proportioned to each billing authority appointed.

- Revenue expenditure per head is generally high in parts of the North and London. In other regions there is more variation within the region, with many of the lowest levels in the central and southern parts of England.
- The pattern of high revenue expenditure generally reflects high grant levels through Central Government finance, with a lower percentage of revenue raised through council tax in most of these areas.
- The lowest levels of revenue expenditure are generally in the areas with no large cities and these areas are characterised by lower levels of grant and a higher proportion of revenue raised locally.

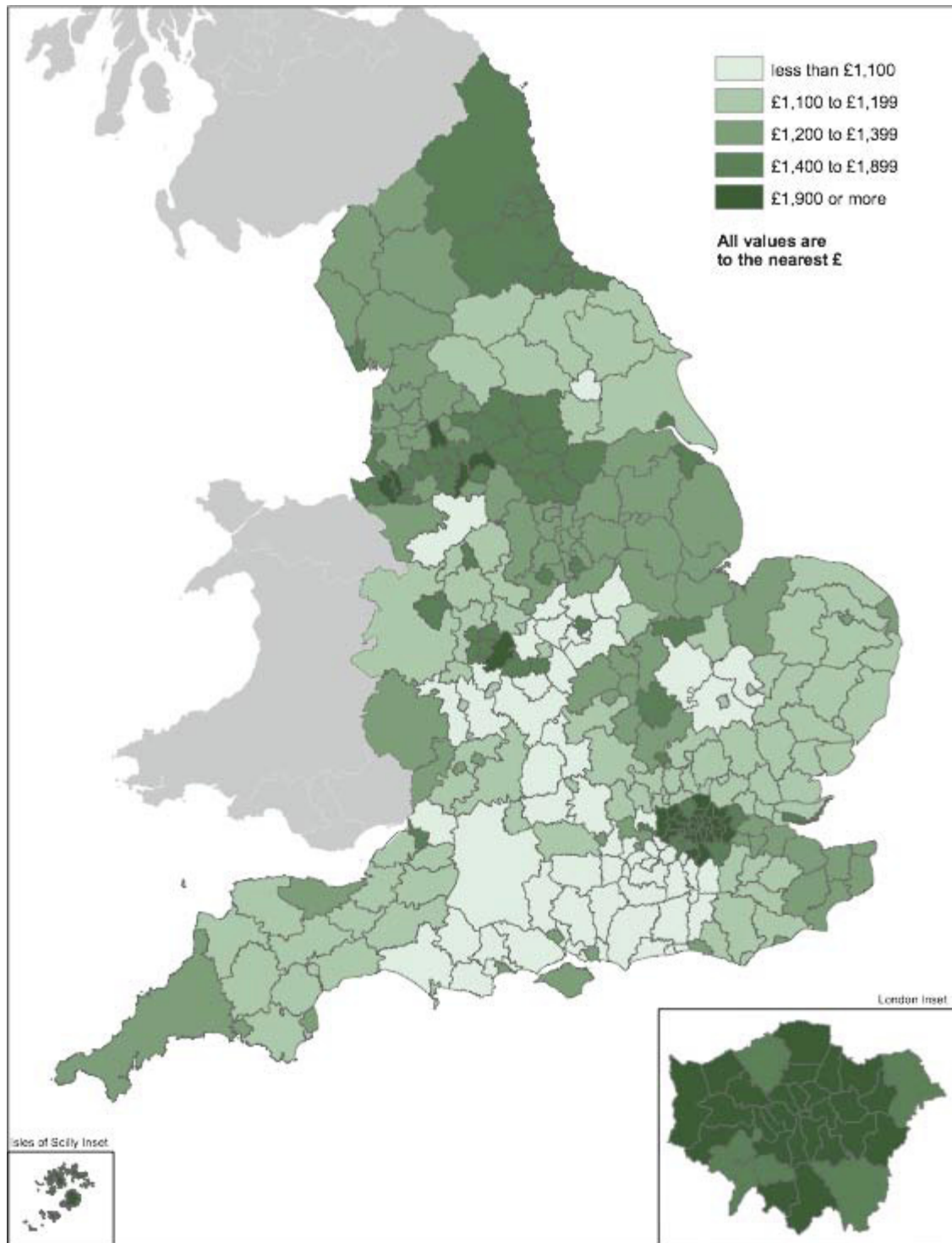
Map 3.2g: Revenue expenditure per head 2009-10



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Data Sources:
RO returns,
ONS Population Unit

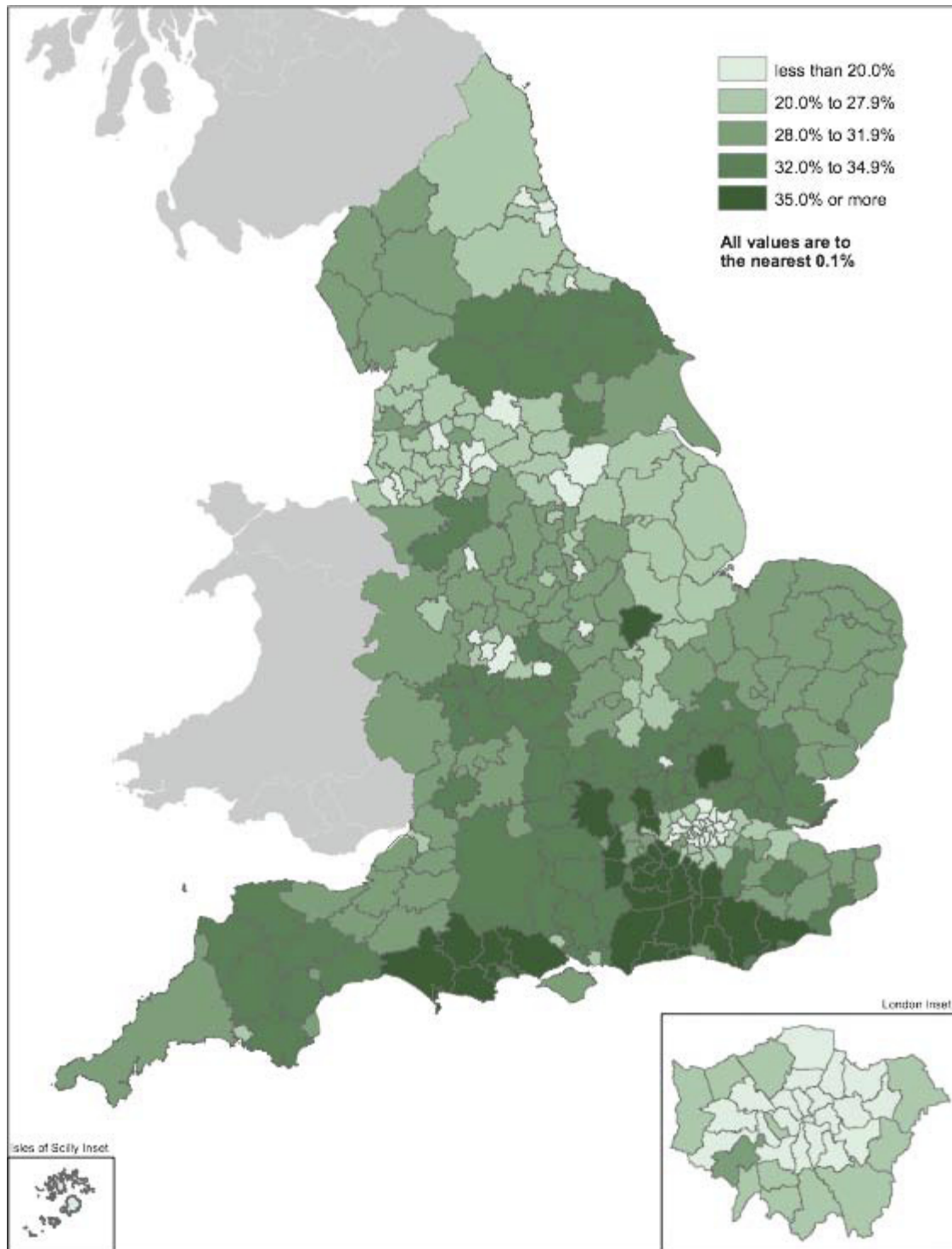
Map 3.2h: Central Government finance per head 2009-10



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Data Sources:
RO returns,
ONS Population Unit

Map 3.2i: Council tax as a proportion of revenue expenditure 2009-10



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Data Sources:
RO returns,
ONS Population Unit

3.3 Pattern of spending by region and class of authority

3.3.1 **Table 3.3a** and **Chart 3.3b** show revenue expenditure per head for each English region.

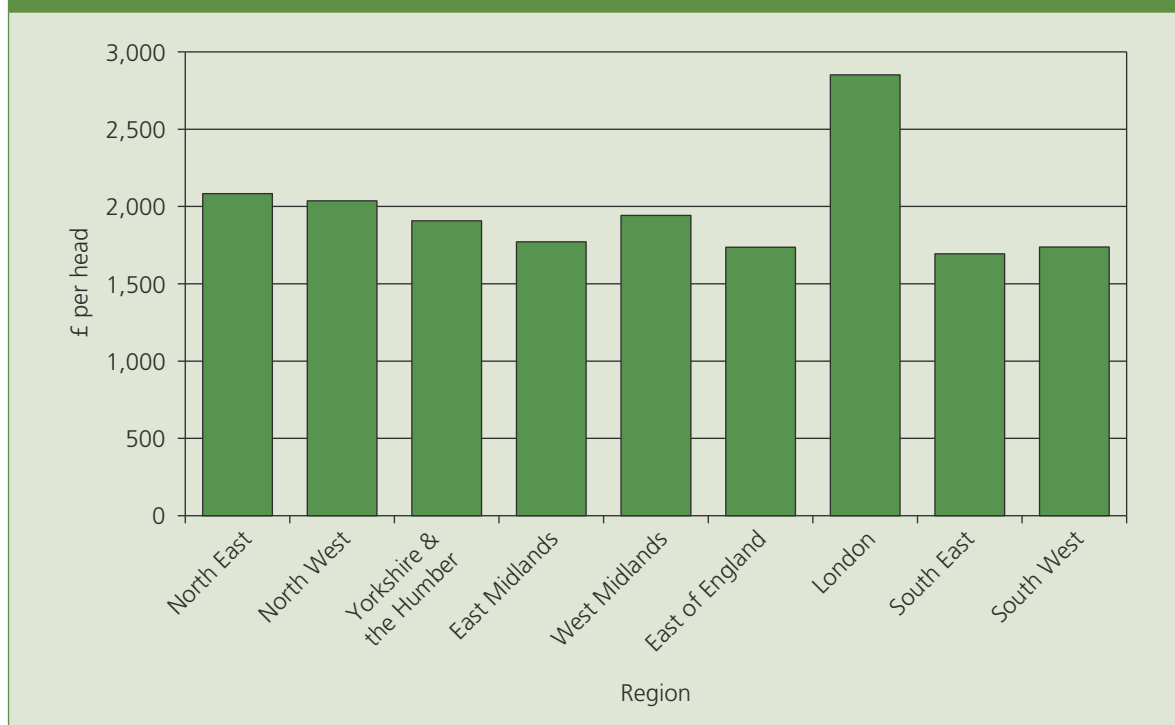
- Revenue expenditure per head is largest in London and other regions where there are major urban areas, and is smallest in the more rural regions.

Table 3.3a: Revenue expenditure per head by region 2009-10

Region	£ per head
North East	2,083
North West	2,037
Yorkshire & the Humber	1,908
East Midlands	1,771
West Midlands	1,943
East of England	1,736
London	2,852
South East	1,694
South West	1,738

Source: Revenue Summary (RS) returns and ONS population estimates mid year 2009.

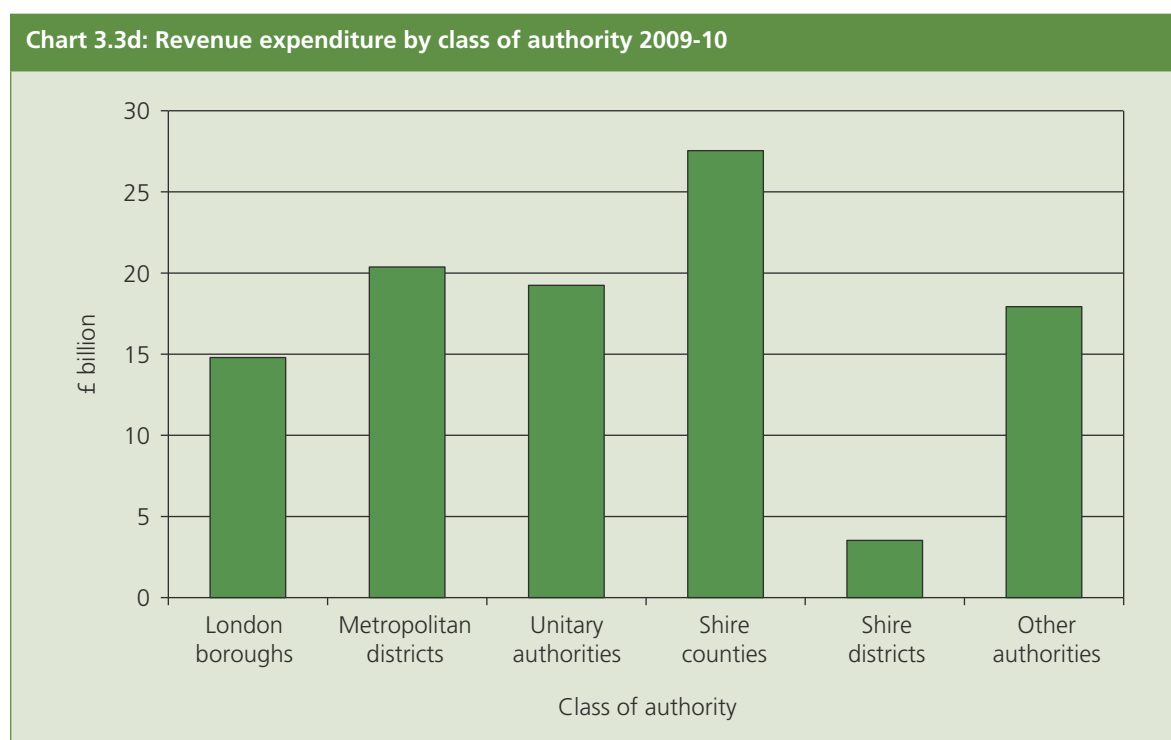
Chart 3.3b: Revenue expenditure per head by region 2009-10



3.3.2 **Table 3.3c** and **Chart 3.3d** show revenue expenditure for each class of authority in England.

Table 3.3c: Revenue expenditure by class of authority 2009-10	
Class of authority	£ billion
London boroughs	15
Metropolitan districts	20
Unitary authorities	19
Shire counties	28
Shire districts	4
Other authorities	18

Source: Revenue Summary (RS) returns.



3.3.3 The regional variation in local authority expenditure per head reflects the relative resources available to local authorities, mainly government grant and council tax. In particular, London receives a higher level of grant per head than other regions reflecting its relative needs and high costs. Regional figures for council tax and grants are given in **Chapter 2, sections 2.2 and 2.4**. Detailed breakdowns of patterns of spending by region and class of authority can be found online in **Annex tables C3**.

3.3.3 **Table 3.3e** shows the distribution of revenue expenditure for 2009-10 by class of authority.

- All shire counties spent £500m or more a year, while most shire districts spent less than £40m a year.
- All London boroughs and metropolitan districts and most unitary authorities spent £40m or more a year.

Table 3.3e: Revenue expenditure by class of authority 2009-10

Band (£ million)	Number of Authorities						
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	England
less than 5	0	0	0	0	0	13	13
5 up to 10	0	0	1	0	9	5	15
10 up to 15	0	0	0	0	67	0	67
15 up to 20	0	0	0	0	64	1	65
20 up to 40	0	0	0	0	60	14	74
40 up to 300	4	1	31	0	1	47	84
300 up to 500	16	21	16	0	0	7	60
500 and above	13	14	8	27	0	3	65
Total	33	36	56	27	201	90	443

Source: Revenue Outturn (RO) returns

3.4 Labour, goods and services purchased

- 3.4.1 Revenue expenditure can also be analysed in terms of the labour, goods and services purchased by local authorities.
- 3.4.2 Since 1998-99 a sample of local authorities have completed the Subjective Analysis Return (136 local authorities from 2005-06). This shows 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. Procurement of goods and services is analysed to show goods and services purchased directly and services provided by external contractors (private contractors and voluntary organisations) or internal **trading services (Direct Labour Organisations and Direct Service Organisations)**.
- 3.4.3 **Table 3.4a** shows a time series of this analysis from 2005-06 onwards. Total expenditure on pay and the procurement of goods and services is consistent with Revenue Outturn data, but has been adjusted to exclude double counting of expenditure that has been recharged between service blocks within the General Fund Revenue Account, or between one local authority and another. Discretionary transfer payments have also been excluded.
- 3.4.4 Detailed analyses of the Subjective Analysis Return for 2009-10 are shown online in **Annex Table C1h**.

- In 2009-10, 51% of employee and procurement expenditure was used to pay teachers, police, fire-fighters and other local government workers.
- Of the £65.5bn spent on pay in 2009-10, £20.9bn was used to pay teachers.
- £62.0bn was spent on the procurement of goods and services in 2009-10, of which £27.4bn was paid to external contractors.

Table 3.4a: Labour, goods and services 2005-06 to 2009-10

	£ million					%
	2005-06 ^(a)	2006-07 ^(a)	2007-08 ^(a)	2008-09 ^(a)	2009-10 ^(b)	
					(R)	2009-10
Teachers	18,831	19,072	20,104	20,427	20,925	16
Police	8,899	9,484	9,841	10,350	10,507	8
Firefighters	1,545	1,420	1,498	1,480	1,493	1
Other local government	24,384	26,133	27,366	28,920	30,091	24
Pay related costs	1,857	3,719	2,892	1,681	2,503	2
Total employee expenditure	55,515	59,828	61,701	62,858	65,519	51
Premises related expenditure	6,085	6,666	6,891	7,475	7,856	6
Transport expenditure	2,621	2,788	2,911	3,172	3,082	2
Supplies and services expenditure	16,870	16,908	18,210	18,089	20,021	16
External contractors (c)	21,107	22,406	23,431	26,228	27,364	21
Internal trading services	2,586	2,573	2,627	2,102	2,854	2
Other (d)	450	527	524	493	864	1
Total procurement expenditure	49,719	51,868	54,594	57,559	62,040	49
Total employee and procurement expenditure	105,234	111,696	116,296	120,417	127,559	100

Source: Subjective Analysis Return (SAR)

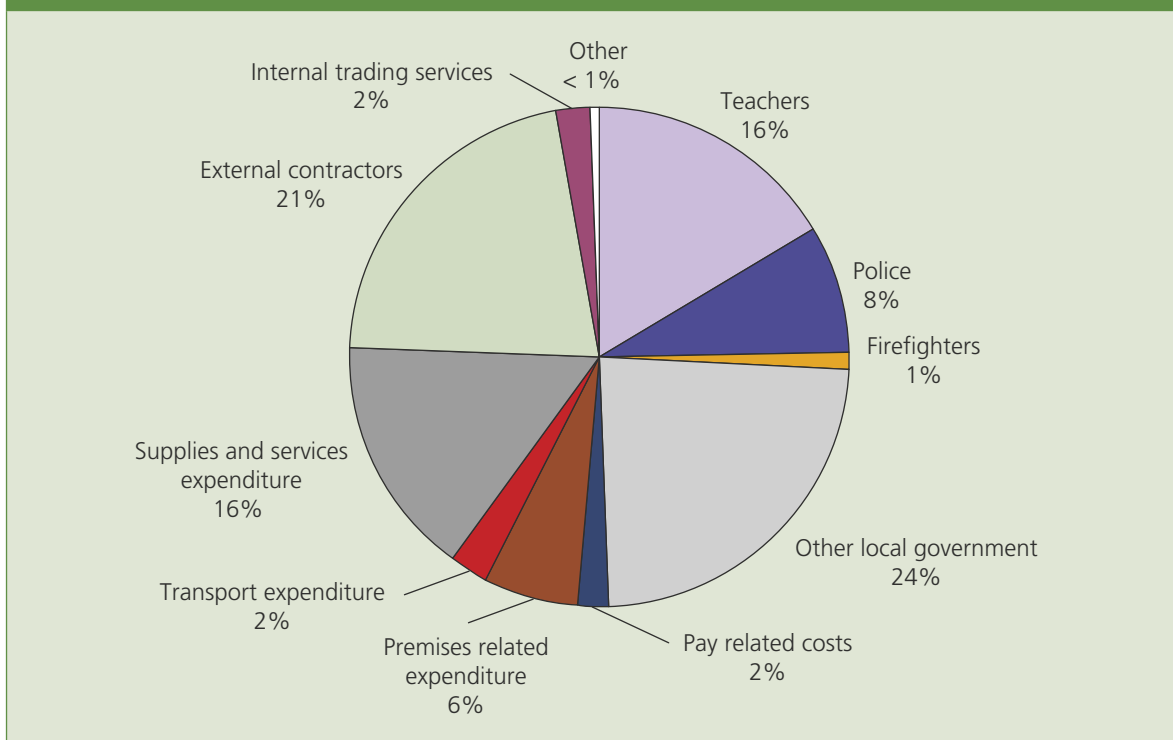
(a) Produced on a Financial Reporting Standard 17 (FRS17) basis.

(b) Produced on a non-FRS17 and PFI "off-balance" sheet basis

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

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

Chart 3.4b: Labour, goods and services 2009-10



3.5 Capital charges

- 3.5.1 For 2009-10, capital charges are limited to **depreciation** and **impairment charges** for **tangible fixed assets**, and the **amortisation charges** for **intangible assets** and **deferred charges**. The charges are reduced by credits representing the amortisation of capital grants used to finance the assets. The interest element that used to represent the opportunity cost of resources tied up in capital assets is no longer included. This change is in accordance with the amended requirements of **CIPFA's Best Value Accounting Code of Practice** and the Statement of Recommended Practice as they apply to the 2006-07 onwards financial years.
- 3.5.2 The sum of total expenditure and capital charges gives gross total cost, as defined by the *Service Reporting Code of Practice for Local Authorities*. This provides the link between expenditure definitions collected on the Revenue Outturn forms, and the definition of gross total cost. For more information on expenditure definitions, see the glossary.

- In 2009-10 capital charges represented around 6% of gross total cost.
- Capital charges as a percentage of gross total cost are highest for cultural services and lowest for Housing services.
- Capital charges have decreased from £13.5bn in 2008-09 to £9.2bn in 2009-10. During 2008-09 many authorities carried out five yearly revaluations of their assets and as a result of the property market downturn many local authorities reduced the value of their assets. This caused a large increase in capital charges in 2008-09.

Table 3.5a: Capital charges and gross total cost by service 2009-10^(a)

	Gross expenditure	Capital charges	Gross total cost	£ million Capital charges as percentage of gross total cost
Education	49,931	4,038	53,968	7.5
Highways and transport	9,526	1,126	10,652	10.6
Social services	26,554	432	26,987	1.6
Housing (excluding Housing Revenue Account)	21,222	107	21,330	0.5
Cultural, environmental and planning	15,300	1,454	16,754	8.7
<i>of which:</i>				
<i>Cultural</i>	4,925	1,011	5,936	17.0
<i>Environmental</i>	6,891	292	7,182	4.1
<i>Planning and development</i>	3,484	152	3,636	4.2
Police	13,018	510	13,529	3.8
Fire & rescue	2,253	157	2,411	6.5
Central services	14,154	1,253	15,407	8.1
Other services	631	118	749	15.7
Administration charges ^(b)	-7,364	0	-7,364	0.0
Total	145,226	9,196	154,423	6.0

Source: Revenue Outturn (RO) and Revenue Summary returns

(a) Produced on a non Financial Reporting Standard 17 and PFI "off-balance" sheet basis

(b) Administration recharge expenditure within the general fund is recorded twice; alongside the individual service and also as a central services recharge. To ensure the expenditure is recorded only once, the recharge has been subtracted.

3.6 Revenue reserves

3.6.1 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

Table 3.6a shows the level and use of revenue reserves by class of local authority.

- 3.6.2 The first reason 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.
- 3.6.3 There are three 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
 - other earmarked reserves, which have been set aside for other particular purposes
 - unallocated reserves, which are intended for general contingencies
- 3.6.4 In presenting how much finance a local authority has in reserve at any point in time it is normal to exclude schools' reserves as they are not immediately available to a local authority.

- The total level of non-school revenue reserves at 31 March 2010 was £12.7bn, a decrease of £0.1bn from 31 March 2009.

Table 3.6a: Level of revenue reserves by class at 31 March 2010

	£ million								
	Revenue expenditure ^(a)	Revenue reserves				Revenue reserves as a % of revenue expenditure			
		Schools	Other earmarked	Unallocated	Non-schools total	Schools	Other earmarked	Unallocated	Non-schools total
London boroughs	14,796	342	1,596	529	2,126	2.3	10.8	3.6	14.4
GLA	7,322	–	1,114	253	1,367	–	15.2	3.4	18.7
Metropolitan districts	20,377	414	1,486	455	1,941	2.0	7.3	2.2	9.5
Unitary authorities	19,238	360	1,391	519	1,910	1.9	7.2	2.7	9.9
Shire counties	27,549	697	1,660	576	2,236	2.5	6.0	2.1	8.1
Shire districts	3,519	–	1,112	648	1,760	–	31.6	18.4	50.0
Police authorities	8,814	–	549	284	833	–	6.2	3.2	9.5
Fire authorities	1,528	–	121	117	238	–	7.9	7.6	15.5
Other authorities ^(b)	261	–	139	112	251	–	53.2	43.0	96.2
England	103,404	1,812	9,169	3,493	12,661	1.8	8.9	3.4	12.2

Source: Revenue Summary (RS) returns

(a) Revenue Expenditure is on a non Financial Reporting Standard 17 (FRS17) and PFI "off balance" sheet basis. This figure represents the Revenue Expenditure that must be financed from cash backed resources.

(b) Other authorities includes national parks, waste disposal, police, fire and intergrated transport authorities.

3.6.5 **Table 3.6b** shows the distribution of non-school revenue reserves by class of authority at 31 March 2010.

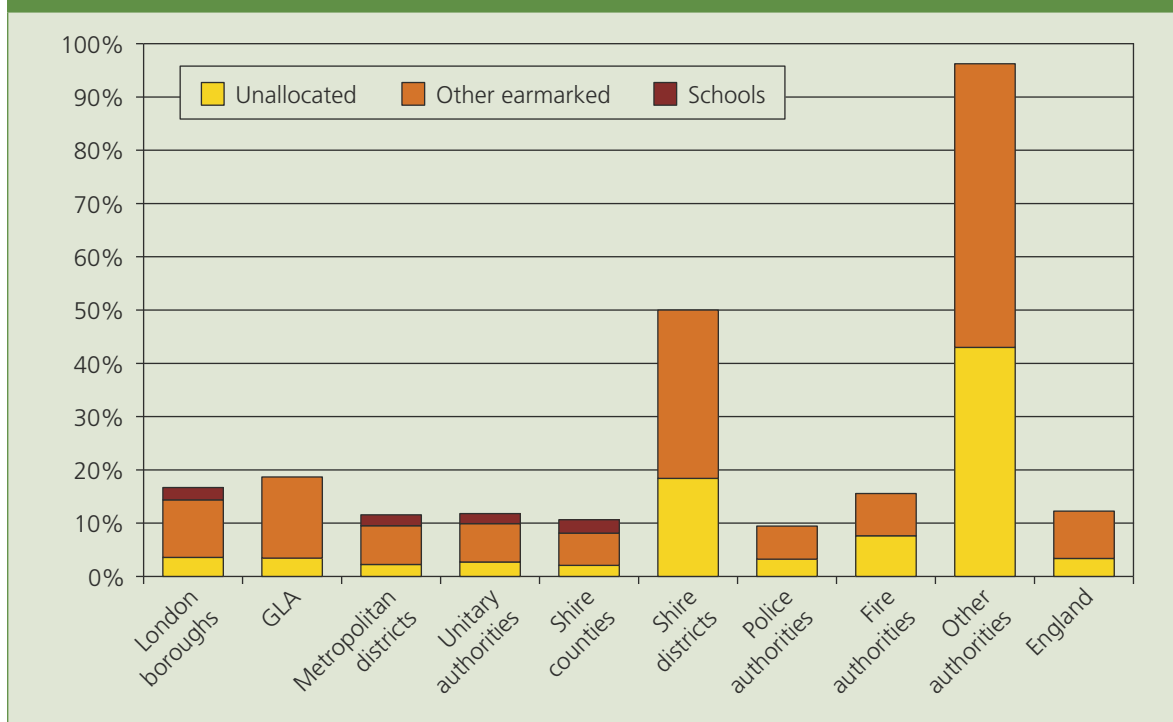
- All shire counties had non-school revenue reserves of over £20m while 29 of 33 London boroughs had non-school revenue reserves of over £20m.

Table 3.6b: Non-school revenue reserves by class of authority at 31 March 2010

Band (£ million)							Number of Authorities	
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	England	
Less than 4	1	0	2	0	40	17	60	
4 up to 7	0	1	1	0	53	14	69	
7 up to 10	0	0	2	0	43	7	52	
10 up to 20	3	0	14	0	54	30	101	
20 up to 40	5	12	23	4	10	15	69	
40 and above	24	23	14	23	1	7	92	
Total	33	36	56	27	201	90	443	

Source: Revenue Outturn (RO) returns

Chart 3.6c: Revenue reserves as a proportion of revenue expenditure at 31 March 2010



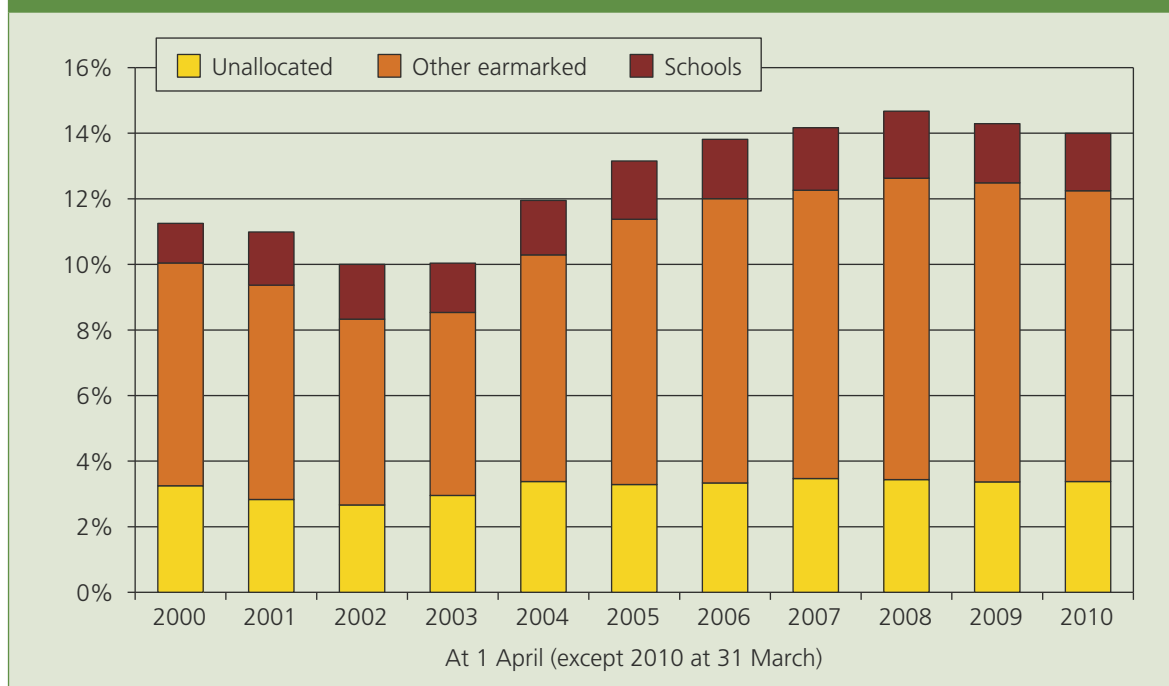
- The total general fund non-school revenue reserve has more than doubled from £5.5bn in 2002 to £12.9bn in 2009.
- There has been a continuous increase in unallocated financial reserve levels since 2001. Other earmarked financial reserve levels have increased from 2002 up until 2009, after which there was a decline.

Table 3.6d: Level and use of revenue reserves 1 April 2000 – 31 March 2010

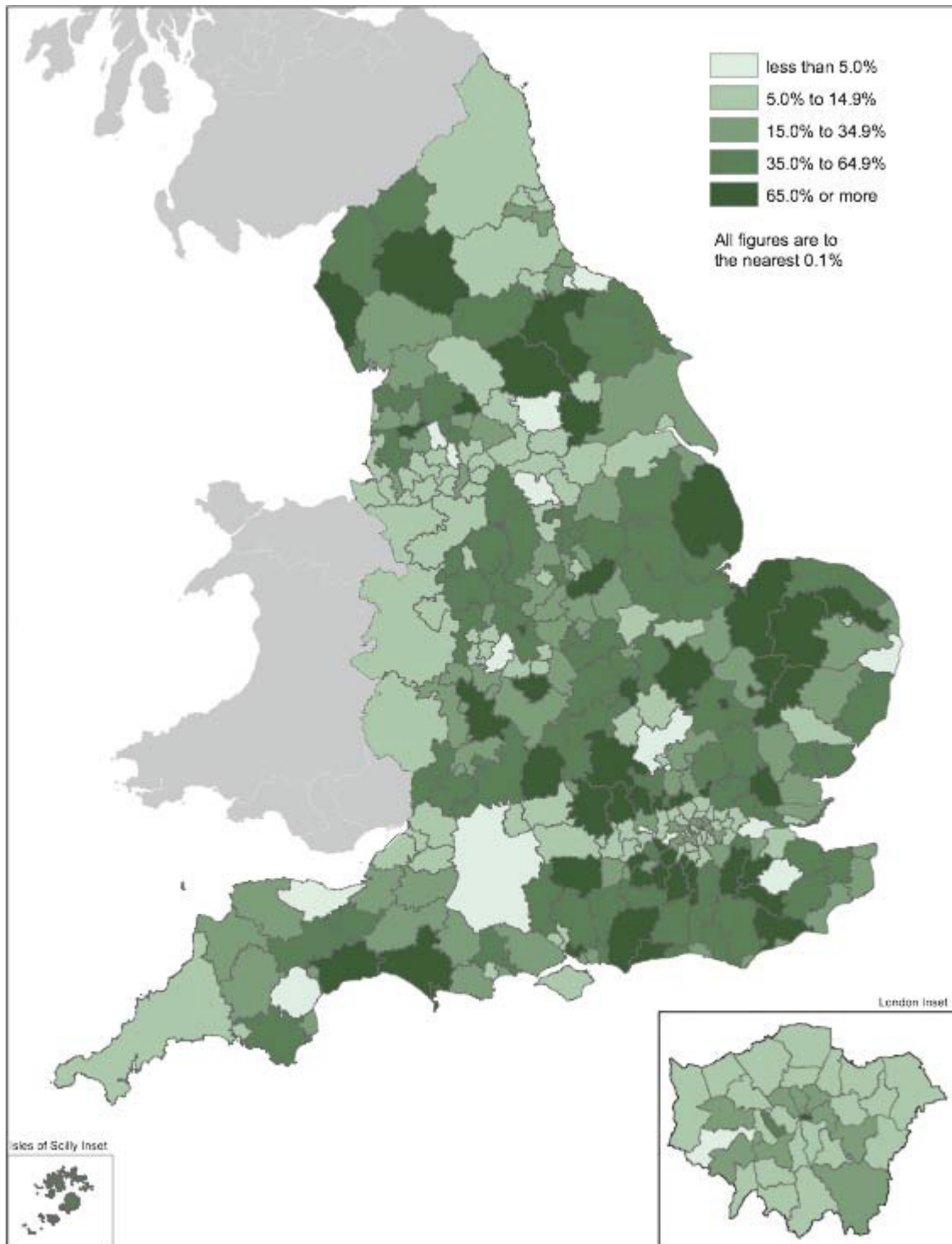
	£ million					% change over previous years	Revenue reserves as a % of revenue expenditure			
	Revenue reserves				Revenue expenditure ^(a)		Schools	Other earmarked	Unallocated	Non- schools total
	Schools	Other earmarked	Unallocated	Non- schools total						
At 1 April										
2000	694	3,895	1,863	5,758	57,329	–	1.2	6.8	3.2	10.0
2001	1,007	4,047	1,755	5,802	61,952	0.8	1.6	6.5	2.8	9.4
2002	1,103	3,732	1,756	5,488	65,898	-5.4	1.7	5.7	2.7	8.3
2003	1,132	4,198	2,224	6,422	75,244	17.0	1.5	5.6	3.0	8.5
2004	1,315	5,484	2,678	8,162	79,303	27.1	1.7	6.9	3.4	10.3
2005	1,498	6,831	2,774	9,605	84,422	17.7	1.8	8.1	3.3	11.4
2006	1,596	7,644	2,939	10,583	88,172	10.2	1.8	8.7	3.3	12.0
2007	1,760	8,122	3,205	11,327	92,384	7.0	1.9	8.8	3.5	12.3
2008 (R)	2,009	9,014	3,373	12,386	98,107	9.4	2.0	9.2	3.4	12.6
2009	1,866	9,432	3,482	12,915	103,404	4.3	1.8	9.1	3.4	12.5
At 31 March 2010	1,812	9,168	3,493	12,661	103,404	-2.0	1.8	8.9	3.4	12.2

Source: Revenue Summary (RS) returns to 2009-10

(a) Revenue expenditure is on a non Financial Reporting Standard 17 (FRS17) and PFI “off balance” sheet basis. This figure represents the Revenue Expenditure that must be financed from cash backed resources. Revenue expenditure for 2010 is outturn 2009-10, same as 2009.

Chart 3.6e: Revenue reserves as a proportion of revenue expenditure at 1 April 2000 to 31 March 2010

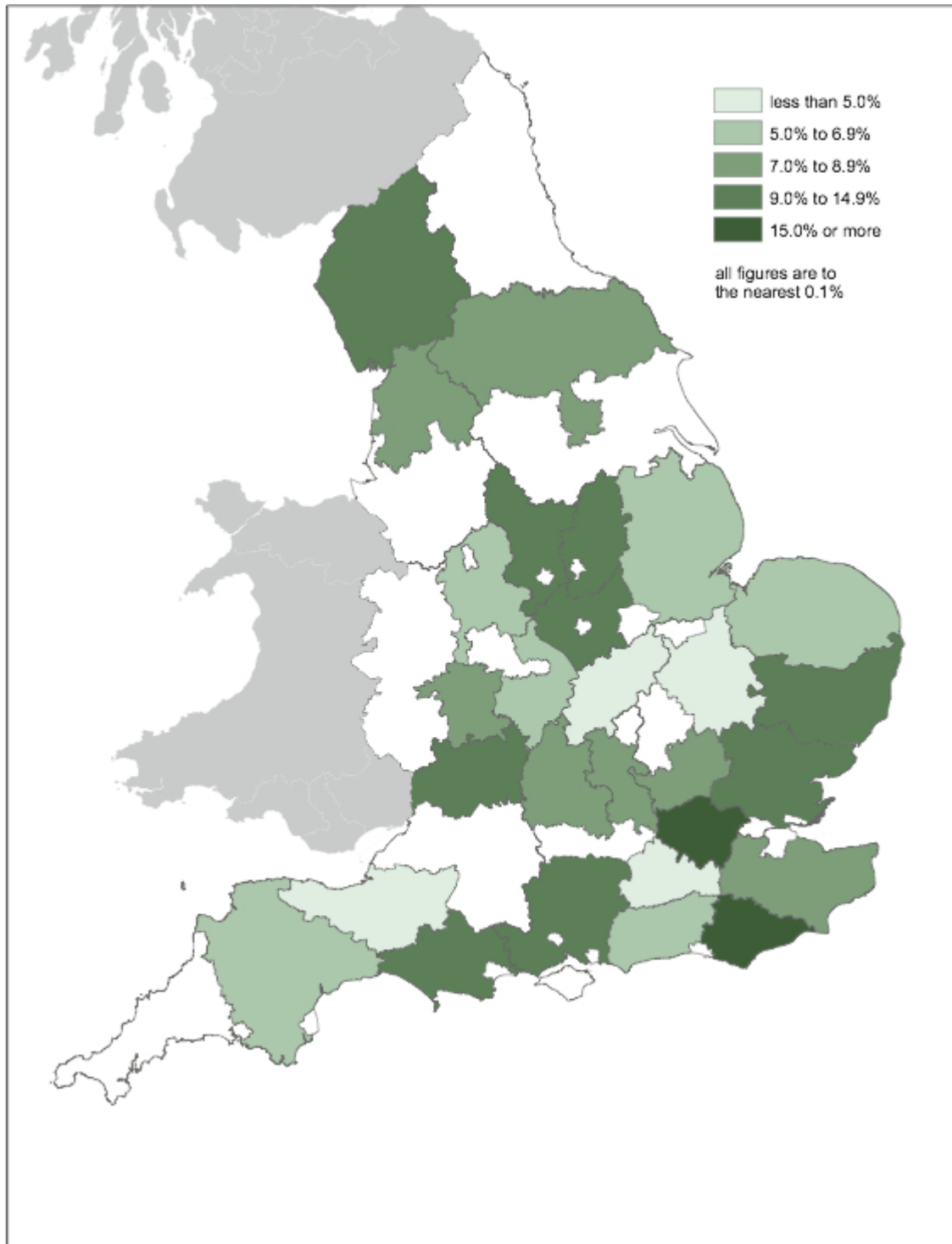
Map 3.6f: Non-schools reserves at 31 March 2010 as a proportion of revenue expenditure by billing authority in 2009-10



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Data Source:
RS returns

Map 3.6g: Non-schools reserves at 31 March 2010 as a proportion of revenue expenditure by upper tier authority in 2009-10



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Data Source:
 RS returns

3.7 External trading services

- 3.7.1 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.
- 3.7.2 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.
- 3.7.3 A breakdown of expenditure on the internal and external trading services account can be found online in **Table C1g** in **Annex C1**.

- Gross Expenditure in 2009-10 on external trading services totalled £885m.
- These services generated income of £1,158m.
- This resulted in a surplus of £273m in the General Fund Revenue Account.
- Corporation estates, industrial estates and investment properties generated the most income of all the services, together accounting for 34% of the total income.

3.8 Housing Revenue Account

- 3.8.1 The Housing Revenue Account is a record of revenue expenditure and income relating to an authority's own housing stock and dates back to the Housing Act 1935. 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. The Housing Revenue Account is a ring-fenced account. The ring-fence was introduced in the Local Government and Housing Act 1989, to ensure 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.
- 3.8.2 Housing revenue account information presented here is derived from housing revenue account subsidy claim forms. Information on transfers between the housing revenue account and the general fund revenue account differs marginally from comparable information given on revenue outturn forms.

- Housing Revenue Account expenditure amounted to £8.8bn in 2009-10.
- At the national level, the main items of expenditure in 2009-10 were debt charges (39%), supervision and management: general (20%) and repairs (20%).
- At the national level the main items of income were rents from dwellings (69%), which varied between 56% in London and 85% in the South East. Government subsidy provides 7% of income nationally, varying from 1.0% in the East of England to 10.4% in London.

Table 3.8a: Housing Revenue Account (HRA) by class of authority 2009-10

	London boroughs	Metropolitan districts	Shire districts	Unitary authorities	All English authorities	£ million % of total
Expenditure						
Supervision and management: general	727	428	303	272	1,731	19.7
Supervision and management: special	253	172	149	106	680	7.7
Repairs (including transfers to the repairs account)	537	469	374	347	1,727	19.6
Expenditure for capital purposes	95	41	58	67	261	3.0
Debt charges	1,403	907	667	478	3,455	39.3
Transfers	140	32	416	156	745	8.5
Other expenditure	101	30	27	30	189	2.1
Total expenditure	3,257	2,079	1,995	1,457	8,788	100.0
Income						
Rents from dwellings ^(a)	1,826	1,588	1,532	1,200	6,145	69.2
Rents other than dwellings	81	26	45	28	181	2.0
Heating and other services	364	82	89	61	595	6.7
Interest income	119	70	237	46	471	5.3
Government subsidy	342	200	18	51	611	6.9
LA subsidy	30	43	31	23	127	1.4
Other income	516	151	58	19	743	8.4
Total income	3,278	2,160	2,009	1,428	8,874	100.0
Source: HRA Subsidy claims						
(a) Gross (i.e. including rents met by rebates)						

Table 3.8b: Housing Revenue Account by region 2009-10

	£ million										
	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England	% of total
Expenditure											
Supervision and management: general	87	132	194	123	140	112	727	141	76	1,731	19.7
Supervision and management: special	49	55	55	44	58	65	253	67	32	680	7.7
Repairs (including transfers to the repairs account)	97	134	190	159	204	141	537	167	99	1,727	19.6
Expenditure for capital purposes	15	10	38	17	11	21	95	35	20	261	3.0
Debt charges	176	261	430	268	278	318	1,403	195	126	3,455	39.3
Transfers	7	22	20	53	64	176	140	178	86	745	8.5
Other expenditure	11	8	9	11	13	10	101	21	4	189	2.1
Total expenditure	443	622	937	675	767	841	3,257	803	443	8,788	100.0
Income											
Rents from dwellings ^(a)	360	449	681	541	678	576	1,826	685	351	6,145	69.2
Rents other than dwellings	7	7	11	10	14	20	81	22	9	181	2.0
Heating and other services	26	28	26	22	28	39	364	39	24	595	6.7
Interest income	14	26	52	18	32	157	119	26	27	471	5.3
Government subsidy	45	65	93	8	17	8	342	13	19	611	6.9
LA subsidy	5	13	26	15	29	0	30	5	3	127	1.4
Other income	20	60	73	41	2	14	516	12	5	743	8.4
Total income	477	648	961	655	799	814	3,278	802	439	8,874	100.0
Source: HRA Subsidy claims											
(a) Gross (i.e. including rents met by rebates)											

Chart 3.8c: Housing Revenue Account expenditure 2009-10

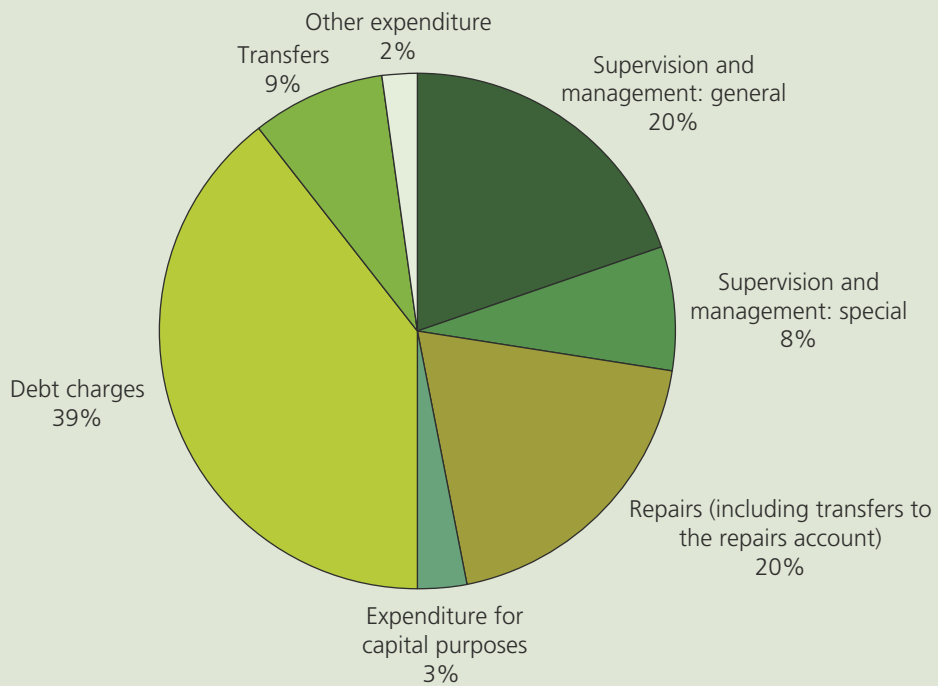
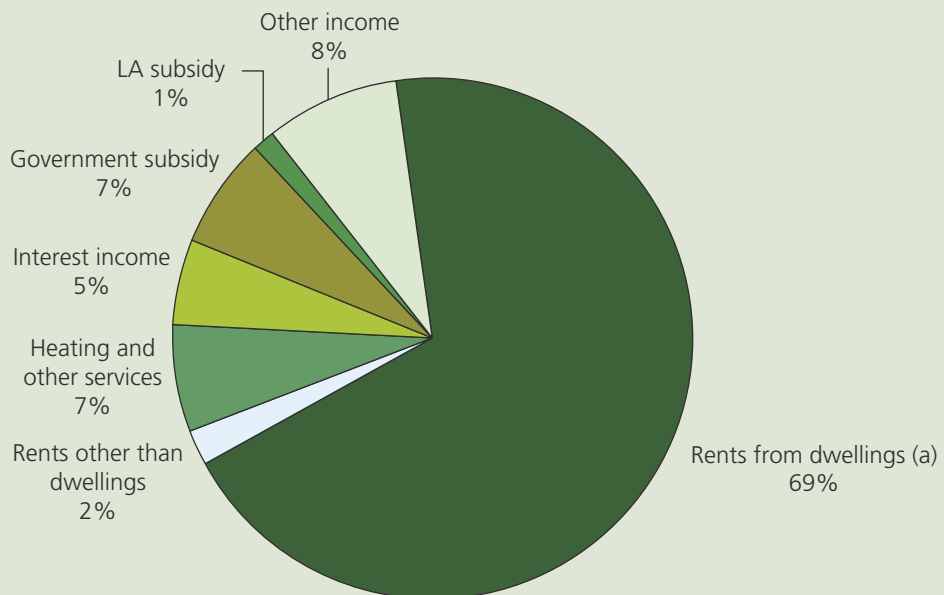


Chart 3.8d: Housing Revenue Account income 2009-10



- The pattern of expenditure and income has been relatively stable from year to year since 2005-06, with the exception of large changes in debt charges and interest income in 2008-09.

Table 3.8e: Housing Revenue Account income and expenditure, 2005-06 to 2009-10

	2005-06	2006-07 (R)	2007-08	2008-09 (R)	£ million 2009-10
Expenditure					
Supervision and management: general	1,629	1,625	1,672	1,665	1,731
Supervision and management: special	688	756	716	701	680
Repairs (including transfers to the repairs account)	1,786	1,788	1,759	1,798	1,727
Expenditure for capital purposes	272	284	276	283	261
Debt charges	3,013	2,903	3,095	4,027	3,455
Transfers	627	670	686	795	745
Other expenditure	254	222	235	193	189
Total expenditure	8,269	8,249	8,440	9,462	8,788
Income					
Rents from dwellings ^(a)	6,019	6,051	6,079	6,041	6,145
Rents other than dwellings	189	189	186	178	181
Heating and other services	506	516	557	579	595
Interest income	576	491	732	1,414	471
Government subsidy	844	791	698	560	611
LA subsidy	31	24	14	21	127
Other income	109	146	182	342	743
Total income	8,275	8,208	8,447	9,135	8,874

Source: HRA Subsidy claims

(a) Gross (i.e. including rents met by rebates)

CHAPTER 4

How is the money spent? – Capital spending and how it is financed

4.0.1 This chapter describes the pattern and trends in capital spending by local authorities and how that expenditure is financed. It is divided into the following sections:

- **Expenditure definition** **section 4.1**
- **Capital spending** **section 4.2**
- **Pattern of spending by region and class of authority** **section 4.3**
- **Financing of capital spending – overview** **section 4.4**
- **Credit approvals, grants and contributions** **section 4.5**
- **Capital receipts** **section 4.6**
- **Private Finance Initiative** **section 4.7**

Additional detail on expenditure and receipts in 2009-10 is given in **Annex D** which can be found online.

4.0.2 Capital spending by local authorities is mainly for buying, constructing or improving physical assets such as:

- buildings – schools, houses, libraries and museums, police and fire stations etc
- land – for development, roads, playing fields etc
- vehicles, plant and machinery – including street lighting, road signs etc.

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.

4.0.3 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. Up until 31 March 2004 the capital finance system laid down in Part 4 of the Local Government and Housing Act 1989 (the “1989 Act”) provided the framework within which authorities were permitted to finance capital spending from sources other than revenue – that is by the use of borrowing, long-term credit or capital receipts.

- 4.0.4 The basic principle of the old system was that authorities could use borrowing and credit only up to the limits specified by the Government through the issue of **credit approvals**. From 1 April 2004, Part 1 of the Local Government Act 2003 (the "2003 Act") implemented a completely new capital finance system. The key feature of the **Prudential capital finance system** is that authorities do not need government approval to finance capital spending by borrowing or credit. They receive central government support for a major part of their capital programmes, but are free to borrow to fund additional investment as long as they can afford to service the debt.
- 4.0.5 The **Prudential Code** was specially prepared by The Chartered Institute of Public Finance and Accountancy and sets out in broad terms how affordability is to be assessed. With regard to capital receipts they may, as before, be used to finance capital spending. However the former duty to set aside for debt redemption part of most housing receipts was replaced by pooling, under which part of most housing receipts has to be paid to the Secretary of State.

4.1 Expenditure definitions

- 4.1.1 Capital expenditure is incurred when a local authority spends money either to buy fixed assets or to add to the value of an existing fixed asset with a useful life that extends beyond the financial year in which the investment was made. There are two types of fixed assets for capital purposes: tangible fixed assets acquired or enhanced by the local authority such as land, buildings, vehicles and machinery and intangible fixed assets which are assets of value which do not have a physical shape e.g. purchased franchises, licences and patents. The value of a fixed asset is determined by its operational or non-operational status, that is, whether it is (1) held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility; or (2) held by a local authority but not directly occupied, used or consumed in the delivery of services. More detailed information is set out online in Annex D.

Since 1 April 2004 expenditure on, and receipts from the sale of, intangible assets have been shown separately in capital spending by local authorities. This is to reflect more explicit recognition of intangible assets in the local government accounting framework.

- 4.1.2 The definition of capital spending under the Prudential system is tied much more closely to the normal accounting concept, but this can be varied by regulations or by directions issued to individual authorities. Capitalisation is the means by which the Government, exceptionally, permits local authorities to treat revenue costs as capital costs. Directions are issued under sections 16(2)(b) and 20 of the 2003 Act. The effect of a direction is that specified revenue expenditure becomes treated as capital expenditure, so that instead of having to be charged to revenue, it may be funded from borrowed money or capital receipts, thereby increasing an authority's financial flexibility. They have been issued, for example, in relation to spending on redundancy payments, pension fund contributions and equal pay awards

4.1.3 In relation to equal pay awards, a capitalisation direction may be given to cover lump-sum payments to present or former council employees in respect of compensation relating to past pay levels under the Equal Pay Act 1970; it is most unlikely that a capitalisation direction would be granted in relation to ongoing salary increases. Detailed information is set out in Annex D.

4.2 Capital spending

4.2.1 Recent trends in capital expenditure by type of spending are shown in **Table 4.2a** and **Chart 4.2b**

- The underlying trend in capital expenditure shows an increase of 8% from 2008-09 to 2009-10. It has risen by 28% in the last four years.
- The total value of local authority spending on fixed assets has increased by 19% in real terms since 2005-06.
- New construction and conversion forms the major part of capital spending.

Table 4.2a: Capital expenditure by economic category

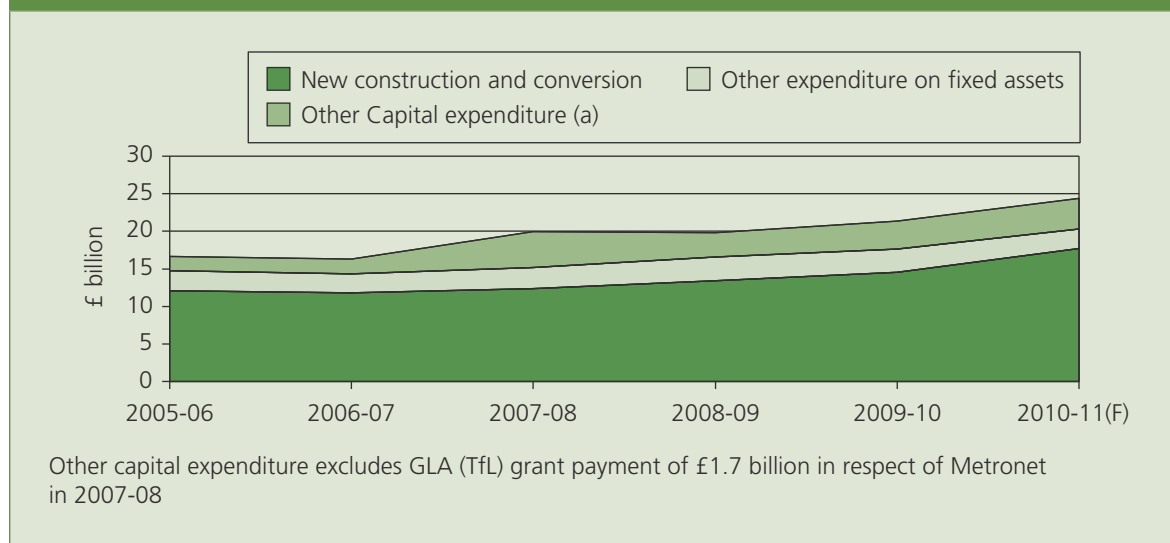
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (F)
	£ million					
Acquisition of land and existing buildings and works	866	964	1,184	1,511	1,301	841
New construction and conversion	12,078	11,797	12,393	13,390	14,551	17,672
Vehicles, plant equipment and machinery	1,515	1,312	1,321	1,488	1,597	1,533
Intangible assets	313	292	262	204	197	248
Total expenditure on fixed assets	14,773	14,366	15,159	16,593	17,645	20,293
Grants, loans and other financial assistance	1,628	1,918	4,796 ^(b)	3,172	3,574	4,109
Acquisition of share and loan capital	241	23	11	36	143	9
Total capital expenditure	16,641	16,307	19,958^(b)	19,801	21,362	24,411
Expenditure by virtue of a section 16(2) ^(b) direction ^(a)	148	163	415	432	464	...
Notional capital receipts set aside and Large Scale Voluntary Transfer levy	8	2	22	0	0	...
Total expenditure and other transactions	16,797	16,472	20,395^(b)	20,233	21,826	...

Source: COR/CER 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 sections 20 and 16(2)(b) of the Local Government Act 2003.

(b) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet

Chart 4.2b: Capital expenditure by economic category



- Between 2005-06 and 2009-10 capital expenditure on transport has risen from 21% to 27% of the total, while capital expenditure on housing has fallen from 27% to 21% of the total. Education and transport accounted for over half of capital expenditure in 2009-10.

Table 4.2c: Capital expenditure by service

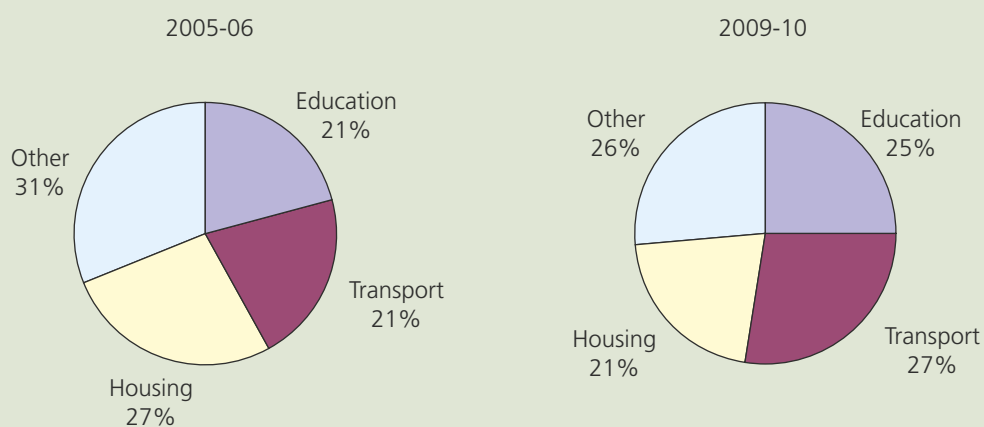
	2005-06	2006-07	2007-08	2008-09	2009-10	£ million 2010-11 (F)
Education	3,492	3,442	3,711	4,542	5,392	6,826
Highways & transport	3,461	3,480	5,916 ^(a)	4,735	5,851	6,846
Housing	4,534	4,507	5,008	4,901	4,514	4,230
Other	5,154	4,879	5,323	5,622	5,605	6,510
<i>Of which</i>						
<i>Social Services</i>	387	364	411	300	288	449
<i>Sport & recreation</i>	424	415	446	496	598 ^(b)	626 ^(b)
<i>Police</i>	606	527	550	794 ^(c)	704	849
<i>Other</i>	3,737	3,573	3,917	4,033	4,015	4,586
Total	16,641	16,307	19,958^(a)	19,801^(c)	21,362	24,411

Source: COR/CER returns

(a) Includes GLA (TfL) grant payment in respect of Metronet.

(b) Owing to form changes reflecting Best Value Accounting Code of Practice (BVACOP) revisions, from 2009-10 Sport & Recreation (now Recreation & Sport) is now part of Culture & Related Services category. The 2009-10 expenditure total is as reported in Annex D1b and excludes any acquisitions of share and loan capital, usually negligible.

(c) Includes a one-off acquisition of land and existing buildings by Metropolitan Police in 2008-09

Chart 4.2d: Capital expenditure by service 2005-06 and 2009-10

4.3 Pattern of spending by region and class of authority

- There is considerable regional variation in the level of capital spending per head of population. London has had the highest spending per head for many years, mainly through transport.

Table 4.3a: Capital expenditure by region : £ million

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (F)
North East	1,006	1,004	1,001	1,166	1,261	1,288
North West	2,263	2,160	2,766	2,795	2,596	3,318
Yorkshire & the Humber	1,826	1,808	1,790	1,938	1,881	2,167
East Midlands	1,164	1,177	1,277	1,278	1,378	1,608
West Midlands	1,869	1,760	1,939	2,090	1,983	2,081
East of England	1,475	1,448	1,636	1,585	1,767	1,959
London	3,888	3,952	6,316 ^(a)	5,282	6,738	7,711
South East	1,926	1,785	1,956	2,112	2,197	2,622
South West	1,224	1,213	1,277	1,554	1,561	1,657
Total England	16,641	16,307	19,958^(a)	19,801	21,362	24,411

Source: COR/CER returns

(a) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet

Table 4.3b: Capital expenditure by region : £ per head

	2005-06	2006-07	2007-08	2008-09	£ per head 2009-10
North East	395	393	391	454	488
North West	331	315	403	407	376
Yorkshire & the Humber	357	351	345	371	358
East Midlands	269	270	290	289	310
West Midlands	350	328	361	386	365
East of England	266	259	290	277	306
London	519	524	831 ^(a)	689	869
South East	236	217	236	252	260
South West	241	237	247	298	298
Total England	330	321	391	385	412

Source: COR/CER returns

(a) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet

- There has also been an increase in the share of 'other' authorities from 11% in 2005-06 to 20% in 2009-10. This includes the Greater London Authority, police, fire, passenger transport, waste and park authorities.

Table 4.3c: Capital expenditure by class of authority

	2005-06	2006-07	2007-08	2008-09	2009-10	£ million 2010-11 (F)
London boroughs	2,662	2,570	2,666	2,984	3,475	3,750
Metropolitan districts	4,276	4,080	4,707	4,918	4,381	4,521
Unitary authorities	2,257	2,343	2,494	2,712	4,032 ^(b)	4,786
Shire counties	3,395	3,277	3,701	4,017	3,536 ^(b)	4,136
Shire districts	2,160	2,017	2,007	1,975	1,635 ^(b)	1,782
Other authorities	1,890	2,020	4,384 ^(a)	3,196	4,305	5,437
All English authorities	16,641	16,307	19,958^(a)	19,801	21,362	24,411
						%
London boroughs	16	16	13	15	16	15
Metropolitan districts	26	25	24	25	21	19
Unitary authorities	14	14	12	14	19 ^(b)	20
Shire counties	20	20	19	20	17 ^(b)	17
Shire districts	13	12	10	10	8 ^(b)	7
Other authorities	11	12	22	16	20	22
All English authorities	100	100	100	100	100	100

Source: COR/CER returns

(a) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet

(b) Figures are not comparable between 2008-09 and 2009-10 owing to local authority reorganisation on April 1 2009

4.3.1 **Table 4.3d** shows the distribution of capital expenditure by class of authority in 2009-10.

- While all London boroughs and metropolitan districts spent £20m or more in 2009-10, similar to the year before, the shire counties' capital expenditure increased to £50m or more.
- All shire districts had less than £50m capital expenditure in 2009-10.

Table 4.3d: Capital expenditure by class of authority 2009-10

Band (£ million)	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Number of Authorities		
					Shire districts	Other authorities	England
less than 2	0	0	1	0	20	18	39
2 up to 5	0	0	0	0	70	19	89
5 up to 10	0	0	0	0	57	26	83
10 up to 20	0	0	0	0	39	14	53
20 up to 50	4	6	20	0	15	9	54
50 up to 100	13	15	25	6	0	2	61
100 and above	16	15	10	21	0	2	64
Total	33	36	56	27	201	90	443

Source: COR/CER returns

4.3.2 The following tables (and map) provide final 2009-10 outturn expenditure showing:

- service by economic category
- service by region (£ million and £ per head)
- service by class.

Table 4.3e: Capital expenditure by service and economic category 2009-10

	Total expenditure on fixed assets	Grants and advances	Acquisition of share and loan capital	£ million Total capital expenditure
Education	5,053	337	2	5,392
Highways & transport	3,775	2,076	0	5,851
Social Services	240	48	0	288
Housing	3,743	766	6	4,514
Culture & related services	1,193	52	0	1,245
Environmental services	439	34	98 ^(a)	571
Planning & development services	730	194	0	924
Police	703	1	0	704
Fire & rescue	189	0	0	189
Court services	1	1	0	1
Central services	1,293	59	36	1,388
Trading services	287	8	1	295
Total	17,645	3,574	143	21,362

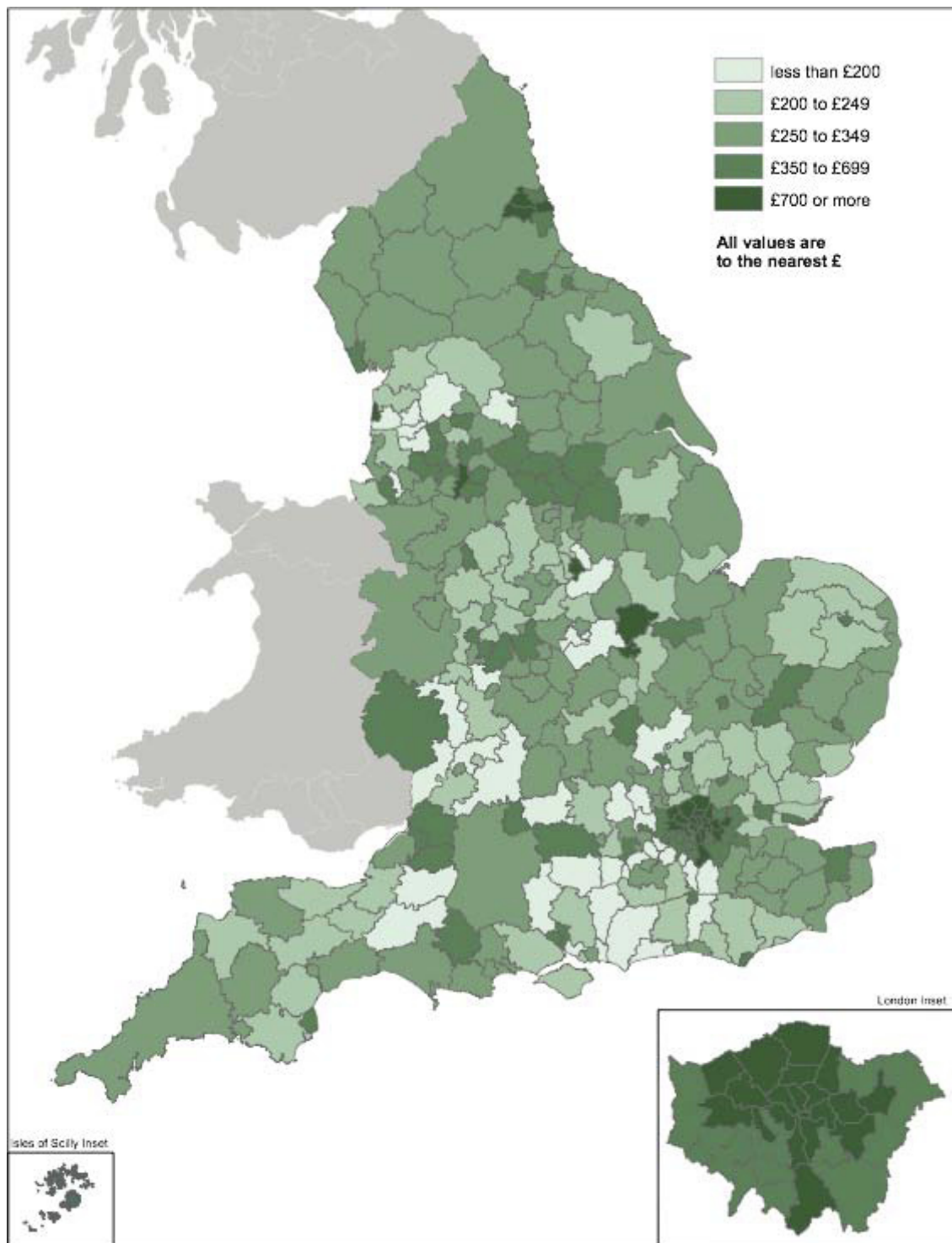
Source: COR returns

(a) Shares were acquired by North London Waste Authority from its joint venture partner.

Table 4.3f: Capital expenditure by service and region 2009-10

	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England	£ million
Education	344	709	522	428	431	550	1,015	824	568	5,392	
Transport	176	595	282	220	364	440	3,058	384	333	5,851	
Social Services	27	43	22	35	21	24	48	42	24	288	
Housing	403	563	582	305	547	256	1,303	354	201	4,514	
Culture & related services	77	144	130	113	92	163	246	179	101	1,245	
Environmental services	11	81	52	38	59	50	158	60	62	571	
Planning & development	90	183	68	35	77	42	346	47	37	924	
Police	48	101	48	39	96	49	189	77	57	704	
Fire and rescue services	11	22	26	21	21	26	18	20	24	189	
Court services	0	0	0	0	0	0	0	0	1	1	
Central services	58	142	110	122	233	145	285	151	142	1,388	
Trading	15	14	39	21	42	23	73	58	11	295	
Total	1,261	2,596	1,881	1,378	1,983	1,767	6,737	2,197	1,561	21,362	
											£ per head
Education	133	103	99	96	79	95	131	98	109	104	
Transport	68	86	54	50	67	76	394	46	64	113	
Social Services	10	6	4	8	4	4	6	5	5	6	
Housing	156	82	111	69	101	44	168	42	38	87	
Culture & related services	30	21	25	25	17	28	32	21	19	24	
Environmental services	4	12	10	8	11	9	20	7	12	11	
Planning & development services	35	27	13	8	14	7	45	6	7	18	
Police	19	15	9	9	18	8	24	9	11	14	
Fire and rescue services	4	3	5	5	4	4	2	2	5	4	
Court services	0	0	0	0	0	0	0	0	0	0	
Central services	23	21	21	28	43	25	37	18	27	27	
Trading	2	3	9	4	7	3	9	7	2	6	
Total	488	376	358	310	365	306	869	260	298	412	
Source: COR returns											

Map 4.3g: Capital expenditure per head 2009-10



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Data Sources:
COR4 returns,
ONS Population Unit

Table 4.3h: Capital expenditure by service and class 2009-10

Band (£ million)							£ million
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	All English authorities
Education	1,015	1,181	1,433	1,759	4	0	5,392
Transport	359	513	725	1,141	39	3,072	5,851
Social Services	48	67	79	93	1	0	288
Housing	1,303	1,598	801	5	808	0	4,514
Culture & related services	240	278	278	115	326	7	1,245
Environmental services	52	97	125	75	109	113	571
Planning & development services	98	241	201	41	96	248	924
Police	3	0	0	0	0	701	704
Fire and rescue services	0	0	5	24	0	161	189
Court services	0	0	1	0	0	0	1
Central services	284	339	336	269	159	1	1,388
Total	3,475	4,381	4,032	3,536	1,635	4,304	21,362

Source: COR returns

4.4 Financing of capital spending – overview

4.4.1 Up until 31 March 2004, capital spending could be financed by:

- revenue resources – either the **General Fund Revenue Account**, the **Housing Revenue Account** or the Major Repairs Reserve – but an authority could not charge council tenants for spending on general services, or charge spending on council houses to local taxpayers
- borrowing or long-term credit as authorised by the credit approvals – **Basic Credit Approval** or **Supplementary Credit Approval** issued by central government. Credit approvals were normally accompanied by an element of **Revenue Support Grant** covering most of the costs of borrowing
- grants received from central government
- contributions or grants from elsewhere – including the National Lottery and **Non-departmental Public Bodies** such as Sports England, English Heritage and Natural England, as well as private sector partners
- capital receipts (that is proceeds from the sale of land, buildings or other fixed assets)
- sums set aside as **Provision for Credit Liabilities**. This required the use of a credit approval, unless the authority was debt-free.

4.4.2 From 1 April 2004, capital spending could be financed in the same ways except that:

- central government no longer issues credit approvals to allow authorities to finance capital spending by borrowing. However, it continues to provide financial support in the usual way, via Revenue Support Grant or Housing Revenue Account subsidy, towards some capital spending financed by borrowing that is **Supported Capital Expenditure (Revenue)**
- authorities are free to finance capital spending by self-financed borrowing within limits of affordability set, having regard to the 2003 Act and the *CIPFA Prudential Code*.
- The concept of Provision for Credit Liabilities was not carried forward into the new system, although authorities which were debt-free and had a negative credit ceiling at the end of the old system could still spend amounts of Provision for Credit Liabilities built up under the old rules.

- In 2005-06 supported borrowing was the principal financing source for capital expenditure, accounting for 23% of the total. By 2009-10 the proportion of expenditure financed by supported borrowing had fallen to 13%. In 2005-06 central government grants accounted for 23% of total financing but this has increased every year (excluding the exceptional event of the Department for Transport grant of £1.7bn to the Greater London Authority in 2007-08) so that by 2009-10 government grants accounted for 34% of the total financing.
- In 2005-06 capital expenditure of almost £2.3bn (about 13%) was financed by self financed borrowing. This has increased every year, while the share of expenditure financed from capital receipts has shown a sustained decline since 2005-06. From 2007-08 onwards self financed borrowing has become the second largest component of financing for capital spending. Currently in 2009-10 self financed borrowing is nearly 23% (around £5.0bn).

Table 4.4a: Financing of capital expenditure

	2005-06	2006-07	2007-08	2008-09	2009-10	%
Central government grants	3,909	4,083	7,007 ^(a)	5,733	7,494	
Other grants and contributions ^(b)	1,378	1,344	2,019	1,978	1,266	
<i>of which:</i>						
Private developers	477	502	1,122 ^(c)	1,176 ^(d)	502	
Non-Departmental Public Bodies ^(e)	520	492	635	540	602	
National Lottery	212	166	105	106	119	
European Structural Funds	169	185	157	156	43	
Use of capital receipts	2,812	2,628	2,665	2,040	1,603	
Revenue financing of capital expenditure	2,569	2,763	2,591	3,241	3,532	
<i>of which:</i>						
Housing Revenue Account	238	240	208	228	247	
Major Repairs Reserve	1,327	1,337	1,180	1,224	1,377	
General Fund	1,004	1,185	1,204	1,789	1,908	
SCE(R) Single Capital Pot	2,932	2,734	2,296	2,257	2,181	
SCE(R) Separate Programme Element	947	630	630	759	748	
Other borrowing and credit arrangements not supported by central government ^(f)	2,251	2,291	3,186	4,224	5,002	
Total resources used	16,797	16,472	20,395	20,233	21,826	

continued

Table 4.4a: Financing of capital expenditure

	2005-06	2006-07	2007-08	2008-09	2009-10
					%
Central government grants	23	25	34	28	34
Other grants and contributions ^(b)	8	8	10	10	6
of which:					
Private developers	3	3	6	6 ^(c)	2 ^(d)
Non-Departmental Public Bodies ^(e)	3	3	3	3	3
National Lottery	1	1	1	1	1
European Structural Funds	1	1	1	1	0
Use of usable capital receipts	17	16	13	10	7
Revenue financing of capital expenditure					
of which:					
Housing Revenue Account	1	1	1	1	1
Major Repairs Reserve	8	8	6	6	6
General Fund	6	7	6	9	9
SCE(R) Single Capital Pot	17	17	11	11	10
SCE(R) Separate Programme Element	6	4	3	4	3
Other borrowing and credit arrangements not supported by central government ^(f)	13	14	16	21	23
Total resources used	100	100	100	100	100

Source: COR returns

(a) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet

(b) Includes grants and contributions from private developers, Non-Departmental Public Bodies, National Lottery and European Structural Fund.

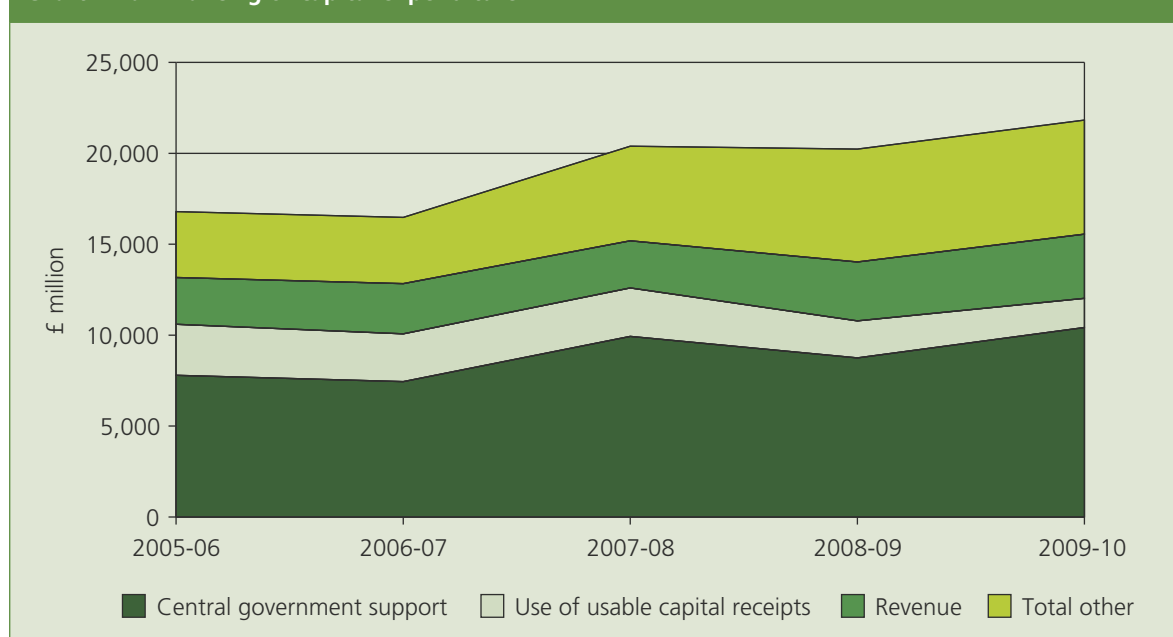
(c) Includes RSL financing for the transfer of Liverpool's housing stock.

(d) Includes RSL financing for the transfer of Salford's housing stock.

(e) Non-Departmental Public Bodies, such as Sport England, English Heritage and Natural England.

(f) 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.

Chart 4.4b: Financing of capital expenditure



4.5 Credit approvals, grants and contributions

- 4.5.1 Up until 31 March 2004, credit approvals made it possible to finance capital spending by borrowing or credit – and set upper limits to such spending. There were two types of credit approval:
- Basic Credit Approval which could be used for any capital project that was not ring-fenced, but had to be spent in the one year
 - Supplementary Credit Approval which was normally tied to a specific project and which could be spent normally over a two year period.
- 4.5.2 From 1 April 2004, local authorities have not required government approval to borrow, although central government continues to provide some support via Supported Capital Expenditure (Revenue). It continues to do this by giving annual revenue grants or Housing Revenue Account subsidy to help meet the costs of such borrowing. In the past however, not all credit approvals attracted financial support; for example trading Supplementary Credit Approvals which could be given for a project which would generate income to pay for the costs of the borrowing.
- 4.5.3 Basic Credit Approvals (using a formula applied to **Annual Capital Guidelines**) and Supported Capital Expenditure (Revenue) are calculated to represent an authority's relative need for capital expenditure in up to five sectors (education, transport, housing, social services and Environmental, Protective and Cultural services). Until 2002-03, the formula to calculate Basic Credit Approvals was in two parts, so as to reflect the need for spending and ability to finance it from existing funds. This was achieved by deducting a proportion of an authority's usable receipts under the **Receipts taken into account** mechanism.
- 4.5.4 Capital grants have mainly been given only for specific projects or types of expenditure, although from 1 April 2004 a new power in the 2003 Act enables grants to be given for a wide range of purposes. Grants may be given by government departments, mainly for transport, housing or regeneration work.
- 4.5.5 Supported Capital Expenditure (Revenue) is also provided in connection with specific projects or outcomes.
- 4.5.6 Local authorities receive grants and contributions from other sources, for example Non-departmental Public Bodies and the National Lottery distributors, as well as contributions from the private sector, for example for access roads or traffic management schemes.

4.6 Capital receipts

- 4.6.1 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.
- 4.6.2 Until 31 March 2004, all capital receipts were divided into usable and reserved parts when they were received. Only the usable part could be used to fund new capital spending. The reserved part had to be set aside as provision to repay debt or meet other credit liabilities. From 1998 receipts from the sale of most non-housing assets were fully usable, but set-aside in relation to housing receipts (at 75% for council houses and 50% for other housing assets) continued until 31 March 2004.
- 4.6.3 Since 1 April 2004, there is no requirement to set aside any part of a receipt, though authorities are still free to earmark all or some of their receipts for debt redemption if they wish. However, a new pooling system has been put in place requiring authorities to pay to the Government a proportion of their capital receipts from the sale of housing land and dwellings. **Large and Small Scale Voluntary Transfers** are excluded from this scheme.

- Most capital receipts are from the sale of assets (94% in 2009-10). There was been a significant decrease in the amount of capital receipts 2008-09 and 2009-10 reflecting the effect of the economic climate on local authority sales of assets.

Table 4.6a: Capital receipts by economic category

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (F)
						£ million
Sales of fixed assets	3,661	3,471	3,641	1,290	1,346	1,305
<i>of which:</i>						
<i>Land, buildings & works</i>	3,646	3,459	3,547	1,268	1,330	...
<i>Vehicles</i>	6	10	10	7	15	...
<i>Plant, machinery & equipment</i>	8	2	84 ^(a)	14	2	...
Intangible fixed assets	11	8	4	6	4	4
Repayments of grants and advances	78	90	88	40	39	41
<i>of which:</i>						
<i>Grants</i>	18	15	10	16	13	...
<i>Loans & other financial assistance</i>	40	62	79	24	25	...
Disposal of investments including share and loan capital	28	102	259	17	38	14
Total capital receipts	3,777	3,671	3,992	1,353	1,427	1,364

Source: COR/CER returns

(a) The larger part of £84m relates to GLA's one-off sales of assets to Rail for London

Table 4.6b: Capital receipts by service						
	2005-06	2006-07	2007-08	2008-09	2009-10	£ million 2010-11 (F)
Education	217	261	272	102	167	154
Transport	87	130	301	41	126	34
Housing	2,179	1,769	1,696	487	486	390
Other	1,294	1,510	1,723	723	649	786
<i>Of which:</i>						
<i>Social Services</i>	84	85	100	45	37	63
<i>Sport & recreation</i>	48	51	78	23	7 ^(a)	49
<i>Police</i>	96	117	126	70	63	59
<i>Other</i>	1,066	1,257	1,418	585	542 ^(a)	615
Total	3,777	3,671	3,992	1,353	1,427	1,364

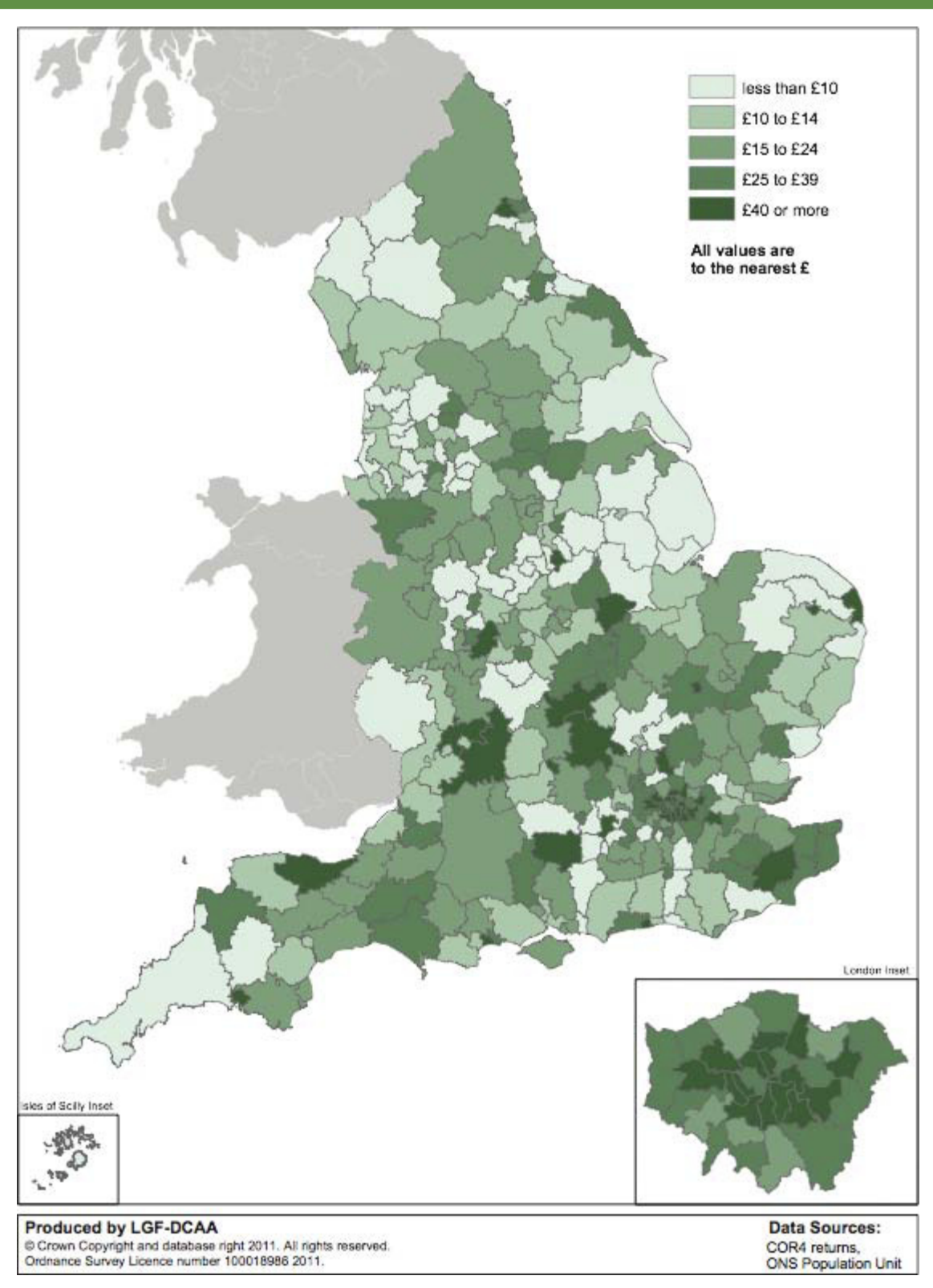
Source: COR/CER returns

(a) Owing to form changes reflecting Best Value Accounting Code of Practice (BVACOP) revisions, from 2009-10 Sport & Recreation (now Recreation & Sport) is now part of Culture & Related Services category. The 2009-10 receipts total excludes any disposals of share and loan capital, usually negligible.

Table 4.6c: Capital receipts by service and economic category 2009-10					
	Sales of tangible fixed assets	Sale of intangible assets	Repayments of grants, loans and financial assistance	Disposal of investments including share and loan capital	£ million Total capital receipts
Education	166	0	1	0	167
Transport	105	0	1	20	126
Social Services	37	0	0	0	37
Housing	464	3	19	0	486
Culture & related services	22	0	1	0	23
Environmental services	29	0	2	3	34
Planning & development services	129	0	5	0	134
Police	61	1	2	0	63
Fire & rescue	6	0	1	0	7
Court services	0	0	0	0	0
Central services	226	1	6	15	248
Trading services	102	0	0	0	102
Total	1,346	4	39	38	1,427

Source: COR returns

Map 4.6d: Capital receipts per head 2009-10



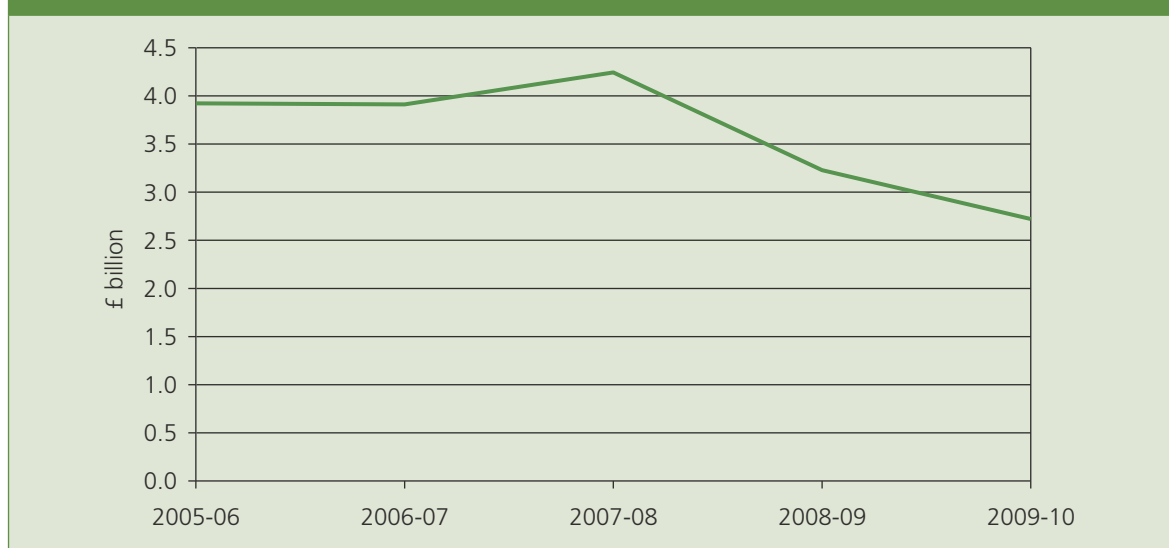
- The stock of capital receipts at 31 March 2010 was 16% lower than a year earlier. In-year receipts continue to be low in 2009-10.

Table 4.6e: Usable and set aside receipts 2005-06 to 2009-10

	£ million				
	2005-06	2006-07	2007-08	2008-09	2009-10
USABLE CAPITAL RECEIPTS^(a)					
Usable receipts held at 1 April	4,141	3,875	3,888	4,177	3,078
In-year usable receipts	3,777	3,671	3,992	1,353	1,427
Usable receipts used to meet capital expenditure	2,812	2,628	2,665	2,040	1,603
Usable receipts voluntarily set aside as provision to meet credit liabilities	134	190	320	108	65
Pooling of housing capital receipts	1,045	817	653	153	117
Interest on late pooling payments	4	0	0	1	0
Usable receipts at 31 March	3,923	3,911	4,243	3,228	2,721

Source: COR returns

(a) From 2004-05, local authorities are not statutorily required to 'reserve' capital receipts.

Chart 4.6f: Usable receipts at end of year

4.7 Private Finance Initiative

- 4.7.1 The **Private Finance Initiative** provides an additional and different route for local authorities to secure the use of a capital asset such as a building. It offers a form of public-private partnership under which local authorities can pay for the use of new or improved capital assets (and some associated services) rather than themselves borrowing to build or buy the assets. They do this by entering into a contract under which the private sector partner will design, build, finance and then operate or manage the asset. The essence of

such contracts is that the authority's regular payments to the contractor are linked to the latter's operating performance. If, for example, the building is not cleaned or heated or maintained to the level specified in the contract, then the contractor's remuneration is abated according to a formula specified in the contract. In this way, risk is transferred from the public to the private sector. If that risk transfer is significant, the overall transaction does not score on the public sector balance sheet.

- 4.7.2 The local authority Private Finance Initiative programme is the government's way of providing financial support for local authority projects which meet an appropriate set of criteria. The plans become reality when a Private Finance Initiative credit is issued to an authority once a contract for the project has been signed. The Private Finance Initiative credit measures the capital value of a project which government will support and in due course triggers an ongoing stream of revenue grant. This is similar to the revenue support issued to local authorities for the borrowing costs arising through their mainstream capital programmes.
- 4.7.3 Capital investment funded through the Private Finance Initiative is excluded from the expenditure figures appearing in the rest of this chapter.

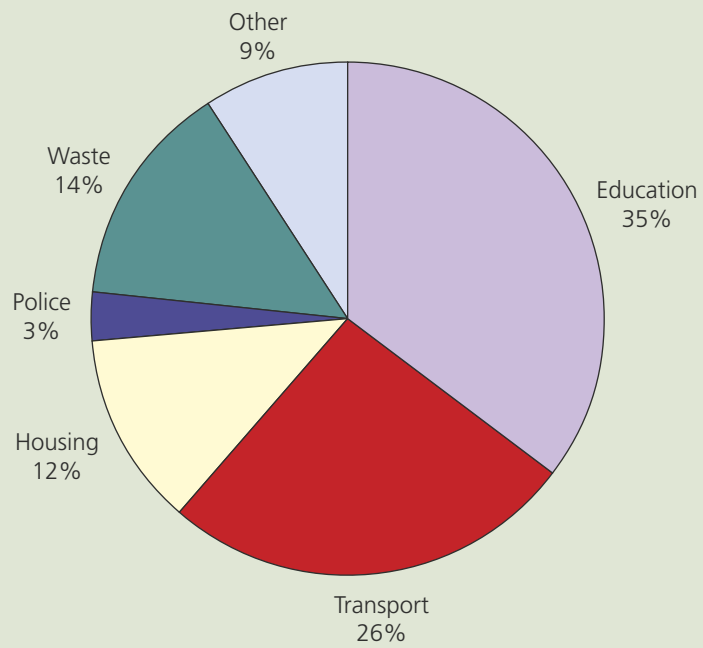
- Education accounted for 35% of the local authority Private Finance Initiative programme in 2010-11 compared with 57% in 2009-10.
- Transport has the second highest share of 26% in 2010-11 which is slightly higher than 22% in 2009-10.

Table 4.7a: Private Finance Initiative (PFI) credits, England

	£ million					%
	2006-07	2007-08	2008-09	2009-10	2010-11	
Education	685	1,009	357	1,262	1,327	35%
Transport	150	95	0	491	983	26%
Social Services	32	35	14	0	118	3%
Housing	532	283	138	0	451	12%
Police	46	30	0	87	98	3%
Fire & rescue	0	28	27	93	106	3%
Waste	251	139	0	125	539	14%
Other	11	79	33	155	123	3%
Total PFI Credits	1,707	1,698	569	2,213	3,745	100%

Spend figures only reflect the value of projects that have reached contract signature in that year and are not a reflection of actual projects in procurement within the PFI programme. Depending on a number of factors projects reaching contract signature can vary dramatically from year to year.

Chart 4.7b: PFI credits issued by service 2010-11



CHAPTER 5

Assets and liabilities

5.0.1 This chapter sets out the assets and liabilities of local authorities. It is divided into the following sections:

- **Local authority fixed assets** **section 5.1**
- **Outstanding debt and holdings of investments** **section 5.2**
- **Borrowing and investment transactions** **section 5.3**
- **Prudential system** **section 5.4**

5.1 Local authority fixed assets

5.1.1 The following tables and map provide the value of local authority **fixed assets** at 31 March 2010 in total and by type, and:

- by class of authority
- by region

Table 5.1a: Value of fixed assets^(a) by class of authority: 31 March 2010

	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	£ million England
Operational assets:							
i) Council dwellings	30,428	19,046	15,093	123	24,056	1	88,747
ii) Other land & buildings – education	10,291	13,550	13,456	24,935	90	11	62,332
iii) Other land & buildings – other	7,360	7,584	9,903	5,415	7,332	4,762	42,356
iv) Vehicles, plant & equipment	513	659	752	804	539	1,264	4,530
v) Infrastructure	3,302	5,808	6,099	9,076	653	3,660	28,597
vi) Community	384	467	521	63	390	52	1,877
Total operational assets	52,276	47,115	45,823	40,416	33,059	9,750	228,439
Non operational:							
i) Investment properties	2,352	2,195	2,728	160	3,110	668	11,212
ii) Other	1,364	2,448	2,016	2,115	955	844	9,741
Total non-operational assets	3,716	4,643	4,743	2,275	4,064	1,511	20,954
Total value of tangible assets	55,993	51,758	50,566	42,691	37,123	11,261	249,393
Intangible assets	62	85	83	67	73	87	457
Total value of fixed assets	56,055	51,843	50,649	42,758	37,196	11,348	249,850

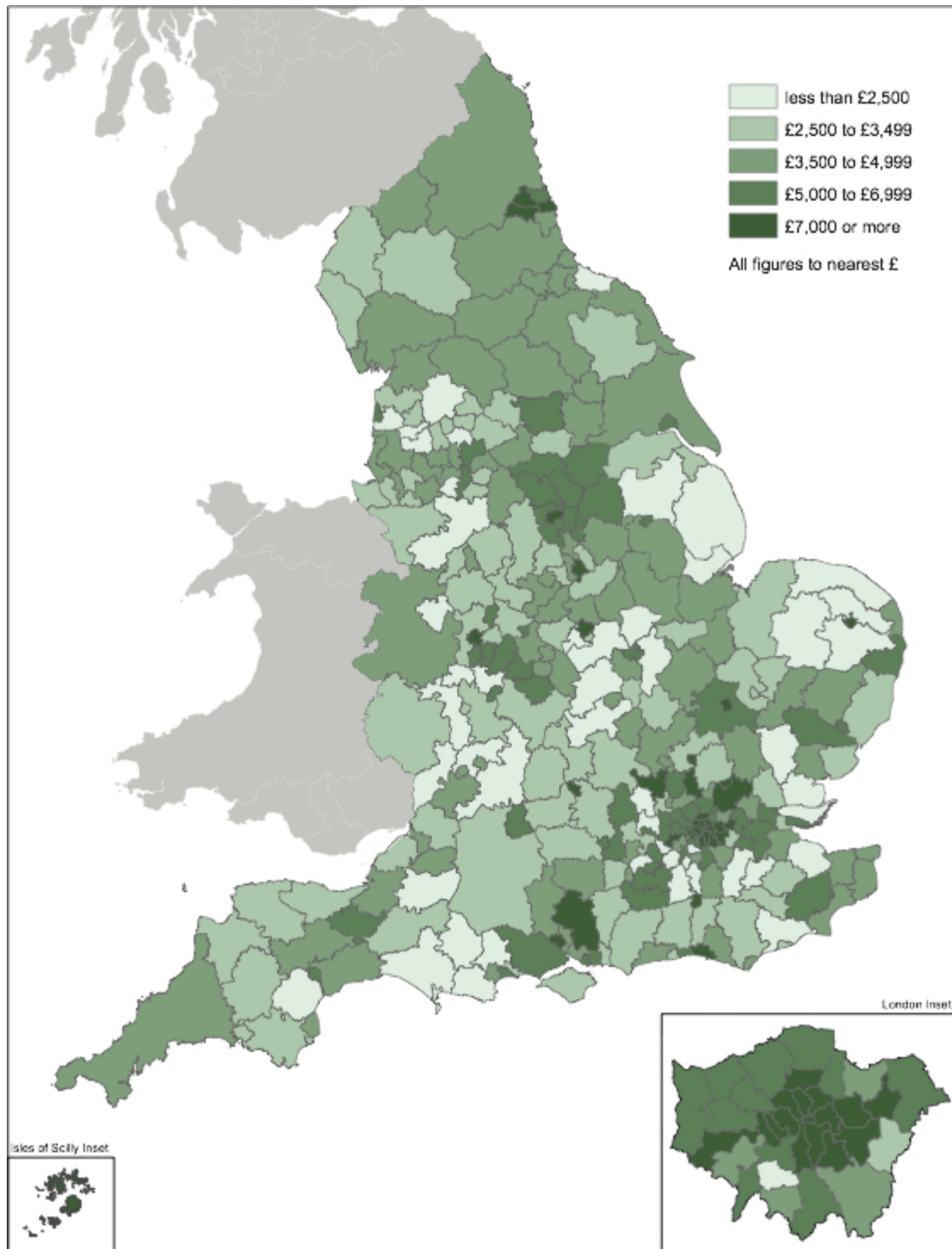
Source: COR returns

(a) Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation. Other assets are included in the balance sheet at the lower of the net current replacement cost or net realisable value.

Table 5.1b: Value of fixed assets^(a) by region: 31 March 2010

	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England
Operational assets:										
i) Council dwellings	4,913	4,946	8,155	7,216	8,123	9,588	30,428	10,732	4,647	88,747
ii) Other land & buildings – education	3,127	6,985	5,860	4,750	8,088	7,309	10,291	10,718	5,205	62,332
iii) Other land & buildings – other	2,414	5,568	4,633	3,273	2,933	4,390	7,831	6,871	4,443	42,356
iv) Vehicles, plant & equipment	309	483	405	389	615	477	857	622	373	4,530
v) Infrastructure	2,009	4,293	2,919	2,092	2,624	3,015	5,737	3,466	2,442	28,597
vi) Community	111	235	173	120	256	129	416	202	234	1,877
Total operational assets	12,884	22,510	22,145	17,839	22,638	24,908	55,559	32,612	17,343	228,439
Non-operational:										
i) Investment properties	437	1,450	752	610	1,000	1,082	2,998	1,991	892	11,212
ii) Other	723	1,362	909	880	1,038	1,072	1,791	1,273	694	9,741
Total non-operational assets	1,160	2,812	1,662	1,491	2,038	2,154	4,788	3,264	1,586	20,954
Total value of tangible assets	14,044	25,322	23,807	19,330	24,676	27,062	60,348	35,876	18,929	249,393
Intangible assets	16	56	43	35	60	49	81	78	39	457
Total value of fixed assets	14,060	25,378	23,849	19,365	24,737	27,111	60,428	35,954	18,968	249,850
£ per head of population	5,441	3,679	4,536	4,350	4,555	4,701	7,794	4,262	3,626	4,822
Source: COR returns and ONS population estimates										
(a) Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation. Other assets are included in the balance sheet at the lower of the net current replacement cost or net realisable value.										

Map 5.1c: Total assets per head: 31 March 2010



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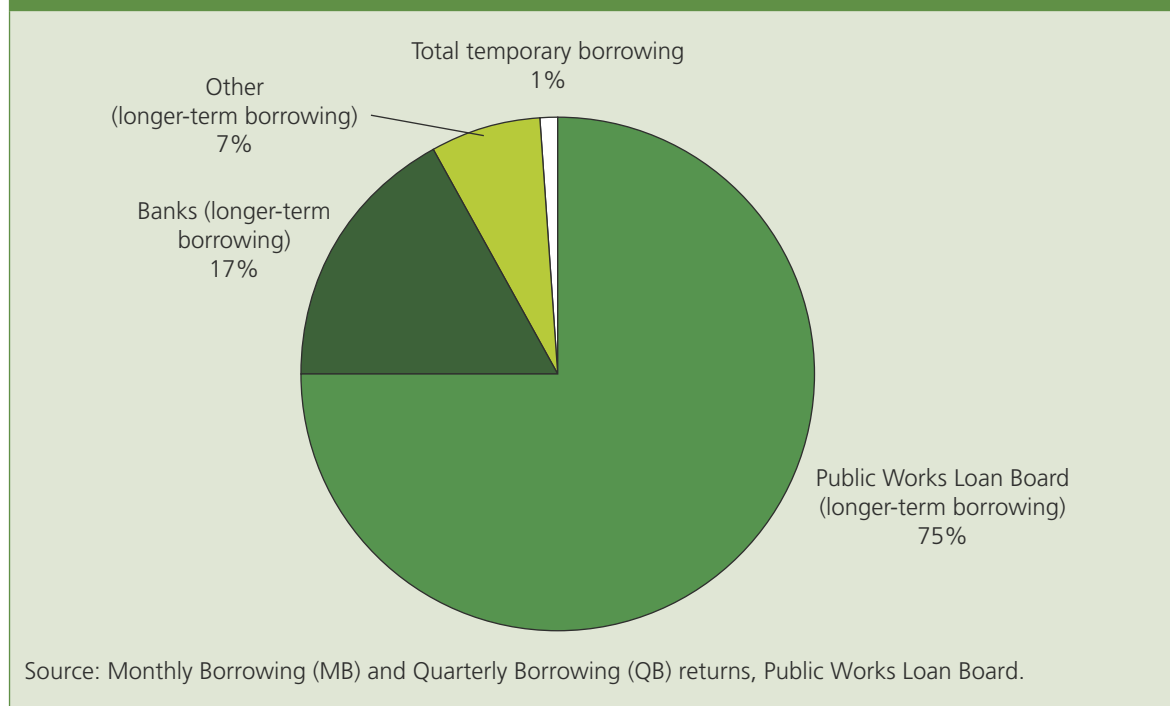
Data Sources:
ONS 2009 mid-year population estimates
COR5 returns

5.2 Outstanding debt and holdings of investments

5.2.1 Outstanding debt includes temporary borrowing for management of cash flow, and longer-term borrowing taken out to finance capital projects (see Tables 5.3b, c and d).

- The vast majority of outstanding debt is longer-term borrowing (99%) and the largest proportion of that is owed to the Public Works Loan Board (75%).

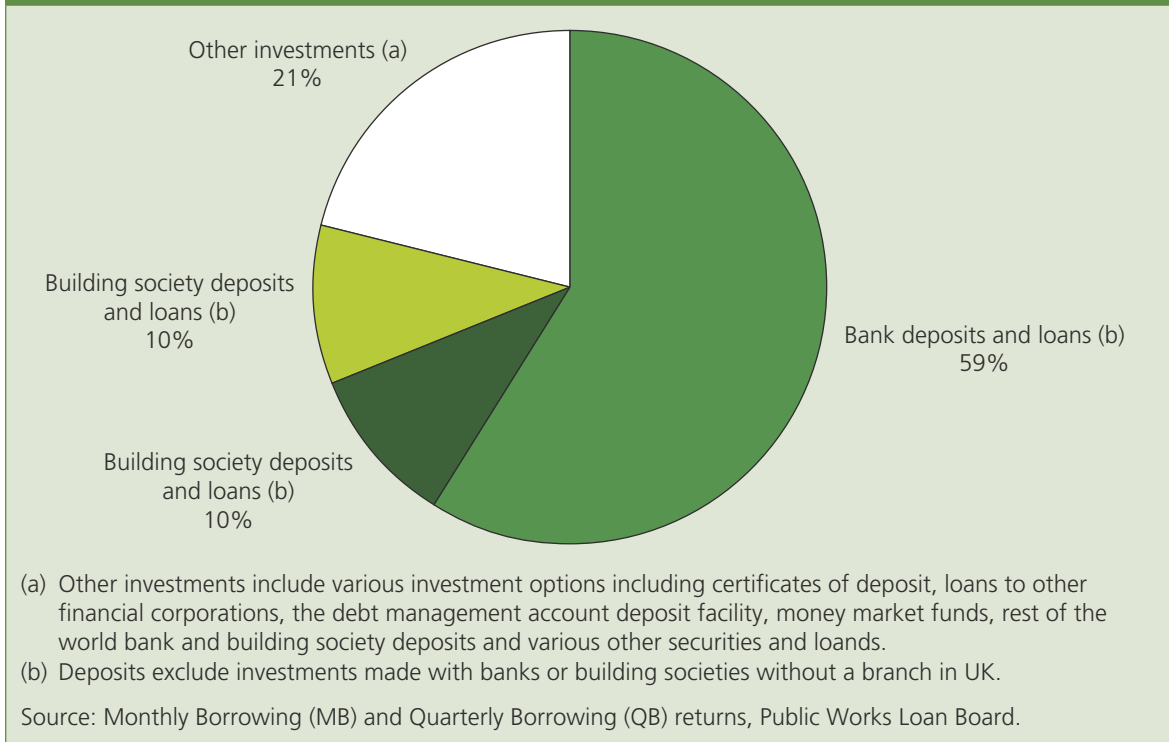
Chart 5.2a: Outstanding debt as at 31 March 2010



5.2.2 The stock of local authority investments is the financial representation of local authorities' **reserves**, unused **capital receipts** and cash flow surpluses, though authorities that are net borrowers may use such resources to reduce their borrowing rather than holding them as investments. The 'other' section includes investments with public corporations, other financial institutions and British Government securities.

- 79% of local authority investments are deposits with banks or building societies.

Chart 5.2b: Investments as at 31 March 2010



5.3 Borrowing and investment transactions

- 5.3.1 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 going to be spent immediately, may be invested in financial assets or used to redeem debt.
- 5.3.2 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.

- Local Government Net Cash Requirement for 2009-10 was £4.8bn compared with £3.6bn in 2005-06.

Table 5.3a: Local Government Net Cash Requirement

	2005-06	2006-07	2007-08	2008-09	2009-10	£ million
Change in borrowing						
Temporary borrowing	-175	205	94	155	-538	
Longer-term borrowing	6,137	2,333	3,696	1,034	1,358	
Total change in borrowing	5,961	2,538	3,790	1,190	820	
less Net change in investments	2,380	2,356	4,268	-3,283	-4,002	
Net Cash Requirement	3,581	182	-478	4,473	4,823	

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns, Public Works Loan Board, Debt Management Office.

- Total outstanding debt at 31 March 2010 for England was £54.4bn compared with £53.6bn at 31 March 2009 and £40.1bn at 31 March 2005.

Table 5.3b: Local authority borrowing 2005-06 to 2009-10

	Outstanding amount at 31 March 2005	Change in borrowing					Outstanding amount at 31 March 2010	£ million
		2005-06	2006-07	2007-08	2008-09	2009-10		
Temporary borrowing								
Banks	136	-56	33	-3	66	-109	68	
Building societies	135	-30	78	59	96	-280	59	
Other financial intermediaries	535	-11	-26	173	6	-186	492	
Public corporations	95	-59	123	-138	-3	41	60	
Private non-financial corporations	10	-2	-2	8	-9	-2	4	
Central government	0	0	0	0	0	0	0	
Household sector	61	-20	-3	1	-2	-3	34	
Other sources	4	2	2	-5	1	-2	1	
Total	978	-175	205	94	155	-541	717	
Longer-term borrowing								
Negotiable bonds	292	102	199	0	3	1	597	
Listed securities other than bonds	217	298	-26	-8	-94	0	387	
Public Works Loan Board	32,223	4,390	1,014	2,544	460	231	40,862	
Banks	4,667	1,200	1,162	1,041	321	616	9,006	
Building societies	38	-8	8	-2	-19	29	46	
Other financial intermediaries	452	-8	-208	-50	-28	-2	156	
Public corporations	0	0	1	-1	1	0	1	
Private non-financial corporations	3	-1	-2	0	0	0	0	

continued

Table 5.3b: Local authority borrowing 2005-06 to 2009-10

	Outstanding amount at 31 March 2005	Change in borrowing					Outstanding amount at 31 March 2010	£ million
		2005-06	2006-07	2007-08	2008-09	2009-10		
Central government	15	-1	-2	-2	-2	-2	6	
Household sector	10	-1	0	-1	-1	0	6	
Rest of the World	1,215	170	187	177	395	485	2,629	
Other sources	21	-5	0	-3	-2	0	11	
Total	39,152	6,137	2,333	3,696	1,034	1,358	53,710	
Total borrowing	40,131	5,961	2,538	3,790	1,190	820	54,430	

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

5.3.3 **Table 5.3c** shows the distribution of local authority borrowing by class of authority as at 31 March 2010.

- At 31 March 2010 all 36 metropolitan districts and 27 shire counties were borrowing £50m or more whereas 95% of shire districts were borrowing less than this amount.

Table 5.3c: Local authority borrowing by class of authority: 31 March 2010

Band (£ million)	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Number of Authorities			England
					Shire districts	Other authorities		
zero	1	0	1	0	86	16	104	
> zero less than 2	0	0	1	0	7	4	12	
2 up to 10	2	0	0	0	50	19	71	
10 up to 50	2	0	6	0	47	39	94	
50 up to 200	8	9	31	1	10	9	68	
200 up to 500	11	20	15	20	1	3	70	
500 up to 1,000	8	4	2	5	0	0	19	
1,000 and above	1	3	0	1	0	0	5	
Total	33	36	56	27	201	90	443	

Source: COR returns

- Local authority investments decreased by £3.3bn in 2008-09 and £4.1bn in 2009-10.
- The amount held in externally managed funds has increased in the last year by £0.4bn.
- In 2009-10 there was a £4bn decrease in building society deposits and a £0.2bn increase in bank deposits. Investments in the Debt Management Account Deposit Facility decreased by £0.5bn in 2009-10 but the outstanding amount still remains high due to the large amount invested in 2008-09.

Table 5.3d: Local authority investments 2005-06 to 2009-10

	Outstanding amount at 31 March 2005	Change in investments					£ million
		2005-06	2006-07	2007-08	2008-09	2009-10	Outstanding amount at 31 March 2010
Deposits: banks	10,150	2,239	2,025	1,016	-3,217	182	12,395
Deposits: building societies	5,867	65	744	2,619	-3,088	-4,006	2,201
Treasury bills	0	0	0	6	-6	17	17
Certificates of deposit: banks	35	0	-32	75	92	-11	159
Certificates of deposit: building societies	20	-20	0	6	-1	-5	0
British Government (Gilt-edge) securities	14	13	-24	-4	24	57	80
Other financial intermediaries	47	-1	-10	98	-95	2	41
Public corporations	118	-9	-9	4	3	47	153
Debt Management Account deposit facility ^(a)	34	-5	-28	74	2,860	-457	2,479
National Loans Fund	0	0	0	0	0	0	0
Money market funds ^(a)	244	36	-54	380	560	182	1,347
Externally managed funds ^(b) R	4,529	-316	-972	-808	-276	-90	2,067
Other investments	345	226	210	501	-318	-415	551
Total investments	21,405	2,228	1,852	3,966	-3,463	-4,498	21,490

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

(a) Changes to the investments regulations with effect from 1st April 2002 enabled authorities to invest in the Government's Debt Management Account deposit facility and in commercial money market funds. More substantial changes to the investment regime with effect from 1st April 2004 gave authorities greater freedom, by removing most restrictions on the choice of investment options and the periods for which funds could be committed.

(b) The change in Externally managed investments is now calculated using the difference between the start and end of the financial year. This therefore takes into account in-year investments and withdrawals (as before) but also any associated returns or losses on the invested amounts. This is consistent with all other listed investment options.

5.4 Prudential system

- 5.4.1 The prudential system (Part 1 of the Local Government Act 2003), which took effect from 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.
- 5.4.2 In particular, the prudential system has not maintained the artificial incentives to acquire debt-free status that were in place before 1 April 2004. The prudential system seeks to facilitate the use of borrowing for worthwhile capital projects, provided it is affordable, and debt-free status is not seen as having any intrinsic merit. Authorities must manage their debt responsibly, but decisions about debt repayment should be dictated solely by consideration of prudent treasury management practice.
- 5.4.3 The prudential system has provided a method of financing capital expenditure since 2004-05 onwards.
- 5.4.4 Final figures for 2009-10, the fifth year of the system, are now available and these are given in **Table 5.4a**.
- 5.4.5 In planning what level of capital expenditure is affordable, local authorities now follow procedures for setting and revising prudential indicators as set out in the Prudential Code. These include:
- estimates of capital expenditure (see **Chapter 4**)
 - estimates of the capital financing requirement that is the underlying need to borrow for a capital purpose. It relates to all capital expenditure (that is including relevant expenditure incurred in previous years) and is calculated directly from the balance sheet
 - actual external debt that is gross borrowing and other long-term liabilities
 - operational boundary for external debt – based on an authority's working estimate of most likely (that is prudent), but not worst case scenario
 - authorised limit for external debt – the intended absolute limit that has to be set by the full council
- 5.4.6 **Table 5.4d** sets out the aggregate England figures for these indicators as well as the level of investments.

- About 64% of authorities used the powers to finance capital expenditure through self-financed borrowing in 2009-10, compared with 48% in 2005-06.

Table 5.4a: Prudential system, self-financed borrowing by class of authority

	Percentage of authorities using self-financed borrowing				Amount of expenditure financed				Average amount per authority using self-financed borrowing						
	2005-06	2006-07	2007-08	2008-09	2009-10	2005-06	2006-07	2007-08	2008-09	2009-10	2005-06	2006-07	2007-08	2008-09	2009-10
	%				£ million				£million						
London boroughs	61	70	76	70	76	181	183	300	373	466	9	8	14	16	19
Metropolitan districts	86	97	100	97	100	586 ^(a)	535	792	1,224	1,137	12 ^(b)	15 ^(b)	23	35	32
Unitary authorities	77	79	91	83	91	225	260	360	343	679	6	7	9	9	13
Shire counties	85	88	85	91	85	427	507	517	739	572	15	17	17	24	25
Shire districts	30	34	49	42	49	101	122	153	187	248	1	2	2	2	3
GLA	100	100	100	100	100	609	574	895	1,114	1,560	609	574	895	1,114	1,560
Other authorities ^(c)	48	49	55	54	55	121	109	170	243	340	3	2	4	5	7
All English authorities	48	53	64	58	64	2,251	2,291	3,186	4,224	5,002	10	9	12	15	18

Source: COR returns

^(a) Includes £215m for the refinancing of the Birmingham National Exhibition Centre.^(b) Average excludes the refinancing of the Birmingham National Exhibition Centre.^(c) Other includes police, fire, parks and waste authorities.

5.4.7 **Table 5.4b** shows the distribution of proportion of capital spending financed by self-financed borrowing by class of authority.

- The extent to which the powers are being used varies considerably by class of authority. While all except one of the 36 metropolitan districts are now using the new powers, only 49% of shire districts did so in 2009-10.
- All London boroughs and unitary authorities financed less than 50% of their capital expenditure by their self-financed borrowing.

Table 5.4b: Proportion of capital spending financed by self-financed borrowing by class of authority 2009-10

Band (%)	Number of authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
zero	8	0	5	4	102	40	159
> zero less than 10	12	12	13	5	29	4	75
10 up to 20	3	8	23	11	27	3	75
20 up to 50	10	13	15	6	31	22	97
50 up to 100	0	3	0	1	12	18	34
100	0	0	0	0	0	3	3
Total	33	36	56	27	201	90	443

Source: COR returns

Chart 5.4c: Authorities using self-financed borrowing in 2005-06 to 2009-10: by class of Authority

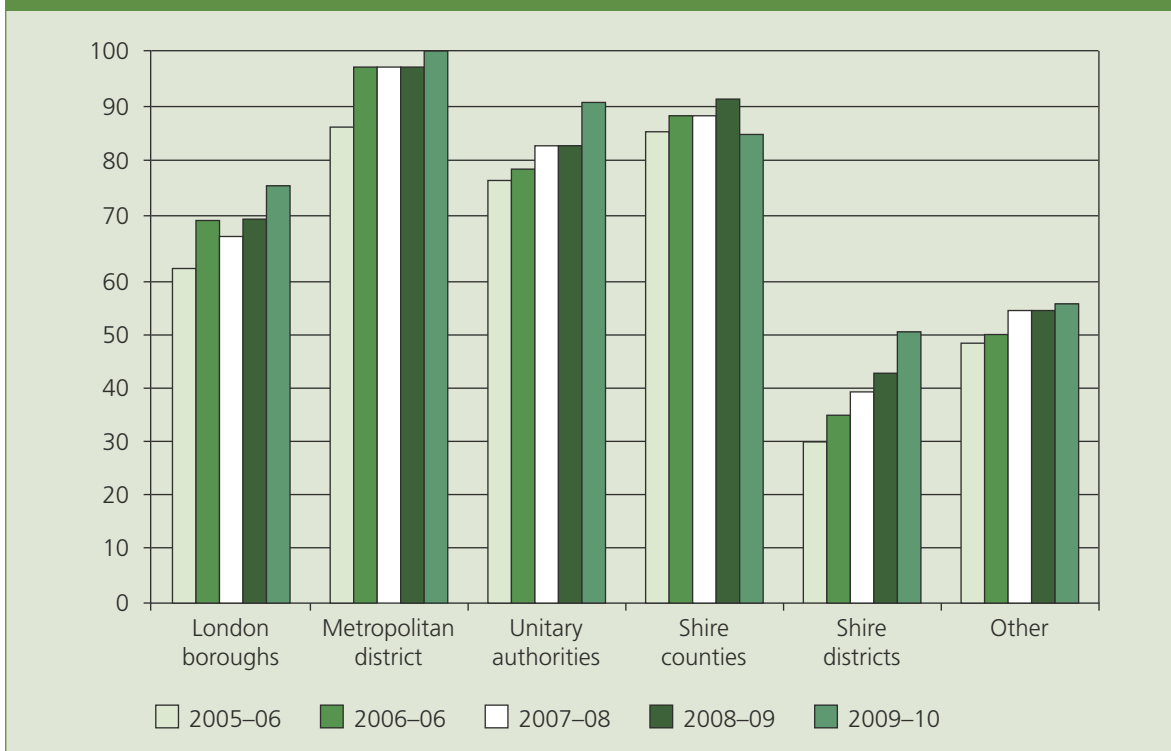


Table 5.4d: Prudential system information 2009-10

Reported by local authorities			£ million
	As at 1 April 2009	In 2009-10	As at 31 March 2010
Capital Financing Requirement as at 1 April 2009	62,688		
Capital expenditure to be resourced by means of credit (+)		9,592	
Minimum Revenue Provision (-)		1,637	
Additional contribution from revenue (-)		271	
Contribution from Major Repairs Reserve (-)		144	
Use of receipts (-) ^(a)		29	
Change in Capital Financing Requirement		7,510	
Capital Financing Requirement as at 31 March 2010			70,199
Gross borrowing	54,444		55,713
Other long-term liabilities	3,095		4,084
Total external debt	57,540		59,797
Operational boundary for external debt	69,890		73,457
Authorised limit for external debt	78,894		82,910
Investments			
	25,619		21,296

Source: COR returns

(a) Any capital receipts used to repay principal of any amount borrowed or to meet any liability in respect of credit arrangements, as authorised in Regulation 23(b) and 23(d). Unlike the corresponding line in Table 4.6e "Usable receipts voluntarily set aside as provision to meet credit liabilities", it excludes receipts used under Regulation 23(c) to repay premiums charged in relation to amounts borrowed.

- At 1 April 2009 total gross long-term borrowing amounted to just under 21% of the value of local authority assets at that date. At 31 March 2010 this proportion had changed slightly to just under 23% of the value of local authority assets at that date.

5.4.8 **Table 5.4e** shows the distribution of gross long-term borrowing as a percentage of assets by class of authority as at 31 March 2010.

- Only two London boroughs had no gross long-term borrowing as a percentage of assets compared with 76 districts
- All metropolitan districts and shire counties had gross long-term borrowing of over 10% of their assets.

Table 5.4e: Gross long-term borrowing as a percentage of assets by class of authority: 31 March 2010

Band (%)	Number of authorities						
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	England
zero	2	0	1	0	76	10	89
>zero less than 5	3	0	4	0	46	6	59
5 up to 10	1	0	3	0	32	5	41
10 up to 20	14	4	23	6	26	14	87
20 up to 30	7	12	15	10	10	18	72
30 up to 40	2	14	7	6	4	7	40
40 and above	4	6	3	5	7	30	55
Total	33	36	56	27	201	90	443

Source: COR returns

CHAPTER 6

Local government pay and workforce

6.0.1 This chapter provides an overview of local government pay and workforce figures. It is divided into the following sections:

- **Summary of local government employment** **section 6.1**
- **Local government expenditure and pay** **section 6.2**
- **Workforce numbers** **section 6.3**

6.1 Summary of local government employment

6.1.1 Local government is collectively one of the largest employers in England, employing nearly 1.8m full-time equivalent staff. Of all local authority employees, over 0.4m full-time equivalent staff work in education, almost 0.3m work in protection, law and order: police, traffic wardens, police civilians and firefighters, and almost 1.1m work in administration and other support services.

6.1.2 The main pay negotiating groups in local government employment in England are:

- Teachers
- Police
- Police Support Staff
- Firefighters
- Other Local Government Staff.

6.1.3 These pay negotiating groups cover the majority of local government employees. For the purposes of this publication, Police and Police Support Staff are treated as one group. Each pay negotiating group is responsible for negotiating, amongst other aspects, the pay rewards for employees in their group.

6.1.4 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 expenditure and pay

6.2.1 In 2009-10, local government employee expenditure accounted for 49% 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 pensions contributions, location allowances and other employee related costs such as training and recruitment and retention premia.

6.2.2 **Table 6.2a** shows employee expenditure as a proportion of service expenditure for each of the service areas for 2009-10. Employee expenditure accounted for 65% of education service expenditure and Police and Fire services employee expenditure accounted for 82% and 78%, respectively.

- In 2009-10, 49% of Local Government **service expenditure** (gross of income) was spent on employees.

Table 6.2a: Employee expenditure as a proportion of total service expenditure for 2009-10

	£ billion		
	Employee expenditure	Total service expenditure	Employees as % of total service expenditure
Education services	32.3	49.9	65
Highways, roads and transport services	1.4	9.5	14
Social services	7.2	26.6	27
Housing services ^(a)	0.8	4.0	20
Cultural and related services	1.9	4.9	38
Environmental services	1.8	6.9	26
Planning and development services	1.3	3.5	36
Police services	10.7	13.0	82
Fire and rescue services	1.7	2.3	78
Central services ^(b)	6.3	13.8	46
Other services	0.2	0.6	34
Total service expenditure	65.5	134.9	49

Source: RSX form (2009-10) on a non-FRS17 basis.

(a) Expenditure on the General Fund Revenue Account only.

(b) Includes court services which were previously shown as a separate service.

6.2.3 **Table 6.2b** illustrates levels of local government pay since 2007-08 for each of the main pay negotiating groups, based on data collected and validated from the Subjective Analysis Return which is completed by a sample of authorities in England (128 out of 443 in 2009-10).

- Employee expenditure rose from £61.7bn to £65.5bn between 2007-08 and 2009-10. The majority of this expenditure was on pay (78%), which totalled £51bn in 2009-10.

Table 6.2b: Local government pay by pay negotiating group 2007-08 to 2009-10

	2007-08	2008-09	£ billion 2009-10
Teachers	16.6	16.9	17.3
Police and Police Support Staff	7.3	7.6	7.8
Firefighters	1.1	1.1	1.1
Other Local Government Staff	22.6	23.9	24.8
Total pay ^(a)	47.6	49.6	51.0
Total non-pay for all groups ^(b)	11.2	11.7	12.0
Other pay related costs ^(d)	2.9	1.7	2.5
Total employee expenditure^(c)	61.7	62.9	65.5

Source: Revenue Outturn – Subjective Analysis Return (SAR).

(a) Includes overtime, bonuses, golden handshakes, etc.

(b) Includes employers' National Insurance, pensions contributions and location allowances.

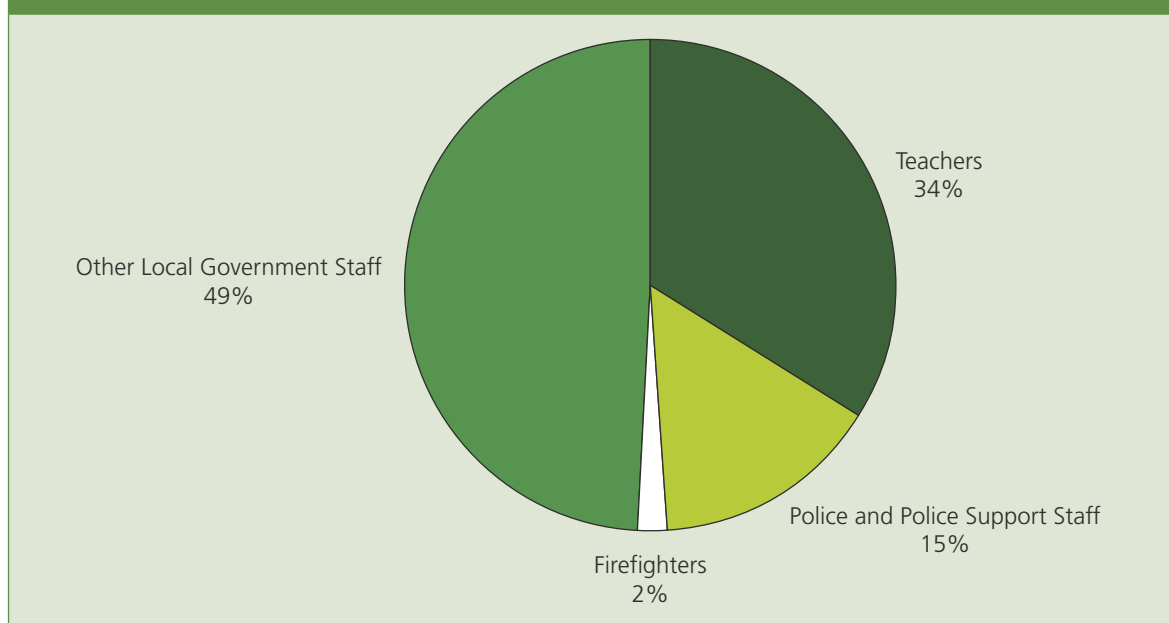
(c) Includes pay, non-pay and other pay related costs such as recruitment, retention and training, which are not included elsewhere above.

(d) Includes recruitment, retention and training

6.2.4 **Chart 6.2c** shows the proportion of local government pay accounted for by each pay negotiating group in 2009-10.

- Nearly half (49%) of total pay was accounted for by Other Local Government staff, with a further 34% accounted for by Teachers.

Chart 6.2c: Proportion of local government pay by pay negotiating group in 2009-10



6.2.5 **Table 6.2d** illustrates how pay has increased across all pay negotiating groups since 2007-08.

- Total employee expenditure increased by 4.1% between 2008-09 and 2009-10, with pay and non-pay costs increasing by 2.9% and 2.8% respectively.
- Between 2008-09 and 2009-10, expenditure on Teachers' pay increased by 2.3% and on Police and Police Support Staff expenditure by 2.1%.

Table 6.2d: Annual percentage change in pay by negotiating group 2007-08 to 2009-10

	% change		
	2007-08	2008-09	2009-10
Teachers	4.4	1.7	2.3
Police and Police Support Staff	4.2	4.5	2.1
Fire	6.4	-1.1	1.6
Other Local Government Staff	3.6	5.9	3.8
Total pay^(a)	4.0	4.1	2.9
Total employee expenditure^(c)	3.1	2.0	4.1

Source: Revenue Outturn – Subjective Analysis Return (SAR).

(a) Includes overtime, bonuses, etc.

(c) Includes pay, non-pay and other pay related costs such as recruitment, retention and training, which are not included elsewhere above.

6.3 Workforce numbers

6.3.1 **Table 6.3a** shows the number of full-time equivalent staff in local government between 2007-08 and 2009-10 in England.

- In 2009-10, there were nearly 1.8m full-time equivalent staff in local government, of which almost 1.1m were Other Local Government Staff and 0.4m were Teachers.

Table 6.3a: Number of full-time equivalent employees^(a) 2007-08 to 2009-10

	2007-08	2008-09	2009-10	% of total thousands
Teachers ^(b)	435	433	433	24
Police ^(c)	134	136	136	8
Police Support Staff ^(d)	90	94	96	5
Firefighters ^(e)	44	43	43	2
Other Local Government Staff ^(f)	1,090 (R)	1,076 (R)	1,075	60
Total	1794 (R)	1783 (R)	1783	100.0

(a) Full-time equivalent figures including those on maternity/paternity leave but excluding those on career break.

(b) Source: Department for Education

(c) Source: Home Office. Includes ACPO ranks, Chief Superintendents, Superintendents, Chief Inspectors, Inspectors, Sergeants and Constables.

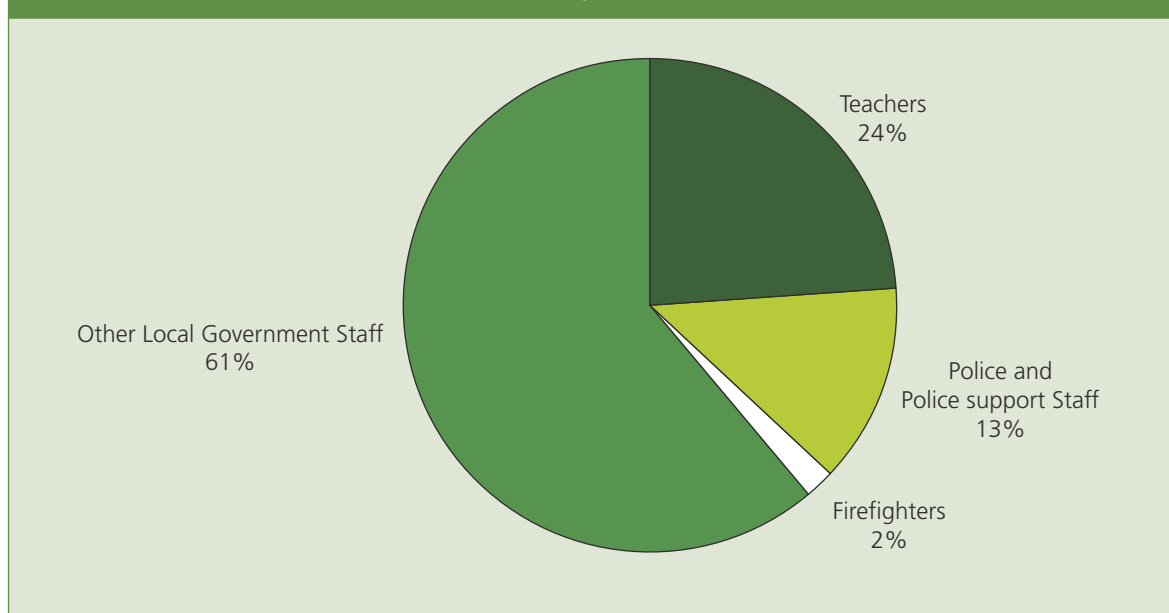
(d) Source: Home Office. Includes Traffic Wardens, Police Community Support Officers and Designated Officers. Also includes staff on career breaks.

(e) Source: DCLG

(f) Source: Office for National Statistics

6.32 **Chart 6.3b** illustrates the proportion of full-time equivalent staff working in each area of local government in 2009-10.

- In 2009-10, other Local Government employees accounted for the majority of all local government employees, making up 61%. The next largest group of employees was Teachers who accounted for almost a quarter.

Chart 6.3b: Number of full-time equivalent employees in 2009-10

CHAPTER 7

Local authority pension funds

7.0.1 This chapter describes the pensions for local authority employees. It is divided into the following sections:

- **Pensions for local authority employees** **section 7.1**
- **The Local Government Pension Scheme** **section 7.2**

7.1 Pensions for local authority employees

7.1.1 The **pension funds** in the Local Government Pension Scheme provide pensions for most local authority employees. In England there are 81 pension funds in the Local Government Pension Scheme. The assets of the pension funds are for meeting the future pension liabilities of the funds, and are part of the financial corporations sector in the National Accounts, not part of the local government sector. Pensions paid out under the scheme are therefore part of the expenditure of the pension funds, not of the local authorities that administer them. Employers' and employees' 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.

7.1.2 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. There is no fund of assets, and teachers' pensions are paid by the Department for Education. Employers' and employees' contributions are paid by local authorities to the Department for Education and are recorded as expenditure in their revenue accounts.

7.2 The Local Government Pension Scheme

7.2.1 The following tables, charts and commentary provide information and statistics on Local Government Pension Scheme expenditure, income, the number of Local Government Pension Scheme members, the market value of the fund and the number and type of retirees from the scheme.

- Local Government Pension Scheme expenditure on benefits in 2009-10 was £6.3bn, compared with £5.6bn in 2008-09, an increase of 13%.
- In 2009-10, about 83% of Local Government Pension Scheme expenditure in England was on benefits in the form of pensions and annuities or lump sums, for retired members and their dependants.
- Expenditure on lump sums paid on retirement in 2009-10 was £1.3bn. This compares with £1.0bn in 2008-09.

Table 7.2a: Local Government Pension Scheme expenditure 2000-01 to 2009-10

	Expenditure on benefits ^(a)	Disposal of liabilities			Costs charged to the funds ^(c)	Other expenditure	Total expenditure
		Transfer values	Pensions Act premiums	Refunds of contributions ^(b)			
2000-01	3,278	390	23	17	195	29	3,933
2001-02	3,463	480	24	20	201	19	4,206
2002-03	3,623	609	34	22	197	15	4,501
2003-04	3,770	645	31	27	218	18	4,709
2004-05	4,014	768	28	24	251	16	5,101
2005-06	4,272	853	29	14	290	15	5,473
2006-07	<u>4,757</u>	598	26	5	349	19	<u>5,754</u>
2007-08	<u>5,222</u>	540	19	4	375	27	<u>6,187</u>
2008-09	5,600	502	21	–	359	19	6,502
2009-10	6,317	846	12	–	384	19	7,578

Source: SF3 returns

(a) A breakdown of expenditure on benefits is shown in Table 7.2b

(b) The rules on refunds changed as at 1 April 2008

(c) Administration and fund management costs

Table 7.2b: Local Government Pension Scheme expenditure on benefits 2000-01 to 2009-10

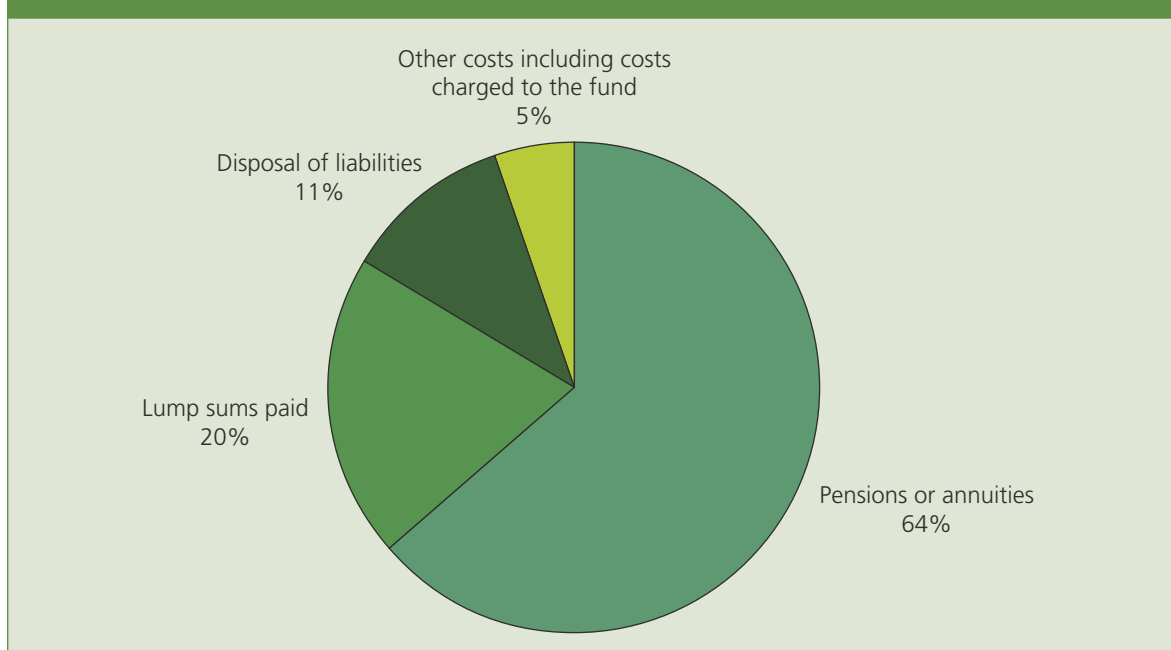
	Pensions or annuities paid to retired employees or dependants	Lump sums paid		Optional lump sum ^(c)	Other benefits	£ million Total benefits
		On retirement ^(a)	On death ^(b)			
2000-01	2,819	405	52	–	2	3,278
2001-02	2,973	430	59	–	2	3,463
2002-03	3,101	458	62	–	2	3,623
2003-04	3,215	483	69	–	3	3,770
2004-05	3,404	540	69	–	2	4,014
2005-06	3,611	581	78	–	2	4,272
2006-07	3,816	859	81	–	1	4,757
2007-08	4,100	1,038	84	–	1	5,222
2008-09	4,388	1,047	123	41	1	5,600
2009-10	4,774	1,323	137	82	1	6,317

Source: SF3 returns

(a) The rules governing the payment of lump sums on retirement changed in 2006-07 and now allow beneficiaries to take more of their pension as a lump sum and less as a continuing pension.

(b) The rules changed from 1 April 2008. Prior to this date death benefit was twice salary, after this date it is three times salary.

(c) This was introduced in April 2008

Chart 7.2c: Local Government Pension Scheme expenditure 2009-10

- In 2009-10, 69% of Local Government Pension Scheme income came from employers' and employees' contributions whilst income from investments and other income provided 23% of the total.
- Income from employees' contributions to the Local Government Pension Scheme in 2009-10 was £2.0bn, an increase of 3% on 2008-09. Income from employers' contributions to the scheme rose by 7% to £5.8bn in the same period.
- In 2009-10, income from investments fell by 10% on 2008-09 to £2.6bn.

Table 7.2d: Local Government Pension Scheme income 2000-01 to 2009-10

	Contributions (including those from admitted authorities)		Investment income (gross)	Transfer values	Other income	£ million Total income
	Employees ^(a)	Employers ^(b)				
	2000-01	1,060				
2001-02	1,139	2,617	2,207	688	26	6,677
2002-03	1,228	2,916	2,054	790	26	7,014
2003-04	1,334	3,217	2,145	840	37	7,573
2004-05	1,431	3,544	2,322	987	40	8,325
2005-06	1,576	4,124	2,639	1,044	43	9,426
2006-07	1,605	4,626	3,019	754	59	10,063
2007-08	1,680	5,009	3,165	707	50	10,610
2008-09	1,926	5,400	2,873	557	50	10,806
2009-10	1,974	5,759	2,572	800	58	11,163

Source: SF3 returns

(a) The rate of employee's contribution to the scheme changed from 1 April 2008 from a flat rate for all employees to a variable rate dependent on salary.

(b) Includes employers' secondary contributions

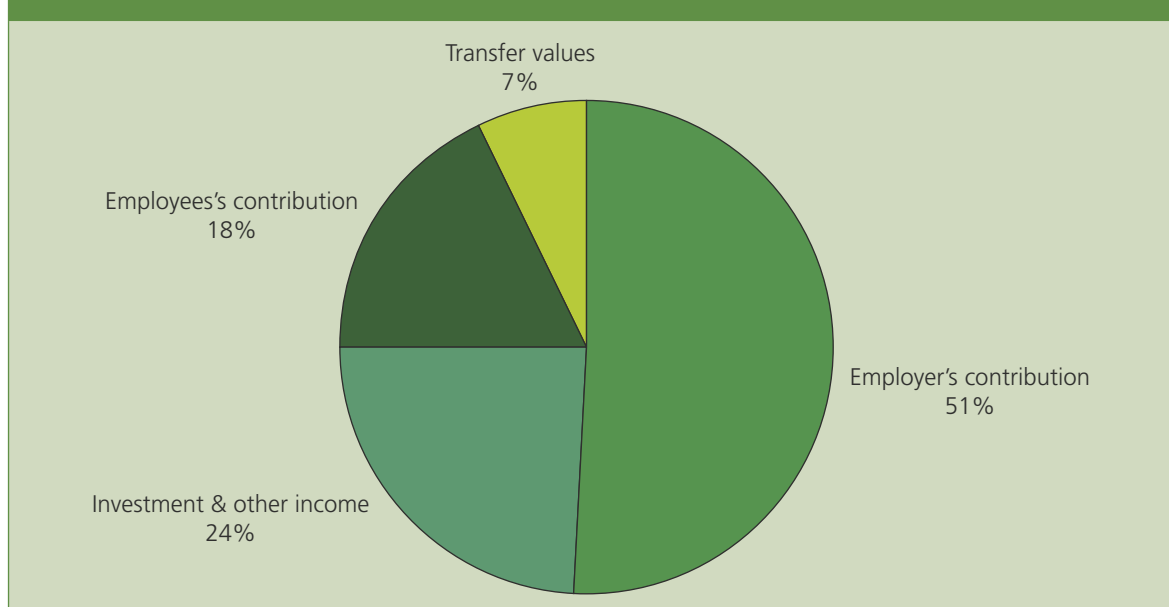
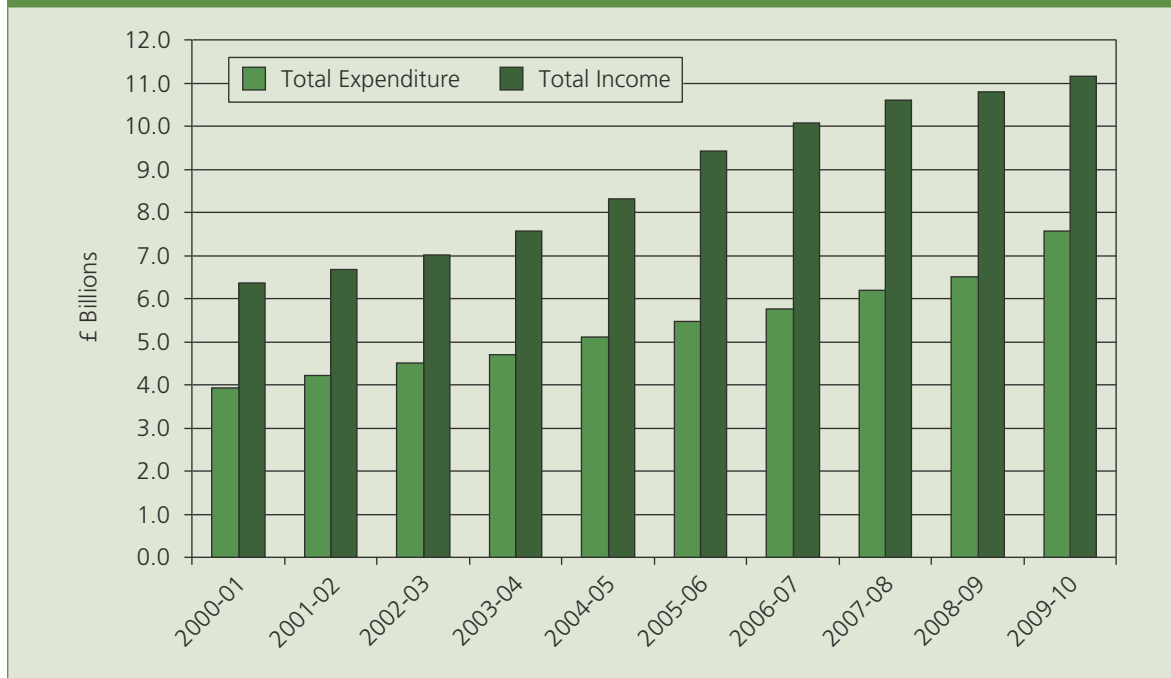
Chart 7.2e: Local Government Pension Scheme income 2009-10

Chart 7.2f: Local Government Pension Scheme total expenditure and income 2000-01 to 2009-10



- There were nearly 1.7m employees in the Local Government Pension Scheme at the end of March 2010, almost no change on the figure for March 2009.
- The number of former employees entitled to deferred benefits rose to 1.2m in 2009-10, an increase of 46% over 2005-06. Over the same period the number of pensioners has increased by 16%. The number of former employees entitled to deferred benefits exceeds the number of pensioners.
- The market value of the funds at end of March 2010 was £132bn, an increase of 17% on March 2006 and an increase of 10% on March 2008.

Table 7.2g: Number of Local Government Pension Scheme members and market value of funds 2000-01 to 2009-10

	Number of scheme members at end of each year (thousand)				Market value of funds at end of year (£ million)
	Employees	Pensioners	Former employees entitled to deferred benefits	Former employees to whom Reg. 18 applies ^(a)	
2000-01	1,387	878	533	–	78,634
2001-02	1,457	899	590	–	78,285
2002-03	1,498	916	646	–	63,728
2003-04	1,547	928	694	–	79,382
2004-05	1,577	952	757	–	89,530
2005-06	1,617	973	851	–	112,967
2006-07	1,638	1,019	942	0	122,402
2007-08	1,656	1,049	1,055	1	119,959
2008-09	1,685	1,088	1,149	2	97,272
2009-10	1,684	1,131	1,245	4	132,012

Source: SF3 returns

(a) Former members to whom Regulation 18 of the 2007 Benefit Regulations (flexible retirees) applies.

Chart 7.2h: Local Government Pension Scheme membership 2000-01 to 2009-10

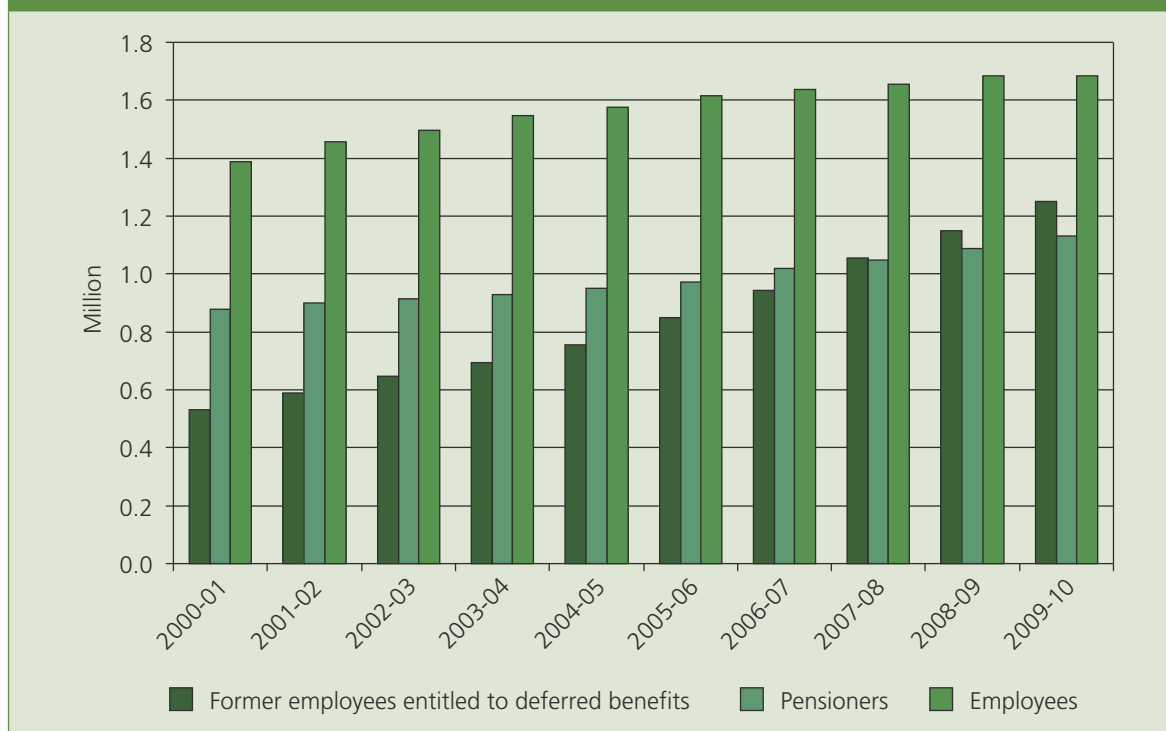


Table 7.2i: Type of retirements from the Local Government Pension Scheme 2004-05 to 2009-10

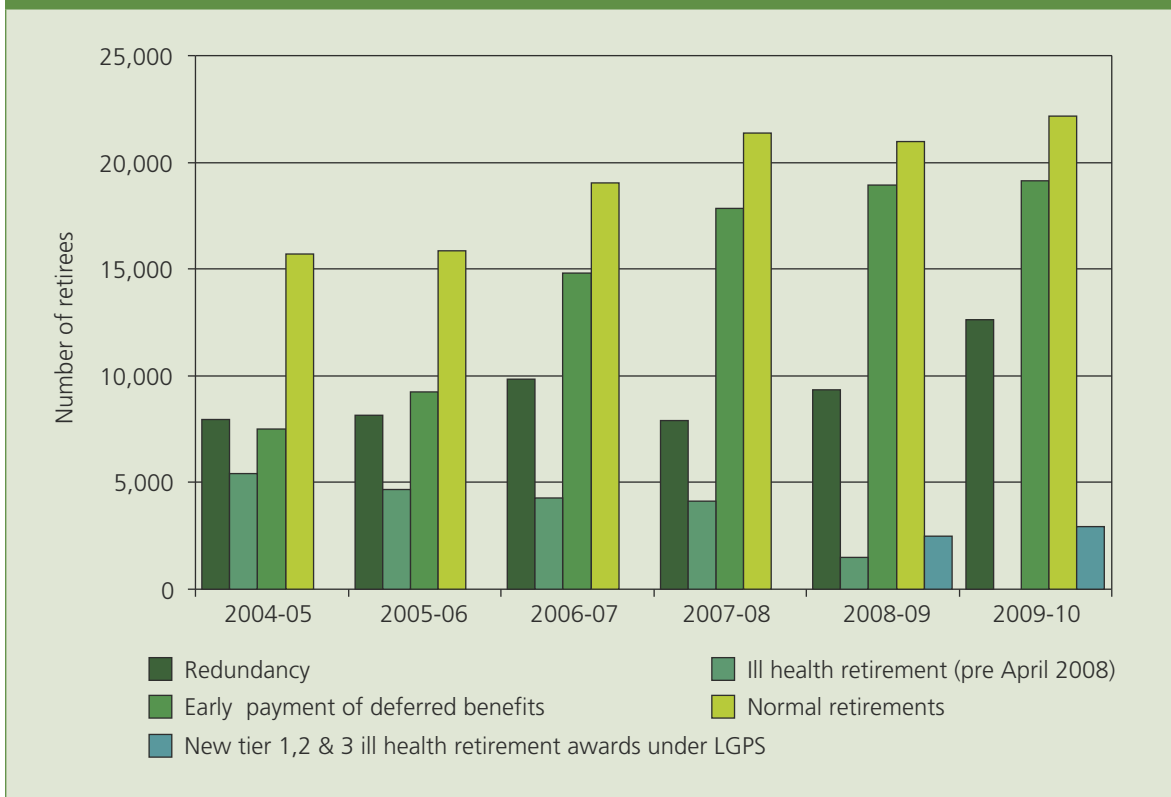
	Redundancy	Ill health retirement (pre April 2008)	New tier 1,2 & 3 ill health retirement awards under LGPS ^(a)	Early payment of deferred benefits ^(b)	Normal retirements	Total retirements
2004-05	7,949	5,440	–	7,506	15,689	36,584
2005-06	8,146	4,686	–	9,255	16,151	38,238
2006-07	9,923	4,279	–	14,804	19,038	48,044
2007-08	7,927	4,134	–	17,867	21,393	51,321
2008-09	9,346	1,470	2,475	18,952	20,967	53,210
2009-10	12,637	–	2,952	19,150	22,180	56,919

Source: SF3 forms

(a) Under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 which came into effect on 1 April 2008, there are now three levels of ill-health retirement pension payable. These levels depend on the extent to which the incapacitating condition which gave rise to the termination of employment in local government prevents the scheme member from obtaining gainful employment in the general workforce.

(b) Members who leave the scheme having completed the minimum period of service but who are not entitled to the immediate payment of a pension benefit, are awarded a deferred benefit which, under normal circumstances, becomes payable when the person reaches their normal retirement age.

Chart 7.2j: Type of retirement from the Local Government Pension Scheme membership 2004-05 to 2009-10



Annex A

Local government geography and history

This annex contains the following geographical and historical information:

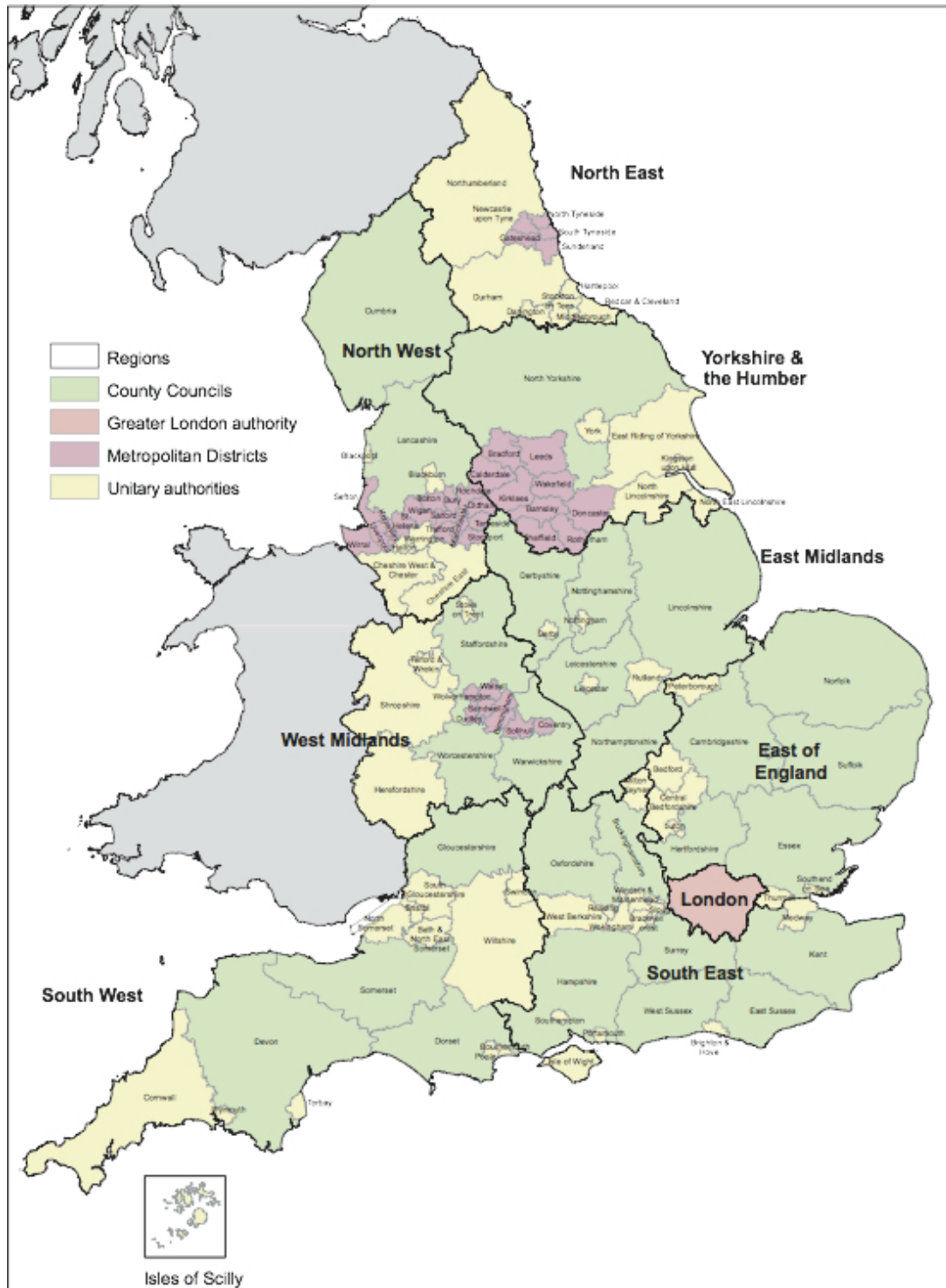
- **Maps of local authority areas in England** **section A1**
- **Parish and town councils** **section A2**
- **Changes in English local authority functions and structure** **section A3**

A1 Maps of local authority areas in England

Chapter 1.3 describes the structure of local government. The following maps show all the individual shire counties and districts, metropolitan districts, unitary authorities, London boroughs and single purpose authorities from whom the Department of Communities and Local Government collect local government finance data. **Map A1a** shows all English county and regional boundaries, which are broken down to districts on **Maps A1b to A1f**.

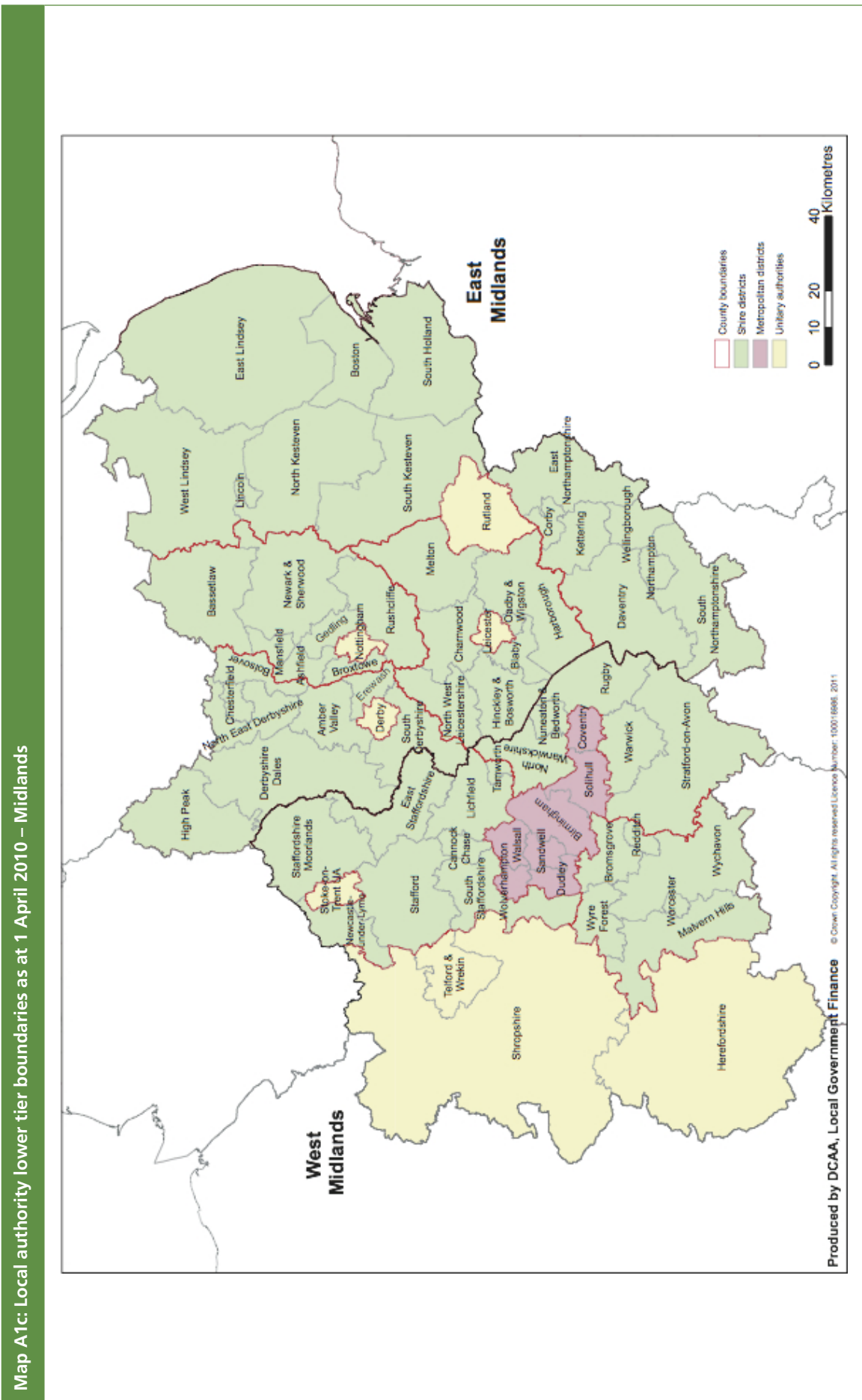
- **All England** **Map A1a**
- **North East** **Map A1b**
- **North West** **Map A1b**
- **Yorkshire and the Humber** **Map A1b**
- **East Midlands** **Map A1c**
- **West Midlands** **Map A1c**
- **South West** **Map A1d**
- **South East** **Map A1e**
- **East of England** **Map A1e**
- **London** **Map A1f**
- **Fire (and passenger transport) authorities** **Map A1g**
- **Police authorities** **Map A1h**
- **Parks and waste authorities** **Map A1i**

Map A1a: Government office regions; shire counties (upper tier), metropolitan districts and unitary authorities in England as at 1 April 2010



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Map A1d: Local authority lower tier boundaries as at 1 April 2010 – South West

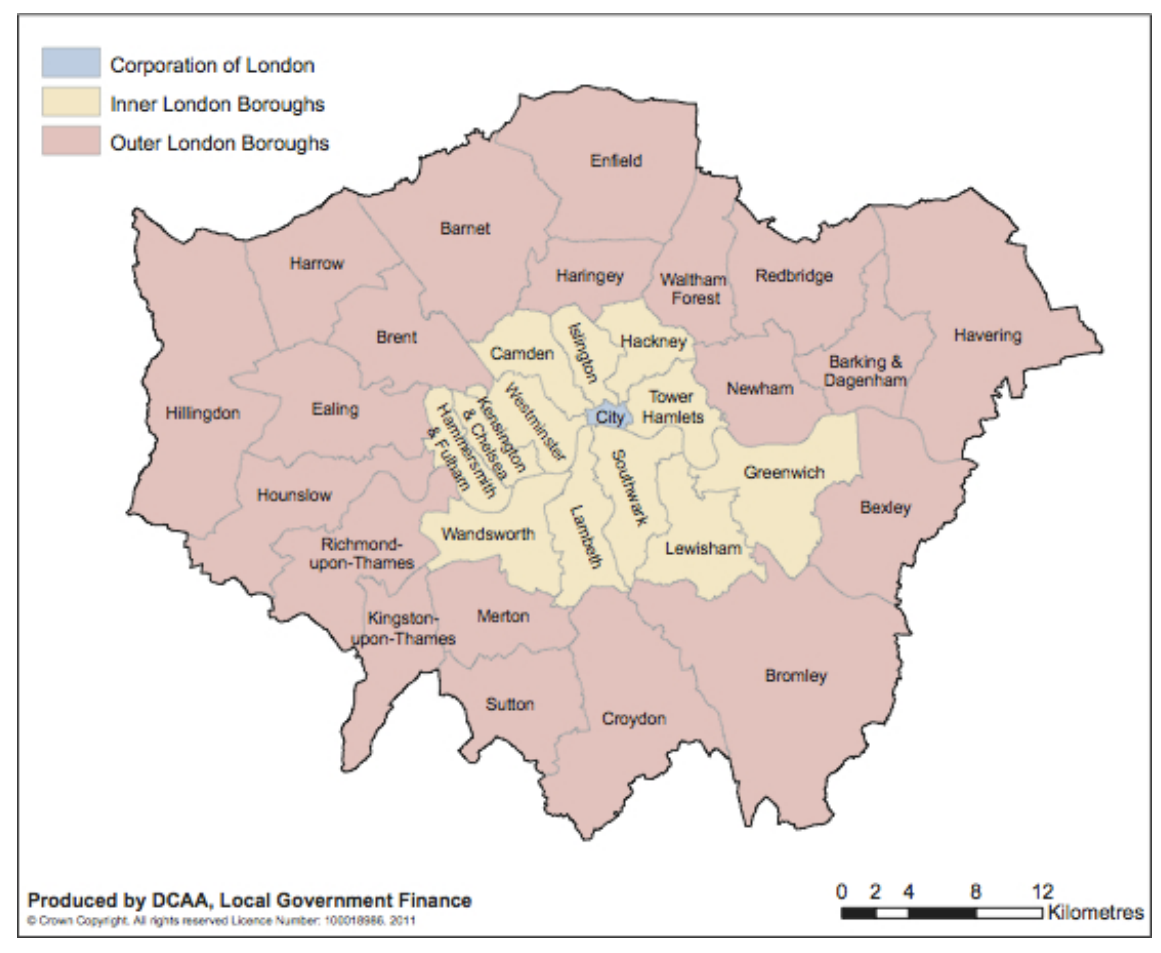


Map A1e: Local authority lower tier boundaries as at 1 April 2010 – South East



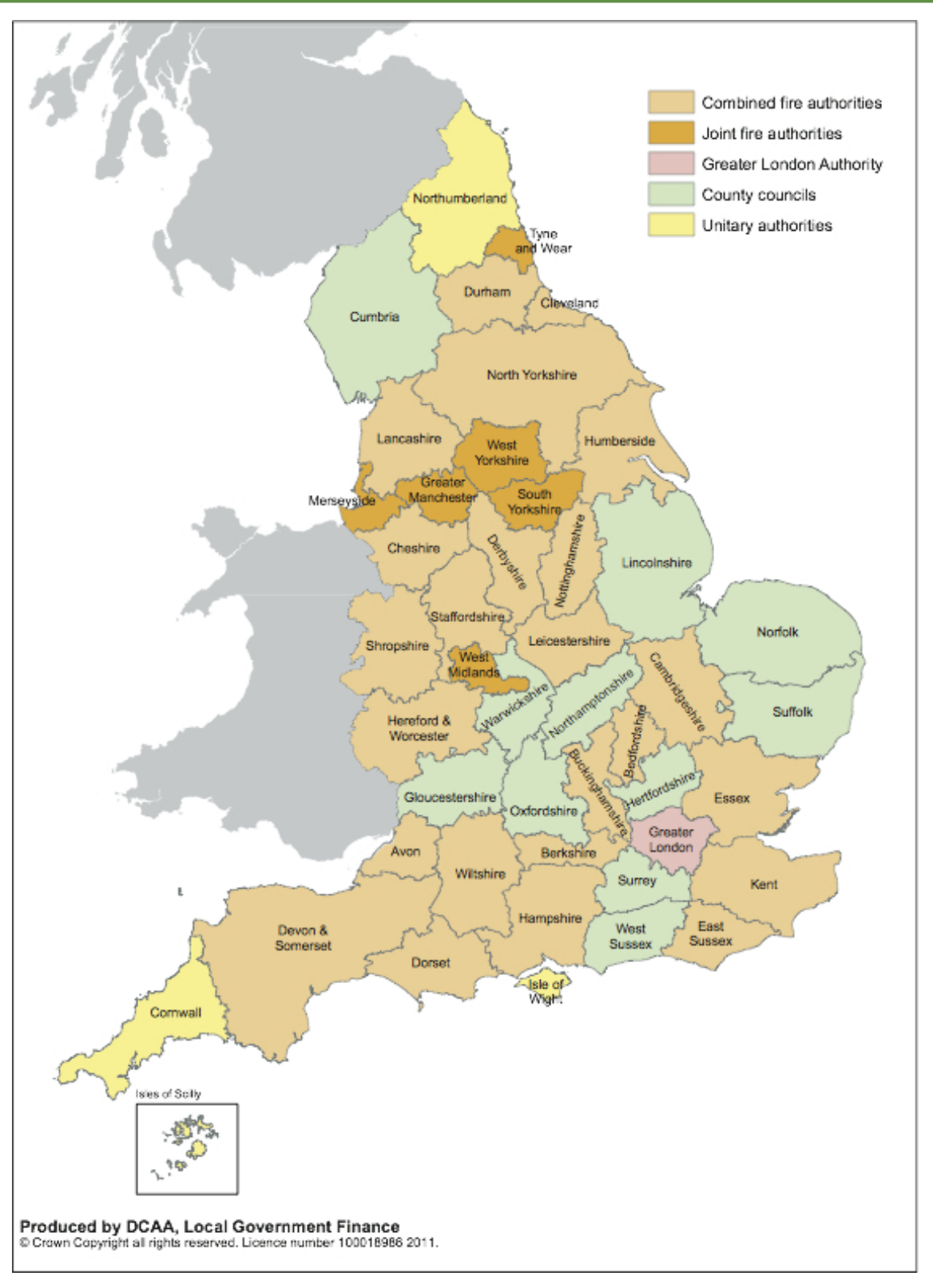
This map shows how the London boroughs are grouped into Inner and Outer London areas for the purposes of the local government finance system. The City of London is normally included within statistics for Inner London.

Map A1f: Local authority lower tier boundaries as at 1 April 2010 – Greater London

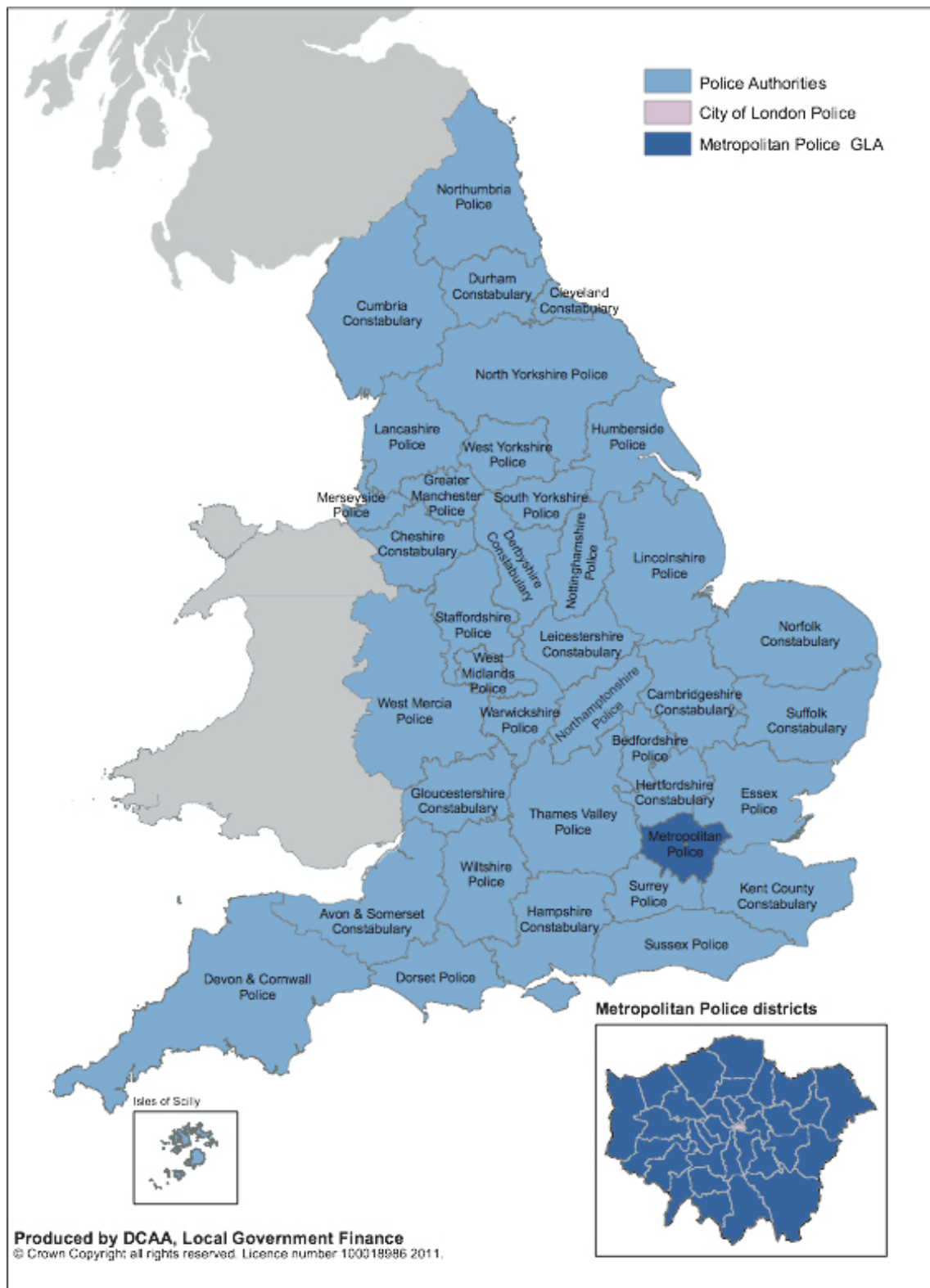


This map also effectively shows Passenger Transport Authority areas, which share the same boundaries and names as joint fire authorities.

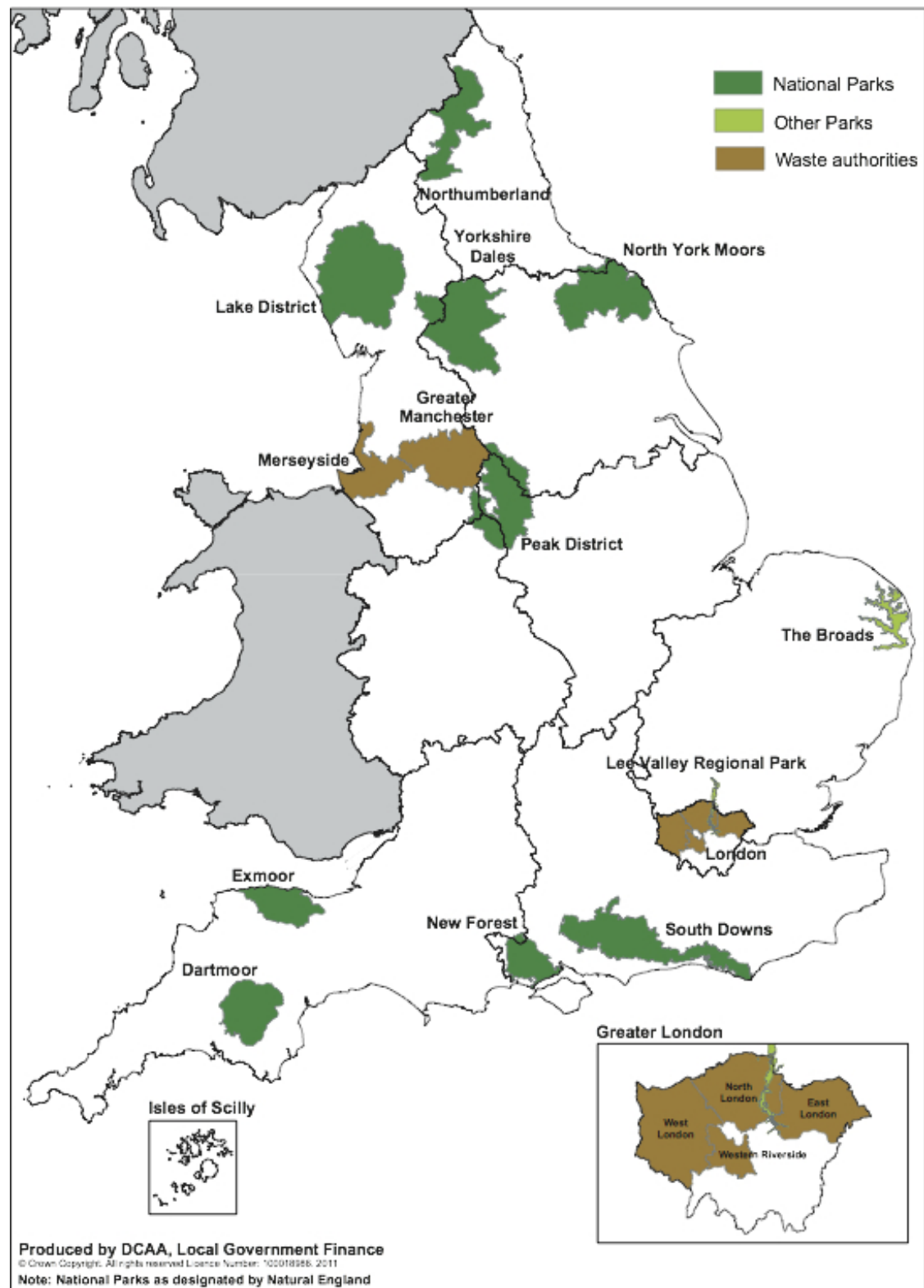
Map A1g: Fire authorities as at 1 April 2010



Map A1h: Police authorities as at 1 April 2010



Map A1i: Parks and waste authorities as at 1 April 2010



A2 Parish and Town Councils

There are over 11,000 civil Parishes in England. Of these 9,920 are represented by bodies which may raise precepts. Such parishes represent the most local level of Government in the UK – the third tier of Local Government. A Parish may be represented by a Parish Council, a Town Council or, in the case of small Parishes, the Parish meeting (an annual meeting of all electors in a parish) can take on the role of Parish Council. In a handful of cases Parishes, such as Wells, have been granted city status and the Parish Council may call itself a City Council.

Parishes vary widely in the populations they represent and the functions they perform. They can represent populations from around 150 up to 82,000 people, with budgets ranging from £5,000 to over £1m. The role they play also varies widely. Some play a very modest and local role, but others are more active, with a role similar to that of some of the smaller district councils. Typically parish responsibilities would include village halls, war memorials, cemeteries, leisure facilities, playgrounds, maintenance of public footpaths and cultural projects. The 'Quality Parish and Town Council Scheme', launched in May 2003, aims to enable Parish and Town Councils to play a greater role in their community. There are now around 700 Quality Parish and Town Councils.

Parishes do not exist across the whole of the UK. Some areas are un-parished, including the whole of London where Parishes were abolished in the London Government Act of 1963. However, since the Local Government and Public Involvement in Health Act 2007, district councils and London boroughs have had the power to set up new Parishes and over 200 have been created, although none of these in London.

In a small number of the un-parished areas bodies called Charter Trustees exist. These bodies exist to administer ceremonial functions, such as the appointment of a mayor, where there is no Parish to administer them. There are currently 16 such bodies in England.

Parishes and Charter Trustees are collectively known as local **precepting authorities**. This means they have the power to raise a precept on properties in their area in order to finance the functions that they perform. This precept, known as the parish precept, is included in the **council tax** of the **billing authority** of which they are a constituent.

There are two further local precepting authorities – the Inner and Middle Temples of London ("the Temples") situated within the Temple area of the City of London. The Temples are different from Parishes and Charter Trustees as they perform the functions within their area that are performed by the City of London authority ("the City") in the rest of London. In exchange for performing these functions, the City pays to the Temples an annual precept, which is apportioned from the council tax raised by the City.

Central government does not collect information directly from parish or town councils, although information on the total amount of council tax required by Parish Councils (parish precepts) in each billing authority's area is collected from returns

provided by billing authorities. Information on individual councils is, however, collected by auditors. Around 50 parish or town councils have a budget of over £1 million.

Many of the figures in this section were provided by the National Association of Local Councils.

Table A2a gives figures on trends in total precepts from 2006-07 to 2009-10, nationally, by **region** and by area. The total has increased significantly during this period, from £282m to £357m. This is due partly to the creation of new parish and town councils and partly to the increase in activity of some of those that already existed.

Table A2a: Parish precepts				
	2006-07	2007-08	2008-09	2009-10
	£ million			
England	281.7	298.7	321.8	340.4
Parish precept per band D property (£)^(a)	40	42	45	47
By area				
Two-tier shire areas ^(b)	230.2	244.7	263.7	224.3
Unitary shire areas ^(b)	38.8	40.5	43.7	101.3
Metropolitan areas	12.5	13.2	14.1	14.5
London ^(c)	0.2	0.3	0.3	0.3
By region				
North East	12.1	12.9	13.8	16.0
North West	13.0	14.0	15.5	16.7
Yorkshire & the Humber	19.0	20.1	21.6	22.5
East Midlands	32.0	33.1	35.7	37.3
West Midlands	23.4	24.8	26.5	28.4
East	51.5	55.5	59.8	62.8
London ^(a)	0.2	0.3	0.3	0.3
South West	52.2	55.9	61.0	65.2
South East	78.3	82.0	87.6	91.2
Source: BR forms				
(a) Parish precept per band D property is calculated by dividing the parish yield by the estimated parish tax base. The taxbase is estimated using local authority level Census 2001 parish population figures.				
(b) Discontinuity between 2008-09 and 2009-10 owing to the creation of nine new unitary authorities (see Annex A)				
(c) There are no Parish or Town Councils in London. The figures relate to local precepts issued by the sub-treasurer of the Inner Temple and the under-treasurer of the Middle Temple in the City of London.				

In addition to council tax, some Parish and Town Councils receive income from interest receipts, **sales, fees and charges, capital receipts** and borrowing. In addition, some of them have received grants (such as from the National Lottery) towards the costs of producing Parish plans and Parish transport schemes. Section 136 of the Local Government and Public Involvement in Health Act 2007 removed the duty of best value from all Parish and Town Councils with effect from 1 April 2008.

Parishes spend much less, and raise much less in tax, than principal local authorities. However, there are many more of them, and they have more councillors overall than principal authorities. Further comparisons between parishes and principal authorities are given in **Table A2b**.

Information on parish population for **tables A2a and A2b** comes from the 2001 Census, which gives data at a local authority level. In order to make estimates for the total parish population in England and the parish precept per band D property (**A2b**) it is assumed that the proportion of the population living in parished areas in each authority stays consistent with the 2001 Census results.

Table A2b: Comparing Parish and Town Councils and principal local authorities 2010-11		
	Parish and Town Councils ^(a)	Principal local authorities
Number of councils	9,920	421 ^(b)
Approximate number of councillors ^(a)	80,000	18,000
Population covered: number ^(c)	19 million	52 million
Percentage of England total ^(c)	37%	100%
Spending funded by council tax ^(d) :		
	357 million	25,897 million
£ per Band D property ^(e)	47	1,417

(a) Estimate based on information from NALC (www.nalc.gov.uk)

(b) This is the sum of the 326 billing authorities and 95 major precepting authorities shown in table 1.6A in chapter 1.

(c) Source: Office for National Statistics population projection and 2001 census figures.

(d) Some of the population and spending shown for Parish and Town Councils is in parished areas where there is a parish meeting instead of a Parish or Town Council.

(e) The amounts for Parish and Town Councils and principal local authorities do not sum to the national average area Band D council tax (£1,439). This is because the figure for parish and town councils is calculated as an average across parished areas only, rather than across the whole of England.

A3 Changes in English local authority functions and structure

This annex should be read in conjunction with the sections at the end of **Annexes C and D**, which summarise changes in the local government revenue and capital finance systems in recent years respectively.

Changes in the volume of local authority activity (and hence in expenditure and employment) may be associated with the addition or removal of functions, as detailed below; changes in demand for obligatory functions (for example, changes in the number of school-age children); policy changes in relation to discretionary functions (for example, the provision of new leisure centres); or changes in ways of providing the same services (for example, the introduction of computers).

BEFORE THE 1970s

Before the nineteenth century, local government provided few nationwide services: the poor law and highway maintenance (administered mainly by Parishes) and the local courts and prisons (administered mainly by county quarter sessions) were the main ones. Other local services were provided as a result of local initiative, based mainly on local Acts of Parliament.

In the nineteenth century, there was a gradual development of systematic, nationwide provision of local government services. Some of these were the result of initiatives by central government (such as most of the public health services) whilst others were developed by local initiatives (such as the municipal gas and electricity undertakings). Some were the result of the work of non-governmental organisations, later taken over by local government bodies (such as primary education).

As the nineteenth century progressed, the tendency to create new specialised agencies for each new service was replaced by a tendency to concentrate services, especially after the creation of county councils in 1888 and county district councils in 1894. At the same time, central government recognised increasingly the need to ensure uniform national standards and created the methods to do so, by guidance, conditional grants, inspectorate appeals systems and default powers.

The introduction of more and more local services was counterbalanced by the transfer of some services to central government (for example, prisons (1872), trunk roads (1930), gas and electricity (1947) and hospitals (1948)). In 1929, the abolition of the Boards of Guardians consolidated local government services in the hands of, in large towns, county borough councils and, in London and the metropolitan counties, the London County Council and metropolitan boroughs. Outside these areas the abolition of the Boards of Guardians consolidated local government services for county councils to county district councils and (in rural districts) parish councils and meetings. This structure endured until, in Greater London, the reform of 1965 (when the Greater London Council was formed) and elsewhere the reforms of 1974.

SINCE 1970

1973	Responsibility for upper-tier criminal courts (assizes and quarter sessions) transferred to central government.
1 April 1974	Local government reorganisation outside London: new structure of six metropolitan counties and 39 shire counties, divided into 36 metropolitan and 296 non-metropolitan districts, introduced. Responsibility for water and sewerage transferred to water authorities. Ambulance and some health services transferred to health authorities.
1 April 1985	London Regional Transport transferred from the local authority sector.
1 April 1986	Abolition of Greater London Council and metropolitan county councils. In London, functions transferred to City of London, London Boroughs, Inner London Education Authority, the London Fire and Civil Defence Authority, the London Waste

	<p>Regulation Authority, waste disposal authorities and other bodies such as the London Planning Advisory Committee. In metropolitan areas, functions passed to metropolitan districts, waste disposal authorities (in Merseyside and Greater Manchester) and joint authorities for police, fire and civil defence, and transport. Residuary bodies were set up to wind up the affairs of the abolished councils.</p>
26 October 1986	Responsibility for municipal bus services transferred to public transport companies.
1986	Introduction of devolved budgets for schools, resulting in the creation of schools as semi-independent institutions.
1 April 1987	Responsibility for municipal airports (except Manchester) transferred to public airport companies.
1 April 1989	Funding of polytechnics and higher education colleges transferred to the Polytechnics and Colleges Funding Council.
1 Sept 1989	The first Grant Maintained schools came into existence following the 1988 Education Reform Act. These schools were independent of local authority control. They were funded by central government through the Funding Agency for Schools. Part of local authority expenditure on education consisted of payments back to the government for the funding of these schools.
1 April 1990	Inner London Education Authority abolished. Responsibility for education in Inner London transferred to London boroughs.
1 July 1992	Local Government Commission set up to review the structure of local government in England.
1 April 1993	Local authorities became responsible for implementing new legislation on Community Care. Funding of colleges of further education and sixth form colleges transferred from local authorities to the Further Education Funding Council.
1 April 1995	The Isle of Wight unitary authority replaced the county council and two district councils. New police authorities were set up in the shire areas taking all policing responsibilities away from county councils.
1 April 1996	Unitary authorities were created in Avon, Cleveland, Humberside and North Yorkshire, replacing both shire districts and Avon, Cleveland and Humberside county councils. New combined fire authorities were created in each of these four authorities. Waste regulation became the responsibility of the Environment Agency, resulting in the abolition of the London Waste Regulation Authority.

1 April 1997	Unitary authorities were created in Bedfordshire, Buckinghamshire, Derbyshire, Dorset, Durham, East Sussex, Hampshire, Leicestershire, Staffordshire and Wiltshire, replacing some of the shire districts in these areas. New combined fire authorities were also created in these areas.
1 April 1998	Unitary authorities were created in Berkshire, Cambridgeshire, Cheshire, Devon, Essex, Hereford and Worcester, Kent, Lancashire, Nottinghamshire and Shropshire, replacing some shire districts and Berkshire County Council. New combined fire authorities were also created in each of these areas.
1 April 1999	Funding of Grant Maintained schools transferred to local authorities.
3 July 2000	<p>A new Greater London Authority was created which consists of a directly elected Mayor, a separately elected Assembly and about 400 support staff, and four functional bodies. The four functional bodies are:</p> <ul style="list-style-type: none"> (i) The Metropolitan Police Authority oversees policing in London (excluding the City). This was an entirely new local authority, the Receiver for the Metropolitan Police having been abolished. (ii) The London Fire and Emergency Planning Authority is essentially a reconstitution of the old London Fire and Civil Defence Authority. (iii) Transport for London has strategic responsibility for transport in London including responsibility for London buses and it is also highway and traffic authority for certain major roads in London. (iv) The London Development Agency promotes economic development and regeneration in London.
1 April 2001	Magistrates' courts in London became the responsibility of the Greater London Magistrates' Court Authority.
1 April 2002	Funding of sixth form education transferred from local authorities to the Learning and Skills Council.
15 July 2003	Control of London Underground was transferred from the Department for Transport to Transport for London.
1 April 2004	Combined fire authorities in shire areas become major precepting authorities, having previously been financed by payments from the county or unitary councils in their area.
1 March 2005	The New Forest National Park came into existence.

- 1 April 2005 Responsibility for magistrates' courts transferred from local authorities to Her Majesty's Courts Service.
- 1 April 2006 The New Forest National Park became fully functional. New financial arrangements for police and firefighter pensions took effect.
- 1 April 2009 Unitary authorities created in Cornwall, Durham, Northumberland, Shropshire and Wiltshire. Cheshire split into two new unitary authorities, 'Cheshire East' and 'Cheshire West and Chester'; Bedfordshire split into two new unitary authorities, 'Bedford UA' and 'Central Bedfordshire'.
- 1 April 2010 The South Downs National Park came in to existence.
- 1 April 2011 South Downs National Park became a full authority.

Glossary of terms and acronyms

*Cross references to other terms are shown in **bold**.*

Accruals basis – an accounting concept which requires that income and expenditure are accrued (i.e. recognised as they are earned or incurred, not as they are received or paid). Under this concept therefore inclusion or exclusion of an item of income or expenditure will depend on the period to which it relates, not the period in which it was received or performed.

ACC **Adjusted Credit Ceiling** – a modified form of credit ceiling, a measure of an authority's net indebtedness relating to capital transactions, which was used until 31 March 2004 solely for the purpose of calculating the **Minimum Revenue Provision**.

AEF **Aggregate external finance** – central government revenue funding. It comprises **Revenue Support Grant, National Non-domestic Rates** (in the case of net Aggregate External Finance) and also includes certain **specific grants** (in the case of gross Aggregate External Finance). (**See section 2.4.1**).

Amortisation – the loss in value of an intangible asset due to its use by the company is accounted for by means of amortisation. Amortisation is a so-called "non-cash" charge insofar as it merely reflects accounting assessments of the loss in value.

ACG **Annual Capital Guidelines** – issued until 31 March 2004 by the government in respect of the main groups of services. Historically, a broad indication of the level at which the government considers an authority needs to spend on capital in the financial year. More recently, the element of an authority's **Basic Credit Approvals** allocated on a service-related basis. (**See section 4.5.3**).

ANA **Alternative Notional Amount** – a technical adjustment made to the budget requirement in a base year. This is undertaken in order that the subsequent budget requirement set by an authority for the following year can be compared with that for the base year on a like-for-like basis for capping purposes. Setting Alternative Notional Amounts is the method prescribed in legislation for the Government to handle significant changes in local authorities' functions, finance or structure.

Area council tax – the average total amount of council tax payable for a Band D dwelling occupied by two adults within a billing authority's area. It is the sum of the amounts requested: a) by the billing authority; b) by major precepting authorities covering the billing authority's area; and c) by parish or town councils within the billing authority's area. The amount at c) is the total amount

requested by parish and town councils, averaged across the whole of the billing authority's area.

Average council tax per dwelling – the total council tax payable in an area divided by the total number of chargeable dwellings in the area.

Appropriations to/from reserves – these are respectively, the movement of monies into **reserves** from the **General Fund Revenue Account**, or out of **reserves** to the **General Fund Revenue Account**.

ABG

Area Based Grant – this is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

BCA

Basic Credit Approval – until 31 March 2004 the government's calculation for each local authority of the amount of **capital expenditure** it need not charge to a revenue account (i.e. that it may finance from borrowing or other forms of credit). It was calculated as follows: **Annual Capital Guidelines** minus proportion of **capital receipts**. A Basic Credit Approval was issued in advance of the year in question and **Supplementary Credit Approvals** could be issued later. (See section 4.5.1).

Band D council tax – this is the council tax payable on a Band D dwelling occupied as a main residence by two adults, before any reductions due to discounts, exemptions or council tax benefit. This definition is widely regarded as a benchmark when comparing council tax levels in different areas or over time.

Billing authority – a local authority empowered to set and collect **council taxes**, and manage the **Collection Fund**, on behalf of itself and local authorities in its area. In England, shire and metropolitan districts, the Council of the Isles of Scilly, unitary authorities, London Boroughs and the City of London are billing authorities. (See section 1.6.3).

Budget requirement – an amount calculated, in advance of each year, by each **billing authority**, by each **major precepting authority** and by each **local precepting authority**. It is broadly the authority's estimated net **revenue expenditure** allowing for movement in reserves. It is, therefore, the estimate of the amount to be met from **Formula Grant**, **Greater London Authority** general grant and from **council tax** income. (See section 3.2.1).

- BR** **Budget requirement return** – a form seeking information on the calculation of each local authority’s **budget requirement** and **council tax**.
- Business rates** – a tax on non-domestic property based on the notional annual rent of a property know as the **Rateable Value**, also called **National non-domestic rates**.
- Capital charges** – charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
- CER** **Capital estimates return** – a form seeking local authority forecasts of **capital expenditure** (and **receipts**) and how they plan to finance it.
- Capital expenditure** – expenditure on the acquisition of fixed assets or expenditure, which adds to and does not merely maintain the value of existing fixed assets. **(See section 4.1)** This standard accounting definition is modified in local government by regulations and directions made under the Local Government Act 2003.
- CERA** **Capital expenditure charged to revenue account** – a method of financing **capital expenditure** where the expenditure is financed direct from revenue account in the year it is incurred **(See section 4.4.1)**.
- COR** **Capital outturn return** – a form seeking detailed final outturn about **capital expenditure** (and **receipts**) and how it has been financed.
- CPR4** **Capital payments and receipts return 4** – a form seeking provisional estimates of **capital expenditure** (and **receipts**) and how it has been financed.
- Capital receipts** – income from the sale of capital assets. Such income may only be used for purposes authorised by regulations under the Local Government Act 2003, for example to repay loan debt and to finance new **capital expenditure**. **(See section 4.6.1)**.
- Capitalised current expenditure** – expenditure which would normally score as **current expenditure** but which a local authority has been allowed to capitalise by a direction issued by the Secretary of State (e.g. redundancy payments).
- Capping** – when the government limits a local authority’s **budget requirement** and hence its **council tax**.
- Community Amateur Sports Clubs relief** – a relief within the business rates system to help sports clubs meet the cost of their rates.

Cash basis – an accounting convention in which transactions are recorded in the period in which payment is made or received as opposed to the period in which the transaction took place (**accruals basis**). **Capital expenditure** and **capital receipts** were, for many years, recorded on a cash basis but local authorities now account for them on an **accruals basis**.

Central support protection grant – paid for 1999-2000 and 2000-01 to provide minimum increases in the level of central government support (principally **Revenue Support Grant** plus redistributed **National Non-domestic Rates**). It ensured that authorities with education and social service responsibilities received at least a 1.5% increase in support and that other authorities did not experience a year-on-year fall in support. From 2001-02 damping of grant changes for authorities has been provided via the floor mechanism.

CIPFA

Chartered Institute of Public Finance and Accountancy – the leading professional accountancy body for public services, whether in the public or private sectors.

Chargeable dwellings – those domestic dwellings in an area for which council tax is payable. It excludes dwellings on the valuation list which are exempt from paying council tax. Each chargeable dwelling is counted as one dwelling, whether or not a full council tax bill is payable for it. The total number of chargeable dwellings in an area is the denominator used to calculate the average council tax per dwelling.

City of London offset – an amount of **redistributed business rates** that the City of London is permitted to retain due to its unique circumstances.

Collection fund – the fund administered by a **billing authority** (from 1 April 1993) into which **council taxes** are paid, and from which payments were made to the general fund of **billing and major precepting authorities**. **National Non-domestic Rates** collected by a billing authority are also paid into the fund before being passed on to central government for distribution to local authorities (**see section 2.3.1**). Under the **community charge** system, **billing authorities** were known as charging authorities, and community charges, **Revenue Support Grant**, **National Non-domestic Rate** entitlements and special grants were all paid into their collection fund.

Community assets – are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal, for example parks and historic buildings.

Community charge – the local domestic charge that was in operation between 1 April 1990 and 31 March 1993. Also known as the ‘poll tax’.

Council tax – a local charge (or charges) set by the **billing authority** in order to collect sufficient revenue to meet their demand on the **collection fund** and the precepts issued by the precepting authorities. It replaced the **community charge** on 1 April 1993 and is based on the value of the property and the number of residents. The Valuation Office Agency assesses the properties in each district area and assigns each property to one of eight valuation bands; A to H. The tax is set on the basis of the number of Band D equivalent properties. Tax levels for dwellings in other bands are set relative to the Band D baseline. **(See section 2.2.1).**

Council Tax Band – there are eight council tax bands, A to H. Each domestic dwelling is assigned a council tax band by the Valuation Office Agency. Council tax bands are based on the value of the dwelling as at 1 April 1991.

CTB1

Council tax base return – a form seeking information on the calculation of the council tax base for **revenue support grant** purposes for each **billing authority**.

Council tax benefit – an income related social security benefit designed to help people on low income pay their **council tax**. Council tax benefit replaced community charge benefit on 1 April 1993. **(See section 2.2.7).**

CTBSL

Council tax benefit subsidy limitation – a scheme designed to limit the amount of **council tax benefit** subsidy paid to local authorities if they made increases in **council tax** above a guideline set annually by the government. Not operated from 2002-03.

Council tax requirement – for billing and local precepting authorities this is the amount calculated under section 97(1) of the 1988 Act to be transferred from the **Collection fund** to the General Fund (except where the amount calculated is negative, in which case it is the amount to be transferred from the General Fund to the **Collection fund**).

Council tax transitional reduction scheme – this scheme limited the increase in a household’s bill as a result of the change from **community charge** to **council tax** to a fixed amount for each band. Relief was withdrawn at a fixed rate in 1994-95 and 1995-96. There was no further relief from 1996-97.

Credit approvals – until 31 March 2004 authorisations given by the Government to local authorities that enable them to finance **capital expenditure** by borrowing or by other **credit arrangements**, such as finance leasing.

Credit arrangements – forms of credit that do not involve the borrowing of money by a local authority (e.g. finance leases).

Credit ceiling – until 31 March 2004 the difference between an authority's total liabilities in respect of **capital expenditure** financed by credit and the provision made to meet them.

Credit cover – until 31 March 2004 resources which need to be found to meet the initial cost of a credit arrangement (e.g. the capital value of payments made under a lease). Credit cover could be provided by setting aside as **Provision for Credit Liabilities** usable **capital receipts** or an amount from revenue or by using a **credit approval**.

Current expenditure – a general term for the direct running costs of local authority services including employee costs and running expenses but excluding debt charges. Particular definitions include **net current expenditure**. (See section 3.1.1).

DSG

Dedicated Schools Grant – there was a change in the funding of **specific and formula grants** in 2006-07 largely due to changes in the way that expenditure on schools is funded. From 2006-07, local authorities receive Dedicated Schools Grant within specific grant rather than in formula grant.

Deferred capital receipts – these represent amounts derived from the sale of assets, which will be received in instalments over agreed periods of time. They arise mainly from mortgages on the sale of council houses and form the main part of mortgages.

Deferred charges – these represent expenditure that does not result in the creation of a fixed asset for the authority, but has been designated as capital expenditure by regulation or direction. An example is grants given by authorities to support capital expenditure by other bodies. Deferred charges are being renamed by the Statement of Recommended Practice as Revenue Expenditure funded from Capital under Statute, but the earlier terminology is retained in this edition of *Local Government Financial Statistics England*.

Demand on the collection fund – after 1 April 1993, represents the amount calculated by a **billing authority** or **precepting authority** to be transferable from the billing authority's **collection fund** to its general fund. Between 1 April 1990 and 31 March 1993, represented the amount required from the **collection fund** by a charging authority in order to finance its own expenditure, and funded by **Revenue Support Grant, National Non-domestic Rates** and **community charges**.

Depreciation – Depreciation is the accounting recognition of the loss in value of a tangible fixed asset due to its use or its holding/ownership by the company. It thus covers two different phenomena:

wear due to the use of a product (machines, fittings, vehicles, buildings, etc.) and obsolescence, due to technological advances in the industry. Depreciation is a so-called “non-cash” charge insofar as it merely reflects accounting assessments of the loss in value.

Designation – This is one of the ways that the Government protects council taxpayers from excessive increases, by limiting a local authority’s budget requirement (and hence its council tax) by requiring it to arrange and pay for new council tax bills to be sent out for a lower amount.

DLO **Direct labour organisation** – an organisation, which consists of workers directly employed by a local authority to carry out construction and/or maintenance work.

DSO **Direct service organisation** – an organisation which consists of workers directly employed by a local authority to carry out work formerly specified under the Local Government Act 1988.

Discretionary relief – in addition to mandatory reliefs, local authorities have the power to award business rate relief at their discretion provided the hereditaments meet locally set criteria. The current categories of discretionary relief are:

- Charity
- Non-profit making bodies
- Rural village shop
- Other small rural businesses
- Community and Amateur sports clubs
- Hardship
- Charges on property

A further relief for former agricultural properties ceased during August 2006 but may be applied retrospectively where applicable.

Distributable Amount – the amount of centrally-collected **National Non-domestic Rate** that is estimated to be available to be distributed to local authorities. **(See section 2.3.9).**

Earmarked reserves – **reserves** held by an authority which are to be used for specified purposes.

Empty Property Rate relief – a relief within the business rates system to help owners/occupiers of empty properties meet the cost of their Empty Property Rates.

EPCS **Environmental, protective and cultural services** – one of the main blocks of local authority spending, which has its own relative needs formulae under the **Revenue Support Grant** system. The

formulae are based on resident population and modified for sparsity, density, deprivation and for higher wage cost areas.

Fees and charges – see **sales, fees and charges**.

FRS17 **Financial Reporting Standard 17** – from 2003-04 local authorities' final accounts were required to comply in full with Financial Reporting Standard 17 on retirement benefits. This requires future liabilities for retirement benefits to be recognised in the accounts for all the main categories of local government employees (other than teachers).

Fixed assets – assets that yield benefits to the local authority and the services it provides for a period of more than one year. **(See section 5.1.1).**

Following year designation – this is one of the ways that the Government protects council taxpayers from excessive increases, by limiting a local authority's budget requirement (and hence its council tax) in one or more subsequent financial years. Following year designation is triggered by **nomination** or **designation** in a previous year and is intended to allow the authority a phased return to setting a non-excessive budget requirement.

Formula Grant – the main channel of government funding. This includes **Redistributed national non-domestic rates, Revenue Support Grant** and Police Grant. The distribution is determined by the **Formula Spending Shares** formulae, also taking account of authorities' relative ability to raise **council tax** and the floor damping mechanism. There are no restrictions on what local government can spend it on.

FSS **Formula spending shares** – are a nominal measure of the relative cost of service provision, used for the distribution of grant from 2003-04. Formula Spending Shares replaces **Standard Spending Assessments**. **(See section 2.4.3).**

FTSE all share index – is a series used to represent the performance of over 900 companies resident and domiciled in the United Kingdom. The prices used in the calculation of these indices are exact mid prices taken at the close of business each day.

Gross Domestic Product deflator – the Gross Domestic Product implied deflator is a measure of general inflation in the domestic economy. It reflects the movements of hundreds of different price indicators (especially of wages and profits) for the individual components of **Gross Domestic Product**. **(See section 3.2.3).**

Gearing – a measure of the impact on council taxes of increasing budgets. This varies widely between local authorities. An authority that meets 25% of its **budget** through **council tax** is said to have a

gearing of 4.0. Therefore, a 1% increase in budget would lead to a 4% increase in council tax. **(See section 2.2.3).**

GFRA **General Fund revenue account** – the General Fund is the fund within which, since April 1990, most transactions of a local authority take place. Other funds held by a local authority may include a **collection fund**, superannuation fund and trust funds held for charitable purposes. The General Fund revenue account holds the revenue transactions of the General Fund. **(See section 1.6.5).**

GLA **Greater London Authority** – a strategic authority for London, created on 1 July 2000.

GDP **Gross Domestic Product** – is a measure of the total domestic economic activity. It is the sum of all incomes earned by the production of goods and services on UK economic territory, wherever the earner of the income may reside. Gross Domestic Product is equivalent to the value added to the economy by this activity. Value added can be defined as income less intermediate costs. Therefore growth in Gross Domestic Product reflects both growth in the economy and price changes (inflation).

Gross expenditure – see **total gross expenditure**

Gross revenue expenditure – is derived from **net current expenditure** by adding on net capital charges, **Capital Expenditure charged to Revenue Account**, gross expenditure on **council tax benefit**, and other non-current items. It is net of expenditure met by **sales, fees and charges** and interest receipts.

Gross total cost – includes all expenditure relating to a service/ activity, including employee costs, expenditure costs, expenditure relating to premises and transport, supply and services, third party payments, transfer payments, support services and **capital charges**. Specifically it includes **capital charges** calculated in accordance with existing capital accounts guidance, but with certain aspects changed.

Hereditament – property which is or may become liable to **National Non-domestic Rates**, and thus appears on the rating list, compiled and maintained by the Valuation Office Agency of HM Revenue and Customs. **(See section 2.3.2).**

Housing benefit – financial help given to local authority or private tenants whose income falls below prescribed amounts. Central government finances about 95% of the cost of benefits to non-Housing Revenue Account tenants ('rent allowances') and the whole of the cost of benefits to Housing Revenue Account tenants. Some local authorities operate 'local schemes' whereby they finance allowances in excess of the standard payments.

HRA

Housing revenue account – a local authority statutory account, within the general fund, covering current income and expenditure on its housing services relating to its own housing stock. **(See section 3.8).**

Hypothecated grants – see **ring fenced grants**.

Impairment – this is where the value of an asset falls below the carrying (or book) value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

Intangible asset – this is a non-physical fixed asset. Intangible fixed assets include patents, brands, etc.

Joint arrangements – refers to the transfer of money between one local authority and another, as distinct from joint arrangements between local authorities and health authorities, fishery boards or any outside bodies. This includes situations where two or more authorities jointly finance an enterprise, or where one authority carries out work on behalf of another.

Local PSA PPG Local Public Services Agreements Pump-Priming Grants – the grant was allocated to the local authorities to support eligible capital expenditure treated as capital expenditure by virtue of a capitalisation direction specified in Section 3 of the Local Public Service Agreement, including any expenditure agreed subsequently with central government to be supporting the delivery of Local Public Service Agreement targets. The last year the pump-priming grant was part of the capitalisation process was 2006-07 and the final grant was paid out in 2007-08.

LSVT

Large and Small scale voluntary transfer – transfer of council housing stock to Registered Social Landlords.

Levy – a payment that a local authority is required to make to a particular body (a levying body). Levying bodies include national parks authorities and passenger transport authorities.

Local precepting authority – parish councils, chairmen of parish meetings, charter trustees and the treasurers of the Inner and Middle Temples. These local authorities make a **precept** on the **billing authority's** general fund.

Mandatory relief – hereditaments are automatically entitled to relief of all or part of their rates bill provided they meet the criteria set down in legislation. There are currently five categories of mandatory relief:

- Charity
- Rural village shop

- Community and Amateur sports clubs
- Partially empty properties
- Empty properties

A further relief for former agricultural hereditaments ceased during August 2006 and is no longer available for the current year but may be applied retrospectively where applicable.

Major precepting authority – county councils, police authorities, metropolitan county fire and civil defence authorities, combined fire and rescue authorities and the **Greater London Authority**. These local authorities make a **precept** on the **billing authority's collection fund**.

MRP **Minimum revenue provision** – the minimum amount which must be charged to a revenue account each year and set aside as provision for repaying borrowing and meeting other credit liabilities.

NNDR **National non-domestic rates** – are a means by which local businesses contribute to the cost of local authority services. They are also known as **business rates**. On 1 April 1990 the rating of non-domestic (mainly commercial and industrial) properties was substantially reformed. Before 1990-91, rate poundages were set individually by local authorities and varied from authority to authority. Since 1 April 1990, a single national poundage has been set by the Government.

National non-domestic rates multiplier – the factor by which a **hereditament's** rateable value is multiplied in order to calculate the gross rates due on it before deductions.

NCE **Net current expenditure** – is, essentially, spending on services. It is defined as expenditure on employees and running expenses net of **sales, fees and charges**, internal recharges, other non-grant income (such as receipts from other authorities), but gross of expenditure funded by **specific grants** and interest receipts.

NRE **Net revenue expenditure** – is derived from revenue expenditure by deducting expenditure funded by specific grants inside **Aggregated External Finance**. It also represents spending other than the use of reserves, to be funded by the **budget requirement**. (See section 3.1.3).

Net total cost – is **gross total cost** less income including **sales, fees and charges** and all **specific grants** (i.e. all grants except general grants).

Net total cost excluding specific grants – is **gross total cost** less income other than **specific grants**. This is equivalent to **net current expenditure** plus **capital charges**.

NDPB

Non-departmental public bodies – organisations which are not government departments but which have a role in the processes of national government, such as the Sports Council, English Heritage and Natural England.

Non-operational assets – are **fixed assets** held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Nomination – this is one of the ways that the Government protects council taxpayers from excessive increases, either by setting a notional budget requirement for an authority (limiting its ability to set high increases in the future) or by starting the process of ‘**following year designation**’.

Notional budget requirement. – an amount set by the Secretary of State following nomination which provides a lower base (that is, lower than the authority’s actual budget requirement for the year) for measuring budget requirement increases in subsequent years for capping purposes.

ONS

Office for National Statistics – is the government agency responsible for compiling, analysing and disseminating many of the United Kingdom’s economic, social and demographic statistics including the **Retail Price Index**, trade figures and labour market data as well as the periodic census of the population and health statistics.

Operational assets – are **fixed assets** held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.

Parish precept – this is the amount of council tax collected by a billing authority for parish or town councils within its area. Parishes are **local precepting authorities**.

Pension funds – for the Local Government Pension Scheme, the funds that invest employers’ and employees’ pension contributions in order to provide pensions for employees on their retirement and pensions for employees’ dependants in the event of death of the employee. The Local Government Pension Scheme consists of 81 pension funds that provide pensions for most local government workers in England, excluding teachers, police and firefighters. (**See section 7.1.2**).

Precept – the amount of money (**council tax**) that a **local** or **major precepting authority** has instructed the **billing authority** to collect and pay over to it in order to finance its net expenditure, i.e. **budget requirement** less income from **National Non-domestic Rates** and **Revenue Support Grant**.

PFI **Private finance initiative** – started in 1997-98, Private Finance Initiative offers a form of **Public-Private Partnership** in which local authorities do not buy assets but rather pay for the use of assets held by the private sector. **(See section 4.7.2).**

Procurement – expenditure on goods and services

PCL **Provision for credit liabilities** – until 31 March 2004 amounts set aside from revenue or **capital receipts** to repay loans and credit arrangements. **(See section 4.4.1).**

Provisions – sums set aside to meet any liabilities or losses in respect of a past event which are likely or certain to be incurred, but with uncertainty as to the amounts or dates on which they will arise.

Prudential capital finance system – this is the informal name for the system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003. It allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources. **(See section 4.0.4).**

The Prudential Code – a professional code of practice prepared by **CIPFA**, for the prudential system introduced on 1 April 2004 (see **Prudential capital finance system**). Local authorities are required by legislation to have regard to the Code.

PPP **Public-private partnership** – a joint venture where the private sector partner agrees to provide a service to a public sector organisation. The **Private Finance Initiative** is one form of a Public-private Partnership.

Public sector net borrowing – a concept based on internationally agreed definitions. It measures the change in the public sector's accruing net financial indebtedness. It is an **accrual** concept, whereas the closely related net cash requirement is almost entirely a cash measure. It is the government's preferred measure of the short term impact of fiscal policy. **(See section 1.5.9).**

Public sector net debt – this consists of the public sector's financial liability at face value minus its liquid assets, mainly foreign exchange reserves and bank deposits. **(See section 1.5.6).**

PWLB **Public Works Loan Board** – a body, now part of the Debt Management Office (a government agency), which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury. **(See section 5.2.1).**

QRC	Quarterly return of council taxes and non-domestic rates
RV	<p>Rateable Value – the legal term for the notional annual rent of a hereditament, assessed by the Valuation Office Agency. Every property has a rateable value that is based, broadly, on the annual rent that the property could have been let for on the open market at a particular date. The Rateable Value is used in determining the rates liability, and therefore the bill.</p> <p>Rates Liability – the basis of the rates bill. The liability is the rateable value times the multiplier, but may be adjusted by any transitional relief in place, or by any mandatory, discretionary or small business rate relief applicable, to give the amount of rates payable.</p>
RTIA	<p>Receipts taken into account – central government’s assessment of local authorities relative abilities to finance capital expenditure from their usable capital receipts. Discontinued from 2003-04. (See Basic Credit Approval).</p> <p>Recharges – the collective term for accounting entries representing transfers of (or to cover) costs initially debited elsewhere. They therefore comprise apportionments and charges.</p> <p>Redistributed non-domestic rates – non-domestic rates which, having been paid into the non-domestic rating pool, are redistributed between local authorities on the basis of population, as part of Formula Grant. (See National Non-domestic Rates and sections 2.3.7 and 2.4).</p> <p>Regions – this refers to the nine government office regions. See Annex A1 for list and maps.</p> <p>Reserves – sums held to finance future spending for purposes falling outside the definition of a provision. Reserves held for stated purposes are known as earmarked reserves. The remainder are unallocated reserves. (See section 3.6.1).</p>
RPI	Retail price index – is the main domestic measure of inflation in the UK. It measures the average change in the prices of goods and services purchased by most households in the UK.
RA	Revenue accounts budget estimates return – General Fund Revenue Accounts return for budget estimates.
RG	Revenue accounts budget estimates return: income from specific and special grants – General Fund Revenue Accounts return for budget estimates of income from specific grants and special grants .

Revenue expenditure – in a general sense, expenditure on recurring items including the running of services and capital financing. A particular definition of revenue expenditure is that derived from **gross revenue expenditure** by deducting spending met by grants outside **Aggregate External Finance** (including rent allowance grant, mandatory student awards grant and council tax benefit grant). **(See section 3.1.2).**

RO **Revenue Outturn Returns** – suite of forms gathering outturn figures for the **General Fund Revenue Account** consisting of the RS, RG, RO1 to RO6, **Trading Services Revenue** and **Subject Analysis Return**.

RSG **Revenue Support Grant** – a general grant which replaced rate support grant in 1990-91. Now it is distributed as part of **Formula Grant**.

Ring-fenced grants – these grants fund particular services or initiatives considered a national priority, and must be spent on the specified service.

Rural rate relief – relief within the business rates system to help retain essential commercial services in rural areas.

Sales, fees and charges – charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities, library fines and planning application fees. **(See section 2.5.1).**

Settlement – the Local Government Finance Settlement is the annual determination made in a Local Government Finance Report by affirmative resolution of the House of Commons in respect of the following year of: the amount of Revenue Support Grant and Non Domestic Rates to be distributed to local authorities; how that support will be distributed; and the support for certain other local government bodies.

SBRR **Small business rate relief** – a relief scheme within the business rates system to help small businesses meet the cost of their rates. The Small Business Rate Relief is funded by those businesses not receiving benefit from the scheme through a supplement included in the **National Multiplier**. The scheme offers rate relief at 50 per cent to eligible properties up to £5,000 rateable value, with relief decreasing at the rate of around 1 per cent per £100 of rateable value up to 0 per cent at £10,000. Eligible properties with rateable values between £10,001 and £14,999 (£21,499 in Greater London) do not have to contribute to the cost of the rate relief scheme.

Specific formula grants – these are distributed outside the main formula, but do not have to be spent on a specific service, for example the Neighbourhood Renewal Fund.

Specific grants – these are grants paid by various government departments outside the main formula. They include **ring-fenced grants** and **specific formula grants**.

Specified body – this is the term used for bodies (such as the Local Government Improvement and Development Agency and the National Youth Agency) that are directly funded from **Revenue Support Grant**, and that centrally provide services for local government as a whole.

- SERCOP** **Service Reporting Accounting Code of Practice** – prepared and published by **CIPFA** with the aim of modernising the system of local authority accounts and reporting. Provides standard service and subjective analyses of local government expenditure and income, and standard costing definitions. **(See section 1.7.1)**.
- SORP** **Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice** – prepared by a joint committee of **CIPFA** and the Local Authority (Scotland) Accounts Advisory Committee. The Code gives a comprehensive statement of the accounting concepts, accounting policies and estimation techniques to be followed by local authorities, and also sets out the format of the accounting statements. **(See section 1.7)**.
- SSA** **Standard spending assessment** – provided a basis for distributing grant until 2002-03 inclusive. It was calculated using information reflecting the demographic, physical and social characteristics of each area. **Standard Spending Assessment** were replaced by Formula Spending Shares from 2003-04.
- SAR** **Subjective analysis return** – since 1998-99 a sample of local authorities have completed this return (between 120 and 143). This shows 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. Procurement of goods and services is analysed to show goods and services purchased directly and services provided by external contractors (private contractors and voluntary organisations) or internal **trading services** (e.g. **Direct Labour Organisations** and **Direct Services Organisations**). **(See section 3.4.2)**.
- SCA** **Supplementary credit approval** – authorisation which used to be given by central government to a local authority not to charge a specified amount **of capital expenditure** to any revenue account (i.e. finance it from borrowing or other forms of credit) in addition to what has already been authorised by its **Basic Credit Approval**. From 1 April 2004 credit approvals have been replaced by **Supported Capital Expenditure** (Revenue) or **Supported Capital Expenditure** (Capital). **(See section 4.4.2)**.

SCE

Supported Capital Expenditure – the term for most forms of central government support for local authority **capital expenditure** from 1 April 2004. Supported Capital Expenditure (Revenue) is the amount of expenditure towards which revenue grant support will be paid to a local authority on the cost of its borrowing. The revenue grant support is provided to help authorities with the costs of financing loans. Supported Capital Expenditure (Capital) is the term used for capital grants. **(See section 4.4.2).**

Surplus on current budget – this is the net saving plus capital taxes. It represents the balance of revenue over **current expenditure**, whereas net borrowing measures the overall budget deficit i.e. the balance of receipts over expenditure, both current and capital. The surplus on current budget therefore represents the surplus available for investment.

Tangible fixed asset – this is defined as a physical fixed asset and includes land, buildings, plant and machinery. These are held for use for by the authority for a period of more than one year.

Taxbase – the number of Band D equivalent properties in a local authority's area. An authority's taxbase is taken into account when it calculates its **council tax**, and when central government calculates allocations of formula grant.

Total cost – see **gross total cost** and **net total cost**.

Total gross expenditure – gross spending, taking all local authority accounts together (except pension funds), after eliminating double counting of flows between services, accounts and other authorities, where this is possible. Total gross expenditure is divided into gross **revenue expenditure** and gross **capital expenditure** – see **Table 1.6b**. The definition used in Table 1.6b excludes payments of rent rebates, rate rebates, **council tax benefits** and **council tax transitional reduction scheme** to individuals because the purpose of such payments is to finance local authority expenditure rather than to increase it.

TME

Total managed expenditure – this includes **current** and **capital expenditure** as well as depreciation but excludes financial account transactions. **(See section 1.5.1).**

Trading services – local authority services, which are, or are generally intended to be, financed mainly from charges levied on the users of the service. External trading services are typically organisations funded mainly by sales outside the authority. Internal trading services are typically organisations funded mainly through contracts with local authority departments, with the authority funding any loss, or receiving any surplus at the end of each year. **(See section 3.4.2).**

TSRA

Trading services revenue account – a local authority account, covering current income and expenditure on its **trading services**.

Transitional relief – properties are revalued every five years and transitional arrangements are in place which moderate significant increases and decreases in bills. The transitional scheme is designed to be broadly revenue neutral over the life of the scheme. This revenue neutrality is achieved by phasing in both the decreases in the rate bills of those who benefit from revaluation, and also the increases in the rates bills of those who face higher rates bills due to revaluation.

The transitional relief scheme for the period 2005-06 to 2009-10 was designed to phase in significant changes in bills over a maximum of four years so that in 2009-10, the final year of the 2005 revaluation period, all hereditaments were expected to be paying their true rates liability.

Unallocated reserves – reserves held by an authority which may be used for any purpose.

Unhypothecated grant – see **general grant**.

Usable capital receipts – until 31 March 2004 this represented the amount of capital receipts available to finance **capital expenditure** in future years, after setting aside amounts laid down by statute for the repayment of debt.

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