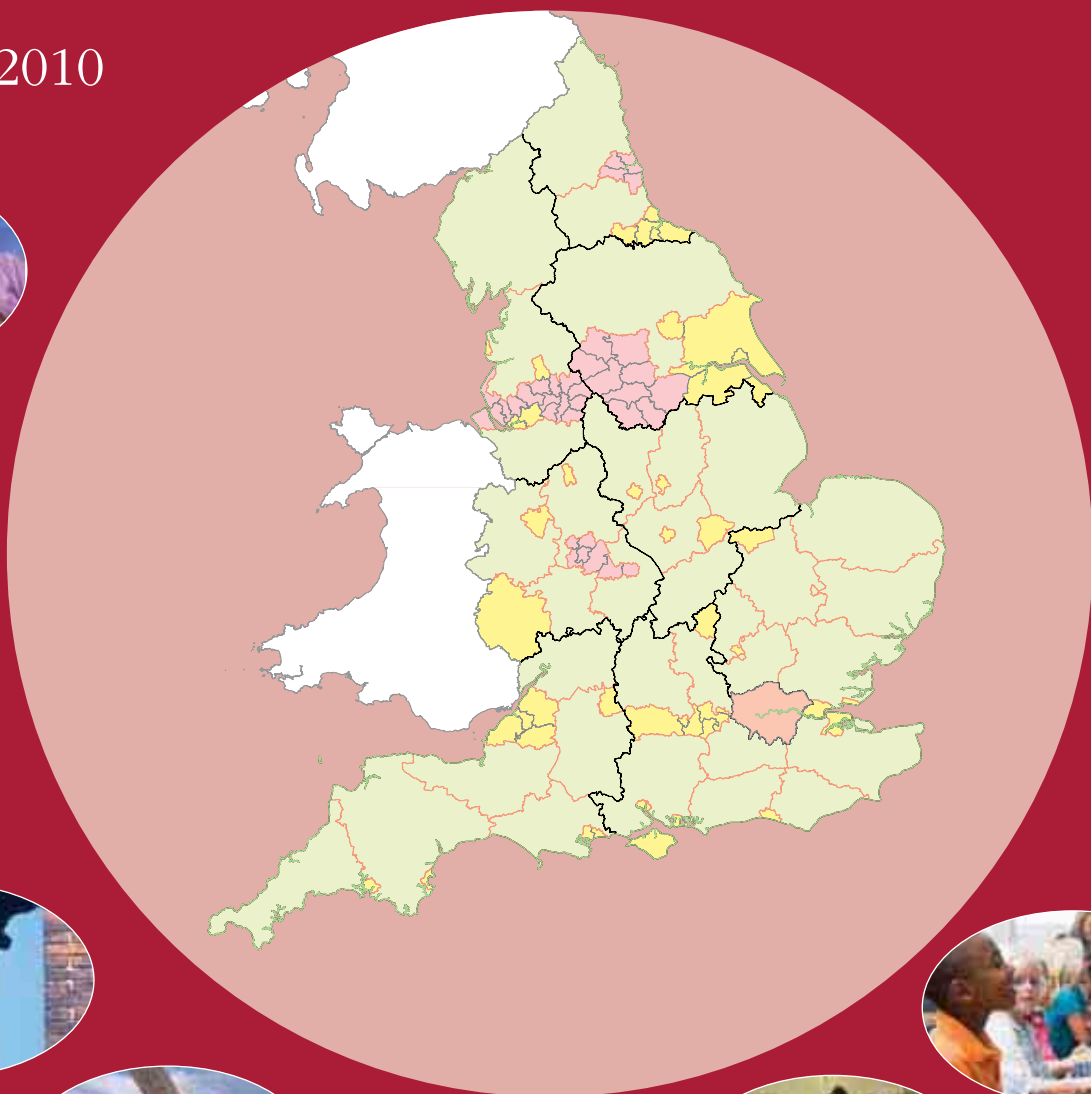


# Local Government Financial Statistics England

No.20 2010



# Local Government Financial Statistics England No.20 2010

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Section 168(4) of the Local Government Act, 1972  
Elizabeth II, c70

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# PREFACE

This is the 20<sup>th</sup> edition of *Local Government Financial Statistics England*, providing summaries of financial data from local authorities, though earlier versions of *LGFS* have been published and presented to Parliament since the 1930s. Most of the information comes from forms sent to Communities and Local Government 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 2008-09, the latest year for which complete information is available, and estimates for 2009-10. Before the publication of the next edition of *LGFS* in mid 2011, the latest information will be made available in releases of 2009-10 outturn summaries and 2010-11 budgets, by means of local government finance key facts cards and in other releases which will be published on the Department's website.

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 in 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**.

## **Responsible Statisticians:**

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

Telephone number: 030 344 44183

For specific contact telephone numbers, please refer to Annex E.





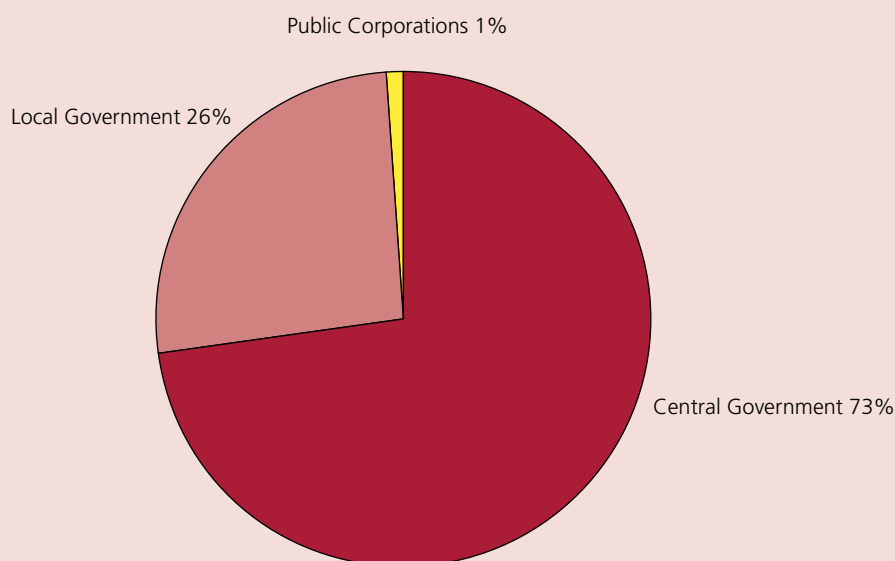
# TRENDS IN LOCAL GOVERNMENT FINANCE

## Local government finance in England

### K.1 Overview

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

Chart K.1a: Local government expenditure in Total Managed Expenditure, UK 2008-09

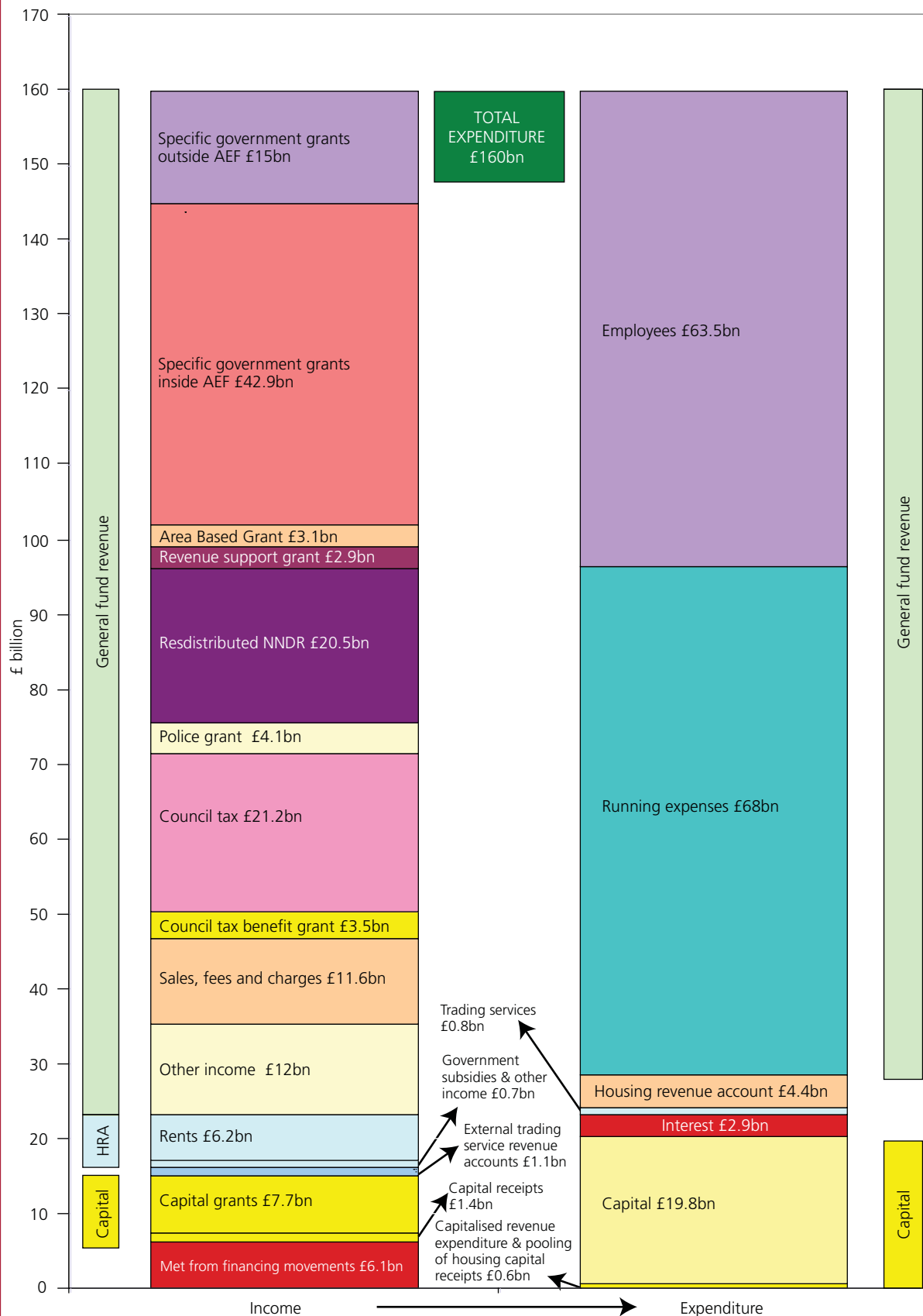


Source: Office for National Statistics

Total managed expenditure has been derived using the National Accounts definition

- In England, local authorities' total expenditure was £160bn in 2008-09 compared with £154bn in 2007-08 and £144bn in 2006-07.
- After deducting non-grant income, the overall cost to the central and local taxpayer of local authority services is around £121bn, or £2,400 per head in 2008-09.

Chart K.1b: Local authority gross income and expenditure 2008-09

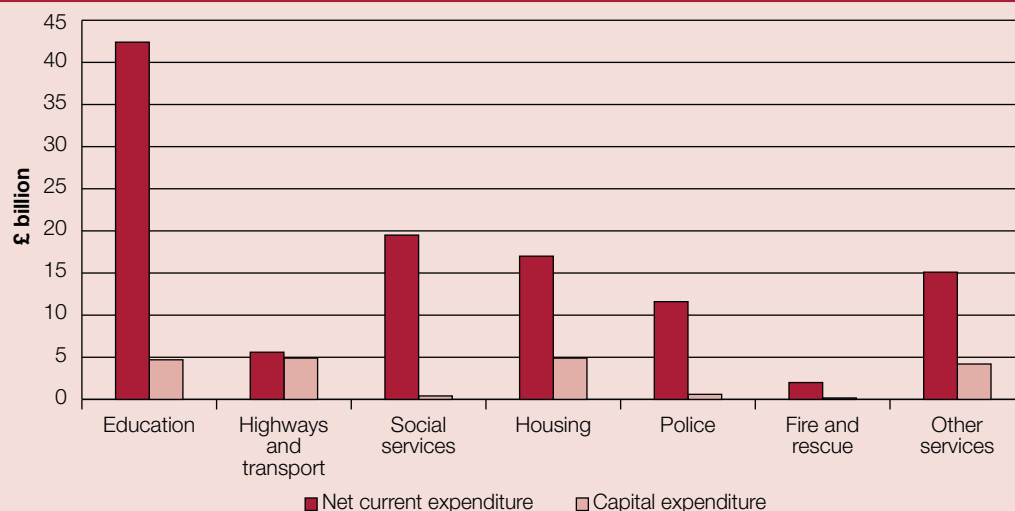


Total expenditure has been calculated as shown in table 1.6b

## K.2 The pattern of spending

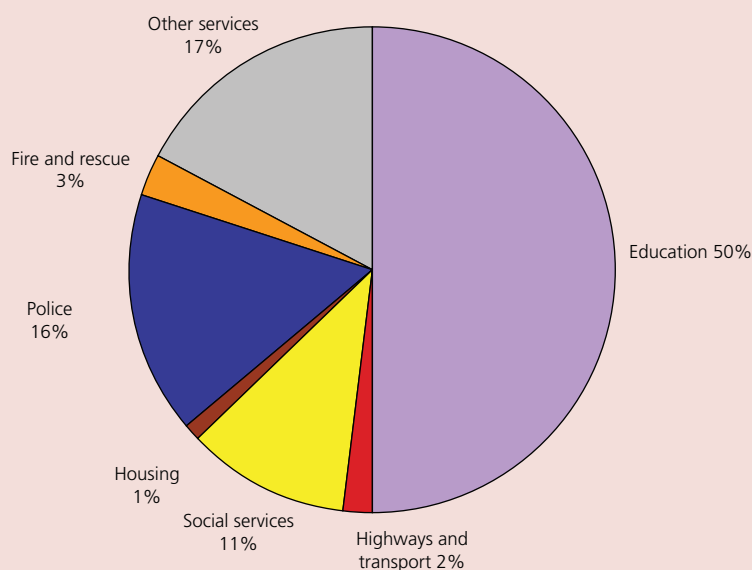
- In 2008-09, net current expenditure (see [section 3.2](#)) on general services was £113.1bn. Total capital expenditure was £19.8bn (see [section 4.2](#)).

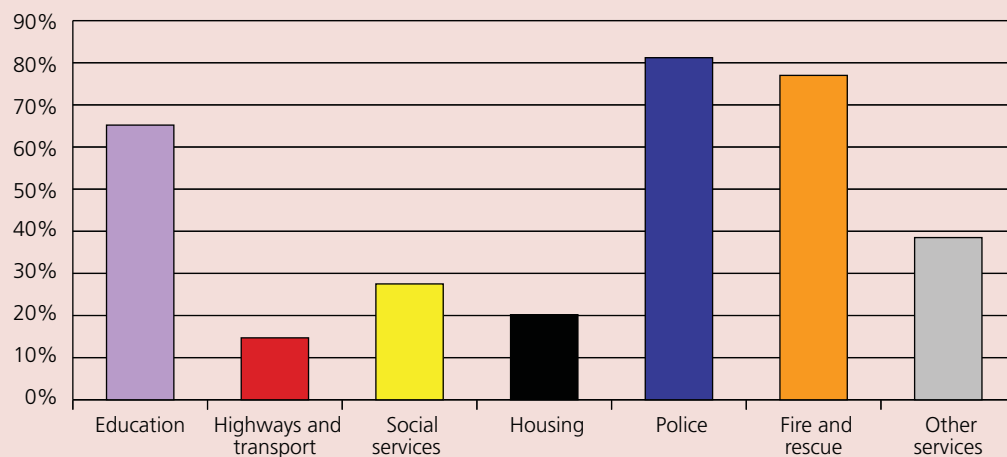
Chart K.2a: Expenditure on services 2008-09



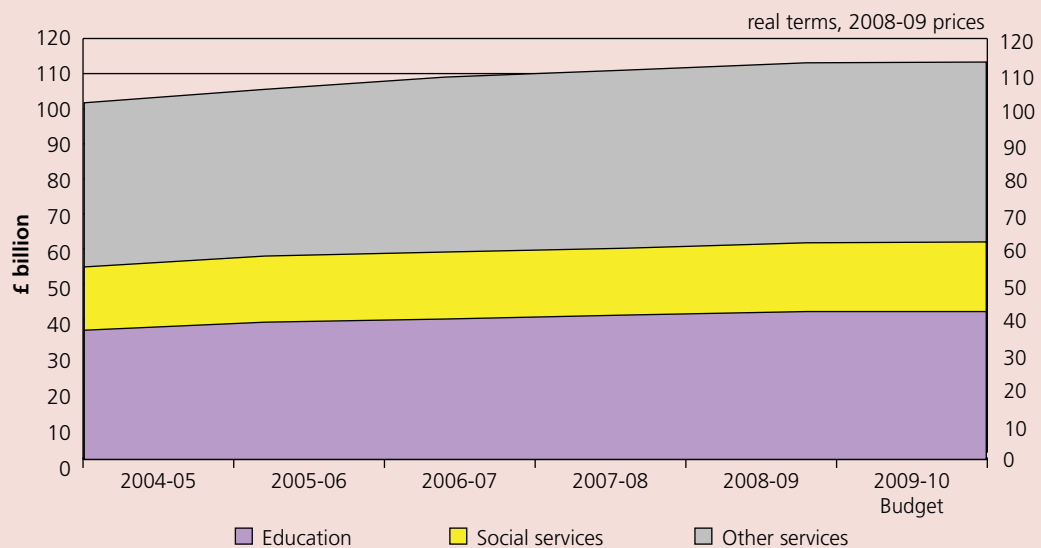
- Local government is collectively one of the largest employers in England, employing 1.8m full-time equivalent staff (FTEs). The majority of these are in administration and other support services (see [section 6.3](#)). In 2008-09, local government employee expenditure accounted for 49% of all local government service expenditure (gross of income) (see [section 6.2](#)).

Chart K.2b: Employee expenditure by service 2008-09



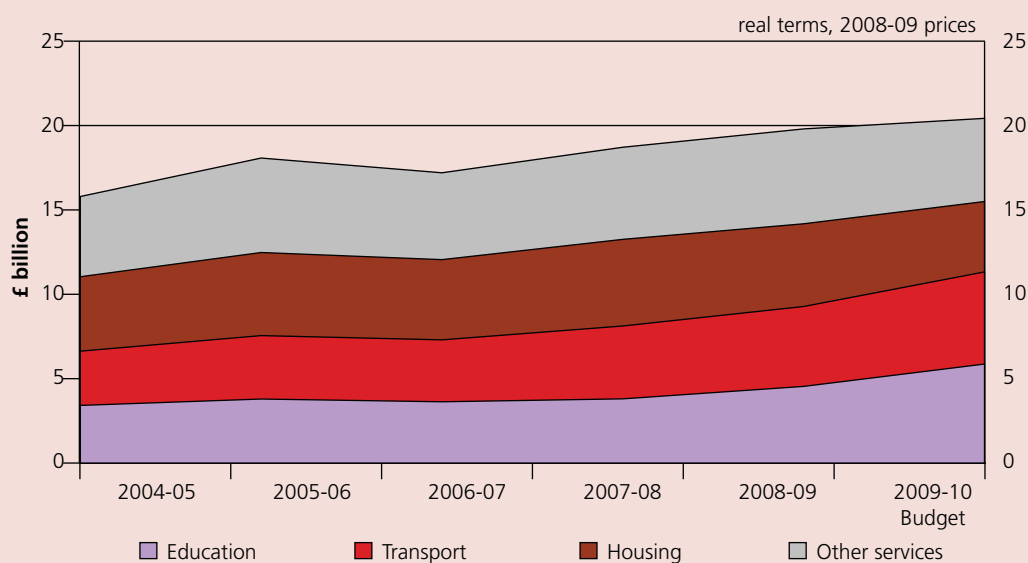
**Chart K.2c: Employee expenditure as a proportion of service expenditure for 2008-09**

- Comparisons of service expenditure over time are affected by changes in local government responsibilities. Net current expenditure on education increased by about 14% in real terms between 2004-05 and 2008-09. Other services have increased by 10% over the same period, mainly owing to non-HRA housing (see **section 3.2**).

**Chart K.2d: Net current expenditure by service 2004-05 to 2009-10**

- In real terms, capital spending increased by 25% between 2004-05 and 2008-09. During this period, capital expenditure on transport has increased by 47%, on other services by 18%, on education by 33% and on housing by 11% (See **section 4.2**). These figures exclude the GLA (TfL) grant payment of £1.7bn in respect of Metronet.

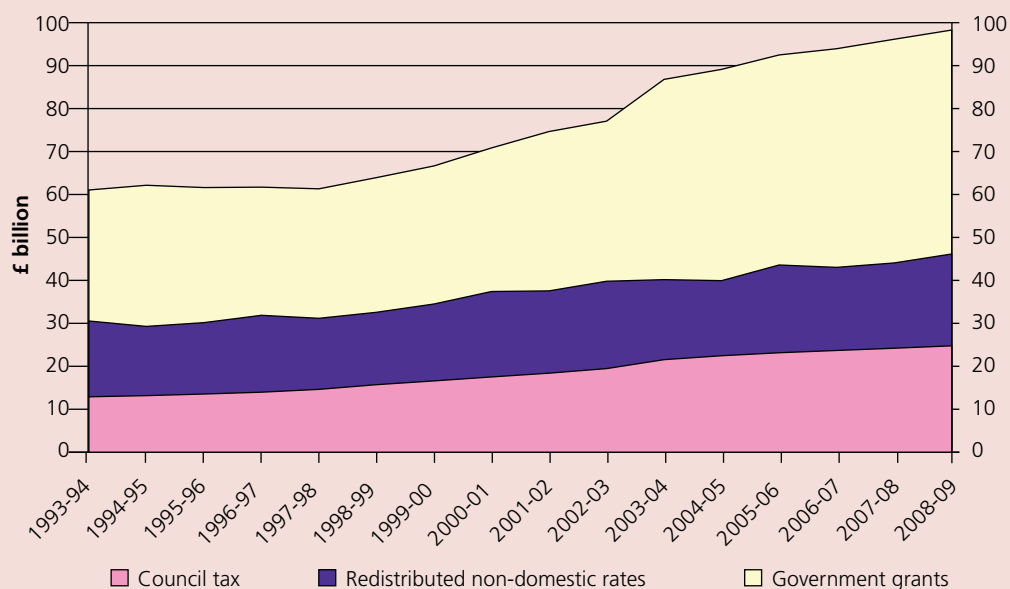
Chart K.2e: Total capital expenditure by service 2004-05 to 2009-10



## K.3 Balance of funding

- About 60% of local authorities' total gross income in 2008-09 came from central government (including redistributed non-domestic rates, revenue and capital grants), and the remaining 40% 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, 54% of revenue expenditure was funded from government grant in 2008-09, 25% from local taxes and 21% from redistributed non-domestic rates. The locally-funded percentage increased slightly after the introduction of the council tax in 1993-94, but it has remained broadly stable since 1998-99 (see **section 3.2**).

Chart K.3a: Source of local authority income (at 2008-09 prices)



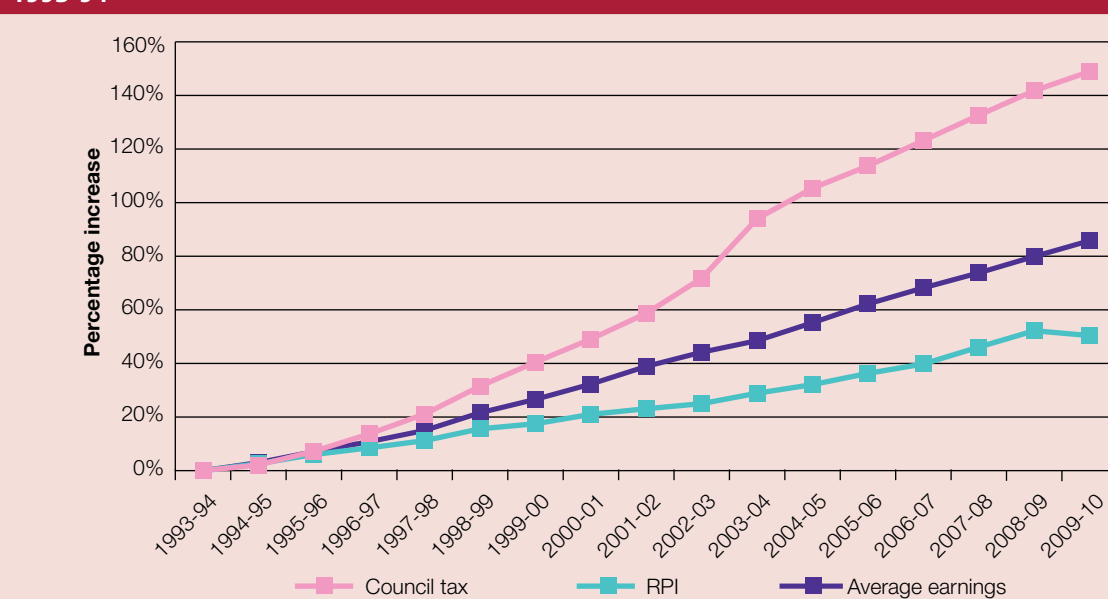
## K.4 Council tax

- Council tax requirement was £25.6bn in 2009-10, around £4.0bn 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 148.9%, almost three 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**

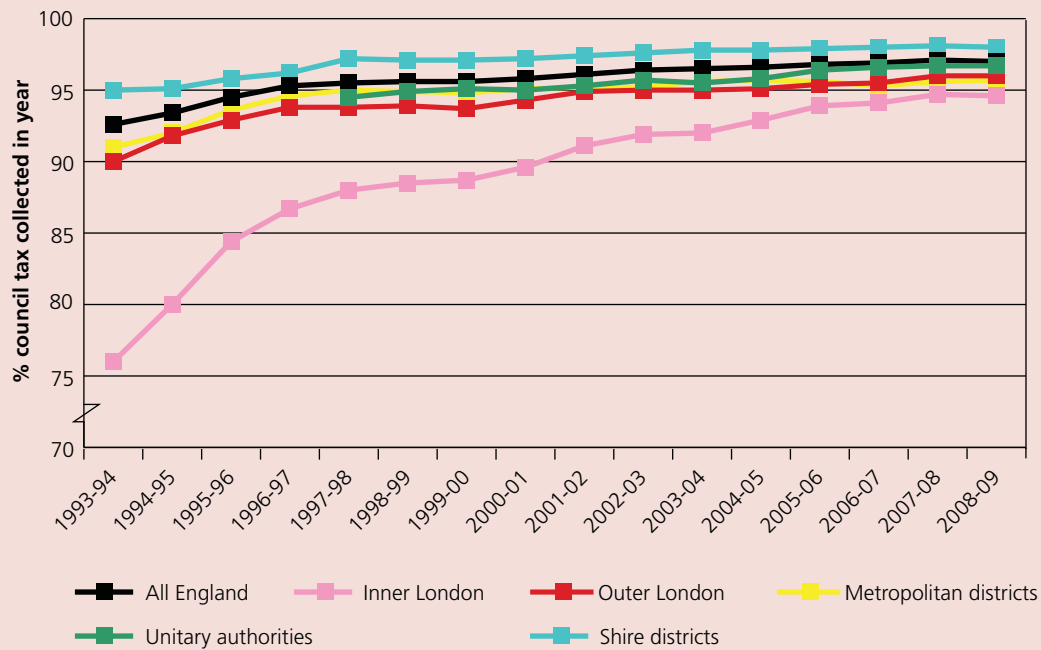
	% increase	real terms % increase
1994-95	2.1	-0.4
1995-96	5.0	1.6
1996-97	6.1	3.6
1997-98	6.5	4.0
1998-99	8.6	4.4
1999-00	6.8	5.1
2000-01	6.1	3.1
2001-02	6.4	4.5
2002-03	8.2	6.7
2003-04	12.9	9.5
2004-05	5.9	3.3
2005-06	4.1	0.8
2006-07	4.5	1.9
2007-08	4.2	-0.3
2008-09	3.9	-0.3
2009-10	3.0	4.2

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



- Since 1993-94, the percentage of council tax collected in-year in England has improved steadily until, in 2008-09, authorities collected 97.0% of council tax collectable in-year. The biggest improvement has been made in the collection rate of Inner London boroughs which collected 94.6% of council tax in 2008-09 as opposed to 76.0% in 1993-94 (see **section 2.2**).

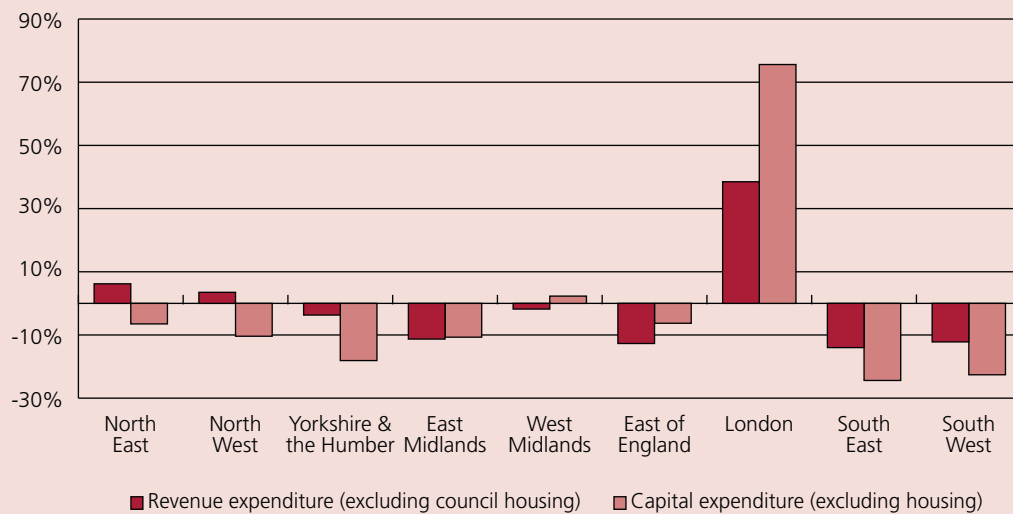
**K.4c: Council tax collection rates 1993-94 to 2008-09**



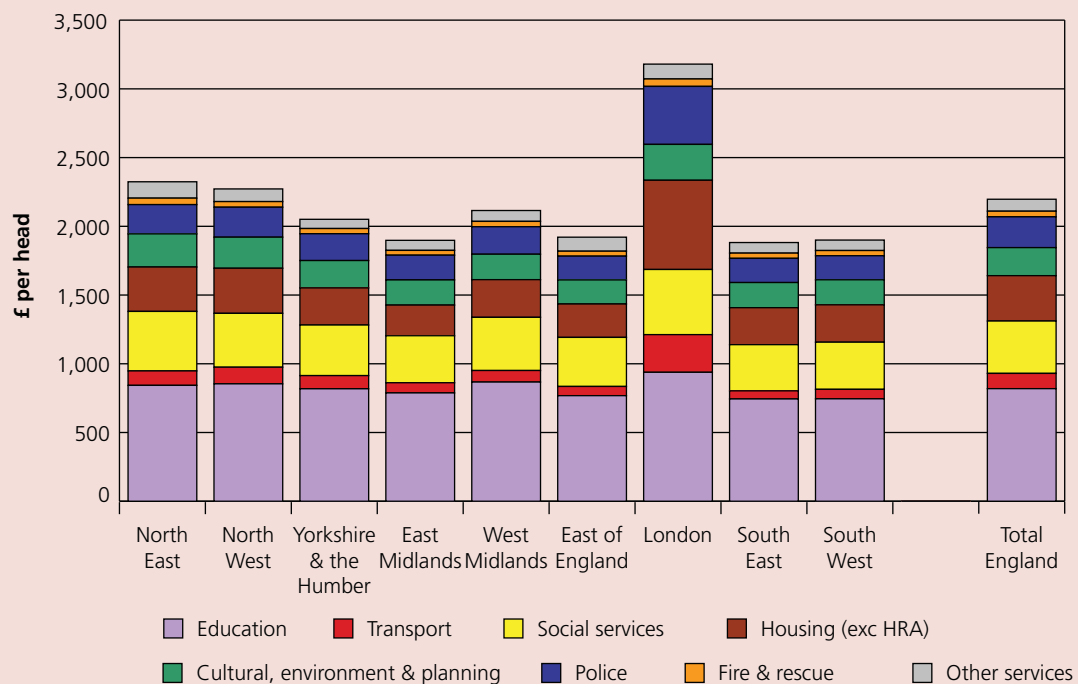
## K.5 Regional variations

- In 2008-09, London had the highest expenditure per head at 38% above the average for revenue and 76% for capital. Due to this large variation, most of the other regions are below the national average. The South East had the lowest expenditure per head for both revenue and capital at 13% below the average and 24% below the average respectively, with the South West close behind on both measures (see **section 3.3** and **section 4.1**).



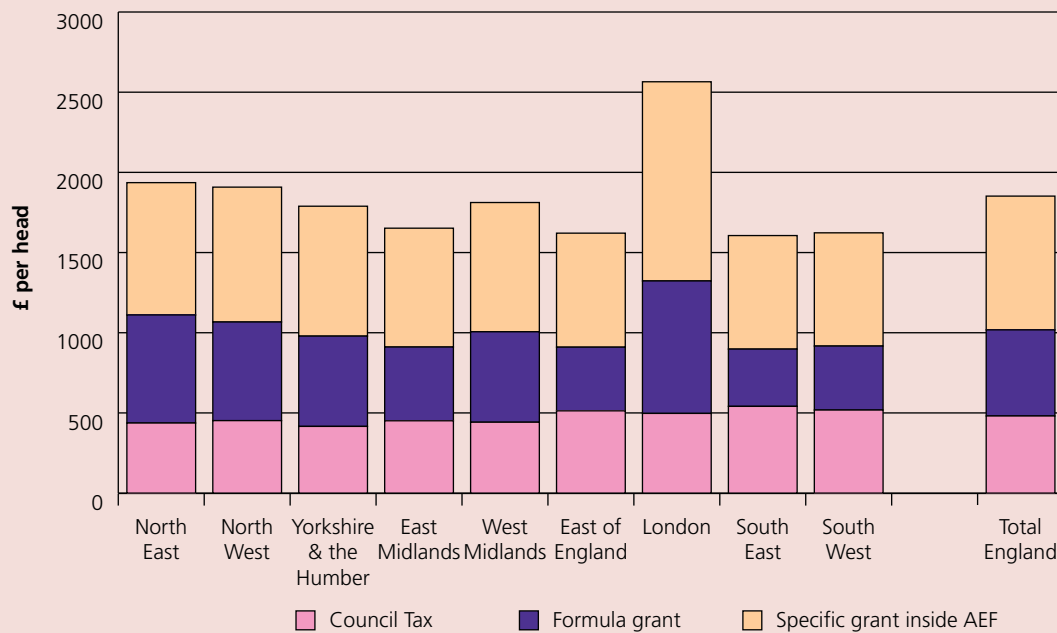
**Chart K.5a: Revenue and capital expenditure per head 2008-09 by region, percentage difference from England average**

- Net current expenditure on services was around £2,200 per head in 2008-09. London's spend was 48% above the England average including 147% above average for transport, 88% above average for police and 97% above average for housing. The East of England, South East, South West and East Midlands were all broadly around 14% below the England average over all services. This was mainly due to the variations in levels of spending on the three services mentioned above.

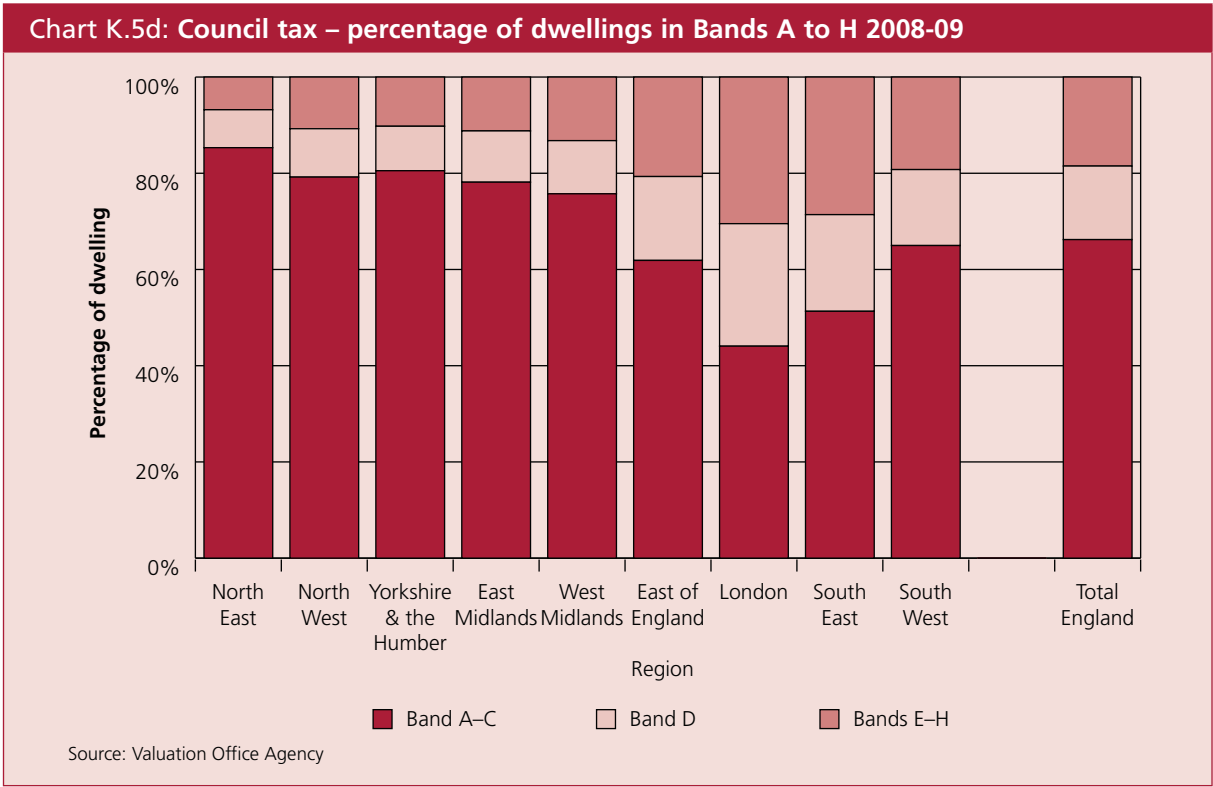
**Chart K.5b: Net current expenditure on services per head 2008-09**

- Regional expenditure differences reflect the differences in the amount of central government funding received. Because of its relatively greater needs and higher costs, London receives the highest levels of both **formula grant** and **specific grants inside AEF**. In comparison, the differences in council tax income between the regions are relatively small, and less than the variation that would be expected if all authorities set the same Band D council tax (see **section 2.4**).

Chart K.5c: Sources of revenue funding per head 2008-09



- Because of regional differences in house prices, there is a big difference in the proportion of properties in the different council tax bands in each region. In the North East, 85% of all properties are in Bands A to C, whereas in London the figure is only 44% (see **section 2.2**).



# 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, 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 has changed and is 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, indirectly by employing others or by facilitating delivery by other bodies.

Table 1.2a: Services delivered by local government	
Major service	Examples of what is delivered
Education	Schools – nursery, primary, secondary and special Pre-school education Youth, adult, family and community education Student support
Highways, Roads and Transport	Highways – construction and maintenance of non-trunk roads and bridges Street lighting Traffic management and road safety; 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 cleansing
Planning and development	Building and development control Planning policy – including conservation and listed buildings Environmental initiatives Economic and community development

Table 1.2a: Services delivered by local government (*continued*)

Major service	Examples of what is delivered
Protective services	Police services 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 Government Office 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 (GLA)** and its four functional bodies. The GLA itself comprises a directly elected Mayor, a separately elected Assembly and about 600 support staff. The four functional bodies **are**:
- Metropolitan Police Authority (MPA)
  - London Fire and Emergency Planning Authority (LFEPA)
  - Transport for London (TfL)
  - London Development Agency (LDA).
- 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 nine 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 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 cover each metropolitan area and shire county (sometimes combinations of these) – see **Map A1h**. In addition to this the South Downs National Park became a shadow authority able to decide on key strategies and policies as well as the type of organisation and staff needed to carry out its purposes and duty. This will become a full authority on 1 April 2011.

- 1.3.5 Most information in this publication is supplied by the principal authorities mentioned above, plus the park authorities and waste authorities shown in **Map A1i**.
- 1.3.6 Information is not collected from the third tier of local government, the 9,000 parish councils (of which over 700 are quality parish and town councils) or 1,000 parish meetings where there is no parish council. Further details on parish and town councils are given in **Annex A3**.
- 1.3.7 **Table 1.3a** shows the responsibilities for major services in the local authorities and **Annex A4** 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
<b>Number of authorities</b>	<b>36</b>	<b>20</b>	<b>56</b>	<b>27</b>	<b>201</b>	<b>55</b>	<b>1</b>	<b>32</b>	<b>1</b>	<b>4</b>
Education	✓		✓	✓			✓	✓		
Highways <sup>(a)</sup>	✓		✓	✓			✓	✓	✓	
Transport planning	✓		✓	✓			✓	✓	✓	
Passenger transport		✓	✓	✓					✓	
Social care	✓		✓	✓			✓	✓		
Housing	✓		✓		✓		✓	✓		
Libraries	✓		✓	✓			✓	✓		
Leisure and recreation	✓		✓		✓		✓	✓		
Environmental health	✓		✓		✓		✓	✓		
Waste collection	✓		✓		✓		✓	✓		
Waste disposal <sup>(b)</sup>	✓	✓	✓	✓			✓	✓		✓
Planning applications	✓		✓		✓		✓	✓		
Strategic planning	✓		✓	✓			✓	✓	✓	
Police		✓				✓	✓		✓	
Fire and rescue <sup>(c)</sup>		✓		✓		✓			✓	
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 UA, Isle of Wight, Northumberland, and Isles of Scilly are the only UA 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 £139.6bn (revenue expenditure) a year and employ about 1.8m full-time equivalent (FTE) staff.

1.4.2 Of all local authority employees nearly 0.4m FTEs work in education as teachers, 0.3m FTEs are employed on protection, law and order: police, fire, traffic wardens and police civilians and almost 1.1m FTEs work in administration and other support services.

1.4.3 There are 18,339 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 2009**

	Land area in hectares		Population mid-2008		Number of elected authorities	Number of councillors		Number of single purpose authorities	All authorities	
	million	%	million	%		number	%		number	%
Shire areas	12.2	93	32.7	64	284	13,916	76	64	348	79
Metropolitan areas	0.7	5	11.1	22	36	2,434	13	20	56	13
London	0.2	2	7.6	15	34	1,989	11	5	39	9
<b>England</b>	<b>13.1</b>	<b>100</b>	<b>51.4</b>	<b>100</b>	<b>354</b>	<b>18,339</b>	<b>100</b>	<b>89</b>	<b>443</b>	<b>100</b>

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

- 1.4.4 In addition there are around 10,000 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 A3**.

## 1.5 Local government in the national context

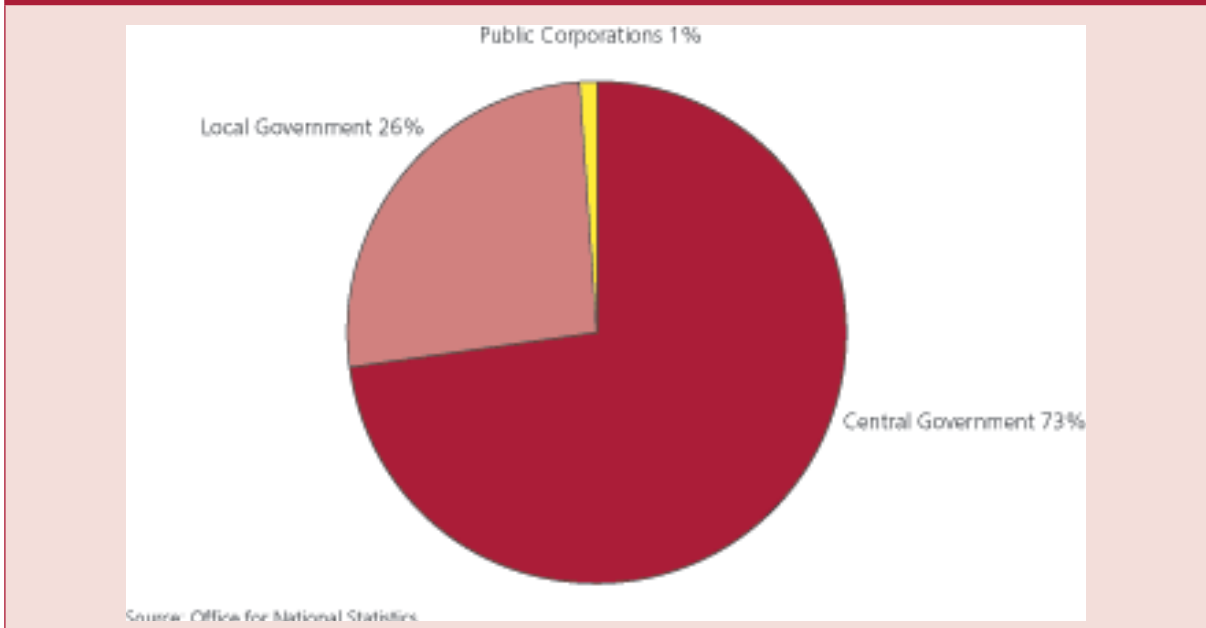
- 1.5.1 This section sets out local government's expenditure and income in the context of the public sector as a whole, local government's part in meeting HM Treasury's fiscal policy rules, and the size of the local government sector in the UK economy as a whole.

### LOCAL GOVERNMENT IN THE PUBLIC SECTOR

- 1.5.2 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 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 2008-09**

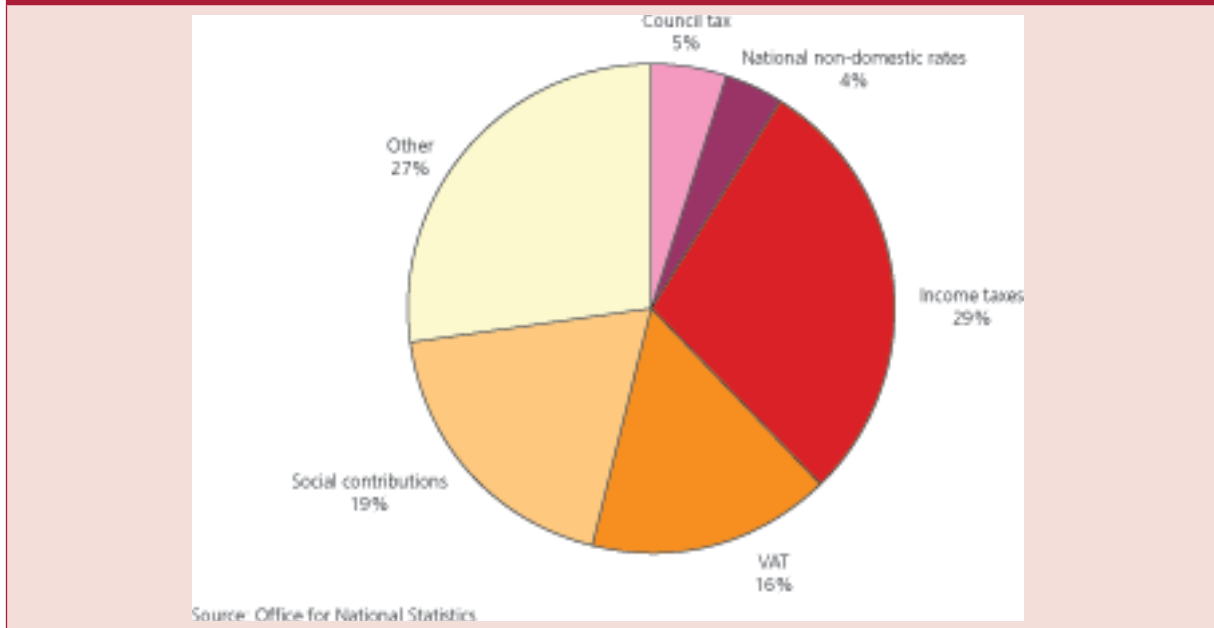


Total managed expenditure has been derived using the National Accounts definition

- 1.5.3 The data underlying **Chart 1.5a** can be found on the electronic version of this publication on the Department's website.
- 1.5.4 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 (DWP) 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.

**Chart 1.5b: Council tax and national non-domestic rates in government receipts, UK 2008-09**



- 1.5.5 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

- 1.5.6 The fiscal policy framework is outlined in the *Code for fiscal stability* ("the Code"), published alongside Budget 1998 and subsequently underpinned by legislation. The Code requires the Government to set out in each Budget its fiscal policy objectives and the rules by which it intends to operate fiscal policy.
- 1.5.7 The fiscal policy objectives are:
- over the medium term, to ensure sound public finances and that spending and taxation impact fairly both within and between generations; and
  - over the short term, to support monetary policy and, in particular, to allow the automatic stabilisers to help smooth the path of the economy.
- 1.5.8 Over the last economic cycle these objectives were implemented through the **golden rule** and the **sustainable investment rule**:
- the *golden rule* stated that over the economic cycle, the Government will borrow only to invest and not to fund current expenditure
  - the *sustainable investment rule* stated that **public sector net debt**, as a proportion of **Gross Domestic Product (GDP)**, will be held over the economic cycle at a stable and prudent level. Other things being equal, net debt will be maintained below 40 per cent of GDP over the economic cycle.
- 1.5.9 Performance against the *golden rule* was measured by the *Public Sector Current Budget* averaged over the economic cycle.

1.5.10 More recently, and in order to meet these objectives in the present economic circumstances, the then Government announced at the 2008 Pre-Budget Report (PBR) a commitment to deliver a sustained fiscal consolidation, underpinned by a new temporary fiscal operating rule:

- to set policies to improve the cyclically-adjusted current budget each year, once the economy emerges from the downturn, so it reaches balance and debt is falling as a proportion of GDP once the global shocks have worked their way through the economy in full.

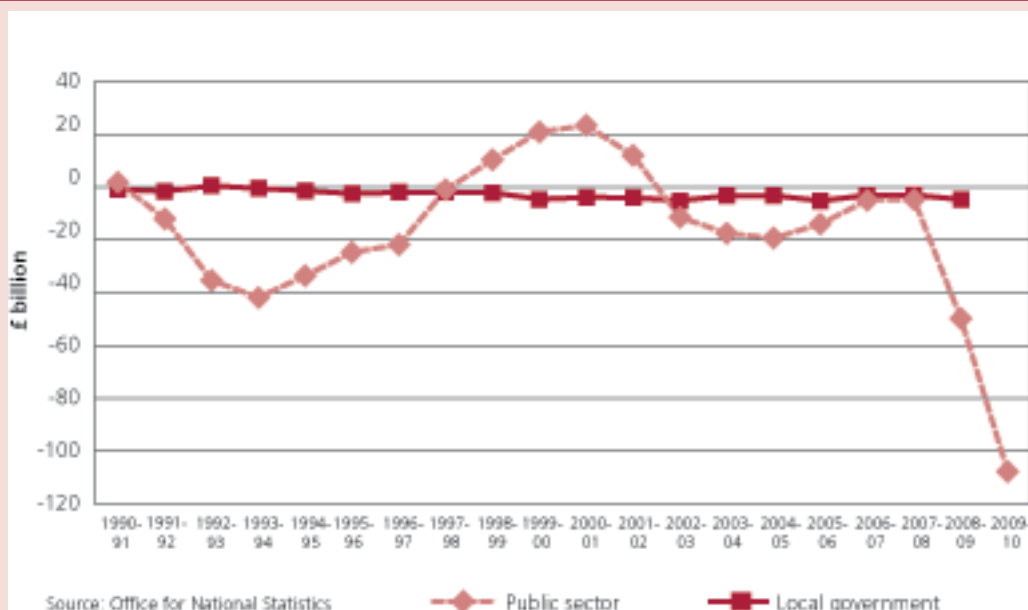
1.5.11 This was further elaborated in the 2009 Pre-Budget Report in which the Government of the day provided details about its Fiscal Consolidation Plan, which requires the Government to:

- halve public sector net borrowing as a share of GDP to 5.5 per cent of GDP or less by 2013-14
- reduce borrowing as a share of GDP in each and every year from 2009-10 to 2015-16; and
- ensure that public sector net debt is falling as a share of GDP by 2015-16.

1.5.12 The PBR went on to say that the Fiscal Consolidation Plan will target a measure of net borrowing that excludes the temporary effects of financial interventions, but which will include any permanent costs to the taxpayer.

- From 1990-91 to 2008-09 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.

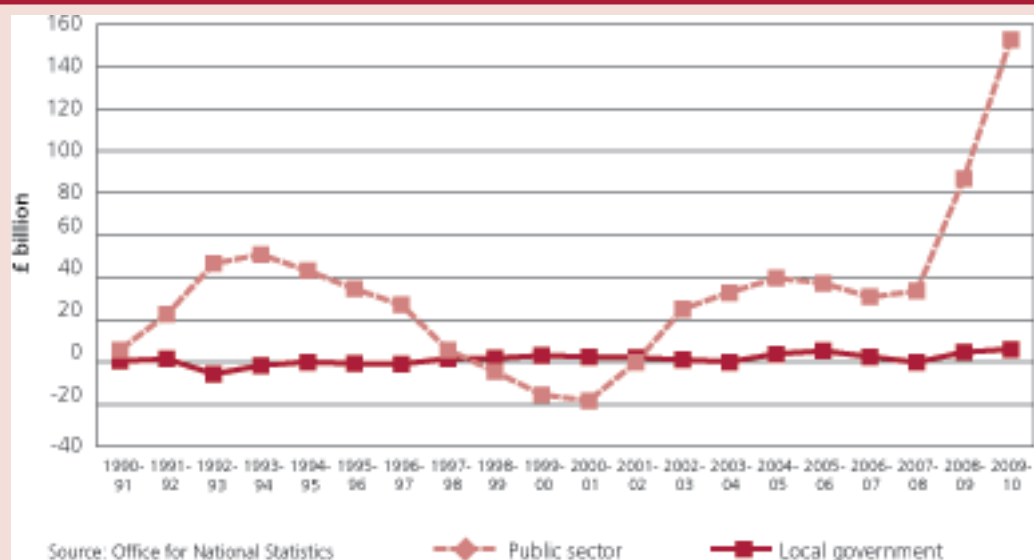
Chart 1.5c: Current budget, UK



- 1.5.13 The data underlying **Chart 1.5c** can be found on the electronic version of this publication on the Department's website.
- 1.5.14 **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.

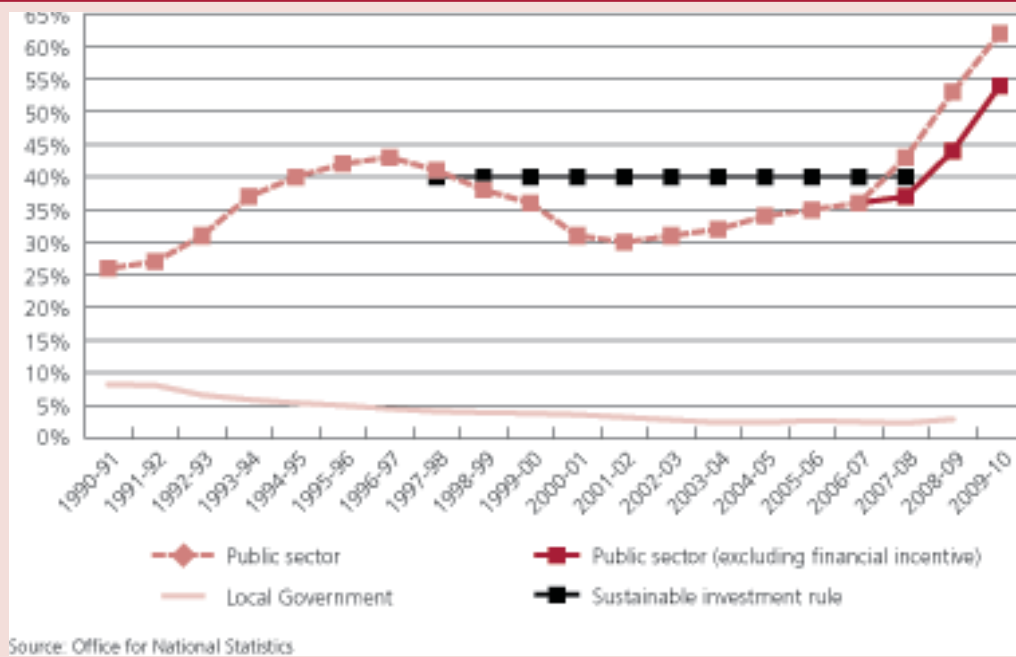
Chart 1.5d: Net borrowing, UK



- 1.5.15 The data underlying **Chart 1.5d** can be found on the electronic version of this publication on the Department's website.
- 1.5.16 The *sustainable investment rule* was achieved if, other things being equal, public sector net debt is maintained below 40 per cent of GDP over the economic cycle.

- *Local Government Net Debt* has fallen from 8% of GDP at 31 March 1991 to 3% of GDP at 31 March 2009. 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



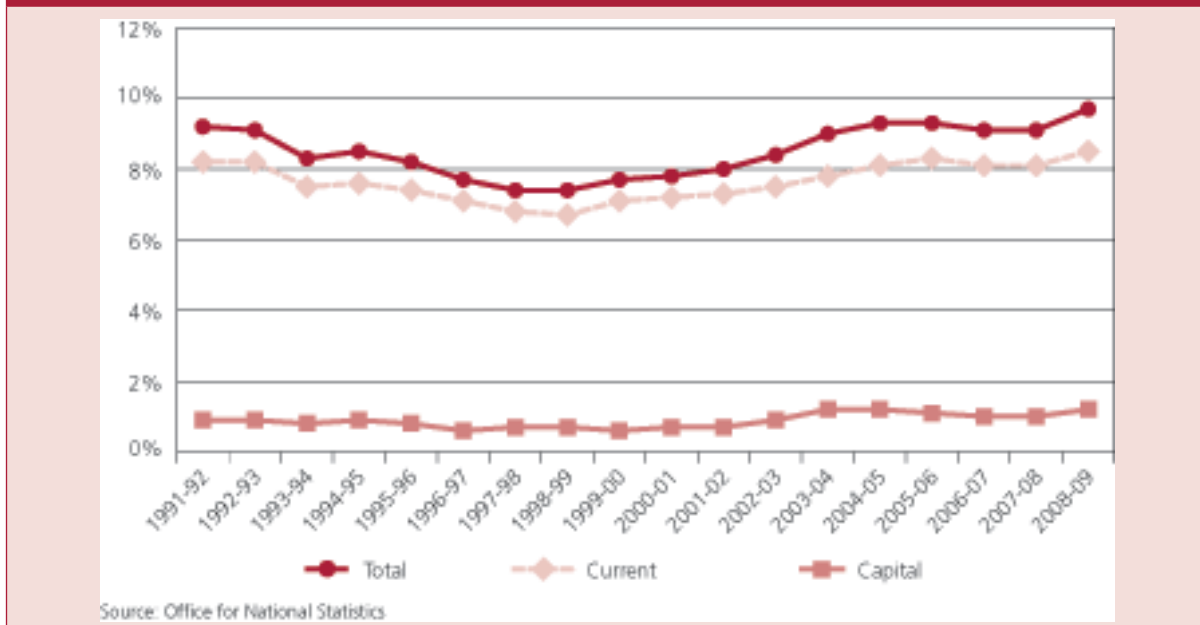
1.5.17 The data underlying **Chart 1.5e** can be found on the electronic version of this publication on the Department's website.

### LOCAL GOVERNMENT IN THE UK ECONOMY

1.5.18 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 2008-09, local government's share of all domestic expenditure was 9.7%; an increase compared to 9.1% in 2007-08.
- The share was at its lowest around 1998-99, at 7.4%.

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



1.5.19 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

	As at 31 March 2009				As at 1 April 2010			
	Billing authorities	Major precepting authorities <sup>(a)</sup>	Other authorities <sup>(b)</sup>	All authorities	Billing authorities	Major precepting authorities <sup>(a)</sup>	Other authorities <sup>(b)</sup>	All authorities
Shire areas	285	89	9	383	257	82	9	348
Metropolitan areas	36	12	8	56	36	12	8	56
London	33	1	5	39	33	1	5	39
England	354	102	22	478	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. The revenue accounts included are: general fund revenue account (GFRA), housing revenue account (HRA) and external trading services revenue account (TSR).
- 1.6.5 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.
- 1.6.6 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.
- 1.6.7 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) 2006-07 to 2008-09**

EXPENDITURE	2006-07	2007-08	2008-09	£ million Table refs
<b>General fund revenue account</b>				
Employees	59,828 (R)	61,701	62,912	3.4a
Running expenses	64,852 (R)	68,869	73,059	3.2c
less expenditure at (1) below	-4,680	-4,698	-5,090	
Pension FRS17 adjustment <sup>(a)</sup>	-1,492 (R)	-786	619	C2a
<b>Housing revenue account</b>				
Supervision, management, repairs and other expenditure	4,352	4,382 (R)	4,358	3.8e
<b>External trading services revenue account</b>				
Employees	175	166	156	C1g
Running expenses	624	626	672	C1g
External interest payments (all accounts)	2,754	2,821	2,941	C2a
<b>Total all revenue account expenditure<sup>(b)</sup></b>	<b>126,414 (R)</b>	<b>133,082 (R)</b>	<b>139,627</b>	
<b>Capital account<sup>(c)</sup></b>				
<b>Total capital expenditure</b>	<b>16,307</b>	<b>19,958</b>	<b>19,801</b>	<b>4.2a</b>
Capitalised revenue expenditure <sup>(d)</sup>	165	437	432	4.2a
Pooling of housing capital receipts <sup>(e)</sup>	817	653	153	4.6e
<b>TOTAL EXPENDITURE</b>	<b>143,703 (R)</b>	<b>154,129 (R)</b>	<b>160,013</b>	
<b>Double accounting adjustments (as numbered above)</b>				
<b>EXPENDITURE</b>				
<b>(1)</b>				
Net contribution to Housing Revenue Account (HRA)	14	9	13	C2a
Net contribution to Trading Services Revenue (TSR) accounts	-170	30	270	C2a
Recharges to other accounts	935	752	761	C1f
Rent rebates to HRA tenants	3,403 (R)	3,459	3,600	C2a
Payments to other local authorities <sup>(f)</sup>	498	448	447	C1h
<b>(a)</b> Defined as the difference between line 787 and line 817 on the Revenue Summary Outturn in table C2a.				
<b>(b)</b> Excluding double counting of flows between revenue accounts and capital financing except external interest payments.				
<b>(c)</b> 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.				
<b>(d)</b> Comprises capitalised revenue expenditure under section 16(2)(b) of the Local Government Act 2003 and LSVT (Large Scale Voluntary Transfer) levy.				
<b>(e)</b> Payments to the Secretary of State under regulations 12 and 13 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.				
<b>(f)</b> Comprises income/expenditure in respect of students educated by another local education authority (inter-authority education recoupment).				

**Table 1.6b: Summary of expenditure and income (excluding double counting of flows) 2006-07 to 2008-09 (continued)**

				£ million
INCOME	2006-07	2007-08	2008-09	Table refs
General fund revenue account				
Specific government grants outside AEF <sup>(g)</sup>	12,999	14,112	14,991	2.1a
Specific government grants inside AEF <sup>(h)</sup>	41,741	44,485	42,926	2.1a
Area Based Grant	...	...	3,051	2.1a
Revenue Support Grant <sup>(h)</sup>	3,378	3,105	2,854	3.2a
Redistributed NNDR	17,506	18,506	20,506	3.2a
Police Grant	3,936	4,028	4,136	3.2a
General GLA grant	38	38	48	3.2a
Council tax <sup>(i)</sup>	19,201	20,236	21,242	C2a/C2b
Council tax benefit grant	3,252	3,373	3,517	C2b
Sales, fees and charges	10,742 (R)	11,148	11,583	3.2c
Other income	10,461 (R)	11,025	11,193	3.2c
less income at (2) below	-1,433	-1,200	-1,208	
Housing revenue account				
Rents	6,160	6,265 (R)	6,219	3.8e
Government subsidies	150	11 (R)	-235	3.8e
Other income	660	739 (R)	921	3.8e
External trading service revenue accounts				
Sales, fees and charges	752	736	965	C1g
Other income	341	368	174	C1g
External interest receipts (all accounts)	1,481	1,862	1,926	C2a
Total revenue income	131,364 (R)	138,838 (R)	144,808	
Capital account				
Government grants <sup>(j)</sup>	4,083	7,007	5,733	4.4a
Other grants and contributions	1,344	2,019	1,978	4.4a
Capital receipts <sup>(k)</sup>	3,671	3,992	1,353	4.6a
Total capital income	9,097	13,019	9,064	
TOTAL INCOME	140,462 (R)	151,857 (R)	153,872	
LESS TOTAL EXPENDITURE	-143,703 (R)	-154,129 (R)	-160,013	
AMOUNT TO BE MET FROM FINANCING MOVEMENTS	-3,241 (R)	-2,272 (R)	-6,141	
Financing Movements				
Overhanging debt on housing sold, repaid by CLG	605 (R)	983 (R)	498	
Increase in borrowing	2,538	3,790	1,190	5.3a
less increase in investments <sup>(l)</sup>	-2,356 (R)	-4,268	3,283	5.3a
Implied accruals and timing adjustments <sup>(m)</sup>	2,454 (R)	1,767 (R)	1,171	
Total Financing Movements	3,241 (R)	2,272 (R)	6,141	
Double accounting adjustments (as numbered above)				
INCOME				
(2)				
Recharges to other accounts	935	752	761	C1f
Receipts from other local authorities <sup>(f)</sup>	498	448	447	C1h

(g) Excludes council tax benefit grant and rent rebates granted to HRA tenants.

(h) The large increase in grants inside AEF in 2006-07 is due to the introduction of the Dedicated Schools Grant in 2006-07. This results in a corresponding decrease in Revenue Support Grant.

(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 implied accruals and timing adjustments 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 – SORP***. 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
  - ***The Best Value Accounting Code of Practice – BVACOP***. 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 Chartered Institute of Public Finance Association **CIPFA** and are available for sale on the CIPFA website at [www.cipfa.org.uk](http://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 The SORP derives its status as a statement of recommended practice from the UK Accounting Standards Board. To confer that status the Board must be satisfied that the Code does not appear to contain any fundamental points of principle that are unacceptable in the context of current accounting practice, or to conflict with an accounting standard issued by the Board or its plans for future standards. The Board is normally prepared to accept a deviation from a standard in the local government SORP if there is no alternative because of the requirements of legislation.
- 1.7.5 Standards issued by the Board are primarily applicable to general purpose company financial statements. Since 1990 they have taken the form of Financial Reporting Standards (FRSs); before that standards were issued as Statements of Standard Accounting Practice (SSAPs), a few of which remain extant. The SORP sets out how each of the current standards applies to local authority accounts, and is expected to incorporate relevant requirements of new standards as they are issued, unless legislation prevents this.

- 1.7.6 With effect from the financial year 2010-11 local authority accounts will be based on International Financial Reporting Standards (IFRS). 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 CIPFA but will no longer be reviewed by the UK ASB and will cease to have the status of a SORP. 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 IFRS based Code for 2010-11 has already been published by CIPFA 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 increased from £126.4bn in 2004-05 to £153.9bn in 2008-09.
- Sixty-two per cent of the total local government income received in 2008-09 was in the form of government grants.

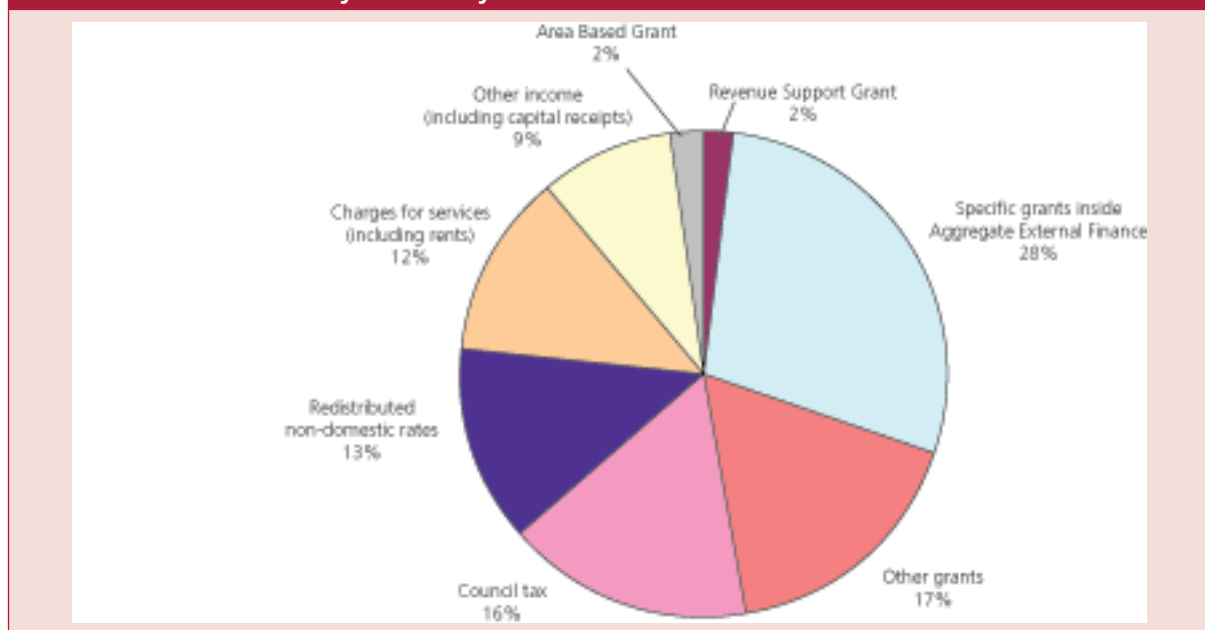
**Table 2.1a: Summary of local authority income 2004-05 to 2008-09**

	2004-05	2005-06	2006-07	2007-08	£ million 2008-09
<b>Grant income:</b>					
Revenue Support Grant <sup>(a)</sup>	26,964	26,663 II	3,378	3,105	2,854
Redistributed non-domestic rates	15,004	18,004	17,506	18,506	20,506
Police Grant	4,168	4,353	3,936	4,028	4,136
Specific and special grants inside Aggregate External Finance (AEF) <sup>(a)</sup>	14,090	14,785 II	41,741	44,485 II	42,926
Area Based Grant	...	...	...	... II	3,051
Other grants inside AEF <sup>(b)</sup>	36	37	38	38	48
Grants outside AEF <sup>(c)</sup>	11,078	11,804	12,999	14,112	14,991
Housing subsidy <sup>(d)</sup>	89	217	150	11	-235
<b>Grants towards capital expenditure</b>	<b>4,287</b>	<b>5,298</b>	<b>5,427</b>	<b>9,027</b>	<b>7,711</b>
<b>Total grant income</b>	<b>75,716</b>	<b>81,161</b>	<b>85,174</b>	<b>93,312</b>	<b>95,988</b>
<b>Locally-funded income</b>					
Council tax <sup>(e)</sup>	20,299	21,315	22,453	23,608	24,759
External interest receipts	1,125	1,215	1,481	1,862	1,926
Capital receipts	4,661	3,777	3,671	3,992	1,353
Sales, fees and charges	10,298	11,420	11,544	11,884	12,549
Council rents	6,173	6,208	6,160	6,265	6,219
<b>Total locally-funded income</b>	<b>42,556</b>	<b>43,935</b>	<b>45,309</b>	<b>47,612</b>	<b>46,806</b>
Other income and adjustments	8,117	9,384	10,245	10,932	11,079
<b>Total income</b>	<b>126,388</b>	<b>134,481</b>	<b>140,727</b>	<b>151,857</b>	<b>153,872</b>
Grants as a percentage of total income	60%	60%	61%	61%	62%

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 2008-09



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 £10.8bn in 2008-09. 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 2004-05 through to 2009-10. These figures are calculated on a **non-FRS17 basis**.

<b>Table 2.2a: Ratio of revenue expenditure and council tax by class</b>						
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 <sup>(b)</sup>
Inner London boroughs <sup>(a)</sup>	6.0	6.1	6.3	6.2	6.4	6.5
Outer London boroughs	3.9	4.0	4.1	4.1	4.2	4.2
Greater London Authority <sup>(b)</sup>	7.1	7.2	6.8	6.9	5.6	8.1
Metropolitan districts	4.9	5.0	4.9	4.9	5.0	5.0
Metropolitan police authorities	7.0	7.1	6.8	6.8	6.7	6.6
Metropolitan fire and rescue authorities	3.3	3.3	2.9	2.9	2.9	2.9
Shire unitary authorities	4.0	4.1	4.1	4.1	4.2	3.9
Shire counties	3.2	3.3	3.2	3.2	3.3	3.3
Shire districts	2.3	2.3	2.4	2.4	2.5	2.5
Shire police authorities	3.6	3.7	3.5	3.4	3.3	3.3
Shire fire and rescue authorities	2.0	2.0	1.9	1.9	1.9	1.9
<b>England</b>	<b>3.9</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>	<b>3.9</b>	<b>4.0</b>
Source: RO returns for 2004-05 to 2008-09 and RA returns for 2009-10 Figures are on a non-FRS17 basis.						
(a) Includes City of London.						
(b) The large increase in 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 2008-09.

- Most London boroughs and metropolitan districts have a ratio of revenue expenditure and council tax of more than four while most shire districts have a ratio of less than three.



**Table 2.2b: Ratio of revenue expenditure and council tax by class of authority 2008-09**

Band	Number of authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
less than 2	0	0	0	0	30	17	47
2 up to 2.5	1	0	0	0	109	8	118
2.5 up to 3	1	0	3	4	49	10	67
3 up to 4	9	2	17	28	44	21	121
4 up to 5	7	19	15	2	4	5	52
5 and above	15	15	12	0	2	7	51
<b>Total</b>	<b>33</b>	<b>36</b>	<b>47</b>	<b>34</b>	<b>238</b>	<b>68</b>	<b>456</b>

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 2004-05. 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**

	2004-05 <sup>(a)</sup>	2005-06 <sup>(a)</sup>	2006-07	2007-08	2008-09 <sup>(a)</sup>	£ million 2009-10 <sup>(a)</sup>
<b>As budgeted:</b>						<b>(B)</b>
Council tax requirement	20,299	21,315	22,453	23,608	24,759	25,633
Council tax benefit	3,095	3,199	3,386	3,583	3,658	4,039
<b>Net council tax income</b>	<b>17,552</b>	<b>18,349</b>	<b>19,104</b>	<b>20,025</b>	<b>21,101</b>	<b>21,594</b>
<b>Outturn figures:</b>						
Gross council tax due	20,631	21,806	22,939	24,080	25,230	-
Council tax benefit	3,039	3,230	3,385	3,471	3,672	-
<b>Net collectable debit</b>	<b>17,592</b>	<b>18,576</b>	<b>19,554</b>	<b>20,609</b>	<b>21,558</b>	<b>-</b>
Gross council tax due as a % of budgeted gross income	100.9	101.5	102.2	102.0	101.9	-
Net collectable debit as a % of budgeted net income	100.2	101.2	102.4	102.9	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.

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 to 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**.

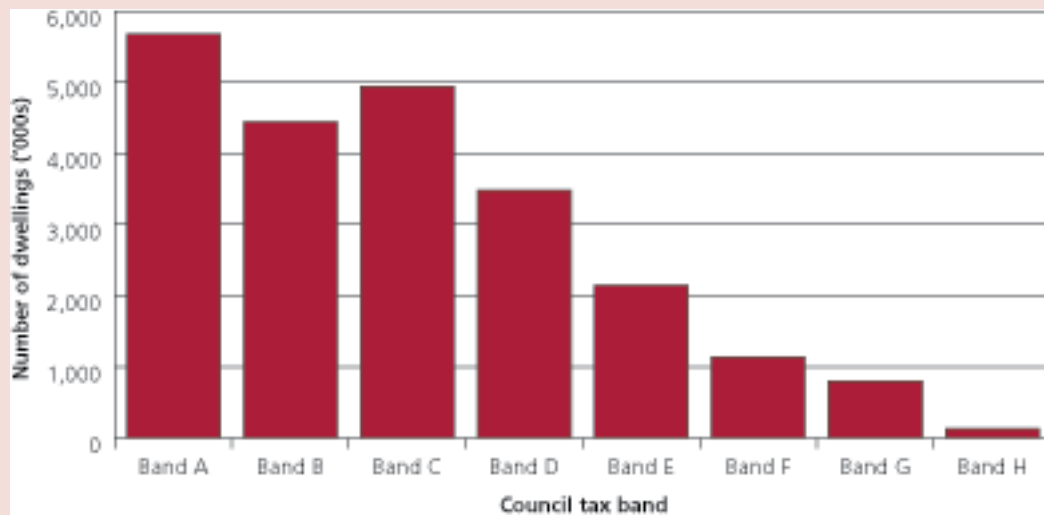
- Nationally, two thirds of properties are in Bands A to C and only 9% are in the top three bands.
- The pattern varies widely across regions. In the North East 56% of all properties are in Band A; in London the figure is just 3%. London and the South East accounts for 70% of all Band H properties in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

**Table 2.2d: Number of dwellings on valuation list as at 14 September 2009 (by region)**

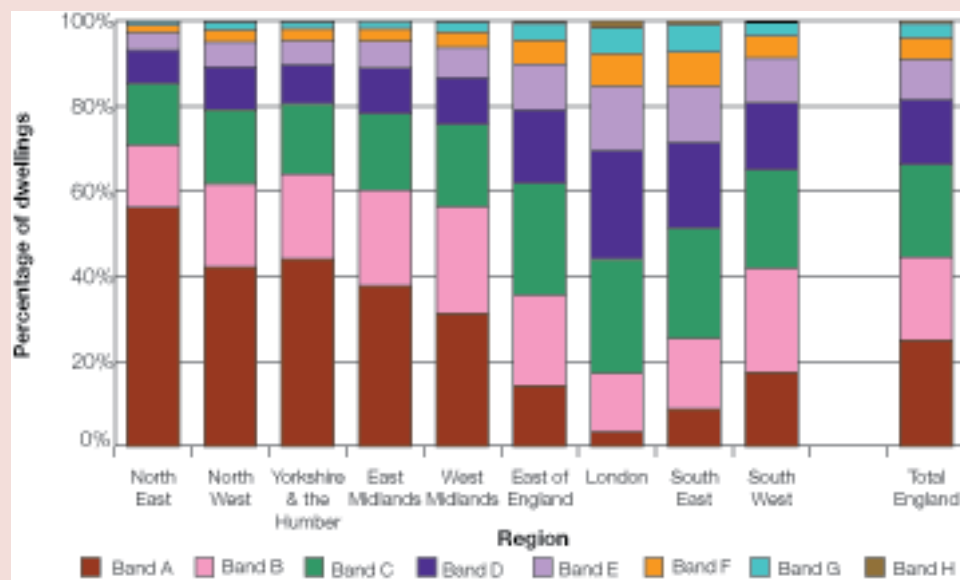
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Thousands Total
Valuation band ranges	Under £40,000	£40,001 to £52,000	£52,001 to £68,000	£68,001 to £88,000	£88,001 to £120,000	£120,001 to £160,000	£160,001 to £320,000	Over £320,000	
Ratio to Band D <sup>(a)</sup>	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
North East	659	173	170	92	46	20	12	1	1,174
North West	1,322	616	547	316	182	89	60	6	3,138
Yorkshire & the Humber	1,017	458	381	213	132	64	37	3	2,305
East Midlands	737	438	351	208	122	59	34	3	1,952
West Midlands	737	591	453	260	164	88	54	5	2,352
East of England	359	534	656	436	265	144	97	12	2,503
London	115	452	900	848	504	252	202	57	3,330
South East	322	607	943	733	484	292	234	33	3,649
South West	414	578	544	373	249	126	73	7	2,363
<b>Total England</b>	<b>5,682</b>	<b>4,447</b>	<b>4,946</b>	<b>3,479</b>	<b>2,149</b>	<b>1,134</b>	<b>801</b>	<b>128</b>	<b>22,766</b>
<b>% in band</b>	<b>25.0</b>	<b>19.5</b>	<b>21.7</b>	<b>15.3</b>	<b>9.4</b>	<b>5.0</b>	<b>3.5</b>	<b>0.6</b>	<b>100.0</b>

Source: Valuation Office Agency

(a) Within an authority, the council tax for each valuation band is a fixed ratio to 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 14 September 2009**

Source: Valuation Office Agency

**Chart 2.2f: Distribution of dwellings by council tax band and region as at 14 September 2009**

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 rebill 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 rebilling.

- 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%.

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 (RPI)** 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 149% in cash terms or 66% in real terms between 1993-94 and 2009-10.

**Table 2.2g: Average council taxes and increase in Retail Prices Index 1993-94 to 2009-10**

	Council tax <sup>(a)</sup>			Average per dwelling	Retail Prices Index	Average UK earnings <sup>(c)</sup>
	Band D, 2 adults for area					
	£	% increase	% increase real terms <sup>(b)</sup>			
1993-94 <sup>(d)</sup>	568	-	-	456	-	-
1994-95 <sup>(d)</sup>	580	2.1	-0.4	473	2.6	3.0
1995-96 <sup>(d)</sup>	609	5.0	1.6	498	3.3	4.0
1996-97 <sup>(d)</sup>	646	6.1	3.6	529 (R)	2.4	3.4
1997-98 <sup>(d)</sup>	688	6.5	4.0	564	2.4	3.8
1998-99 <sup>(d)</sup>	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 <sup>(d)</sup>	1,167	5.9	3.3	967	2.5	4.5
2005-06 <sup>(d)</sup>	1,214	4.1	0.8	1,009	3.2	4.5
2006-07	1,268	4.5	1.9	1,056	2.6	3.7
2007-08	1,321	4.2	-0.3	1,101	4.5	3.3
2008-09 <sup>(d)</sup>	1,373	3.9	-0.3	1,145	4.2	3.5
2009-10 <sup>(d)</sup>	1,414	3.0	4.2	1,175	-1.2	3.3
% change 1993-94 to 2009-10		148.9	65.5	157.7	50.4	73.1

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 2005-06 to 2009-10**

	Band D council tax <sup>(a)</sup> , 2 adults for area					£ Average per dwelling
	2005-06 <sup>(b)</sup>	2006-07	2007-08	2008-09 <sup>(b)</sup>	2009-10 <sup>(b)</sup>	2009-10
North East	1,280	1,329	1,380	1,429	1,479	1,036
North West	1,235	1,289	1,345	1,396	1,442	1,069
Yorkshire & the Humber	1,182	1,234	1,286	1,337	1,379	1,027
East Midlands	1,242	1,295	1,348	1,408	1,454	1,115
West Midlands	1,197	1,246	1,297	1,346	1,387	1,091
East of England	1,232	1,290	1,349	1,408	1,451	1,270
London	1,162	1,214	1,258	1,292	1,308	1,212
South East	1,218	1,275	1,331	1,390	1,436	1,346
South West	1,236	1,294	1,352	1,413	1,462	1,244
<b>Total England</b>	<b>1,214</b>	<b>1,268</b>	<b>1,321</b>	<b>1,373</b>	<b>1,414</b>	<b>1,175</b>
<i>of which:</i>						
Inner London	1,020	1,059	1,090	1,112	1,117	1,020
Outer London	1,247	1,308	1,361	1,402	1,426	1,333
Metropolitan areas	1,190	1,237	1,284	1,328	1,372	981
Shire unitary authorities	1,197	1,251	1,302	1,358 II	1,429	1,140
Shire district areas	1,245	1,303	1,362	1,422 II	1,465	1,285
Predominantly Urban <sup>(c)</sup>	1,198	1,250	1,300	1,348	1,383	1,109
Significant Rural <sup>(c)</sup>	1,224	1,280	1,339	1,396	1,444	1,265
Predominantly Rural <sup>(c)</sup>	1,248	1,305	1,362	1,422	1,468	1,291

	Band D council tax <sup>(a)</sup> , 2 adults for area					% increase
	2005-06 <sup>(b)</sup>	2006-07	2007-08	2008-09 <sup>(b)</sup>	2009-10 <sup>(b)</sup>	
North East	4.1	3.8	3.8	3.5	3.5	
North West	4.1	4.3	4.4	3.7	3.3	
Yorkshire & the Humber	4.4	4.4	4.2	3.9	3.2	
East Midlands	3.7	4.2	4.1	4.4	3.3	
West Midlands	4.0	4.1	4.1	3.8	3.1	
East of England	3.9	4.7	4.6	4.3	3.1	
London	3.8	4.5	3.6	2.7	1.3	
South East	4.2	4.7	4.4	4.4	3.3	
South West	4.3	4.7	4.5	4.5	3.5	
<b>Total England</b>	<b>4.1</b>	<b>4.5</b>	<b>4.2</b>	<b>3.9</b>	<b>3.0</b>	
<i>of which:</i>						
Inner London	3.3	3.9	2.9	2.0	0.5	
Outer London	4.1	4.9	4.1	3.0	1.7	
Metropolitan areas	4.1	3.9	3.8	3.4	3.3	
Shire unitary authorities <sup>(d)</sup>	4.5	4.5	4.1	4.3 II	3.5	
Shire district areas <sup>(e)</sup>	3.9	4.6	4.5	4.4 II	3.2	
Predominantly Urban <sup>(c)</sup>	4.1	4.4	4.0	3.6	2.6	
Significant Rural <sup>(c)</sup>	3.8	4.6	4.6	4.3	3.4	
Predominantly Rural <sup>(c)</sup>	4.2	4.5	4.4	4.4	3.2	

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).

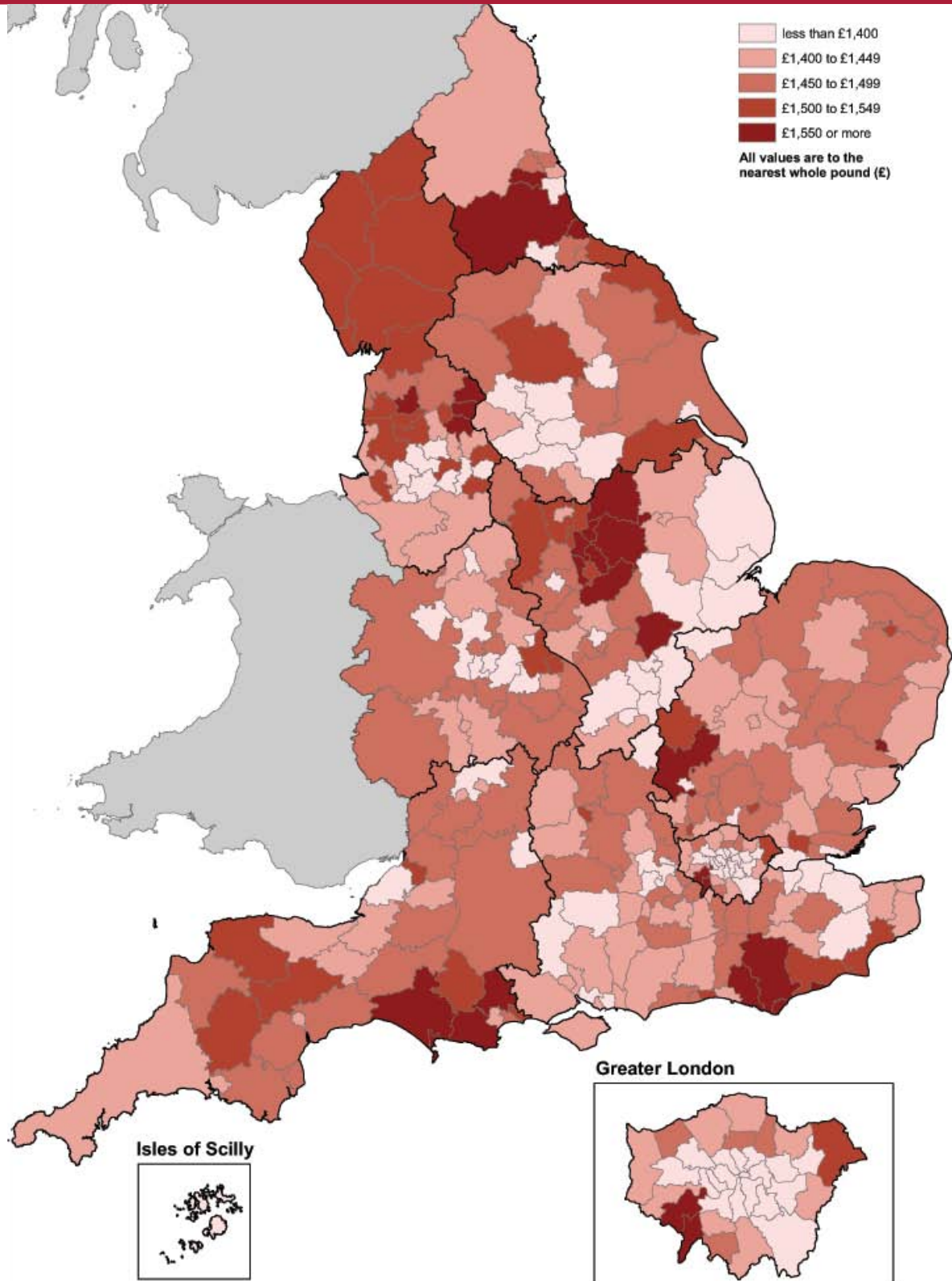
(d) Percentage change figures assume that the new unitary authorities created on 1 April 2009 were also in existence in 2008-09. To allow meaningful comparisons, the corresponding 2008-09 district and county figures have been aggregated.

(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 level Band D council tax. These can be found in the North, the Midlands, the East, the South East and the South West. (see **Map 2.2i**).

**Map 2.2i: Band D area council tax 2009-10**



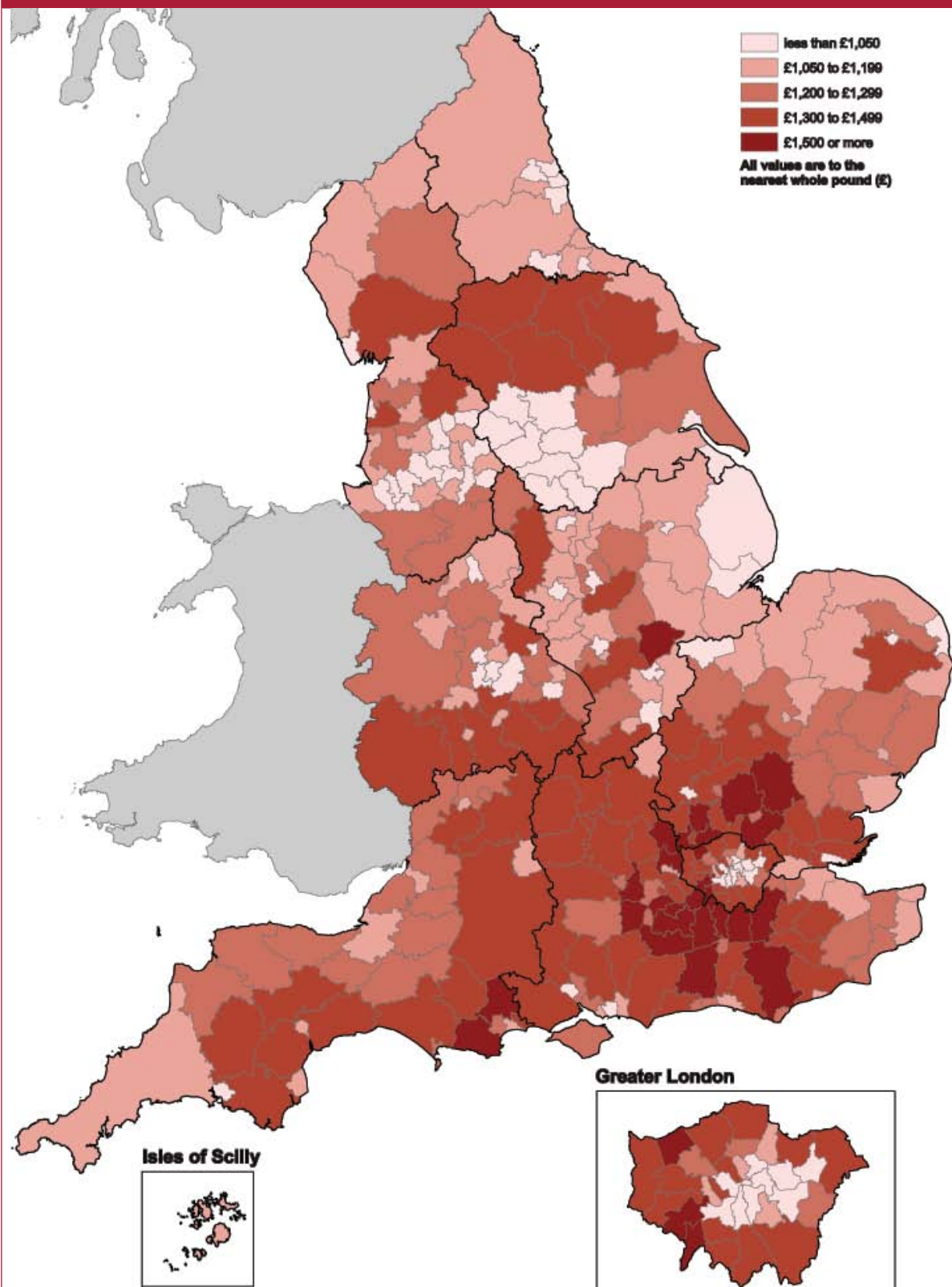
Source: BR returns, CTB returns

Produced by DCAA, Local Government Finance

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- 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 2009-10**

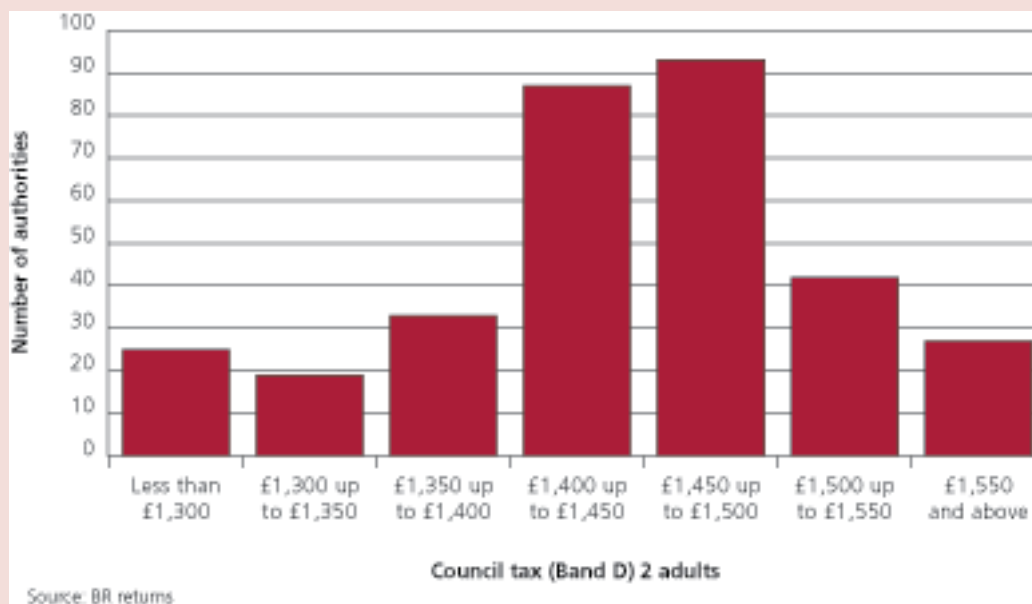


Source: BR returns, CTB returns  
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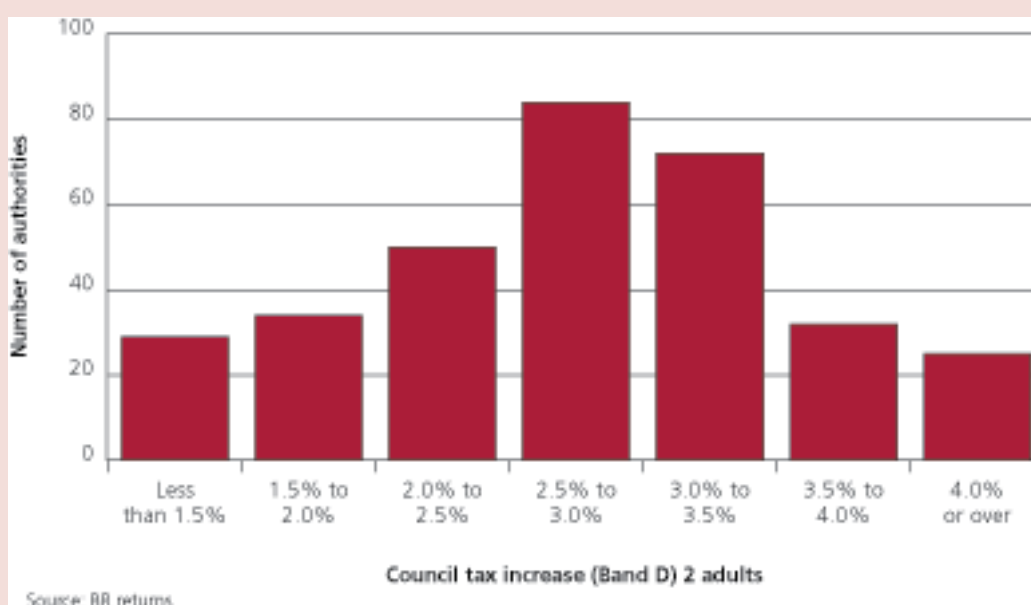
- Band D area council tax for 2009-10 was between £1,400 and £1,500 in over 55% of billing authorities (180 of 326).

**Chart 2.2k: Distribution of authorities by area council tax, Band D, 2 adults, 2009-10**



- For 48% of the 326 billing authorities, the percentage increase in Band D area council taxes between 2008-09 and 2009-10 were between 2.6% and 3.5% and for nearly 35% of the 326 billing authorities, the percentage increase was less than 2.5%.
- For the remaining 17% of billing authorities, the percentage increase was higher than 3.5%. Some 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 less 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.

- As at 5 October 2009, 272 out of the 326 billing authorities reported they had reduced the discount for second homes in their area and 225 billing authorities had removed or reduced the discount for long-term empty homes in their area.
- Between 1 April and 5 October 2009 35 billing authorities reported they had used the power to grant discretionary discounts or 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 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 22.0m dwellings on the Valuation Office valuation list liable for council tax as at 14 September 2009. This is an increase of 1% compared with 2008 and an increase of 3% compared with 2005.
- The number of dwellings on the valuation list that are exempt from council tax increased by 1% compared with 2008 and by 10% compared with 2005.
- 7.6m dwellings were entitled to a discount as a result of being occupied by single adults. This represents 33% of all dwellings.
- The discount given to long term empty properties can vary between 0% and 50%. Whilst the number of long term empty properties has remained broadly stable between 2005 and 2009, the percentage of all long term empty properties that were subject to a discount has fallen from 67% to 55%.

**Table 2.2m: Number of chargeable dwellings<sup>(a)</sup>**

	2005	2006	2007	2008	2009
				thousands	
Total number of dwellings on valuation lists	21,980	22,177	22,388	22,596	22,766
Number of dwellings exempt from council tax	710	735	762	777	784
Number of demolished dwellings	4	4	3	3	2
<b>Number of dwellings on valuation list liable for council tax<sup>(b)</sup></b>	<b>21,267</b>	<b>21,439</b>	<b>21,623</b>	<b>21,816</b>	<b>21,979</b>
<b>Number of dwellings subject to a discount</b>	<b>8,018</b>	<b>8,070</b>	<b>8,106</b>	<b>8,177</b>	<b>8,243</b>
of which:					
<i>second homes<sup>(c)</sup></i>	236	240	239	245	252
<i>long-term empty homes<sup>(d)</sup></i>	212	209	188	185	174
<i>single adults</i>	7,351	7,432	7,485	7,544	7,604
<i>all residents disregarded for council tax purposes</i>	33	32	32	32	33
<i>all but one resident disregarded for council tax purposes</i>	186	156	162	170	181
<b>Number of dwellings not subject to a discount</b>	<b>13,249</b>	<b>13,369</b>	<b>13,517</b>	<b>13,639</b>	<b>13,736</b>
of which:					
<i>long-term empty homes<sup>(d)</sup></i>	102	111	126	143	143
<i>others</i>	13,147	13,259	13,391	13,496	13,593

Source: CTB returns

(a) As at 19 September 2005, 18 September 2006, 17 September 2007, 15 September 2008 and 14 September 2009

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

(c) 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 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.
- 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.

**Table 2.2n: Collection rates<sup>(a)</sup>: Council tax 1993-94 to 2008-09**

	All English authorities	Inner London boroughs <sup>(b)</sup>	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

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.

2.2.17 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 per cent.

2.2.18 **Table 2.2o** shows the distribution of council tax collection rates by class of authority for 2008-09.

- Two metropolitan districts and three London boroughs had a council tax collection rate of over 98% compared with 11 unitary authorities and 128 shire districts.
- Four shire districts had a collection rate of less than 95% compared to 11 London boroughs, seven unitary authorities and seven metropolitan districts.

**Table 2.2o: Council tax collection rates by class of authority 2008-09**

Band (%)	Number of Authorities				
	London boroughs	Metropolitan districts	Unitary authorities	Shire districts	England
less than 95	11	7	7	4	29
95 up to 96	9	8	4	7	28
96 up to 97	7	18	15	23	63
97 up to 98	3	1	10	76	90
98 up to 99	3	2	10	113	128
99 and above	0	0	1	15	16
<b>Total</b>	<b>33</b>	<b>36</b>	<b>47</b>	<b>238</b>	<b>354</b>

Source: QRC4 returns

**Table 2.2p: Outstanding arrears of council tax**

	£ million	
	Council tax	
	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

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 to nationally-set non-domestic rates (NNDR), 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 2003, using a list compiled for 1 April 2005).

Table 2.3a: Number of non-domestic hereditaments on local rating lists at 22 November 2009							
Rateable value							thousands
	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	Total
North East	5	28	23	7	6	7	76
North West	15	81	78	23	21	23	241
Yorkshire & the Humber	10	60	58	17	14	16	175
East Midlands	8	48	44	13	11	12	136
West Midlands	12	60	60	18	16	17	183
East of England	16	45	61	21	18	20	181
London	11	52	91	40	37	51	282
South East	14	60	89	30	28	30	251
South West	13	62	64	19	16	16	190
Total England	104	496	568	188	167	192	1,715
% of Total	6	29	33	11	10	11	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 2009-10, this was 48.1p in the pound for ratepayers benefiting from the **small business rate relief** scheme, and 48.5p in the pound for other properties. Further adjustments may be made for other reliefs.

**Table 2.3b: Rateable values on local rating lists at 22 November 2009**

	£ million						Number of hereditaments (thousand)
	Shops	Offices	Warehouses	Factories	Others	Total	
North East	652	288	133	326	701	2,100	76
North West	1,941	1,012	720	766	2,135	6,574	241
Yorkshire & the Humber	1,309	668	544	678	1,498	4,697	175
East Midlands	865	340	586	593	1,122	3,506	136
West Midlands	1,280	700	744	701	1,435	4,860	183
East of England	1,504	869	765	655	1,732	5,525	181
London	3,414	7,209	1,062	497	3,866	16,048	282
South East	2,362	1,604	975	779	2,719	8,439	251
South West	1,394	638	466	492	1,646	4,636	190
<b>Total England</b>	<b>14,721</b>	<b>13,328</b>	<b>5,995</b>	<b>5,487</b>	<b>16,854</b>	<b>56,385</b>	<b>1,715</b>
<b>% of Total</b>	<b>26</b>	<b>24</b>	<b>11</b>	<b>10</b>	<b>30</b>	<b>100</b>	
Source: HM Revenue and Customs							

**Table 2.3c: Outturn national non-domestic rate yield from local lists, in England, since 2005-06<sup>(a)</sup>**

	£ million				
	2005-06	2006-07	2007-08	2008-09	2009-10 (B)
<b>Yield before reliefs in respect of current year</b>	<b>19,484</b>	<b>20,013</b>	<b>20,521</b>	<b>21,307</b>	<b>22,473</b>
<i>add</i>					
Changes in respect of previous years	-740	-477	-948	-670	0
<i>less</i>					
Buoyancy Factor Allowance	-	-	-	-	188
<b>Yield before reliefs</b>	<b>18,745</b>	<b>19,536</b>	<b>19,573</b>	<b>20,637</b>	<b>22,285</b>
<i>less</i>					
Transitional Relief	822	278	-120	-73	0
Mandatory Relief	2,061	2,191	2,137	1,396	1,493
Discretionary Relief	36	38	39	42	42
Small Business Rate Relief	-104	-57	148	145	127
Schedule of Payment agreements	-	-	-	59	-
<b>Net rate yield</b>	<b>15,928</b>	<b>17,086</b>	<b>17,369</b>	<b>19,068</b>	<b>20,623</b>
<i>less</i>					
Collection costs including losses	251	233	232	347	225
<b>Contribution to the pool</b>	<b>15,677</b>	<b>16,853</b>	<b>17,138</b>	<b>18,722</b>	<b>20,398</b>
	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10 (B)</b>
Small business rate multiplier (pence)	41.5	42.6	44.1	45.8	48.1
National non-domestic rates multiplier (pence)	42.2	43.3	44.4	46.2	48.5
Number of hereditaments ('000) <sup>(b)</sup>	1,651	1,663	1,681	1,692	1,698
Rateable value <sup>(b)(c)</sup>	46,280	47,094	47,314	46,888	46,721

Source: NNDR1 and NNDR3 returns – data for 2005-06 to 2008-09 are outturn figures from NNDR3; those for 2009-10 are budget estimates from NNDR1.

(a) This excludes contributions from the central list and other contributions to the pool.

(b) As at 31 December in previous year.

(c) Based on draft list for use following April 2005 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 per cent and where local authorities have the discretion to top the amount up to 100 per cent. 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 2005 transitional scheme aims to be revenue neutral by phasing in both increases and decreases over a maximum of four years, instead of all ratepayers receiving the full impact of the changes immediately on 1 April 2005.



- The Rating (Empty Properties) Act 2007 reduced the period for which relief is granted for empty properties. The period of relief varies according to the type of property. As a result, the amount of relief awarded to empty properties in 2008-09 reduced by £807m, or more than 60%, compared with 2007-08.

**Table 2.3d: Mandatory and discretionary rate reliefs<sup>(a)</sup>**

	£ million				
	2005-06	2006-07	2007-08	2008-09	2009-10 (B)
<b>Mandatory Reliefs</b>					
Charity	678.1	759.5	770.7	853.8	889.2
Rural village shop	5.7	5.2	5.9	6.1	6.1
Former agricultural premises <sup>(b)</sup>	1.4	0.6	0.0	0.0	-
Partly occupied	54.6	54.5	55.9	36.3	14.4
Empty premises <sup>(c)</sup>	1,313.5	1,361.8	1,294.0	487.0	569.8
Community amateur sports clubs	7.3	9.4	10.6	12.7	13.1
<b>Total</b>	<b>2,060.6</b>	<b>2,191.0</b>	<b>2,137.0</b>	<b>1,395.8</b>	<b>1,492.6</b>
<b>Discretionary Reliefs</b>					
Charity	7.6	8.2	8.8	9.1	9.7
Non-profit making bodies	23.6	25.4	25.7	27.9	28.3
Rural village shop	1.9	1.9	2.0	2.1	2.1
Other small rural business	1.2	1.2	1.3	1.3	1.3
Former agricultural premises <sup>(b)</sup>	0.1	0.1	0.0	0.0	-
Hardship	1.0	1.4	0.9	1.3	-
Charges on property	0.0	0.0	0.0	0.1	-
Community amateur sports clubs	0.2	0.1	0.2	0.2	0.3
<b>Total</b>	<b>35.7</b>	<b>38.2</b>	<b>38.9</b>	<b>41.9</b>	<b>41.7</b>

Source: NNDR1 and NNDR3 returns – data for 2005-06 to 2008-09 are outturn figures from NNDR3; those for 2009-10 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 2001-02 to 2010-11**

£ million								
	Multiplier (pence)	Local List			Contribution to the pool	Central list receipts	Other contribu- tions <sup>(b)</sup>	Total Contribution to the pool
		Number of heredita- ments <sup>(a)</sup> ('000s)	Rateable value <sup>(a)</sup>	Notional yield in respect of current year				
2001-02	43.0	1,632	39,068	16,952	14,253	1,048	274	15,575
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	15,534
2004-05	45.6	1,647	39,466	17,908	14,738	1,030	87	15,856
2005-06	41.5 <sup>(c)</sup>	1,651	46,280	19,484	15,677	1,097	10	16,786
2006-07	42.6 <sup>(c)</sup>	1,663	47,094	20,013	16,853	1,148	0	18,002
2007-08	44.1 <sup>(d)</sup>	1,681	47,314	20,521	17,138	1,177	20	18,335
2008-09	45.8 <sup>(e)</sup>	1,692	46,888	21,307	18,732	1,153	11	19,895
2009-10	48.1 <sup>(e)</sup>	1,698	46,664	22,473	20,296	1,237	11	21,544
2010-11 <sup>(f)</sup>	40.7 <sup>(c)</sup>	1,716	56,373	22,739	20,534	1,251	12	21,796

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.

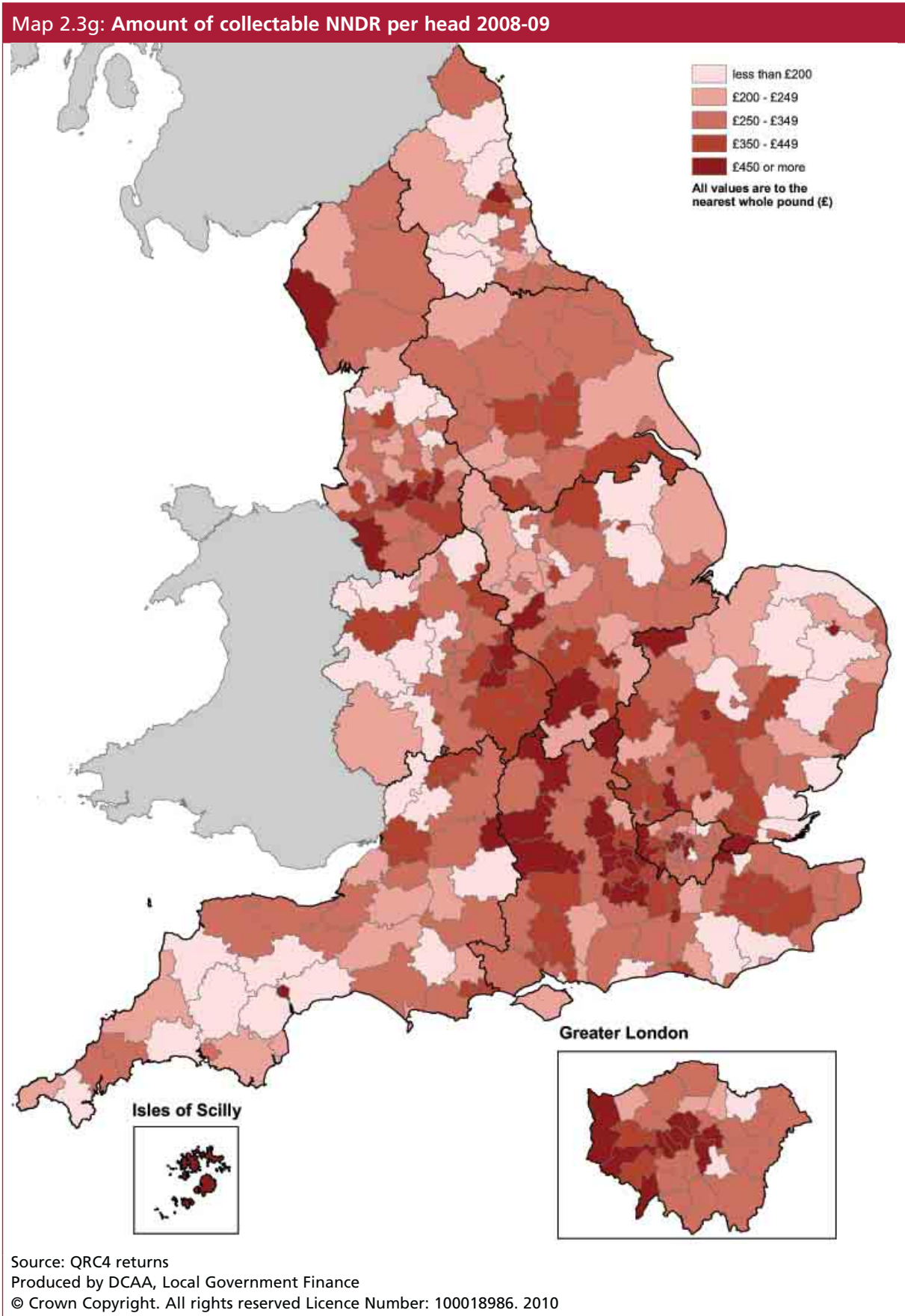
(f) The figures for 2010-11 are estimates used in the calculation of the Distributable Amount (see table 2.3m).

- London accounts for 26% of the contribution to the national pool while having only 15% of the population.

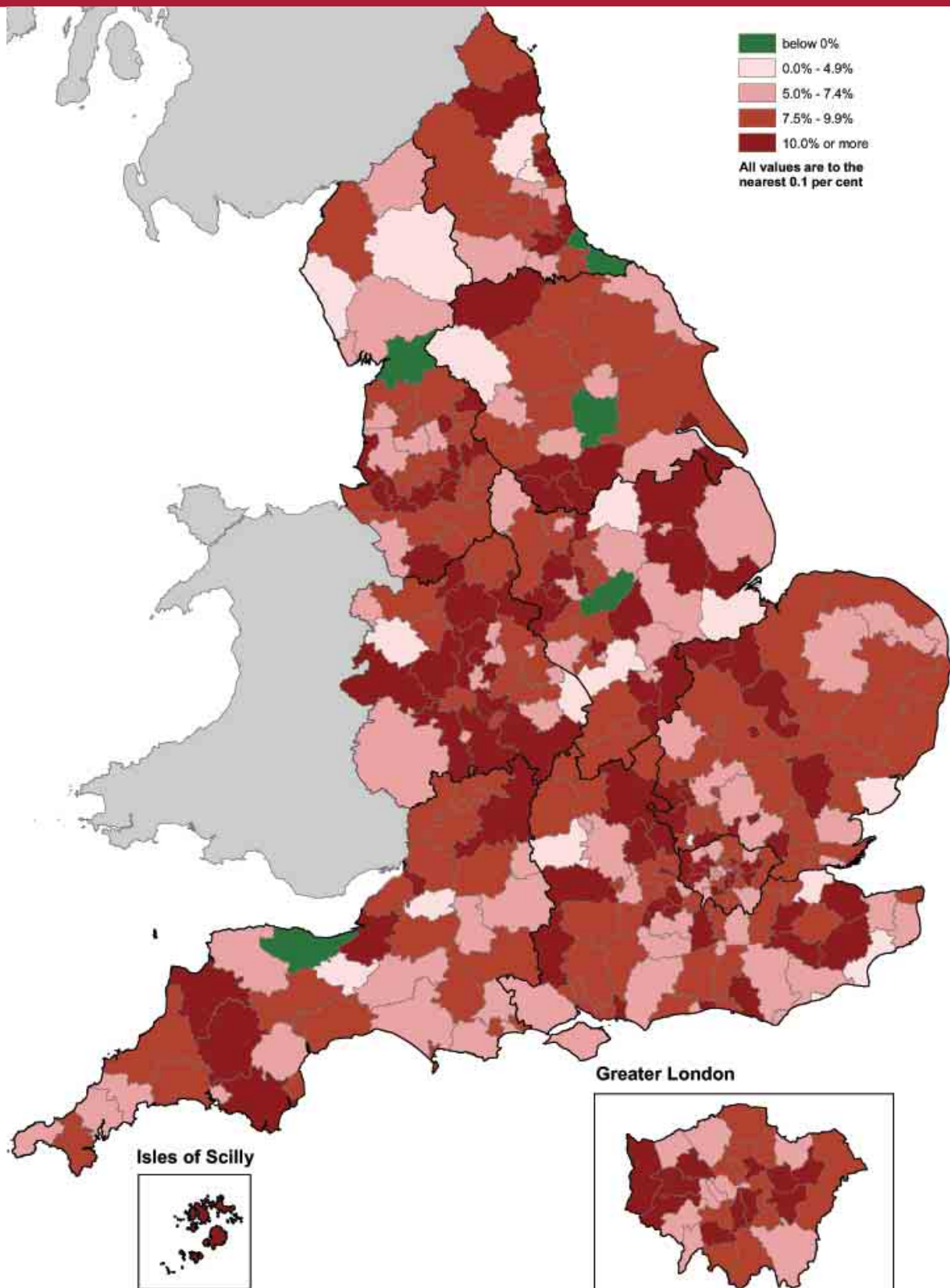
**Table 2.3f: Contribution to national non-domestic rates pool by region 2009-10**

	Contribution to pool (£ million)	Proportion of contribution to pool %	Proportion of total population %
North East	755	3.7	5.0
North West	2,395	11.7	13.4
Yorkshire & the Humber	1,719	8.4	10.1
East Midlands	1,428	7.0	8.6
West Midlands	1,902	9.3	10.5
East of England	2,056	10.1	11.1
London	5,275	25.9	14.8
South East	3,248	15.9	16.3
South West	1,619	7.9	10.1
<b>Total England</b>	<b>20,398</b>	<b>100.0</b>	<b>100.0</b>

Source: NNDR1 returns and ONS mid-year 2007 population estimates



Map 2.3h: Change in amount of collectable NNDR 2007-08 to 2008-09



Source: QRC4 returns  
 Produced by DCAA, Local Government Finance  
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- 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.

**Table 2.3i: Collection rates<sup>(a)</sup>: non-domestic rates 1999-00 to 2008-09**

	All English authorities	Inner London boroughs <sup>(b)</sup>	Outer London boroughs	London boroughs	Metropolitan districts	Unitary authorities	Shire districts	%
1999-00	97.2	97.0	95.1	96.2	97.0	97.1	97.9	
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	97.5	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 per cent.

2.3.8 **Table 2.3j** shows the distribution of non-domestic rates collection rates by class of authority for 2008-09.

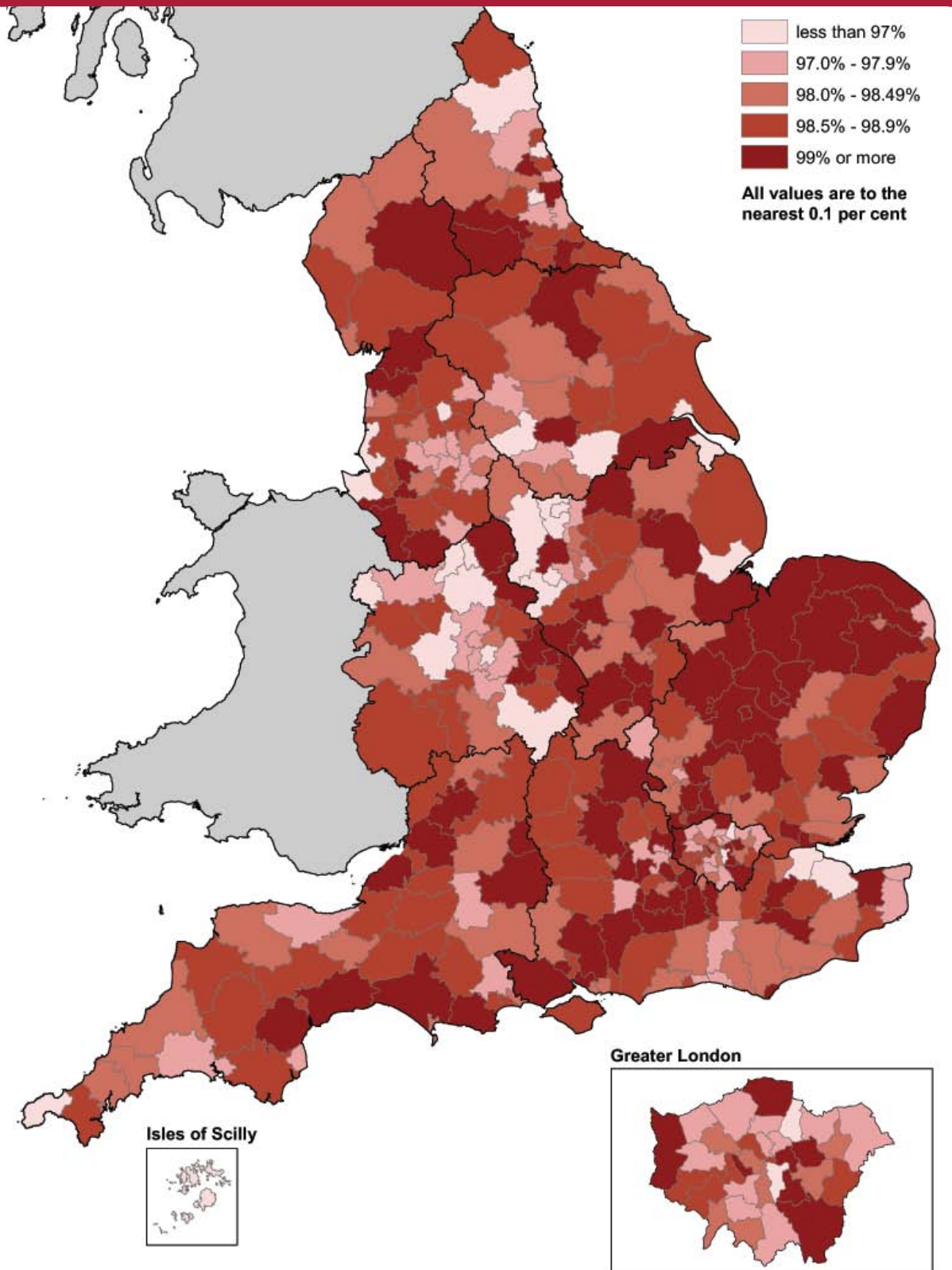
**Table 2.3j: NNDR collection rates by class of authority 2008-09**

Band (%)	London boroughs	Metropolitan districts	Unitary authorities	Number of authorities	
				Shire districts	England
less than 97	9	13	16	30	68
97 up to 98	10	15	7	59	91
98 up to 98.5	6	3	10	53	72
98.5 up to 99	3	3	7	56	69
99 up to 99.5	4	2	5	31	42
99.5 and above	1	0	2	9	12
<b>Total</b>	<b>33</b>	<b>36</b>	<b>47</b>	<b>238</b>	<b>354</b>

Source: QRC4 returns



**Map 2.3k: Three year average NNDR collection rates 2006-07 to 2008-09**



Source: QRC4 returns

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- It is estimated that £902m of non-domestic rate arrears were outstanding as at 31 March 2009.

Table 2.3I: Non-domestic rate arrears 1999-00 to 2008-09

	Arrears at start of the year	Debit raised	Amount received (for arrears) <sup>(a)</sup>	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

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 2009-10 is shown in **Table 2.3m**.
- 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 Communities and Local Government.
- 2.3.11 Ratepayers can find further information on non-domestic rates on the VOA managed website [www.mybusinessrates.gov.uk](http://www.mybusinessrates.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](http://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 Communities and Local Government website.

- The amount being redistributed to local authorities in 2010-11 is £21.5bn.

**Table 2.3m: Calculation of the Distributable Amount for 2010-11<sup>(a)</sup>**

	2006-07 Outturn	2007-08 Outturn	2008-09 Provisional outturn <sup>(b)</sup>	2009-10 Provisional contribution	£ million 2010-11 Estimated in-year contribution
1. Income from Local lists					
Multiplier (pence)	42.6	44.1	45.8	48.1	40.7
Gross Rate Yield	20,013	20,521	21,310	22,402	22,739
(i) Reliefs					
(a) Net Transitional Relief	-353	-138	-66	-17	0
(b) Small Business Rate Relief	73	-128	-122	-131	0
(c) Empty or partly occupied properties <sup>(c)</sup>	-1,424	-1,408	-633	-671	-681
(d) Charitable	-757	-786	-850	-894	-907
(e) Rural shops & post offices	-6	-6	-6	-6	-6
(f) Community amateur sports clubs	-9	-10	-12	-13	-13
(g) Former agricultural premises	-1	0	0	0	-
(h) Discretionary	-38	-39	-42	-42	-41
Net Yield after reliefs	17,500	18,006	19,578	20,662	21,091
(ii) Collection costs/reductions to contributions					
(a) Costs of collection	-84	-84	-84	-85	-84
(b) Losses on collection	-111	-103	-209	-132	-134
(c) City of London offset	-	-	-	-10	-10
Total contribution in respect of year	17,306	17,820	19,286	20,436	20,863
(iii) Repayments/interest payments					
(a) Interest on repayments	-39	-45	-48	-4	-29
(b) Repayments	-413	-637	-449	-132	-329
<b>Net Local Yield</b>	<b>16,853</b>	<b>17,138</b>	<b>18,732</b>	<b>20,296</b>	<b>20,534</b>
2. Income from Central list					
<b>Net Central List Yield</b>	<b>1,148</b>	<b>1,177</b>	<b>1,153</b>	<b>1,237</b>	<b>1,251</b>
3. Income from former crown list					
<b>Net Crown Yield</b>	<b>0</b>	<b>20</b>	<b>11</b>	<b>11</b>	<b>12</b>
<b>Total NNDR Yield</b>	<b>18,002</b>	<b>18,335</b>	<b>19,895</b>	<b>21,544</b>	<b>21,796</b>
<b>Total NNDR pool payments<sup>(d)</sup></b>	<b>18,002</b>	<b>18,335</b>	<b>19,895</b>	<b>21,544</b>	<b>21,796</b>
4. Adjustments					
Surplus brought forward	-1,346	-845	-1,010	-1,615	429
Combined total	16,655	17,490	18,885	19,929	22,226
<b>Distributable Amount<sup>(e)</sup></b>	<b>17,500</b>	<b>18,500</b>	<b>20,500</b>	<b>19,500</b>	<b>21,500</b>
Surplus carried forward	-845	-1,010	-1,615	429	726

Source: NNDR1, 2 and 3 returns and HM Revenue and Customs

- (a) Figures shown are those used in the calculation of the Distributable Amount for 2010-11 in the autumn of 2009. Some of them have changed since then.
- (b) Includes provisional figures for a few local authorities.
- (c) The introduction of the Rating (Empty Properties) Act 2007 has 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.
- (d) Calculated by adding income from local lists, income from central list, income from crown and Exchequer contributions.
- (e) The calculation involves estimating several figures that are inherently difficult to forecast accurately, such as the gross rate yield, prior year adjustments and this year, possible fluctuations caused by the revised Empty Property Relief scheme. The resulting figure of £22.226 billion has therefore been rounded to £21.5 billion to eliminate any inaccuracy 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 (AEF)**. AEF includes **revenue support grant (RSG)**, **redistributed non-domestic rates** and certain specific grants. From 2003-04, redistributed non-domestic rates, RSG and police grant (where appropriate) were distributed together as **formula grant**. Specific grants are distributed by individual government departments. 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 RSG. From 2008-09 onwards **area based grant (ABG)** 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 AEF does not include housing subsidy, which is administered and recorded separately, as part of the **housing revenue account (HRA)**. See **Chapter 3** for further details of housing subsidy.

- In 2009-10 AEF was budgeted at £75.5bn, up from £73.5bn in 2008-09.
- In 2009-10 specific and special grants are estimated to amount to £44bn, down from £42.9bn in 2008-09. Area based grant is estimated to amount to £3.1bn in 2009-10.
- 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 (DSG)** within specific and special grants rather than funding previously included in revenue support grant.

**Table 2.4a: Aggregate External Finance provided to local authorities 2004-05 to 2009-10**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
				(R)		(B)
Formula Grant	46,136	49,020	24,820	25,639	27,496	28,259
of which						
Revenue Support Grant <sup>(a)</sup>	26,964	26,663	3,378	3,105	2,854	4,501
Redistributed non-domestic rates	15,004	18,004	17,506	18,506	20,506	19,505
Police grant	4,168	4,353	3,936	4,028	4,136	4,253
Specific & special grants	14,090	14,785	41,741	44,485	42,926	44,038
Area Based Grant (ABG)	-	-	-	-	3,051	3,145
City of London offset	-	-	-	-	-	10
General GLA grant	36	37	38	38	48	48
<b>Total Grants To Local Authorities</b>	<b>60,262</b>	<b>63,842</b>	<b>66,598</b>	<b>70,162</b>	<b>73,521</b>	<b>75,500</b>

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 2008-09 was £1,429. Table 2.4b includes area based grant (ABG), a new non-ringfenced grant replacing a number of grants previously reported as specific grants.
- At a regional level, figures varied from £1,107 per head in the South East to £1,581 in the North East and £2,129 in London.

**Table 2.4b: Grants towards revenue expenditure by region 2008-09**

	£ million									
	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England
Formula Grant	1,729	4,235	2,919	2,029	3,046	2,257	6,227	2,989	2,064	27,495
<i>of which</i>										
Revenue Support Grant	187	448	309	213	321	233	629	301	213	2,854
Redistributed non-domestic rates	1,342	3,221	2,221	1,532	2,305	1,670	4,525	2,159	1,531	20,506
Police grant	201	565	389	284	420	354	1,073	529	320	4,136
Specific & special grants	2,125	5,784	4,222	3,286	4,363	4,073	9,464	5,929	3,680	42,926
Area Based Grant	218	555	337	236	349	260	485	361	249	3,051
General GLA Grant	0	0	0	0	0	0	48	0	0	48
<b>Total</b>	<b>4,072</b>	<b>10,573</b>	<b>7,478</b>	<b>5,551</b>	<b>7,759</b>	<b>6,591</b>	<b>16,224</b>	<b>9,279</b>	<b>5,993</b>	<b>73,520</b>
<b>Amounts per head</b>										<b>£ per head</b>
Formula Grant	671	616	560	458	563	394	817	357	396	534
<i>of which</i>										
Revenue Support Grant	73	65	59	48	59	41	83	36	41	55
Redistributed non-domestic rates	521	468	426	345	426	292	594	258	294	399
Police grant	78	82	75	64	78	62	141	63	61	80
Specific & special grants	825	841	810	741	806	711	1,242	708	706	834
Area Based Grant	84	81	65	53	65	45	64	43	48	59
General GLA Grant	0	0	0	0	0	0	6	0	0	1
<b>Total</b>	<b>1,581</b>	<b>1,538</b>	<b>1,434</b>	<b>1,252</b>	<b>1,434</b>	<b>1,150</b>	<b>2,129</b>	<b>1,107</b>	<b>1,150</b>	<b>1,429</b>
Source: Revenue Summary (RS) returns and ONS mid-year 2008 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 (SSA)** system and from 2003-04 to 2005-06, formula grant was allocated to authorities using the **formula spending shares (FSS)** 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.

- 2.4.4 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 formulas 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.
- 2.4.5 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 supporting people, 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 2008-09 (outturn figures) and 2009-10 (budget figures) are given 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 £11.6bn in 2008-09, up from £11.1bn in 2007-08.

**Table 2.5a: Sales, fees and charges by service area 2004-05 to 2008-09<sup>(a)</sup>**

	2004-05	2005-06	2006-07	2007-08	£ million 2008-09
Education	1,834	2,039	2,025	2,049	2,298
Highways and transport	1,727	1,781	1,858	2,126	2,078
<i>of which:</i>					
<i>Highways</i>	207	209	206	231	208
<i>Public and other transport</i>	1,520	1,572	1,652	1,895	1,870
Social Services	2,045	2,130	2,282	2,331	2,434
Housing (excluding Housing Revenue Account)	483	584	611	593	619
Cultural, environmental and planning	2,105	2,328	2,348	2,443	2,516
<i>of which:</i>					
<i>Cultural</i>	809	829	829	866	919
<i>Environmental</i>	696	821	809	852	889
<i>Planning and development</i>	600	679	709	726	707
Police	360	403	362	391	455
Fire	32	44	37	39	27
Courts	11	9	1	2	3
Central services	845	1,173	1,152	1,061	1,050
Other	133	154	116	132	102
<b>Total all services</b>	<b>9,575</b>	<b>10,646</b>	<b>10,792</b>	<b>11,166</b>	<b>11,583</b>
External Trading Accounts	723	727	752	736	965
<b>Total</b>	<b>10,298</b>	<b>11,374</b>	<b>11,544</b>	<b>11,902</b>	<b>12,549</b>

Source: Revenue Outturn (RO) returns – RSX and TSR  
(a) Sales, fees and charges for General Fund only.

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 2008-09.

- 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 2008-09**

Band (£ million)	Number of authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
less than 1	0	0	0	0	2	39	41
1 up to 5	0	0	1	0	98	27	126
5 up to 10	0	0	1	0	95	15	111
10 up to 20	0	0	6	0	39	5	50
20 up to 50	9	23	31	4	4	3	74
50 and above	24	13	8	30	0	1	76
<b>Total</b>	<b>33</b>	<b>36</b>	<b>47</b>	<b>34</b>	<b>238</b>	<b>90</b>	<b>478</b>

Source: Revenue Summary (RS) returns-RSX

2.5.3 **Table 2.5c** shows the service areas of sales, fees and charges over £200m (in 2008-09) for 2004-05 to 2008-09.

- In 2008-09, 'Older people including older mentally ill' is the service area with the highest sales, fees and charges of £1.8bn.
- In 2008-09 police services sales, fees and charges increased 17% compared to 2007-08.

**Table 2.5c: Sales, fees and charges by service area over £200m from 2004-05 to 2008-09**

	2004-05	2005-06	2006-07	2007-08	£ million 2008-09
Older people (aged 65 or over) including older mentally ill	1,558	1,623	1,705	1,741	1,805
Secondary schools	708	803	807	840	935
Primary schools	627	674	689	707	795
Management and Support Services	525	844	789	686	729
On-street parking	597	571	600	658	664
<i>of which:</i>					
<i>On street parking: other sales, fees and charges income<sup>(a)</sup></i>	...	290	303	325	352
<i>On-street parking: Penalty Charge Notice income<sup>(b)</sup></i>	...	282	297	333	312
Off-street parking	530	561	572	599	595
Total Police Services	360	403	362	391	455
Sports and recreation facilities <sup>(c)</sup>	354	352	353	351	373
Congestion charging	218	254	253	328	326
Adults aged under 65 with learning disabilities	250	231	243	264	301
Waste collection	226	247	250	262	279
Leasehold dwellings	174	205	254	269	268
Development control	204	236	255	254	243
Economic development	180	186	211	219	231
Other	3,065	3,455	3,449	3,578	3,584
<b>Total</b>	<b>9,575</b>	<b>10,646</b>	<b>10,792</b>	<b>11,148</b>	<b>11,583</b>

Source: Revenue Outturn (RO) returns

(a) Due to data quality issues income data for on-street parking: other sales, fees and charges income in 2004-2005 are not published.

(b) Due to data quality issues income data for on-street parking: Penalty Charge Notice income in 2004-2005 are not published.

(c) Including golf courses.

## 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 2008-09, along with budgeted estimates for 2009-10, can be found 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 (AEF)**. 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 AEF, **council tax**, and authorities' reserves. Revenue expenditure is equal to net current expenditure plus capital financing costs and a few minor adjustments, but excluding expenditure funded by grants outside AEF. 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 or area based 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 Accounting (CIPFA) enshrined in the *Best Value Accounting Code of Practice* (BVACOP), authorities were instructed to complete final accounts on what is called a **financial reporting standard 17 (FRS17)** basis from 2003-04 onwards.
- 3.1.5 The main implication is that the costs of entitlements to retirement benefits (pensions) are accounted for in the year in which employment gives rise to the entitlement rather than the year in which cash payments of contributions or pensions take place. On an FRS17 basis, revenue expenditure is now financed by appropriations from pension reserves in addition to appropriations from other reserves, **revenue support grant, national non-domestic rates, police grant and council tax**.
- 3.1.6 In order to make like-for-like comparisons with previous years, from 2003-04 local authorities were requested to provide summary service expenditure on both an FRS17 and a non-FRS17 basis on their *Revenue Summary* (RS) and *Revenue Accounts* (RA) returns.
- 3.1.7 Where FRS17 is relevant, each of the tables in this chapter have footnotes to show whether the data in the table are on an FRS17 or a non-FRS17 basis. The data in **Annex C1** and **Annex C3** are on an FRS17 basis.

## 3.2 Revenue expenditure and financing

3.2.1 Recent trends in revenue 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 £113.1bn in 2008-09 compared with £91.9bn in 2004-05, an increase of 23%.
- 37% of net current expenditure in 2008-09 was on education and 17% on social care.
- Capital financing costs in 2008-09 amounted to £3.0bn, compared to £2.4bn in 2004-05.
- In 2008-09, £1.7bn of capital expenditure was charged to the revenue account, up from £1.0bn in 2004-05, with Greater London Authority accounting for £0.4bn of the increase.
- Other non-current expenditure in 2008-09 was £3.7bn, 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 (DSG) rather than as part of formula grant and the introduction of area based grant (ABG), a new non-ringfenced grant replacing a number of grants previously recorded as specific grants.

**Table 3.2a: General fund revenue account: outturn 2004-05 to 2008-09 and budget 2009-10<sup>(a)</sup>**

	2004-05	2005-06	2006-07	2007-08	2008-09	£ million 2009-10 (B)
Education <sup>(b)</sup>	33,290	36,020	37,942	40,135	42,148	42,991
Highways and transport	4,673	4,843	5,316	5,634	5,710	6,332
Social care <sup>(c)</sup>	16,310	17,359	18,108	18,587	19,604	20,251
Housing (excluding Housing Revenue Account) <sup>(d)</sup>	13,288	14,066	14,963	15,841	16,985	17,130
Cultural, environmental and planning	8,519	9,162	9,658	10,143	10,489	10,533
Police	10,206	10,957	11,542	11,704	11,548	12,218
Fire & rescue	1,925	2,040	2,193	2,233	2,104	2,311
Courts	460	58	62	70	73	71
Central services	2,953	2,432	3,430	3,526	3,776	3,521
Other	275	206	128	369	639	202
<b>Total net current expenditure</b>	<b>91,902</b>	<b>97,142</b>	<b>103,341</b>	<b>108,243</b>	<b>113,076</b>	<b>115,559</b>
Capital financing	2,362	2,473	2,993	3,008	2,971	3,595
Capital Expenditure charged to Revenue Account	957	891	1,103	1,096	1,670	1,750
Other non-current expenditure <sup>(e)</sup>	3,062	3,194	3,350	3,448	3,654	3,711
Pension Interest Costs (FRS17)	3,947	4,785	4,534	4,808	7,042	4,810
Appropriation to/from Pension Reserves (FRS17)	-4,492	-4,582	-6,025	-5,595	-6,423	-4,896
Appropriations to(+)/ from(-) financial instruments adjustment account	–	–	–	– II	-142	6
Appropriations to(+)/ from(-) unequal pay back pay account	–	–	–	– II	-63	19
less Interest receipts	1,125	1,214	1,481	1,862	1,926	720
less Specific grants outside AEF	17,311	18,267	19,643	20,762	21,738	21,011
<b>Revenue expenditure (Non-FRS17)</b>	<b>79,303</b>	<b>84,422</b>	<b>88,172</b>	<b>92,384</b>	<b>98,120</b>	<b>102,823</b>
less Specific grants inside AEF	14,090	14,785 II	41,741	44,485 II	42,926	44,038
less Area Based Grant (ABG)	–	–	–	– II	3,051	3,145
<b>Net revenue expenditure</b>	<b>65,213</b>	<b>69,637 II</b>	<b>46,432</b>	<b>47,899</b>	<b>52,143</b>	<b>55,640</b>
Appropriation to/from Reserves (excluding Pension Reserves)	1,347	816	974	1,497	241	1,635
Other adjustments	2	24	16	2	2	10
<b>Budget requirement</b>	<b>66,561</b>	<b>70,477 II</b>	<b>47,421</b>	<b>49,398</b>	<b>52,386</b>	<b>54,016</b>
Revenue Support Grant	-26,964	-26,663 II	-3,378	-3,105	-2,854	-4,501
Redistributed non-domestic rates	-15,004	-18,004	-17,506	-18,506	-20,506	-19,515
Police grant	-4,168	-4,353	-3,936	-4,028	-4,136	-4,253
General Greater London Authority Grant	-36	-37	-38	-38	-48	-48
Other items	-90	-104	-111	-112	-85	-65
<b>Council tax requirement</b>	<b>20,299</b>	<b>21,315</b>	<b>22,453</b>	<b>23,608</b>	<b>24,759</b>	<b>25,633</b>

Source: Revenue Summary (RS) returns 2004-05 to 2008-09, Revenue Account (RA) budget return 2009-10.

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

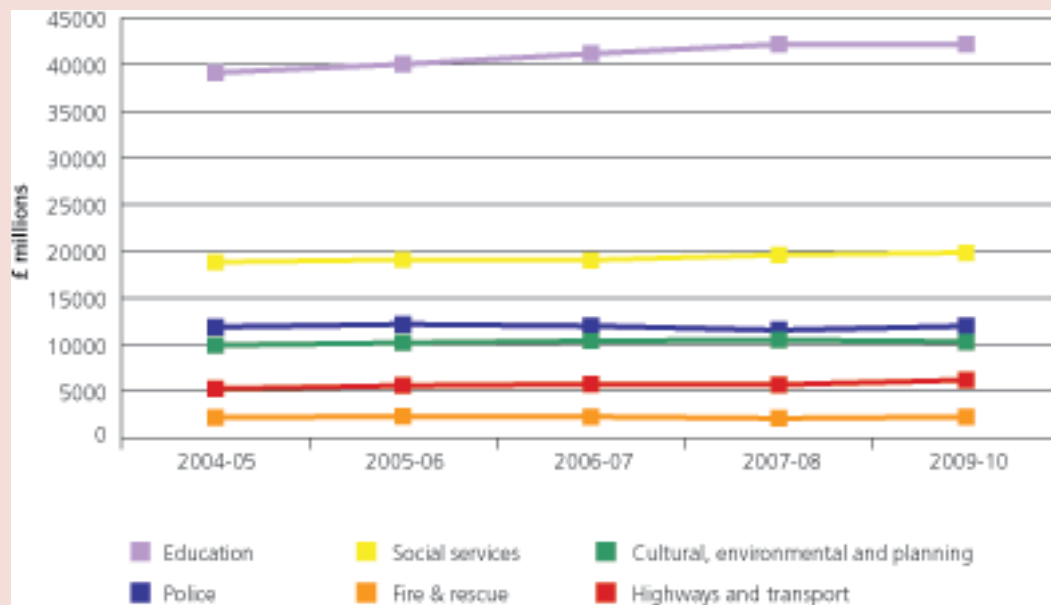
(b) Includes mandatory student awards and inter-authority education recoupment.

(c) Includes supported employment.

(d) Includes mandatory rent allowances, rent rebates and Rent rebates granted to HRA tenants.

(e) 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 2008-09 prices)

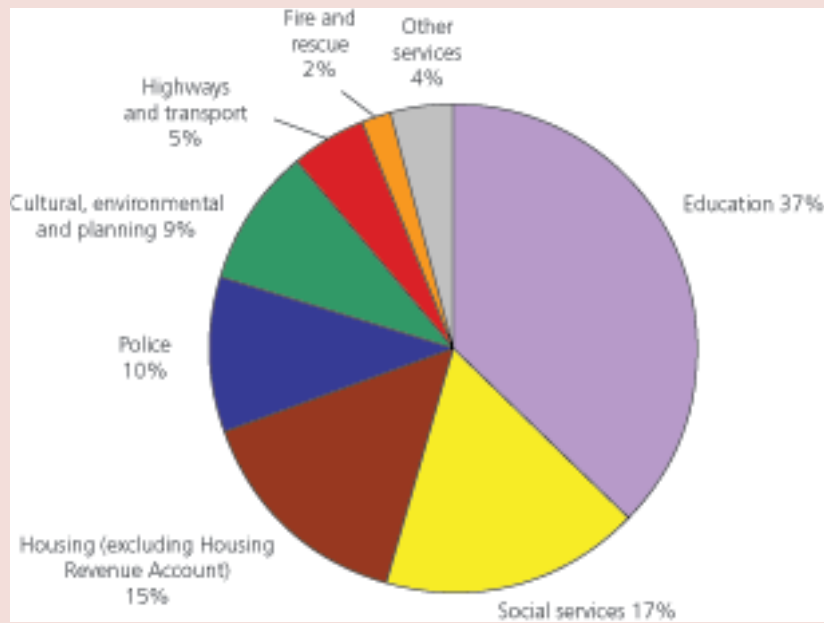


3.2.2 **Table 3.2c** shows expenditure on the main services that take place through the **general fund revenue account** in 2008-09. **Chart 3.2d** shows the percentage of expenditure by service in 2008-09. Recharges of administration and support services within the accounts have been excluded to remove double-counting. A detailed breakdown of expenditure and income can be found in **Annex C**.

Table 3.2c: Current expenditure by service 2008-09<sup>(a)</sup>

	EXPENDITURE					INCOME <sup>(b)</sup>					£ million
	Running expenses					Total expenditure	Sales, fees and charges	Other income	Recharges	Total income	
	Employees	Procurement	Levies and transfers	Recharges	Total running expenses						
Education	31,037	16,331	0 <sup>(c)</sup>		16,331	47,368	2,298	2,922		5,220	42,148
Highways and transport	1,280	7,295			7,295	8,575	2,078	786		2,865	5,710
Social services	6,803	17,696			17,696	24,500	2,434	2,461		4,896	19,604
Housing (excluding Housing Revenue Account)	732	2,842	14,635	-6 <sup>(d)</sup>	17,471	18,203	619	599		1,218	16,984
Cultural, environmental and planning	4,678	9,875			9,875	14,553	2,516	1,548		4,064	10,489
of which:											
Cultural	1,820	2,897			2,897	4,717	919	501		1,421	3,297
Environmental	1,657	4,933	0 <sup>(e)</sup>		4,933	6,590	889	614		1,504	5,086
Planning and development	1,200	2,045			2,045	3,245	707	432		1,139	2,106
Police	10,372	2,354			2,354	12,726	455	723		1,178	11,548
Fire & rescue	1,690	502			502	2,193	27	62		89	2,104
Courts	21	83			83	105	3	28		32	73
Central services	6,024	7,247	348 <sup>(f,g)</sup>		7,595	13,619	1,050	1,800	6,993	9,844	3,776
Other services	274	395	64 <sup>(h)</sup>	270 <sup>(i)</sup>	729	1,003	102	262		364	639
Administration recharges		-6,993 <sup>(j)</sup>			-6,993	-6,993			-6,993	-6,993	
Total net current expenditure	62,912	57,628	15,047	264	72,939	135,851	0	11,583	11,193	0	22,776
Non-current expenditure											
Discretionary Non-Domestic Rate relief					26						
Flood defence payments to the Environment Agency					28						
Bad debt provision					62						
Leasing payments					4						
Total running expenses carried to Table 1.6b					73,059						
Source: Revenue Outturn (RO) and Revenue Summary (RS) returns.											
(a) Produced on a Financial Reporting Standard 17 (FRS17) 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 2008-09



- 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 **Table 3.2f**, in both cash terms and also in real terms at 2008-09 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 (HRA)** 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 local taxes does not normally exactly equal revenue expenditure because of the use of reserves.

- Revenue expenditure has more than doubled in cash terms between 1993-94 and 2008-09. The corresponding increase in real terms was 58%.
- In 2008-09, approximately 54% of revenue expenditure was funded through government grants, 25% through council tax and 21% through redistributed non-domestic rates.

**Table 3.2e: Financing of revenue expenditure since 1993-94<sup>(a)</sup>**

	Revenue Expenditure <sup>(b)</sup> (£ million)	Government grants <sup>(c)</sup> (£ million)	% of total	Redistributed non-domestic rates <sup>(d)</sup> (£ million)	% of total	Council tax <sup>(e)</sup> (£ million)	% of total
<b>Council tax system</b>							
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	25
2007-08	92,384	51,656	56	18,506	20	23,608	26
2008-09	98,120	53,015	54	20,506	21	24,759	25

Source: Revenue Summary (RS) returns to 2008-09

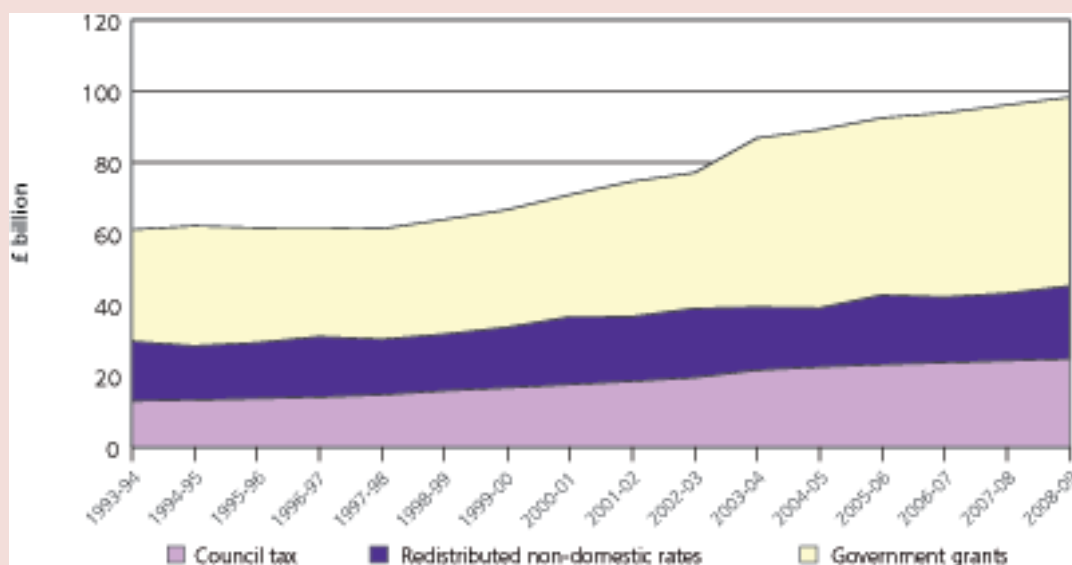
(a) Produced on a Non Financial Reporting Standard 17 (FRS17) basis.

(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 2008-09 prices)**

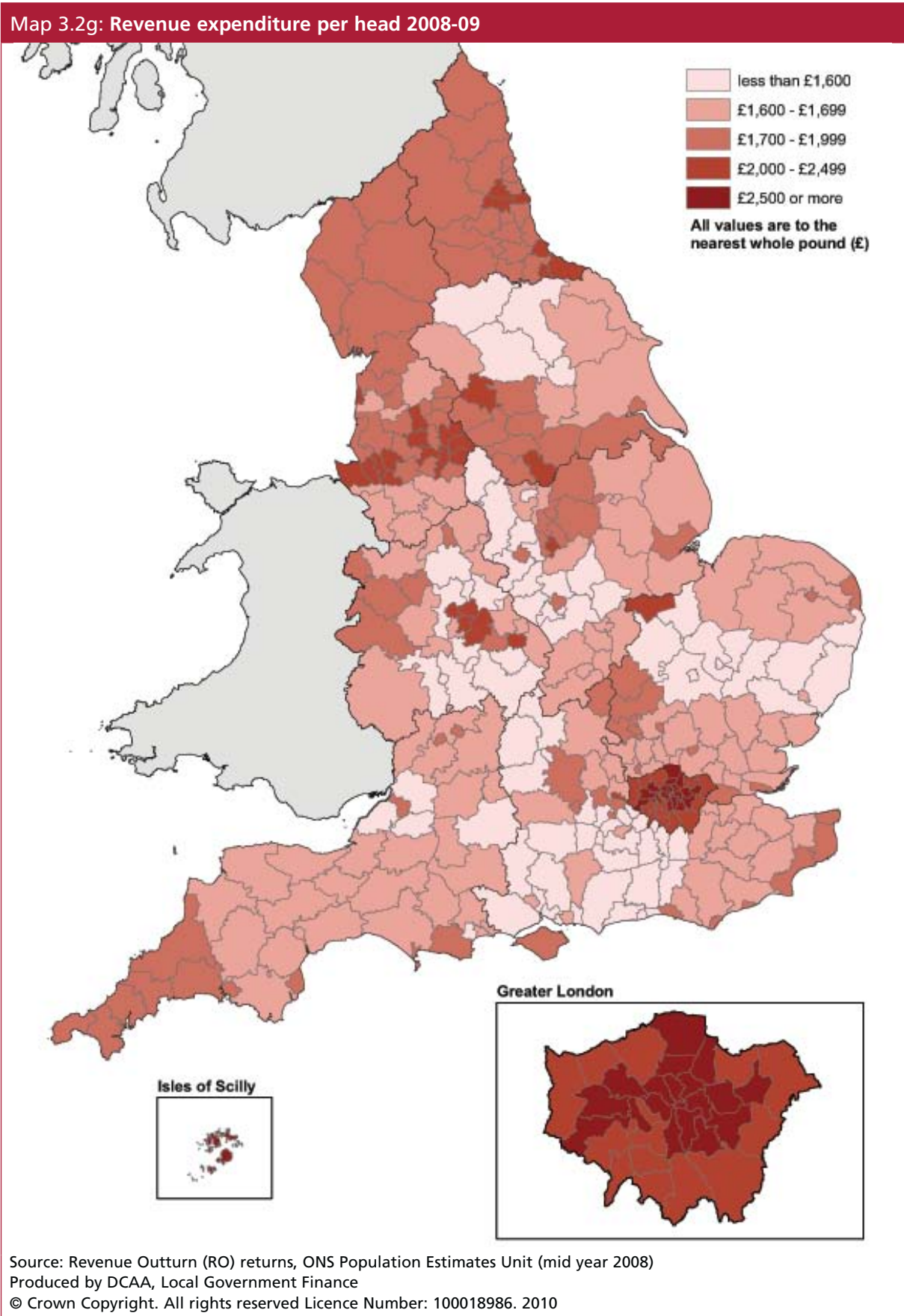
3.2.5 The following three maps illustrate variations in expenditure and funding in 2008-09:

- **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.

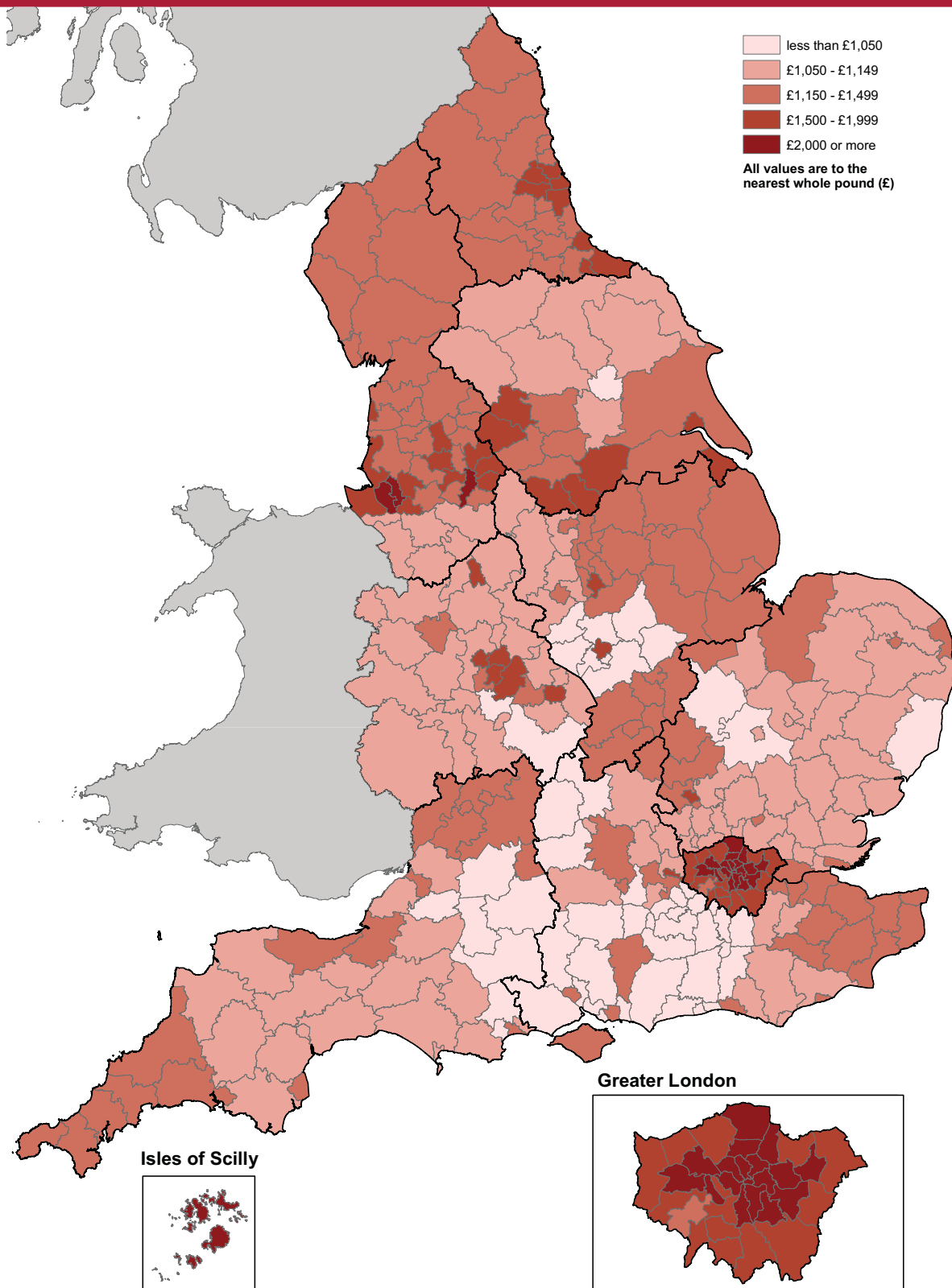
3.2.6 The maps show average expenditure and funding by billing authority. Services, such as police and fire (provided by joint and combined authorities and the Greater London Authority) have been proportioned to each billing authority appointed.

- 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 spending 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.

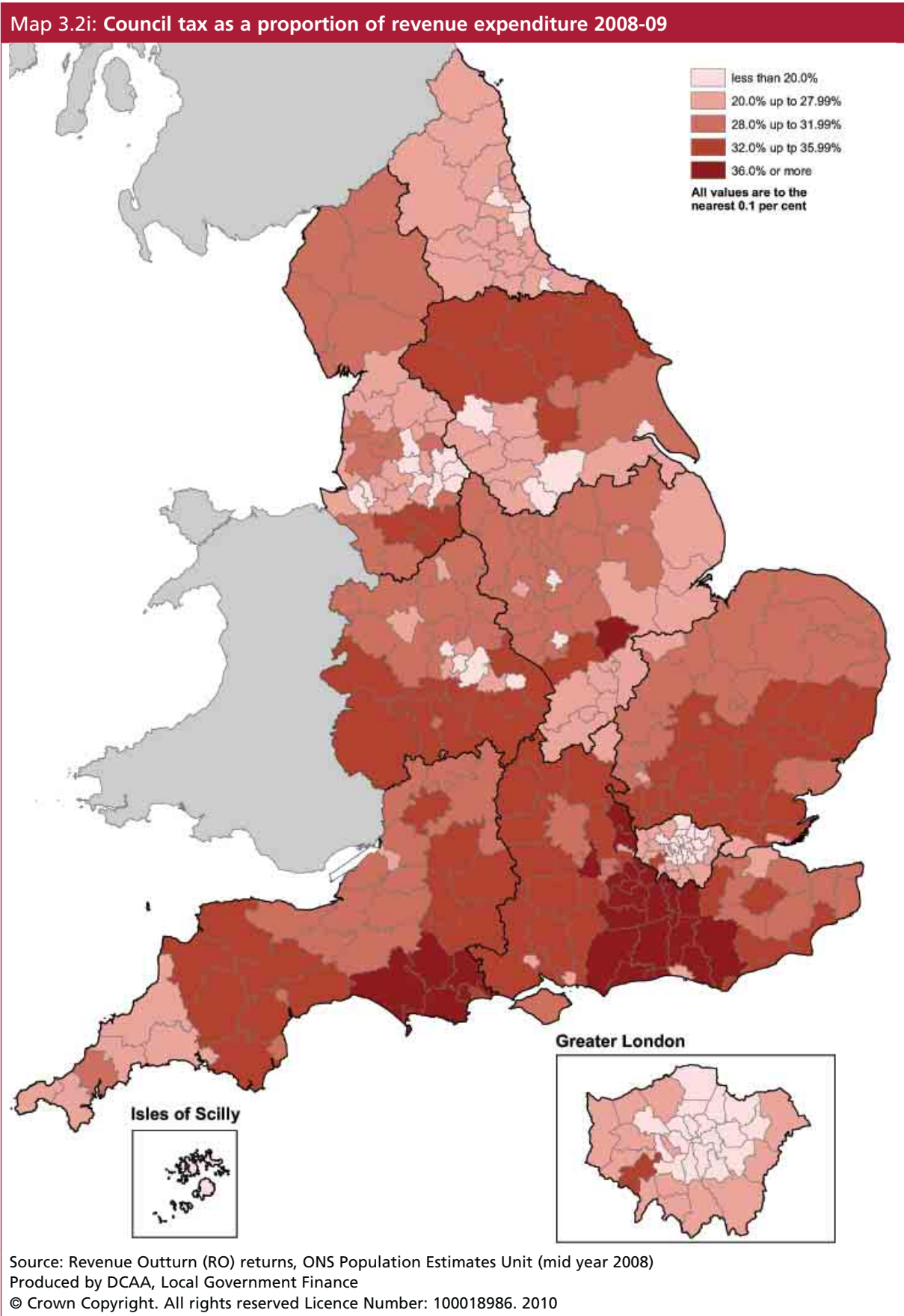




**Map 3.2h: Central Government finance per head 2008-09**



Source: Revenue Outturn (RO) returns, ONS Population Estimates Unit (mid year 2008)  
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### 3.3 Pattern of spending by region and class of authority

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

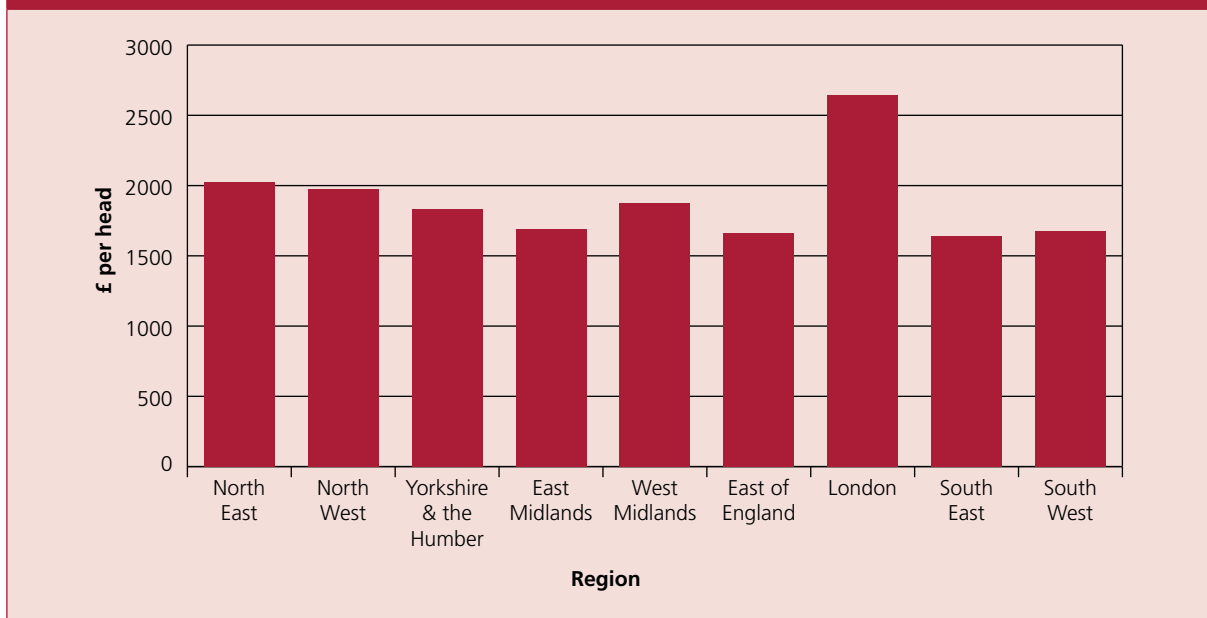
- Revenue expenditure per head is largest in London and other regions where there are major urban areas, and is smallest in the more rural regions.

**Table 3.3a: Revenue expenditure per head by region 2008-09**

Region	£ per head
North East	2,025
North West	1,974
Yorkshire & the Humber	1,836
East Midlands	1,693
West Midlands	1,872
East of England	1,665
London	2,641
South East	1,640
South West	1,674

Source: Revenue Summary (RS) returns and ONS population estimates mid year 2008.

**Chart 3.3b: Revenue expenditure per head by region 2008-09**

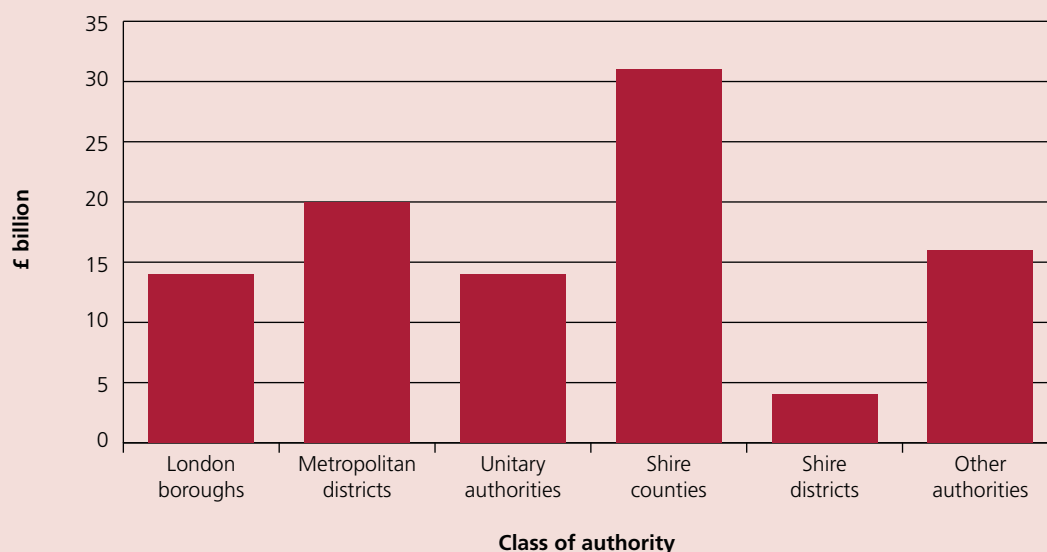


3.3.2 **Table 3.3c** and **Chart 3.3d** shows revenue expenditure for each class of authority in England.

**Table 3.3c: Revenue expenditure by class of authority 2008-09**

Class of authority	£ billion
London boroughs	14
Metropolitan districts	20
Unitary authorities	14
Shire counties	31
Shire districts	4
Other authorities	16

Source: Revenue Summary (RS) returns

**Chart 3.3d: Revenue expenditure by class of authority 2008-09**

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 in **Annex tables C3**.

3.3.4 **Table 3.3e** shows the distribution of revenue expenditure for 2008-09 by class of authority.

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

**Table 3.3e: Revenue expenditure by class of authority 2008-09**

Band (£ million)	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Number of authorities	
						Other authorities	England
less than 5	0	0	0	0	0	13	13
5 up to 10	0	0	1	0	20	6	27
10 up to 15	0	0	0	0	71	0	71
15 up to 20	0	0	0	0	85	2	87
20 up to 40	0	0	0	0	61	13	74
40 up to 300	6	2	31	0	1	49	89
300 up to 500	17	23	12	2	0	4	58
500 and above	10	11	3	32	0	3	59
<b>Total</b>	<b>33</b>	<b>36</b>	<b>47</b>	<b>34</b>	<b>238</b>	<b>90</b>	<b>478</b>

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* (120 local authorities up to 2004-05 and 143 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 2004-05 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 2008-09 are shown in Annex **Table C1h**.

- In 2008-09, 52% of employee and procurement expenditure was used to pay teachers, police, firefighters and other local government workers.
- Of the £62.9bn spent on pay in 2008-09, £20.4bn was used to pay teachers.
- £57.6bn was spent on the procurement of goods and services in 2008-09, of which £26.3bn was paid to external contractors.



**Table 3.4a: Labour, goods and services 2004-05 to 2008-09<sup>(a)</sup>**

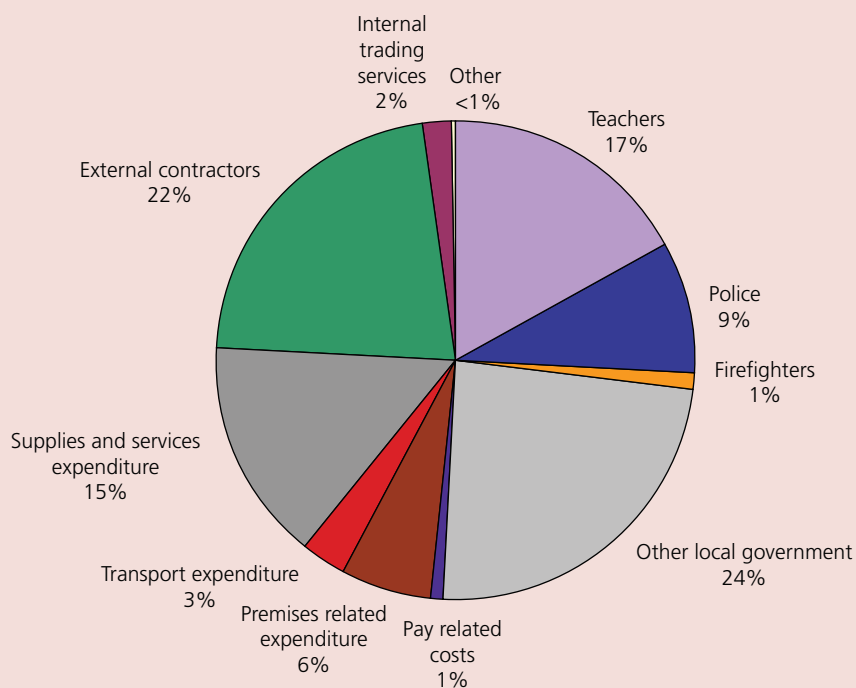
	2004-05	2005-06	2006-07	2007-08	£ million 2008-09	% 2008-09
			(R)	(R)		
Teachers	17,840	18,831	19,072	20,104	20,445	17
Police	8,505	8,899	9,484	9,841	10,359	9
Firefighters	1,409	1,545	1,420	1,498	1,482	1
Other local government	22,558	24,384	26,133	27,366	28,944	24
Pay related costs	2,628	1,857	3,719	2,892	1,682	1
<b>Total employee expenditure</b>	<b>52,940</b>	<b>55,515</b>	<b>59,828</b>	<b>61,701</b>	<b>62,912</b>	<b>52</b>
Premises related expenditure	5,749	6,085	6,666	6,891	7,484	6
Transport expenditure	2,547	2,621	2,788	2,911	3,176	3
Supplies and services expenditure	15,511	16,870	16,908	18,210	18,111	15
External contractors <sup>(b)</sup>	18,860	21,107	22,406	23,431	26,259	22
Internal trading services	2,534	2,586	2,573	2,627	2,105	2
Other <sup>(c)</sup>	514	450	527	524	494	0
<b>Total procurement expenditure</b>	<b>45,715</b>	<b>49,719</b>	<b>51,868</b>	<b>54,594</b>	<b>57,628</b>	<b>48</b>
<b>Total employee and procurement expenditure</b>	<b>98,655</b>	<b>105,234</b>	<b>111,696</b>	<b>116,296</b>	<b>120,540</b>	<b>100</b>

Source: Subjective Analysis Return (SAR)

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

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

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

**Chart 3.4b: Labour, goods and services 2008-09**

## 3.5 Capital charges

- 3.5.1 For 2008-09, 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** (BVACOP) and the SORP 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 BVACOP. 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 2008-09 capital charges represented around 9.1% of gross total cost.
- Capital charges as a percentage of gross total cost are highest for other services and lowest in courts services.
- Capital charges have increased by £6.6bn to £13.5bn in 2008-09 owing to losses on impairment of assets. During 2008-09 many authorities carried out five yearly revaluations of their assets. As a result of the property market downturn many local authorities reduced the value of their assets including £1.6bn by West Sussex County Council.



**Table 3.5a: Capital charges and gross total cost by service 2008-09**

	Gross expenditure	Capital charges	Gross total cost	£ million Capital charges as percentage of gross total cost
Education	47,368	6,645	54,013	12.3
Highways and transport	8,575	1,158	9,733	11.9
Social services	24,500	476	24,975	1.9
Housing (excluding Housing Revenue Account)	18,203	392	18,595	2.1
Cultural, environmental and planning	14,553	2,308	16,861	13.7
of which:				
Cultural	4,717	1,149	5,867	19.6
Environmental	6,590	276	6,867	4.0
Planning and development	3,245	883	4,128	21.4
Police	12,726	821	13,547	6.1
Fire & rescue	2,193	263	2,456	10.7
Courts	105	1	106	1.2
Central services	13,619	1,104	14,723	7.5
Other services	1,003	351	1,354	25.9
Administration charges <sup>(a)</sup>	-6,993	0	-6,993	0.0
<b>Total</b>	<b>135,851</b>	<b>13,518</b>	<b>149,369</b>	<b>9.1</b>

Source: Revenue Outturn (RO) and Revenue Summary returns

(a) 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.

3.6.5 Most authorities also maintain a pensions reserve. This holds the cumulative difference between:

- the accounting charge for retirement benefits, which is determined in accordance with **FRS 17**, and
- the cost of the employer contributions and benefits due each year, which is the only part that the authority has to finance from its income for the year.

**However, these pensions reserves do not represent a cash-backed resource available to spend, so figures for them are not included.**

- The total level of non-schools revenue reserves at 31 March 2009 was £12.8bn, an increase of £0.2bn from 31 March 2008.

**Table 3.6a: Level of revenue reserves by class at 31 March 2009**

	Revenue expenditure <sup>(a)</sup>	£ million				Revenue reserves as a % of revenue expenditure			
		Revenue reserves			Non-schools total				Non-schools total
		Schools earmarked	Other Unallocated	Unallocated		Schools earmarked	Other Unallocated	Unallocated	
London boroughs	13,964	354	1,589	513	2,102	2.5	11.4	3.7	15.1
GLA	6,155	-	1,410	252	1,663	-	22.9	4.1	27.0
Metropolitan districts	19,541	413	1,430	427	1,857	2.1	7.3	2.2	9.5
Unitary authorities	13,503	270	1,086	363	1,449	2.0	8.0	2.7	10.7
Shire counties	30,682	823	1,867	616	2,483	2.7	6.1	2.0	8.1
Shire districts	4,085	-	1,172	683	1,856	-	28.7	16.7	45.4
Police authorities	8,456	-	601	299	900	-	7.1	3.5	10.6
Fire authorities	1,487	-	114	113	227	-	7.7	7.6	15.2
Other authorities <sup>(b)</sup>	247	-	127	91	218	-	51.4	36.8	88.2
England	98,120	1,861	9,396	3,357	12,753	1.9	9.6	3.4	13.0

Source: Revenue Summary (RS) returns

(a) Revenue Expenditure is on a Non Financial Reporting Standard 17 (FRS 17) basis and therefore includes Appropriations to/from Pension Reserves (and will usually sum to a lower figure than if on a FRS 17 basis). This figure represents the Revenue Expenditure that must be financed from cash backed resources.

(b) Other authorities includes parks, waste and passenger transport authorities.

**3.6.6** Table 3.6b shows the distribution of non-school revenue reserves by class of authority at 31 March 2009.

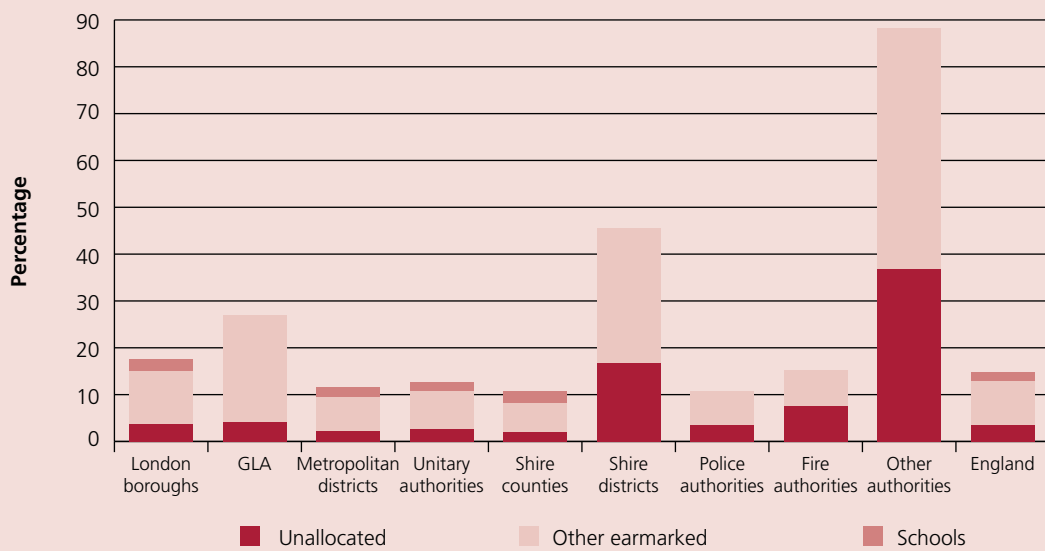
- All shire counties had non-school revenue reserves of over £10m while 29 of 33 London boroughs had non-school revenue reserves of over £20m.

**Table 3.6b: Non-school revenue reserves by class of authority at 31 March 2009**

Band (£ million)	Number of authorities						
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	England
0 up to 4	0	0	1	0	74	18	93
4 up to 7	1	1	1	0	56	20	79
7 up to 10	0	0	1	0	49	7	57
10 up to 20	3	2	13	1	47	25	91
20 up to 40	4	17	19	7	11	13	71
40 and above	25	16	12	26	1	7	87
Total	33	36	47	34	238	90	478

Source: Revenue Outturn (RO) returns

**Chart 3.6c: Revenue reserves as a proportion of revenue expenditure at 31 March 2009**



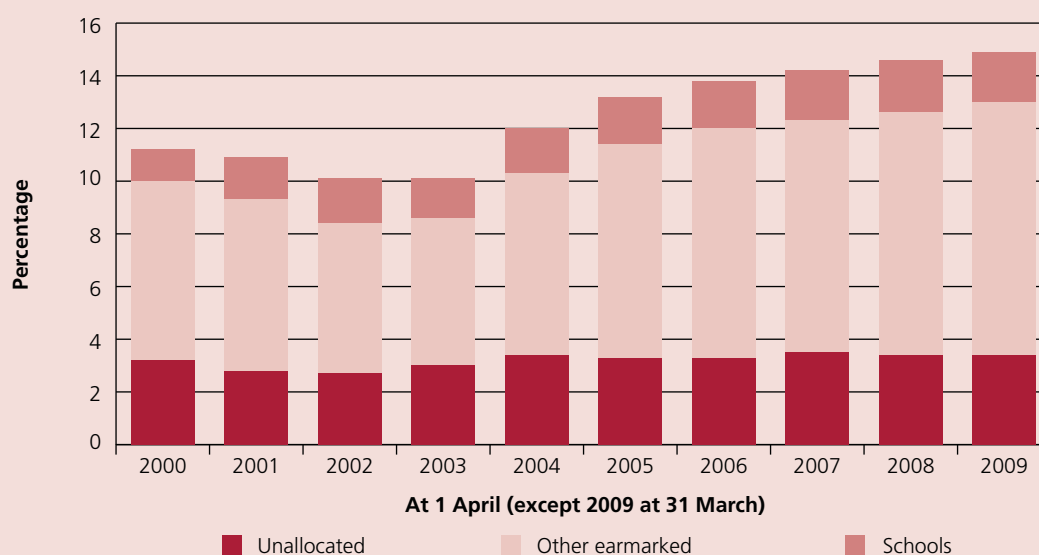
- The total general fund non-schools revenue reserve has more than doubled from £5.5bn in 2002 to £12.4bn in 2008.
- There has been an increase in revenue reserves as a percentage of revenue expenditure in each year since 2004.

**Table 3.6d: Level and use of revenue reserves 1 April 1999 – 31 March 2008**

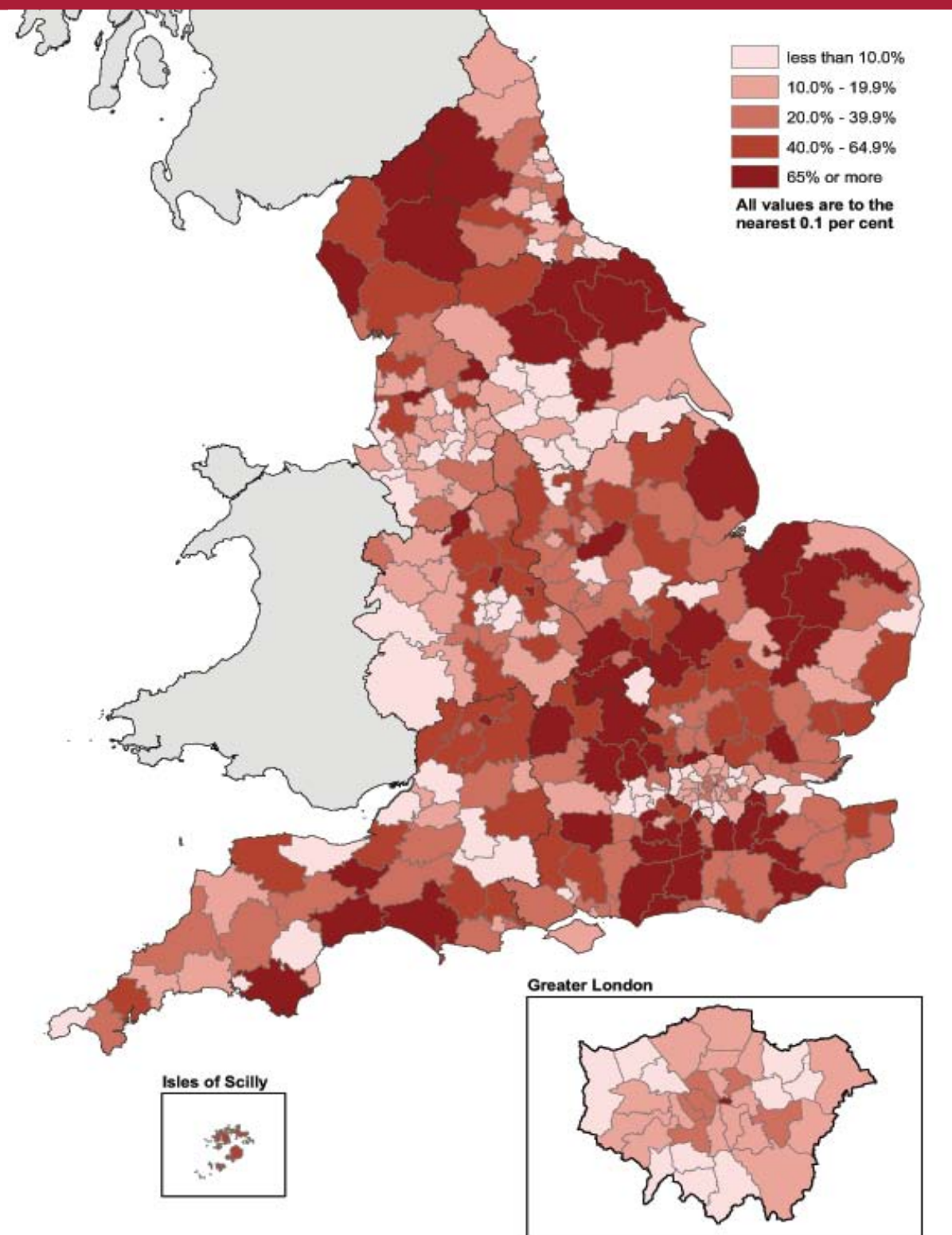
£ million										
At 1 April	Revenue reserves					% change over previous years	Revenue reserves as a % of revenue expenditure			
	Revenue expenditure <sup>(a)</sup>	Schools	Other earmarked	Unallocated	Non-schools total		Schools	Other earmarked	Unallocated	Non-schools total
2000	57,329	694	3,895	1,863	5,758	-	1.2	6.8	3.2	10.0
2001	61,952	1,007	4,047	1,755	5,802	0.8	1.6	6.5	2.8	9.4
2002	65,898	1,103	3,732	1,756	5,488	-5.4	1.7	5.7	2.7	8.3
2003	75,244	1,132	4,198	2,224	6,422	17.0	1.5	5.6	3.0	8.5
2004	79,303	1,315	5,484	2,678	8,162	27.1	1.7	6.9	3.4	10.3
2005	84,422	1,498	6,831	2,774	9,605	17.7	1.8	8.1	3.3	11.4
2006	88,172	1,596	7,644	2,939	10,583	10.2	1.8	8.7	3.3	12.0
2007(R)	92,384	1,760	8,122	3,205	11,327	7.0	1.9	8.8	3.5	12.3
2008	98,120	2,003	9,059	3,310	12,369	9.2	2.0	9.2	3.4	12.6
At 31 March										
2009	98,120	1,861	9,396	3,357	12,753	3.1	1.9	9.6	3.4	13.0

Source: Revenue Summary (RS) returns to 2008-09

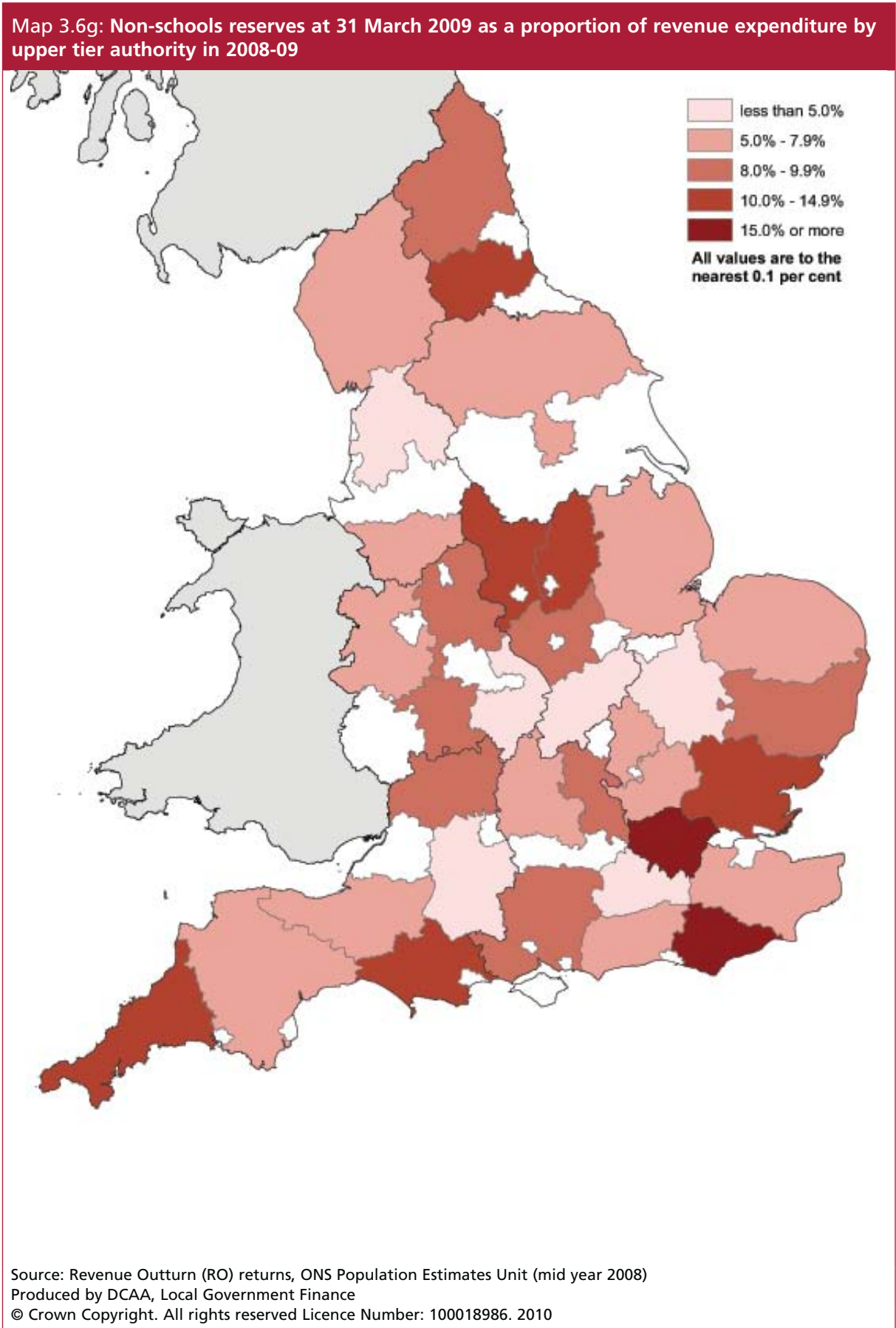
(a) Revenue expenditure is on a Non Financial Reporting Standard 17 (FRS 17) basis and therefore includes Appropriations to/from Pension Reserves (and will usually sum to a lower figure than if on a FRS 17 basis). This figure represents the Revenue Expenditure that must be financed from cash backed resources. Revenue expenditure for 2009 is outturn 2008-09, same as 2008.

**Chart 3.6e: Revenue reserves as a proportion of revenue expenditure at 1 April 2000 to 31 March 2009**

**Map 3.6f: Non-schools reserves at 31 March 2009 as a proportion of revenue expenditure by billing authority in 2008-09**



Source: Revenue Outturn (RO) returns, ONS Population Estimates Unit (mid year 2008)  
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## 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 in **Table C1g** in **Annex C1**.

- Expenditure in 2008-09 on external trading services totalled £829m.
- These services generated income of £1,139m.
- This resulted in a surplus of £310m in the general fund revenue account.
- Corporation estates, industrial estates and investment properties generated the most income of all the services, together accounting for 36% of the total income.

## 3.8 Housing Revenue Account (HRA)

- 3.8.1 The HRA is a record of revenue expenditure and income relating to an authority's own housing stock and dates back to the Housing Act 1935. 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 HRA 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 £10.0bn in 2008-09.
- At the national level, the main items of expenditure in 2008-09 were debt charges (46%), supervision and management (24%) and repairs (18%).
- At the national level the main items of income were rents from dwellings (66%), which varied between 45% in the North East and 86% in the East Midlands. Government subsidy provides 6% of income nationally, varying from 0.7% in the South East to 10.5% in the North West.

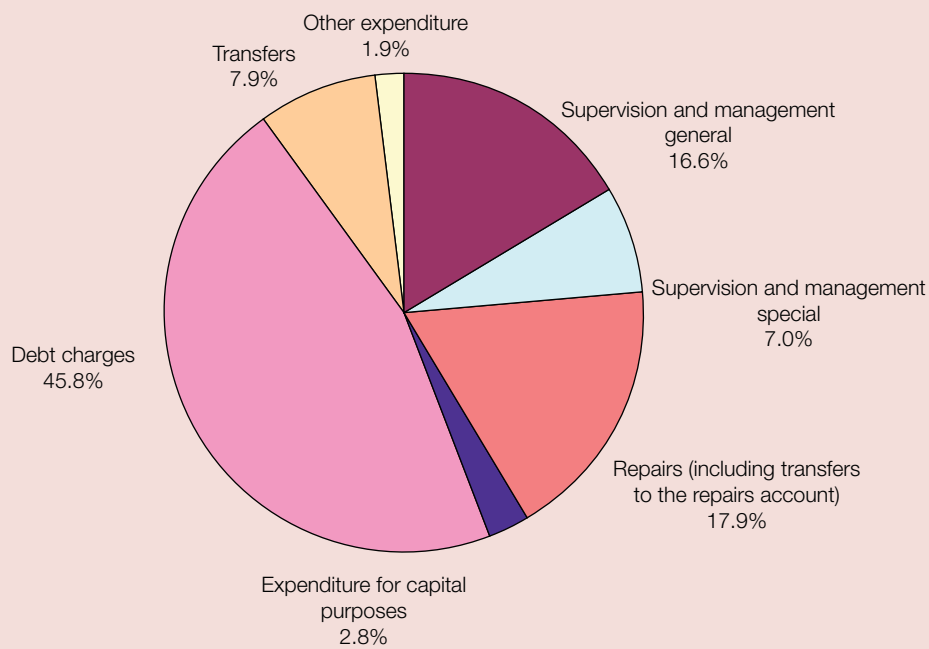
**Table 3.8a: Housing Revenue Account (HRA) by class of authority 2008-09**

	£ million					
	London boroughs	Metropolitan districts	Shire districts	Unitary authorities	All English authorities	% of total
<b>Expenditure</b>						
Supervision and management: general	683	411	343	228	1,665	16.6
Supervision and management: special	260	181	169	92	701	7.0
Repairs (including transfers to the repairs account)	540	522	444	291	1,797	17.9
Expenditure for capital purposes	113	54	68	49	283	2.8
Debt charges	1,431	1,477	1,238	440	4,585	45.8
Transfers	128	62	490	115	795	7.9
Other expenditure	85	48	35	26	193	1.9
<b>Total expenditure</b>	<b>3,239</b>	<b>2,755</b>	<b>2,786</b>	<b>1,241</b>	<b>10,021</b>	<b>100.0</b>
<b>Income</b>						
Rents other than dwellings	78	26	49	25	178	1.9
Rents from dwellings <sup>(a)</sup>	1,762	1,587	1,710	982	6,041	65.9
Heating and other services	335	90	100	54	579	6.3
Interest income	461	190	718	73	1,443	15.7
Government subsidy	311	196	25	28	560	6.1
LA subsidy	3	3	9	6	21	0.2
Other income	87	215	31	9	342	3.7
<b>Total income</b>	<b>3,037</b>	<b>2,307</b>	<b>2,642</b>	<b>1,177</b>	<b>9,163</b>	<b>100.0</b>
End year balances	199	169	136	92	595	
Source: HRA Subsidy claims						
(a) Gross (i.e. including rents met by rebates)						

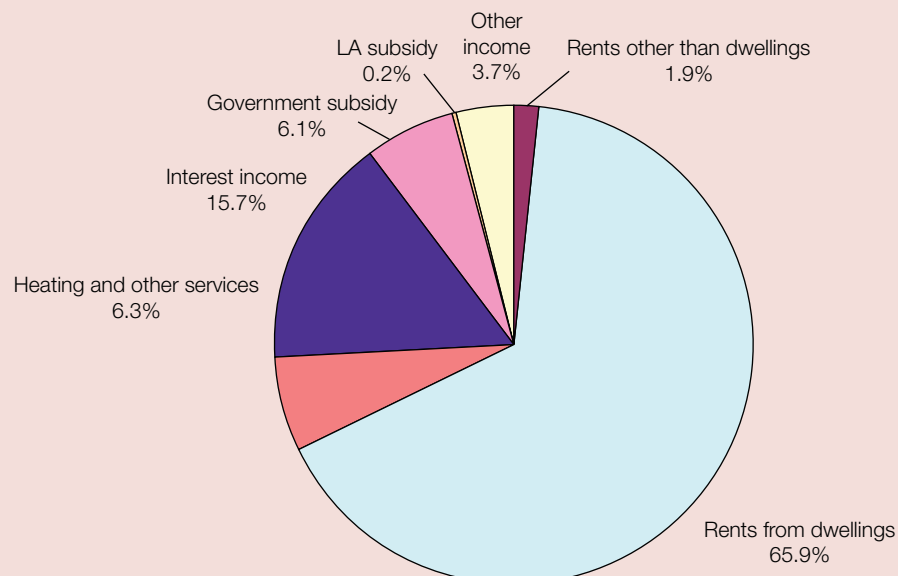
**Table 3.8b: Housing Revenue Account by region 2008-09**

	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	£ million Total England	% of total
<b>Expenditure</b>											
Supervision and management: general	92	121	186	121	138	111	683	125	88	1,665	16.6
Supervision and management: special	56	72	48	46	57	64	260	63	34	701	7.0
Repairs (including transfers to the repairs account)	110	176	196	169	202	145	540	162	96	1,797	17.9
Expenditure for capital purposes	14	17	45	10	9	14	113	33	29	283	2.8
Debt charges	536	266	930	245	324	466	1,431	267	120	4,585	45.8
Transfers	12	25	36	71	81	190	128	169	84	795	7.9
Other expenditure	12	18	15	16	14	8	85	20	5	193	1.9
<b>Total expenditure</b>	<b>831</b>	<b>695</b>	<b>1,458</b>	<b>678</b>	<b>826</b>	<b>999</b>	<b>3,239</b>	<b>840</b>	<b>455</b>	<b>10,021</b>	<b>100.0</b>
<b>Income</b>											
Rents other than dwellings	8	6	11	10	14	20	78	22	10	178	1.9
Rents from dwellings <sup>(a)</sup>	377	476	663	551	659	560	1,762	637	356	6,041	65.9
Heating and other services	32	37	26	21	25	39	335	39	26	579	6.3
Interest income	366	55	97	34	80	250	461	72	29	1,443	15.7
Government subsidy	30	72	95	8	11	8	311	5	18	560	6.1
LA subsidy	3	1	3	6	0	0	3	2	2	21	0.2
Other income	17	46	155	8	1	4	87	15	9	342	3.7
<b>Total income</b>	<b>832</b>	<b>693</b>	<b>1,050</b>	<b>637</b>	<b>790</b>	<b>880</b>	<b>3,037</b>	<b>792</b>	<b>451</b>	<b>9,163</b>	<b>100.0</b>
Source: HRA Subsidy claims											
(a) Gross (i.e. including rents met by rebates)											

**Chart 3.8c: Housing Revenue Account expenditure 2008-09**



**Chart 3.8d: Housing Revenue Account income 2008-09**



- The pattern of expenditure and income has been relatively stable from year to year since 2004-05, after rent rebate was removed from the subsidy system. The exception for this is interest income which has increased from £598m to £1,443m between 2004-05 and 2008-09.

**Table 3.8e: Housing Revenue Account income and expenditure, 2004-05 to 2008-09**

	2004-05	2005-06	2006-07 (R)	2007-08 (R)	£ million 2008-09
<b>Expenditure</b>					
Supervision and management: general	1,546	1,629	1,614	1,672	1,665
Supervision and management: special	679	688	748	716	701
Repairs (including transfers to the repairs account)	1,736	1,786	1,768	1,759	1,797
Expenditure for capital purposes	194	272	283	276	283
Debt charges	3,072	3,013	2,883	3,095	4,585
Transfers	681	627	641	686	795
Other expenditure	175	254	222	235	193
<b>Total expenditure</b>	<b>8,083</b>	<b>8,269</b>	<b>8,159</b>	<b>8,440</b>	<b>10,021</b>
<b>Income</b>					
Rents other than dwellings	188	189	185	186	178
Rents from dwellings <sup>(a)</sup>	5,985	6,019	5,975	6,079	6,041
Heating and other services	502	506	513	557	579
Interest income	598	576	484	732	1,443
Government subsidy	770	844	791	698	560
LA subsidy	24	31	22	14	21
Other income	121	109	146	182	342
<b>Total income</b>	<b>8,187</b>	<b>8,275</b>	<b>8,116</b>	<b>8,447</b>	<b>9,163</b>
End year balances	663	817	822	965	595

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 2008-09 is given in **Annex D**.

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 no longer need government approval to finance capital spending by borrowing or credit. They continue to receive central government support for a major part of their capital programmes, but are now free to borrow to fund additional investment as long as they can afford to service the debt without extra government support.
- 4.0.5 The **Prudential Code** was specially prepared by The Chartered Institute of Public Finance and Accountancy (**CIPFA**) 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 has been 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 asset 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 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 now tied much more closely to the normal accounting concept, but this can be varied by regulations or by directions issued to individual authorities. Such directions allowing revenue spending to be treated as capital spending were formally issued under section 40(6) of the 1989 Act and from 1 April 2004, 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. They are issued only in cases of demonstrable financial difficulty.

- 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

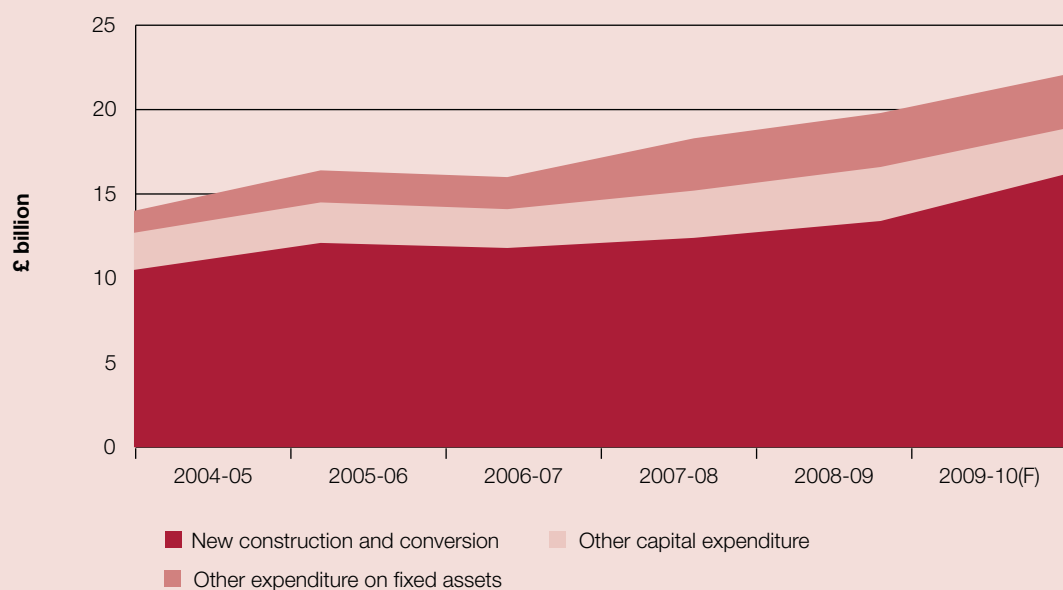
- The underlying trend in capital expenditure (excluding an exceptional event in 2007-08) shows an increase of 9% from 2007-08 to 2008-09. It has risen by 39% in the last four years.
- The total value of local authority spending on fixed assets has increased by 28% in real terms since 2004-05.
- New construction and conversion forms the major part of capital spending.

**Table 4.2a: Capital expenditure by economic category**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (F)
	£ million					
Acquisition of land and existing buildings and works	850	866	964	1,184	1,511	941
New construction and conversion	10,543	12,078	11,797	12,393	13,390	16,246
Vehicles, plant equipment and machinery	1,363	1,515	1,312	1,321	1,488	1,526
Intangible assets <sup>(a)</sup>	219	313	292	262	204	208
<b>Total expenditure on fixed assets</b>	<b>12,975</b>	<b>14,773</b>	<b>14,366</b>	<b>15,159</b>	<b>16,593</b>	<b>18,921</b>
Grants, loans and other financial assistance	1,268	1,628	1,918	4,788 <sup>(c)</sup>	3,172	3,177
Acquisition of share and loan capital	33	241	23	11	36	11
<b>Total capital expenditure</b>	<b>14,276</b>	<b>16,641</b>	<b>16,307</b>	<b>19,958 <sup>(c)</sup></b>	<b>19,801</b>	<b>22,110</b>
Expenditure by virtue of section 16(2)(b) directions <sup>(b)</sup>	119	148	163	415	432	...
Notional capital receipts set aside and Large Scale Voluntary Transfer levy	9	8	2	22	0	...
<b>Total expenditure and other transactions</b>	<b>14,404</b>	<b>16,797</b>	<b>16,472</b>	<b>20,395</b>	<b>20,233</b>	<b>...</b>

Source: COR/CER returns

- (a) Intangible assets were added as a heading to the balance sheet in the CIPFA/LASAAC 2004 Statement of Recommended Practice (SORP) from 1 April 2004.
- (b) 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.
- (c) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet.

**Chart 4.2b: Capital expenditure by economic category**



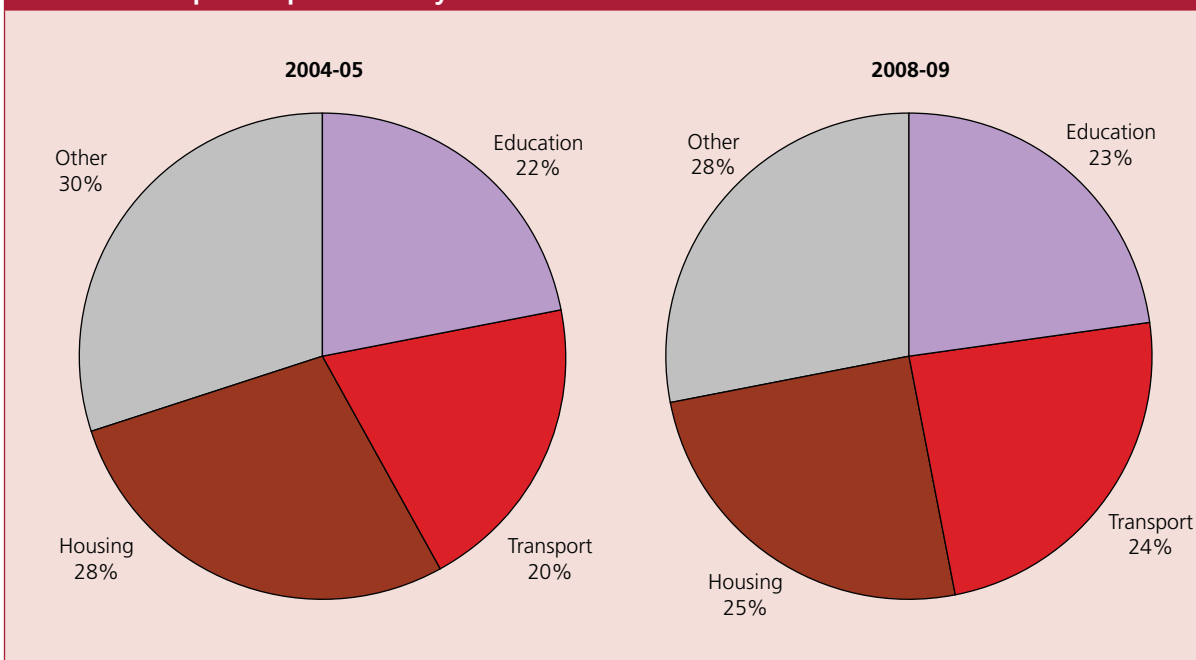
- Between 2004-05 and 2008-09 capital expenditure on transport has risen from 20% to 24% of the total, while capital expenditure on housing has fallen from 28% to 25% of the total.

**Table 4.2c: Capital expenditure by service**

	2004-05	2005-06	2006-07	2007-08	2008-09	£ million 2009-10 (F)
Education	3,087	3,492	3,442	3,711	4,542	5,983
Transport	2,905	3,461	3,480	5,916 <sup>(c)</sup>	4,735	5,568
Social services	284	387	364	411	300	400
Housing	3,987	4,534	4,507	5,008	4,901	4,255
Agriculture & fisheries	66	93	96	85	82	73
Libraries, culture & heritage	227	329	296	321	356	550
Sport & recreation	306	424	415	446	496	653
Police	561	606	531	550	794 <sup>(d)</sup>	827
Fire & rescue	82	96	126	169	167	229
Magistrates courts <sup>(a)</sup>	46	1	0	0	0	0
Other <sup>(b)</sup>	2,725	3,218	3,052	3,342	3,427	3,572
<b>Total</b>	<b>14,276</b>	<b>16,641</b>	<b>16,307</b>	<b>19,958<sup>(c)</sup></b>	<b>19,801<sup>(d)</sup></b>	<b>22,110</b>

Source: COR/CER returns

- (a) Most local authorities have ceased to have responsibility for magistrates courts. In 2007-08 just one authority reported capital expenditure, totalling £92 thousand.
- (b) Other covers consumer protection, employment services and other environmental services, including planning and development, waste collection and disposal, parks and general administration.
- (c) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet.
- (d) Includes a one-off acquisition of land and existing buildings by Metropolitan Police in 2008-09.

**Chart 4.2d: Capital expenditure by service 2004-05 and 2008-09**

## 4.3 Pattern of spending by region and class of authorities

- 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 housing.

**Table 4.3a: Capital expenditure by region: £ million**

	2004-05	2005-06	2006-07	2007-08	2008-09	£ million 2009-10 (F)
North East	840	1,006	1,004	1,001	1,166	1,309
North West	2,026	2,263	2,160	2,766	2,795	2,859
Yorkshire & the Humber	1,550	1,826	1,808	1,790	1,938	1,976
East Midlands	1,109	1,164	1,177	1,277	1,278	1,633
West Midlands	1,460	1,869	1,760	1,939	2,090	2,049
East of England	1,265	1,475	1,448	1,636	1,585	1,753
London	3,106	3,888	3,952	6,316 <sup>(a)</sup>	5,282	6,445
South East	1,842	1,926	1,785	1,956	2,112	2,366
South West	1,078	1,224	1,213	1,277	1,554	1,720
<b>Total England</b>	<b>14,276</b>	<b>16,641</b>	<b>16,307</b>	<b>19,958 <sup>(a)</sup></b>	<b>19,801</b>	<b>22,110</b>

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**

	2004-05	2005-06	2006-07	2007-08	£ per head 2008-09
North East	330	394	393	390	453
North West	297	331	315	403	407
Yorkshire & the Humber	308	357	352	346	372
East Midlands	259	269	270	290	288
West Midlands	274	349	328	360	386
East of England	230	265	258	289	277
London	418	521	526	836 <sup>(a)</sup>	693
South East	227	235	217	235	252
South West	214	241	237	247	298
<b>Total England</b>	<b>285</b>	<b>330</b>	<b>321</b>	<b>391</b>	<b>385</b>

Source: COR/CER returns

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

- The distribution of capital spending by class of authority shows a general increase over the last five years.
- There has also been an increase in the share of 'other' authorities from 10% in 2004-05 to 16% in 2008-09. This includes the GLA, police, fire, passenger transport, waste and park authorities.

**Table 4.3c: Capital expenditure by class**

	2004-05	2005-06	2006-07	2007-08	2008-09	£ million 2009-10 (F)
London boroughs	2,365	2,662	2,570	2,666	2,984	3,571
Metropolitan districts	3,385	4,276	4,080	4,707	4,918	4,491
Unitary authorities	2,112	2,257	2,343	2,494	2,712 <sup>(b)</sup> II	4,266
Shire counties	3,133	3,395	3,277	3,701	4,017 <sup>(b)</sup> II	3,884
Shire districts	1,897	2,160	2,017	2,007	1,975 <sup>(b)</sup> II	1,768
Other authorities	1,384	1,890	2,020	4,384 <sup>(a)</sup>	3,196	4,129
<b>All English authorities</b>	<b>14,276</b>	<b>16,641</b>	<b>16,307</b>	<b>19,958 <sup>(a)</sup></b>	<b>19,801</b>	<b>22,110</b>
						%
<b>London boroughs</b>	<b>17</b>	<b>16</b>	<b>16</b>	<b>13</b>	<b>15</b>	<b>16</b>
Metropolitan districts	24	26	25	24	25	20
Unitary authorities	15	14	14	12	14 II	19
Shire counties	22	20	20	19	20 II	18
Shire districts	13	13	12	10	10 II	8
Other authorities	10	11	12	22	16	19
<b>All English authorities</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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 2007-08.

- All London boroughs, metropolitan districts and shire counties spent £20m or more in 2008-09.
- All shire districts had less than £50m capital expenditure in 2008-09.

**Table 4.3d: Capital expenditure by class of authority 2008-09**

Band (£ million)	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	Number of authorities England
less than 2	0	0	1	0	19	22	42
2 up to 5	0	0	0	0	68	17	85
5 up to 10	0	0	1	0	80	19	100
10 up to 20	0	0	1	0	56	22	79
20 up to 50	9	5	17	1	15	8	55
50 up to 100	13	14	21	10	0	0	58
100 and above	11	17	6	23	0	2	59
<b>Total</b>	<b>33</b>	<b>36</b>	<b>47</b>	<b>34</b>	<b>238</b>	<b>90</b>	<b>478</b>

Source: COR/CER returns

4.3.2 The following tables (and map) provide final 2008-09 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 2008-09				
	£ million			
	Total expenditure on fixed assets	Grants and advances	Acquisition of share and loan capital	Total capital expenditure
Education	4,402	140	0	4,542
Highways & transport	3,277	1,459	0	4,735
Social Services	269	31	0	300
Housing	3,694	1,207 <sup>(a)</sup>	0	4,901
Agriculture & fisheries	80	3	0	82
Libraries, culture & heritage	345	12	0	356
Sport & recreation	475	20	1	496
Police	794	0	0	794 <sup>(b)</sup>
Fire & rescue	165	2	0	167
Other <sup>(c)</sup>	3,094	298	35	3,427
<b>Total</b>	<b>16,593</b>	<b>3,172</b>	<b>36</b>	<b>19,801</b>
Source: COR returns				
(a) Includes Salford's £483 million payment to an RSL for transfer of housing stock.				
(b) Includes a one-off acquisition of land and existing buildings by Metropolitan Police in 2008-09.				
(c) Other covers consumer protection, employment services and other environmental services, including planning and development, waste collection and disposal, parks and general administration.				

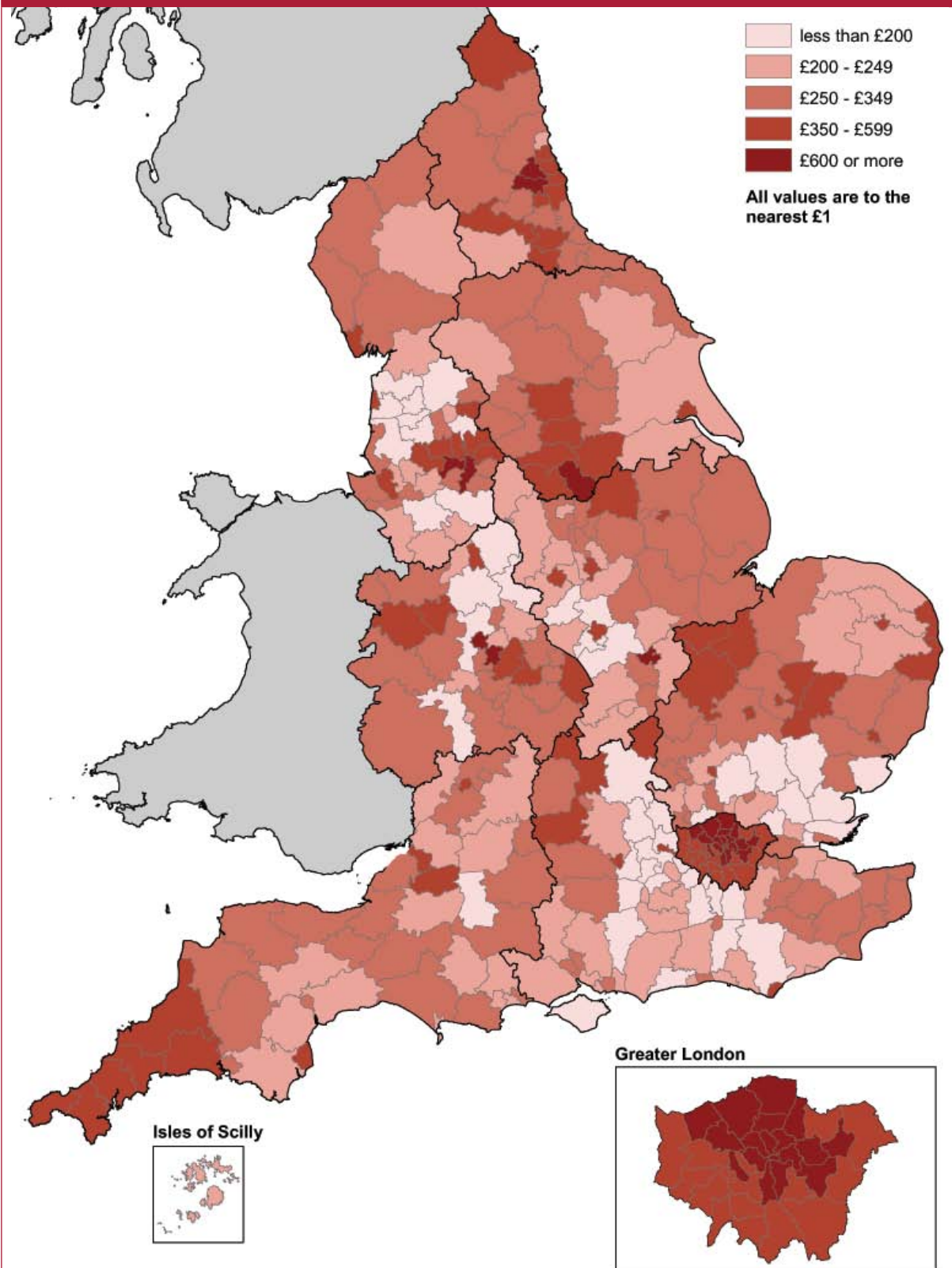
**Table 4.3f: Capital expenditure by service and region 2008-09**

	£ million									
	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England
Education	330	506	463	381	411	472	795	730	456	4,542
Transport	149	468	329	242	447	421	1,917	394	369	4,735
Social Services	21	43	37	19	39	18	47	55	22	300
Housing	392	1,071 <sup>(b)</sup>	683	258	564	238	1,156	319	221	4,901 <sup>(b)</sup>
Agriculture & fisheries	4	23	4	2	5	4	0	11	28	82
Libraries, culture & heritage	21	33	59	22	51	37	28	58	47	356
Sport & recreation	36	67	45	54	38	52	76	94	33	496
Police	34	108	59	38	78	57	300 <sup>(c)</sup>	76	45	794 <sup>(c)</sup>
Fire & rescue	4	17	22	25	21	21	18	21	18	167
Magistrates courts	0	0	0	0	0	0	0	0	0	0
Other <sup>(a)</sup>	175	461	238	238	435	265	945	355	314	3,427
<b>Total</b>	<b>1,166</b>	<b>2,795<sup>(b)</sup></b>	<b>1,938</b>	<b>1,278</b>	<b>2,090</b>	<b>1,585</b>	<b>5,282<sup>(c)</sup></b>	<b>2,112</b>	<b>1,554</b>	<b>19,801</b>
	£ per head									
Education	128	74	89	86	76	82	104	87	88	88
Transport	58	68	63	54	83	74	252	47	71	92
Social Services	8	6	7	4	7	3	6	7	4	6
Housing	152	156 <sup>(b)</sup>	131	58	104	41	152	38	42	95 <sup>(b)</sup>
Agriculture & fisheries	2	3	1	1	1	1	0	1	5	2
Libraries, culture & heritage	8	5	11	5	10	6	4	7	9	7
Sport & recreation	14	10	9	12	7	9	10	11	6	10
Police	13	16	11	9	14	10	39 <sup>(c)</sup>	9	9	15 <sup>(c)</sup>
Fire & rescue	2	2	4	6	4	4	2	3	4	3
Magistrates courts	0	0	0	0	0	0	0	0	0	0
Other <sup>(a)</sup>	68	67	46	54	80	46	124	42	60	67
<b>Total</b>	<b>453</b>	<b>407<sup>(b)</sup></b>	<b>372</b>	<b>288</b>	<b>386</b>	<b>277</b>	<b>693<sup>(c)</sup></b>	<b>252</b>	<b>298</b>	<b>385</b>

Source: COR returns

- (a) Other covers consumer protection, employment services and other environmental services, including planning and development, waste collection and disposal, parks and general administration.
- (b) Includes Salford's £483 million payment to an RSL for transfer of housing stock.
- (c) Includes a one off acquisition of land and existing buildings by Metropolitan Police in 2008-09.

Map 4.3g: Capital expenditure per head 2008-09



Source: COR4 returns

Produced by DCAA, Local Government Finance

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**Table 4.3h: Capital expenditure by service and class 2008-09**

	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	£ million All English authorities
Education	795	1,043	848	1,852	4	0	4,542
Transport	353	609	482	1,412	55	1,824	4,735
Social Services	47	96	57	98	1	0	300
Housing	1,156	2,177	634	0	934	0	4,901 <sup>(a)</sup>
Agriculture & fisheries	0	7	44	11	20	0	82
Libraries, culture & heritage	28	117	72	69	70	0	356
Sport & recreation	75	101	87	5	227	1	496
Police	2	0	3	0	0	789	794 <sup>(b)</sup>
Fire & rescue	0	0	0	25	0	141	167
Other <sup>(c)</sup>	527	769	484	543	663	441	3,427
<b>Total</b>	<b>2,984</b>	<b>4,918</b>	<b>2,712</b>	<b>4,017</b>	<b>1,975</b>	<b>3,196</b>	<b>19,801</b>

Source: COR returns

(a) Includes Salford's £483 million payment to an RSL for transfer of housing stock.

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

(c) Other covers consumer protection, employment services and other environmental services, including planning and development, waste collection and disposal, parks and general administration.

## 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 (HRA)** or the major repairs reserve – but an authority could not charge council tenants for spending on general services, or spending on council houses to local taxpayers
- borrowing or long-term credit as authorised by the credit approvals – **basic credit approval (BCA)** or **supplementary credit approval (SCA)** issued by central government. Credit approvals were normally accompanied by an element of **revenue support grant (RSG)** covering most of the costs of borrowing
- grants received from central government
- contributions or grants from elsewhere – including the National Lottery and **NDPBs** 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 (PCL)**. This required the use of a credit approval, unless the authority was debt-free.

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

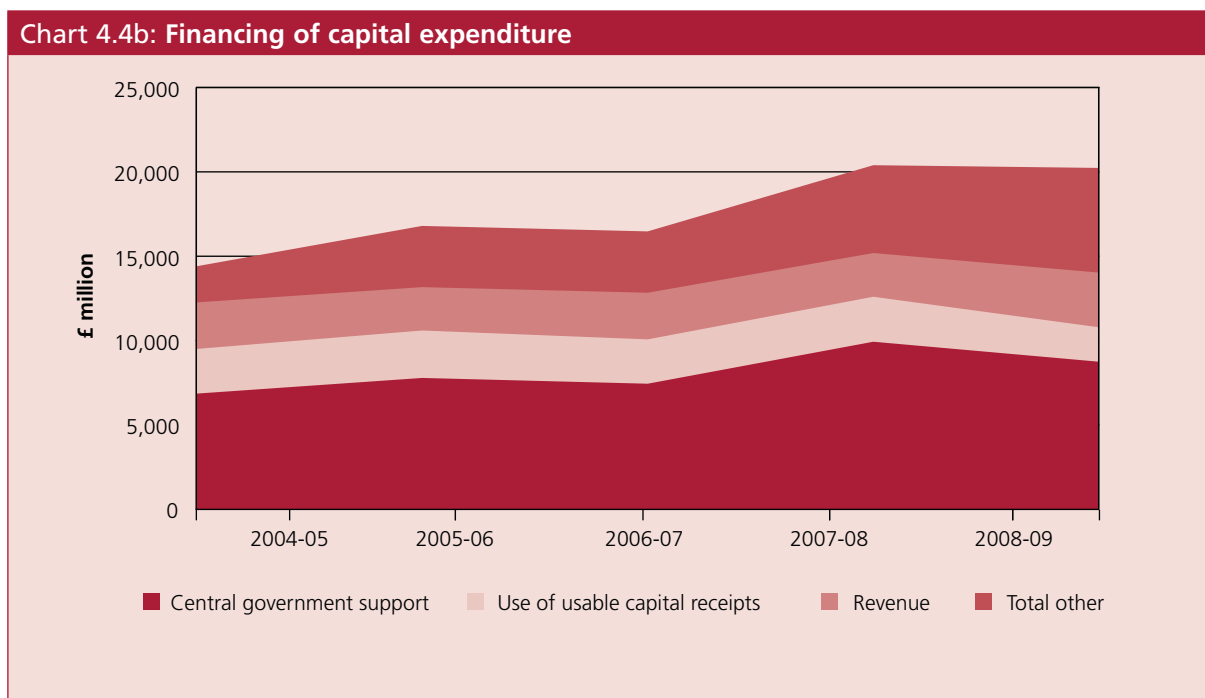
- central government no longer issues credit approvals to allow authorities to finance capital spending by borrowing. However, it continues to provide financial support in the usual way, via RSG or HRA subsidy, towards some capital spending financed by borrowing that is **supported capital expenditure (Revenue) – SCE(R)**
- authorities are now 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 PCL has not been 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 PCL built up under the old rules.

- In 2004-05 supported borrowing was the principal financing source for capital expenditure, accounting for 26% of the total. By 2008-09 the proportion of expenditure financed by supported borrowing had fallen to 15%. In 2004-05 central government grants accounted for 22% of total financing but this has increased every year (excluding the exceptional event of the Department for Transport grant of £1.7bn to the GLA in 2007-08) so that by 2008-09 government grants accounted for 28% of the total financing.
- In 2004-05 capital expenditure of almost £1.1bn (about 7%) 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 2008-09 self financed borrowing is 21% (around £4.2bn).



**Table 4.4a: Financing of capital expenditure**

	2004-05	2005-06	2006-07	2007-08	£ million 2008-09
Central government grants	3,196	3,909	4,083	7,007 <sup>(a)</sup>	5,733
Other grants and contributions <sup>(b)</sup>	1,080	1,377	1,344	2,019	1,978
of which:					
Private developers	361	477	502	1,122 <sup>(c)</sup>	1,176 <sup>(d)</sup>
Non-Departmental Public Bodies <sup>(e)</sup>	412	520	492	635	540
National Lottery	149	212	166	105	106
European Structural Funds	158	169	185	157	156
Use of capital receipts	2,647	2,812	2,628	2,665	2,040
Revenue financing of capital expenditure	2,757	2,568	2,763	2,593	3,241
of which:					
Housing Revenue Account	187	238	240	208	228
Major Repairs Reserve	1,440	1,327	1,337	1,180	1,224
General Fund	1,130	1,004	1,185	1,205	1,789
BCA / SCE(R) Single Capital Pot <sup>(f)</sup>	2,959	2,932	2,734	2,296	2,257
SCA / SCE(R) Separate Programme Element <sup>(f)</sup>	704	947	630	630	760
Other borrowing and credit arrangements not supported by central government <sup>(g)</sup>	1,061	2,251	2,291	3,186	4,224
<b>Total resources used</b>	<b>14,404</b>	<b>16,797</b>	<b>16,472</b>	<b>20,395</b>	<b>20,233</b>
					%
Central government grants	22	23	25	34	28
Other grants and contributions <sup>(b)</sup>	7	8	8	10	10
of which:					
Private developers	3	3	3	6 <sup>(c)</sup>	6 <sup>(d)</sup>
Non-Departmental Public Bodies <sup>(e)</sup>	3	3	3	3	3
National Lottery	1	1	1	1	1
European Structural Funds	1	1	1	1	1
Use of usable capital receipts	18	17	16	13	10
Revenue financing of capital expenditure					
of which:					
Housing Revenue Account	1	1	1	1	1
Major Repairs Reserve	10	8	8	6	6
General Fund	8	6	7	6	9
BCA / SCE(R) Single Capital Pot <sup>(f)</sup>	21	17	17	11	11
SCA / SCE(R) Separate Programme Element <sup>(f)</sup>	5	6	4	3	4
Other borrowing and credit arrangements not supported by central government <sup>(g)</sup>	7	13	14	16	21
<b>Total resources used</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Source: COR returns					
(a) Includes grant from DfT to the GLA for the purpose of discharging Metronet liabilities.					
(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) Central government support for borrowing is based on Supported Capital Expenditure (Revenue).					
(g) 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.					



## 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 (BCA) which could be used for any capital project that is not ring-fenced, but had to be spent in the one year
- supplementary credit approval (SCA) 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) – SCE(R). It continues to do this by giving annual revenue grants or HRA subsidy to help meet the costs of such borrowing. In the past however, not all credit approvals attracted financial support; for example trading SCAs which could be given for a project which would generate income to pay for the costs of the borrowing.

4.5.3 BCAs (using a formula applied to **annual capital guidelines (ACGs)**) and now SCE(R)s 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 BCA 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 (RTIA)** 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 SCE(R)s are also provided in connection with specific projects or outcomes.

4.5.6 Local authorities receive grants and contributions from other sources, for example NDPBs 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 what is 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 From 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 (95% in 2008-09) despite a decrease reflecting the effect of the economic climate in 2008-09 on local authority sales of assets.

**Table 4.6a: Capital receipts by economic category**

	2004-05	2005-06	2006-07	2007-08	2008-09	£ million 2009-10 (F)
Sales of fixed assets	4,560	3,661	3,471	3,641	1,290	1,643
of which:						
Land, buildings & works	4,541	3,646	3,459	3,547	1,268	...
Vehicles	6	6	10	10	7	...
Plant, machinery & equipment	13	8	2	84 <sup>(a)</sup>	14	...
Intangible fixed assets	26	11	8	4	6	13
Repayments of grants and advances	58	78	90	88	40	20
of which:						
Grants	18	15	20	10	16	...
Loans & other financial assistance	40	62	70	79	24	...
Disposal of investments including share and loan capital	17	28	102	259	17	19
<b>Total capital receipts</b>	<b>4,661</b>	<b>3,777</b>	<b>3,671</b>	<b>3,992</b>	<b>1,353</b>	<b>1,695</b>

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**

	2004-05	2005-06	2006-07	2007-08	2008-09	£ million 2009-10 (F)
Education	210	217	261	272	102	179
Transport	101	87	130	301	41	100
Housing	3,193	2,179	1,769	1,696	487	539
Other	1,157	1,294	1,510	1,723	723	877
of which:						
Social Services	75	84	85	100	45	78
Sport & recreation	11	48	51	78	23 II	39 <sup>(a)</sup>
Police	71	96	117	126	70	50
Other	1,000	1,066	1,257	1,418	585 II	710 <sup>(a)</sup>
<b>Total</b>	<b>4,661</b>	<b>3,777</b>	<b>3,671</b>	<b>3,992</b>	<b>1,353</b>	<b>1,695</b>

Source: COR/CER returns

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

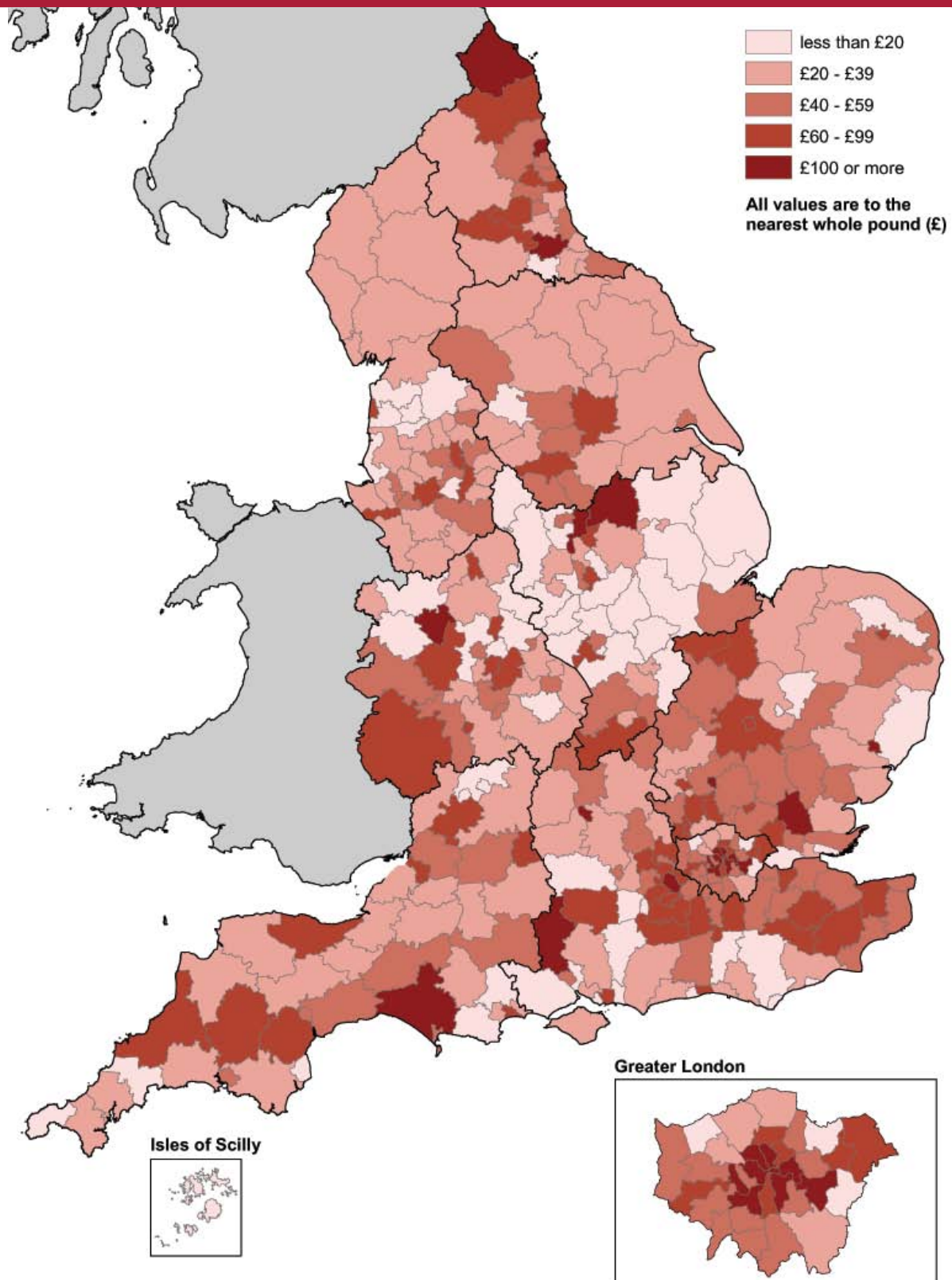
**Table 4.6c: Capital receipts by service and economic category 2008-09**

	£ million				
	Sales of tangible fixed assets	Sale of intangible assets	Repayments of grants, loans and financial assistance	Disposal of investments including share and loan capital	Total capital receipts
Education	102	0	1	0	102
Transport	38	0	2	1	41
Social Services	45	0	0	0	45
Housing	467	1	18	1	487
Agriculture & fisheries	39	0	0	0	39
Libraries, culture & heritage	5	0	0	0	5
Sport & recreation	20	1	2	0	23
Police	62	0	8	0	70
Fire & rescue	17	0	0	0	17
Magistrates courts	1	0	0	0	1
Other <sup>(a)</sup>	495	4	9	15	523
<b>Total</b>	<b>1,290</b>	<b>6</b>	<b>40</b>	<b>17</b>	<b>1,353</b>

Source: COR returns

(a) Other covers consumer protection, employment services and other environmental services, including planning and development, waste collection and disposal, parks and general administration.

Map 4.6d: Capital receipts per head 2008-09



Source: COR4 returns  
Produced by DCAA, Local Government Finance  
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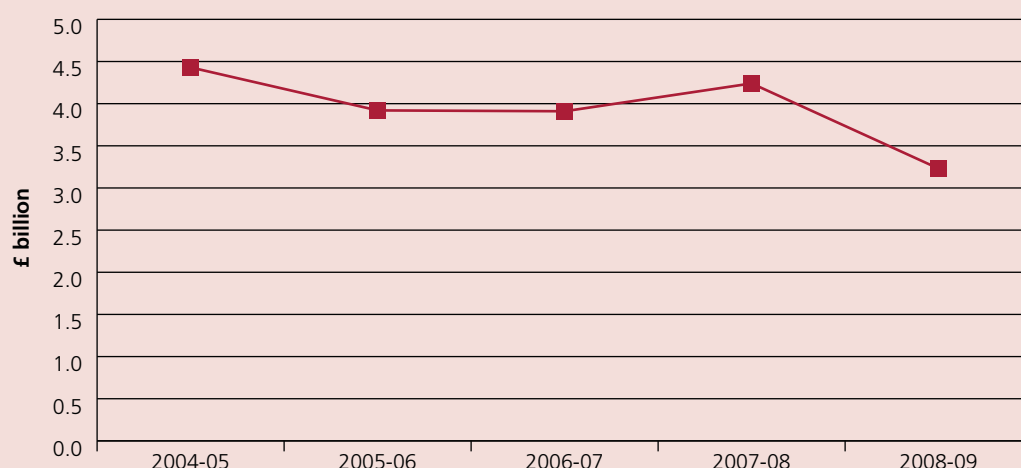
- The stock of capital receipts at 31 March 2009 was 24% lower than a year earlier, following a steep fall in in-year receipts during 2008-09.

**Table 4.6e: Usable and set aside receipts 2004-05 to 2008-09**

	2004-05	2005-06	2006-07	2007-08	£ million 2008-09
<b>Usable capital receipts<sup>(a)</sup></b>					
Usable receipts held at 1 April	3,621	4,141	3,875	3,888	4,177
In-year usable receipts	4,661	3,777	3,671	3,992	1,353
Usable receipts used to meet capital expenditure	2,655	2,812	2,628	2,665	2,040
Usable receipts voluntarily set aside as provision to meet credit liabilities	395	134	190	320	108
Pooling of housing capital receipts	1,637	1,045	817	653	153
Interest on late pooling payments	0	4	0	0	1
<b>Usable receipts at 31 March</b>	<b>4,434</b>	<b>3,923</b>	<b>3,911</b>	<b>4,243</b>	<b>3,228</b>

Source: COR returns

(a) From 2004-05, local authorities are not statutory 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 (PFI)** 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 PFI programme is the government's way of providing financial support for local authority projects which meet an appropriate set of criteria. Departments receive allocations in each spending review which are intended to cover planned PFI activity over the review period. The plans become reality when a PFI credit is issued to an authority once a contract for the project has been signed. The PFI 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 PFI is excluded from the expenditure figures appearing in the rest of this chapter.

- Education accounted for 54% of the local authority PFI programme in 2009-10 compared with 63% in 2008-09.
- Transport has the second highest share of 21% in 2009-10 which is significantly higher than 12% in 2008-09.

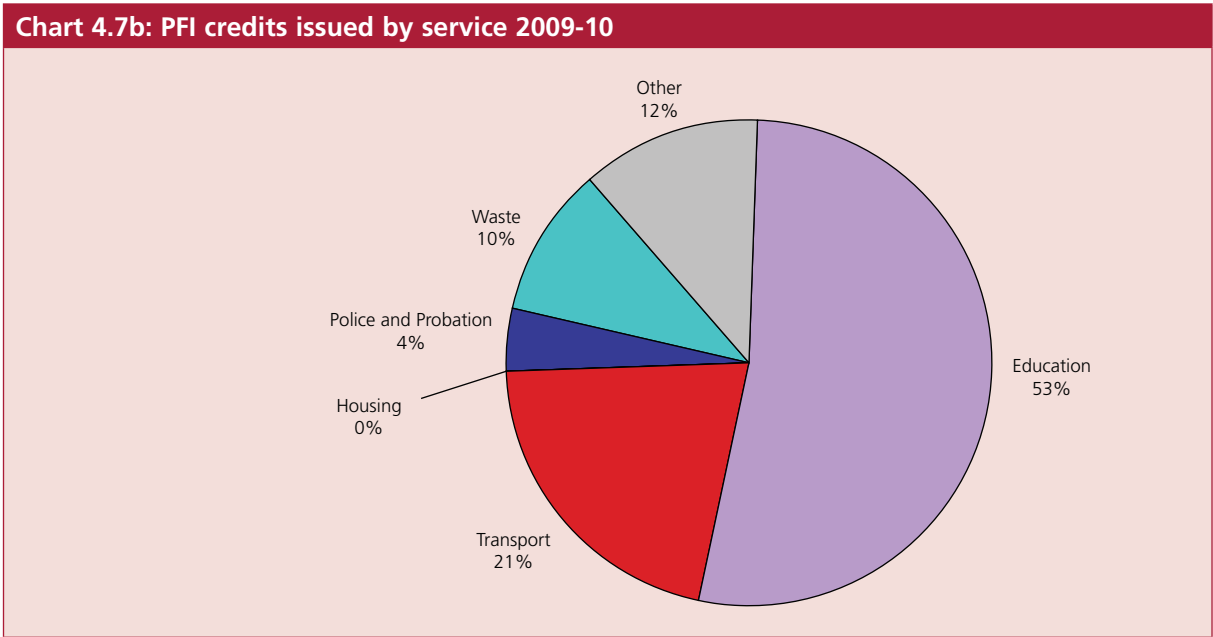
**Table 4.7a: Private Finance Initiative (PFI) credits, England**

	£ million					%
	2005-06	2006-07	2007-08	2008-09	2009-10	2009-10
Education	693	685	1,009	418	1,287	54
Transport	102	150	95	0	491	21
Social Services	25	32	35	14	44	2
Housing	118	532	283	138	0	0
Police	0	46	30	0	87	4
Fire & rescue	0	0	28	27	93	4
Waste	0	251	139	0	235	10
Other	69	11	79	33	155	6
<b>Total PFI Credits</b>	<b>1,007</b>	<b>1,707</b>	<b>1,698</b>	<b>630</b>	<b>2,392</b>	<b>100</b>

Source: COR/CER returns

Spend figures only reflect the value of projects that have reached contract signatures 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.





# 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 2009 in total and by type, and:

- by class of authority
- by region.

**Table 5.1a: Value of fixed assets<sup>(a)</sup> by class of authority: 31 March 2009**

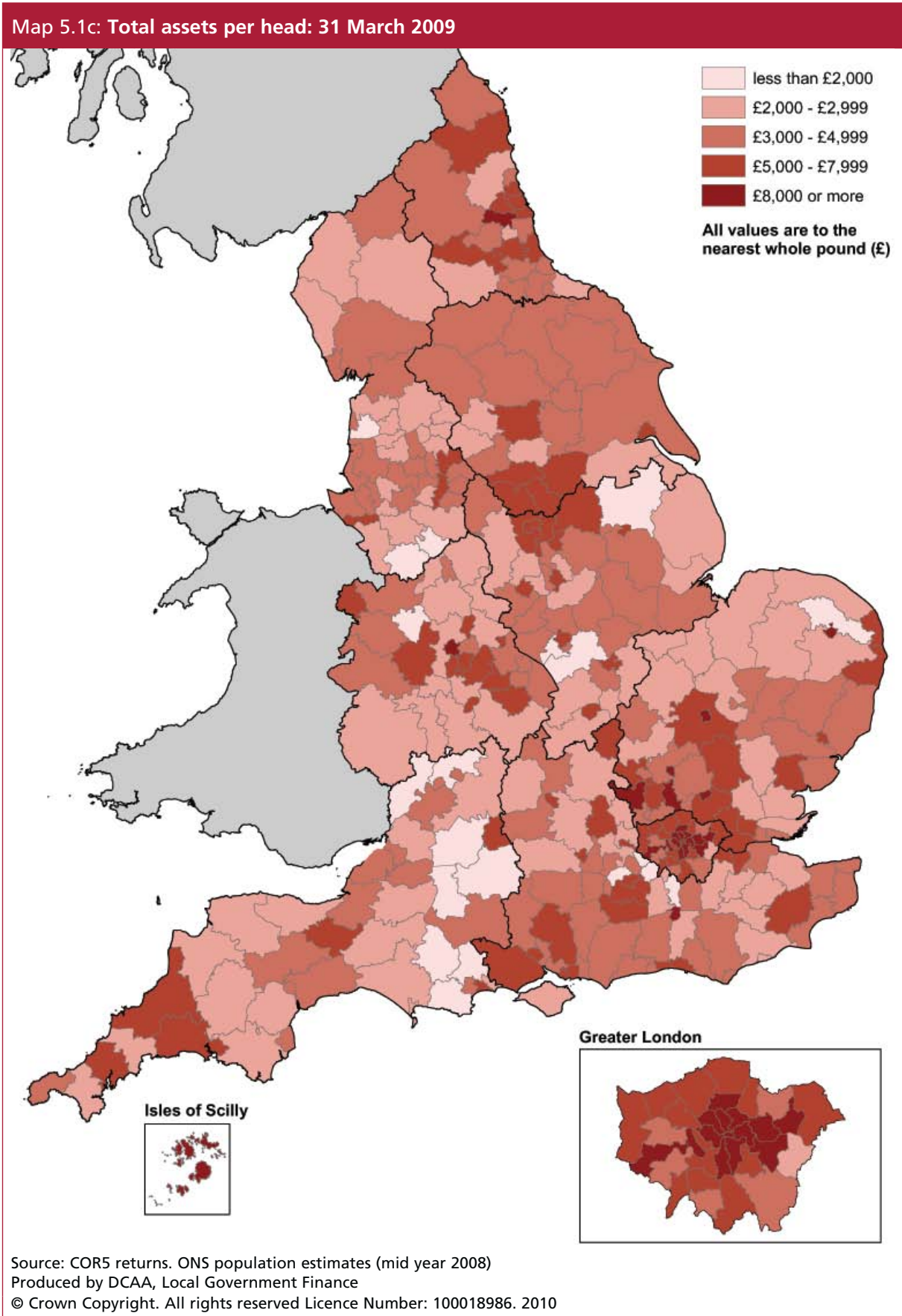
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	£ million England
<b>Operational assets:</b>							
i) Council dwellings	28,205	19,218	13,070	100	26,942	3	87,538
ii) Other land & buildings – education	10,369	11,935	9,866	28,687	118	0	60,976
iii) Other land & buildings – other	7,012	9,135	7,341	6,254	8,143	5,969	43,854
iv) Vehicles, plant & equipment	463	592	398	755	589	1,228	4,024
v) Infrastructure	3,011	5,354	3,739	10,187	739	3,289	26,320
vi) Community	341	328	424	65	408	36	1,602
<b>Total operational assets</b>	<b>49,400</b>	<b>46,563</b>	<b>34,839</b>	<b>46,049</b>	<b>36,939</b>	<b>10,524</b>	<b>224,314</b>
<b>Non operational:</b>							
i) Investment properties	2,133	2,245	2,297	242	3,275	326	10,518
ii) Other	1,231	1,942	1,511	2,203	1,148	968	9,004
<b>Total non-operational assets</b>	<b>3,364</b>	<b>4,187</b>	<b>3,809</b>	<b>2,445</b>	<b>4,423</b>	<b>1,295</b>	<b>19,522</b>
<b>Total value of tangible assets</b>	<b>52,765</b>	<b>50,750</b>	<b>38,647</b>	<b>48,494</b>	<b>41,362</b>	<b>11,819</b>	<b>243,836</b>
Intangible assets	103	82	62	85	88	77	496
<b>Total value of fixed assets</b>	<b>52,867</b>	<b>50,831</b>	<b>38,709</b>	<b>48,578</b>	<b>41,450</b>	<b>11,896</b>	<b>244,333</b>
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<sup>(a)</sup> by regions: 31 March 2009**

	£ million									
	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England
<b>Operational assets:</b>										
i) Council dwellings	4,822	5,167	7,856	7,356	8,454	10,005	28,205	10,381	5,291	87,538
ii) Other land & buildings – education	3,115	7,144	6,564	4,666	5,865	7,449	10,369	10,407	5,397	60,976
iii) Other land & buildings – other	2,117	4,719	3,590	3,628	5,953	4,344	8,836	6,595	4,073	43,854
iv) Vehicles, plant & equipment	288	440	377	341	416	416	861	562	322	4,024
v) Infrastructure	1,892	4,065	2,637	1,919	2,528	2,668	5,040	3,296	2,275	26,320
vi) Community	94	202	152	114	155	112	374	183	218	1,602
<b>Total operational assets</b>	<b>12,328</b>	<b>21,737</b>	<b>21,177</b>	<b>18,023</b>	<b>23,370</b>	<b>24,994</b>	<b>53,685</b>	<b>31,423</b>	<b>17,576</b>	<b>224,314</b>
<b>Non-operational:</b>										
i) Investment properties	327	1,554	700	484	998	1,126	2,440	1,959	931	10,518
ii) Other	687	1,230	755	955	686	853	1,923	1,314	602	9,004
<b>Total non-operational assets</b>	<b>1,014</b>	<b>2,784</b>	<b>1,455</b>	<b>1,439</b>	<b>1,684</b>	<b>1,979</b>	<b>4,363</b>	<b>3,273</b>	<b>1,532</b>	<b>19,522</b>
<b>Total value of tangible assets</b>	<b>13,342</b>	<b>24,521</b>	<b>22,632</b>	<b>19,462</b>	<b>25,054</b>	<b>26,973</b>	<b>58,048</b>	<b>34,696</b>	<b>19,108</b>	<b>243,836</b>
Intangible assets	18	52	39	29	57	61	119	89	33	496
<b>Total value of fixed assets</b>	<b>13,360</b>	<b>24,573</b>	<b>22,670</b>	<b>19,491</b>	<b>25,111</b>	<b>27,034</b>	<b>58,167</b>	<b>34,785</b>	<b>19,141</b>	<b>244,333</b>
£ per head of population	5,188	3,574	4,349	4,397	4,641	4,719	7,634	4,151	3,675	4,749

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.

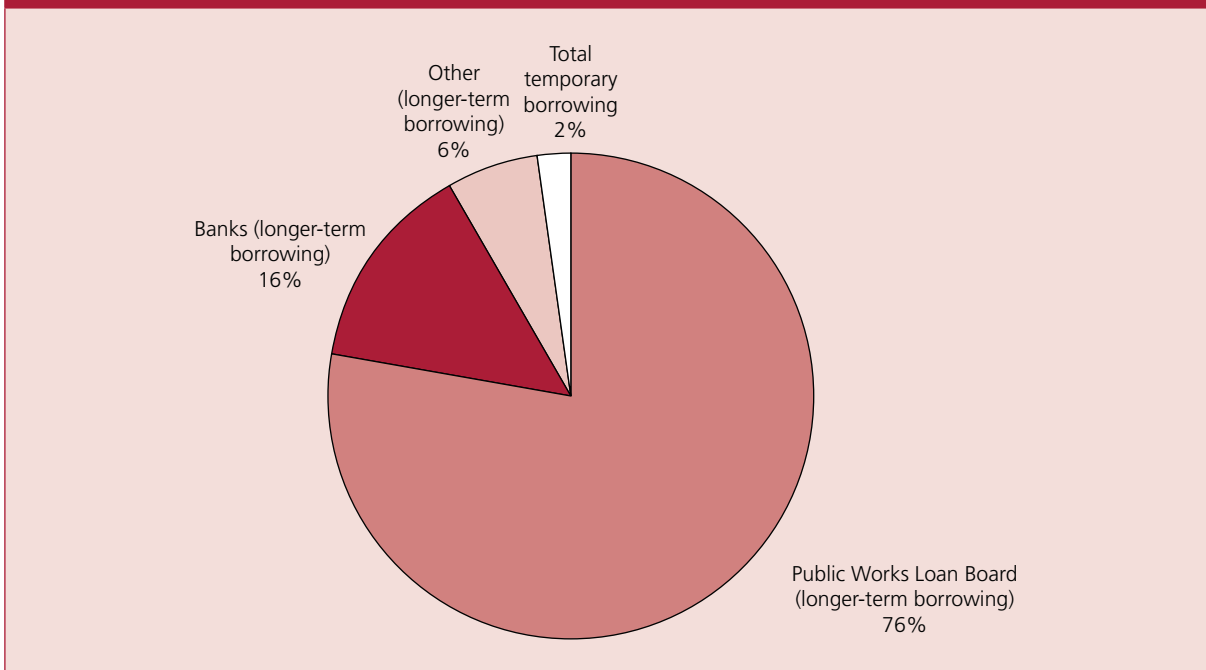


## 5.2 Outstanding debt and holdings of investments

5.2.1 Outstanding debt includes temporary borrowing for management of cash flow, and longer-term borrowing taken out to finance capital projects.

- The vast majority of outstanding debt is longer-term borrowing (98%) and the largest proportion of that is owed to the Public Works Loan Board (76%).

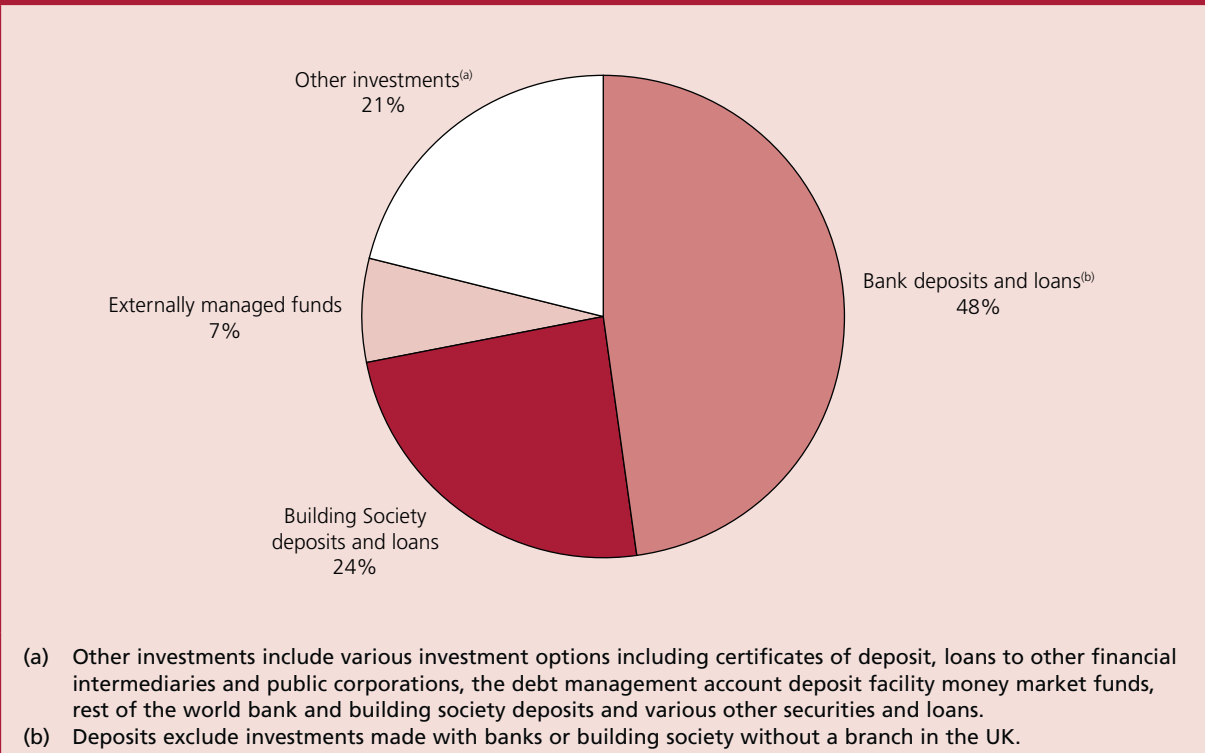
Chart 5.2a: Outstanding debt as at 31 March 2009



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.

- Almost three-quarters of local authority investments are deposits with banks or building societies.

**Chart 5.2b: Investments as at 31 March 2009**



## 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 2008-09 was £4.5bn compared with £0.7bn in 2004-05.

**Table 5.3a: Local Government Net Cash Requirement<sup>(a)</sup>**

	£ million				
	2004-05	2005-06	2006-07	2007-08	2008-09
Change in borrowing					
Temporary borrowing	8	-175	205	94	155
Longer-term borrowing	2,463	6,137	2,333	3,696	1,034
<b>Total change in borrowing</b>	<b>2,472</b>	<b>5,961</b>	<b>2,538</b>	<b>3,790</b>	<b>1,190</b>
/less Net change in investments	1,740	2,380	2,356	4,268	-3,283
<b>Net Cash Requirement</b>	<b>731</b>	<b>3,581</b>	<b>182</b>	<b>-478</b>	<b>4,473</b>

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

(a) The Local Government Net Cash Requirement (previously known as the local authority borrowing requirement) is the external borrowing by local authorities less changes in the level of their investments.

- Total outstanding debt at 31 March 2009 for England was £53.6bn compared with £52.4bn at 31 March 2008 and £37.7bn at 31 March 2004.
- In 2008-09 the change in local authority borrowing was significantly lower than in previous years increasing at just over £1bn. Lending from the Public Works Loan Board increased by £0.5bn compared to over £2.5bn in 2007-08.



**Table 5.3b: Local authority borrowing**

	Outstanding amount at 31 March 2004	Change in borrowing					£ million Outstanding amount at 31 March 2009
		2004-05	2005-06	2006-07	2007-08	2008-09	
<b>Temporary borrowing</b>							
Banks	105	31	-56	33	-3	66	176
Building societies	253	-118	-30	78	59	96	339
Other financial intermediaries	472	63	-11	-26	173	6	678
Public corporations	72	23	-59	123	-138	-3	19
Private non-financial corporations	16	-6	-2	-2	8	-9	5
Central government	0	0	0	0	0	0	0
Household sector	41	20	-20	-3	1	-2	37
Other sources	9	-5	2	2	-5	1	4
<b>Total</b>	<b>970</b>	<b>8</b>	<b>-175</b>	<b>205</b>	<b>94</b>	<b>155</b>	<b>1,258</b>
<b>Longer-term borrowing</b>							
Negotiable bonds	101	191	102	199	0	3	597
Listed securities other than bonds	217	0	298	-26	-8	-94	387
Public Works Loan Board	31,131	1,092	4,390	1,014	2,544	460	40,631
Banks	3,541	1,126	1,200	1,162	1,041	321	8,390
Building societies	76	-38	-8	8	-2	-19	18
Other financial intermediaries	436	16	-8	-208	-50	-28	158
Public corporations	0	0	0	1	-1	1	1
Private non-financial corporations	3	0	-1	-2	0	0	0
Central government	16	-1	-1	-2	-2	-2	8
Household sector	13	-3	-1	0	-1	-1	6
Rest of the World	1,138	77	170	187	177	395	2,144
Other sources	18	3	-5	0	-3	-2	11
<b>Total</b>	<b>36,689</b>	<b>2,463</b>	<b>6,137</b>	<b>2,333</b>	<b>3,696</b>	<b>1,034</b>	<b>52,352</b>
<b>Total borrowing</b>	<b>37,659</b>	<b>2,472</b>	<b>5,961</b>	<b>2,538</b>	<b>3,790</b>	<b>1,190</b>	<b>53,610</b>

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 2009.

- At 31 March 2009 all 36 metropolitan districts and 34 shire counties were borrowing £50m or more whereas 95% of shire districts were borrowing less than this amount.
- In 2008-09 the change in local authority borrowing was significantly lower than in previous years increasing at just over £1bn. Lending from the Public Works Loan Board increased by £0.5bn compared to over £2.5bn in 2007-08.

**Table 5.3c: Local authority borrowing by class of authority: 31 March 2009**

Band (£ million)	Number of authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
zero	1	0	0	0	80	12	93
> zero less than 2	0	0	2	0	39	7	48
2 up to 10	1	0	0	0	54	24	79
10 up to 50	3	0	5	0	53	35	96
50 up to 200	6	9	28	3	12	7	65
200 up to 500	13	20	12	26	0	4	75
500 up to 1000	9	4	0	4	0	0	17
1000 and above	0	3	0	1	0	1	5
<b>Total</b>	<b>33</b>	<b>36</b>	<b>47</b>	<b>34</b>	<b>238</b>	<b>90</b>	<b>478</b>

Source: COR returns

- Local authority investments increased each year from 2003-04 to 2007-08.
- Since 2005-06 the amount held in externally managed funds has decreased each year.
- In 2008-09 there was a £3.1bn decrease in building society deposits and a £3.2bn decrease in bank deposits. There was a substantial increase in the investment in to the debt management account deposit facility.

**Table 5.3d: Local authority investments**

	Outstanding amount at 31 March 2004	Change in investments					£ million Outstanding amount at 31 March 2009
		2004-05	2005-06	2006-07	2007-08	2008-09	
Deposits: banks	8,224	1,926	2,239	2,025	1,016	-3,217	12,213
Deposits: building societies	5,232	635	65	744	2,619	-3,088	6,207
Treasury bills	0	0	0	0	6	-6	0
Certificates of deposit: banks	80	-45	0	-32	75	92	170
Certificates of deposit: building societies	0	20	-20	0	6	-1	5
British Government (Gilt-edge) securities	25	-11	13	-24	-4	24	24
Other financial intermediaries	27	20	-1	-10	98	-95	39
Public corporations	120	-2	-9	-9	4	3	107
Debt Management Account deposit facility <sup>(a)</sup>	54	-20	-5	-28	74	2,860	2,935
National Loans Fund	423	-423	0	0	0	0	0
Money market funds <sup>(a)</sup>	294	-50	36	-54	380	560	1,166
Externally managed funds	4,529	-370	-164	-468	-506	-96	2,926
Other investments	285	60	226	210	501	-318	965
<b>Total investments</b>	<b>19,295</b>	<b>1,740</b>	<b>2,380</b>	<b>2,356</b>	<b>4,268</b>	<b>-3,283</b>	<b>26,757</b>

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.

## 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 therefore provides a method of financing capital expenditure from 2004-05 onwards.
- 5.4.4 Final figures for 2008-09, 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 58% of authorities used the powers to finance capital expenditure through self-financed borrowing in 2008-09, compared with 37% in the first year of the system.

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

	Percentage of authorities using self-financed borrowing %					Amount of expenditure financed £ million					Average amount per authority using self-financed borrowing £ million				
	2004-05	2005-06	2006-07	2007-08	2008-09	2004-05	2005-06	2006-07	2007-08	2008-09	2004-05	2005-06	2006-07	2007-08	2008-09
London boroughs	64	61	70	67	70	155	181	183	300	373	7	9	8	14	16
Metropolitan districts	81	86	97	97	97	231	586 <sup>(a)</sup>	535	792	1224	8	12 <sup>(b)</sup>	15	23	35
Unitary authorities	64	77	79	83	83	134	225	260	360	343	4	6	7	9	9
Shire counties	74	85	88	88	91	197	427	507	517	739	8	15	17	17	24
Shire districts	18	30	34	39	42	60	101	122	153	187	1	1	2	2	2
GLA	100	100	100	100	100	243	609	574	895	1114	243	609	574	895	1114
Other authorities <sup>(c)</sup>	33	48	49	54	54	41	121	109	170	243	1	3	2	4	5
All English authorities	37	48	53	56	58	1,061	2,251	2,291	3,186	4,224	6	10	9	12	15

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.

Source: COR returns

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

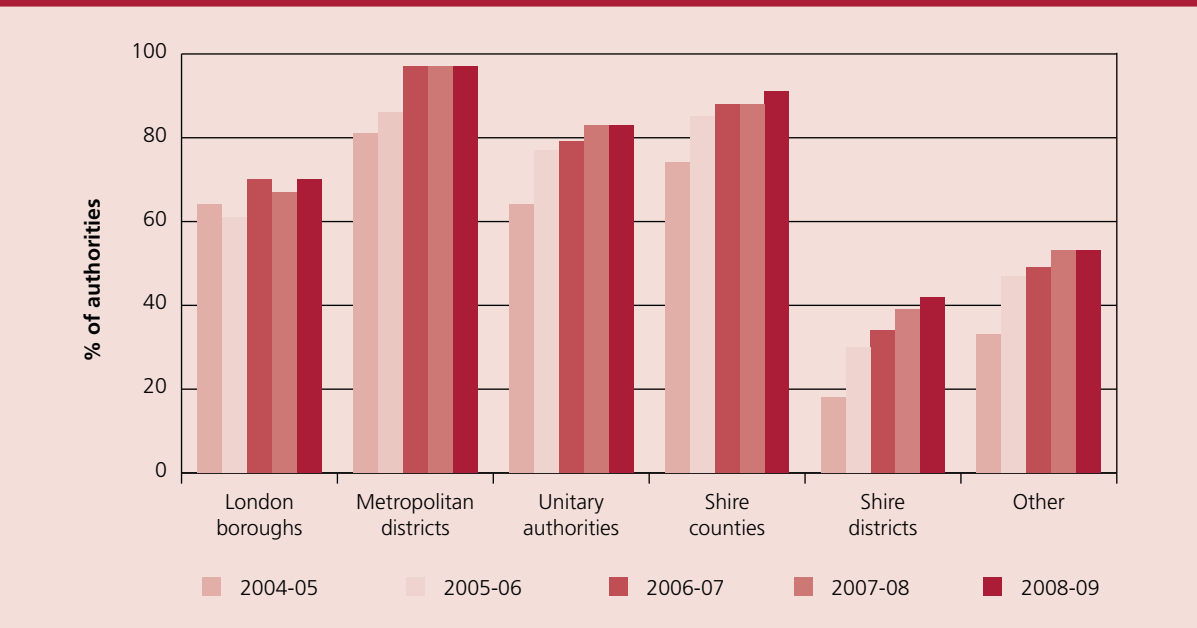
5.4.7 **Table 5.4b** shows the distribution of proportion of capital spending financed by self-financed borrowing by class of authority.

- 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 42% of shire districts did so in 2008-09.
- In 2008-09, 42% of authorities financed capital spending without self-financed borrowing. At the other end of the scale, two local authorities financed all their expenditure with self-financed borrowing. These authorities are Greater Manchester Waste Disposal and Western Riverside Waste.
- All London boroughs, unitary authorities and shire counties 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 2008-09**

Band (%)	Number of authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
zero	10	1	8	3	138	41	201
> zero less than 10	8	7	18	9	30	3	75
10 up to 20	5	14	13	7	30	7	76
20 up to 50	10	13	8	15	33	11	90
50 up to 100	0	1	0	0	7	26	34
100	0	0	0	0	0	2	2
<b>Total</b>	<b>33</b>	<b>36</b>	<b>47</b>	<b>34</b>	<b>238</b>	<b>90</b>	<b>478</b>

Source: COR returns

**Chart 5.4c: Authorities using self-financed borrowing in 2004-05 to 2008-09: by class****Table 5.4d: Prudential system information 2008-09**

Reported by local authorities		£ million
	As at 1 April 2008	As at 31 March 2009
Capital Financing Requirement as at 1 April 2008	53,494	
Capital expenditure to be resourced by means of credit (+)		7,241
Minimum Revenue Provision (-)		1,345
Additional contribution from revenue (-)		257
Contribution from Major Repairs Reserve (-)		83
Use of receipts (-) <sup>(a)</sup>		43
Change in Capital Financing Requirement		5,513
Capital Financing Requirement as at 31 March 2009		59,007
Gross borrowing	52,492	54,327
Other long-term liabilities	874	821
<b>Total external debt</b>	<b>53,366</b>	<b>55,147</b>
Operational boundary for external debt	64,577	66,469
Authorised limit for external debt	73,577	75,294
Investments	28,020	25,210

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 31 March 2008 total gross long-term borrowing amounted to just under 21% of the value of local authority assets at that date. At 31 March 2009 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 2009.

- Only one London borough had no gross long-term borrowing as a percentage of assets compared to eighty-two shire 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 2009**

Band (%)	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Number of authorities	
						Other authorities	England
zero	1	0	0	0	82	13	96
>zero less than 5	4	0	3	0	69	7	83
5 up to 10	2	0	5	0	31	5	43
10 up to 20	13	5	17	8	35	13	91
20 up to 30	8	14	14	15	10	16	77
30 up to 40	2	11	6	6	5	13	43
40 and above	3	6	2	5	6	23	45
<b>Total</b>	<b>33</b>	<b>36</b>	<b>47</b>	<b>34</b>	<b>238</b>	<b>90</b>	<b>478</b>

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 (FTEs). Of all local authority employees, around 0.4m FTEs work in education, 0.3m work in protection, law and order: police, traffic wardens and police civilians and firefighters, and around 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; and
- 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 largest group are those classified as 'Other Local Government Staff' (these staff are covered by a number of separate negotiating bodies) and include fire support staff, all non-teachers working in education including teaching assistants, as well as 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 2008-09, 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, recruitment and retention fees.
- 6.2.2 **Table 6.2a** shows employee expenditure as a proportion of service expenditure for each of the service areas for 2008-09. Employee expenditure accounted for 66% of education service expenditure and Police and Fire services employee expenditure accounted for 82% and 77%, respectively.

- In 2008-09, 49% of Local Government **service expenditure** (gross of income) was spent on their employees.

**Table 6.2a: Employee expenditure as a proportion of total service expenditure for 2008-09**

	£ billion		Employees as % of
	Employee expenditure	Total service expenditure	total service expenditure
Education services	31.0	47.4	66
Highways, roads and transport services	1.3	8.6	15
Social services	6.8	24.5	28
Housing services <sup>(a)</sup>	0.7	3.6	20
Cultural and related services	1.8	4.7	39
Environmental services	1.7	6.6	25
Planning and development services	1.2	3.2	37
Police services	10.4	12.7	82
Fire and rescue services	1.7	2.2	77
Court services	0.0	0.1	20
Central services	6.0	13.3	45
Other services	0.3	0.7	41
<b>Total service expenditure</b>	<b>62.9</b>	<b>127.5</b>	<b>49</b>

Source: RSX form 2008-09 on an FRS17 basis.

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

- 6.2.3 **Table 6.2b** illustrates levels of local government pay since 2006-07 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 (143 out of 478 authorities) in England.

- Employee expenditure has risen from £59.8bn to £62.9bn between 2006-07 and 2008-09. The majority (79%) of this expenditure is on pay, which totalled £49.6bn in 2008-09.

**Table 6.2b: Local government pay by pay negotiating group 2006-07 to 2008-09**

	2006-07 (R)	2007-08 (R)	£ billion 2008-09
Teachers	15.9	16.6	16.9
Police and Police Support Staff	7.0	7.3	7.6
Firefighters	1.1	1.1	1.1
Other Local Government Staff	21.8	22.6	23.9
<b>Total pay<sup>(a)</sup></b>	<b>45.8</b>	<b>47.6</b>	<b>49.6</b>
<b>Total non-pay for all groups<sup>(b)</sup></b>	<b>10.3</b>	<b>11.2</b>	<b>11.7</b>
<b>Total employee expenditure<sup>(c)</sup></b>	<b>59.8</b>	<b>61.7</b>	<b>62.9</b>

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

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

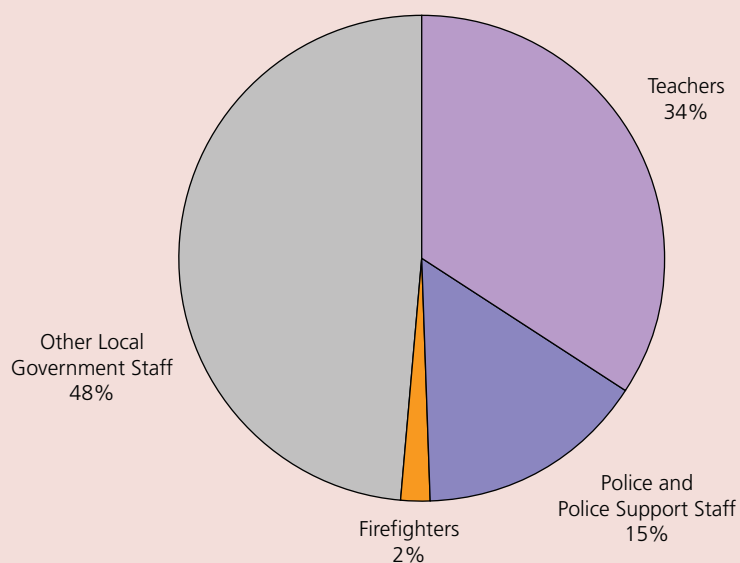
(b) Includes employers' National Insurance, pensions contributions and travel allowances.

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

(R) Revised

- Nearly half (48%) of total pay was accounted for by other Local Government staff, with a further 34% accounted for by teachers.

6.2.4 **Chart 6.2c** shows the proportion of local government pay accounted for by each pay negotiating group in 2008-09.

**Chart 6.2c: Proportion of local government pay by pay negotiating group in 2008-09**

6.2.5 **Table 6.2d** illustrates how pay has increased across all pay negotiating groups since 2006-07.

- Total employee expenditure increased by 2.0% between 2007-08 and 2008-09, with pay and non-pay costs increasing by 4.1% and 4.3% respectively.
- Between 2007-08 and 2008-09, Teachers' expenditure on pay increased by 1.7% and Police and Police Support Staff expenditure on pay increased by 4.5%.

**Table 6.2d: Annual percentage change in pay by negotiating group 2006-07 to 2008-09**

	2006-07 (R)	2007-08 (R)	% change 2008-09
Teachers	1.3	4.4	1.7
Police and Police Support Staff	7.0	4.2	4.5
Fire	0.8	6.4	-1.1
Other Local Government Staff	7.0	3.6	5.9
<b>Total pay<sup>(a)</sup></b>	<b>4.8</b>	<b>4.0</b>	<b>4.1</b>
<b>Total non-pay across all groups<sup>(b)</sup></b>	<b>3.5</b>	<b>8.3</b>	<b>4.3</b>
<b>Total employee expenditure<sup>(c)</sup></b>	<b>7.8</b>	<b>3.1</b>	<b>2.0</b>

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

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

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

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

(R) Revised

## 6.3 Workforce numbers

6.3.1 **Table 6.3a** shows the number of FTE staff in local government between 2006-07 and 2008-09 in England.

- In 2008-09, there were nearly 1.8m FTE staff in local government, of which 1.1m were Other Local Government Staff and 0.4m were employed as Teachers.

**Table 6.3a: Number of full-time equivalent employees<sup>(a)</sup> 2006-07 to 2008-09**

	2006-07	2007-08	thousand 2008-09	% of total 2008-09
Teachers <sup>(b)</sup>	435	435	433	24.3
Police and Police Support Staff <sup>(c)</sup>	221	225	231	13.0
Firefighters <sup>(d)</sup>	44	44	43	2.4
Other Local Government Staff <sup>(e)</sup>	1,088 <sup>(R)</sup>	1,085 <sup>(R)</sup>	1,071	60.2
<b>Total</b>	<b>1,788<sup>(R)</sup></b>	<b>1,788<sup>(R)</sup></b>	<b>1,778</b>	<b>100.0</b>

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

(b) Source: Department for Education.

(c) Source: Home Office. Figures include those on career breaks.

(d) Source: Communities and Local Government.

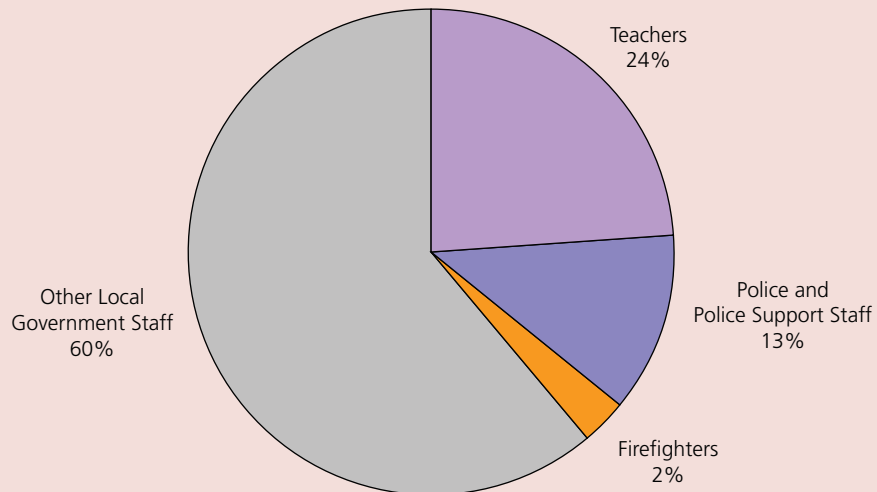
(e) Source: Office for National Statistics. Figures will differ from previous editions as they reflect a new source.

(R) Revised

6.3.2 **Chart 6.3b** illustrates the proportion of FTE staff that were working within local government in 2008-09.

- In 2008-09, Other Local Government employees accounted for the majority of all local government employees, making up 60%. The next largest group of employees was Teachers who accounted for about a quarter.

**Chart 6.3b: Number of full-time equivalent employees in 2008-09**



# 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 (DFE). There is no fund of assets, and teachers' pensions are paid by the DFE. Employers' and employees' contributions are paid by local authorities to the DCSF 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 2008-09 was £5.6bn, compared with £5.2bn in 2007-08, an increase of 7%.**

- In 2008-09, about 86% 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 2008-09 was £1,047m. This compares with £1,038m in 2007-08.

**Table 7.2a: Local Government Pension Scheme expenditure 1999-00 to 2008-09**

	Expenditure on benefits <sup>(a)</sup>	Disposal of liabilities				Other expenditure	£ million Total expenditure
		Transfer values	Pensions Act premiums	Refunds of contributions <sup>(b)</sup>	Costs charged to the funds <sup>(c)</sup>		
1999-00	3,153	302	22	14	173	1	3,666
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	<u>4,272</u>	853	29	14	290	15	<u>5,473</u>
2006-07	4,757	598	26	5	349	19	5,754
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

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 1999-00 to 2008-09**

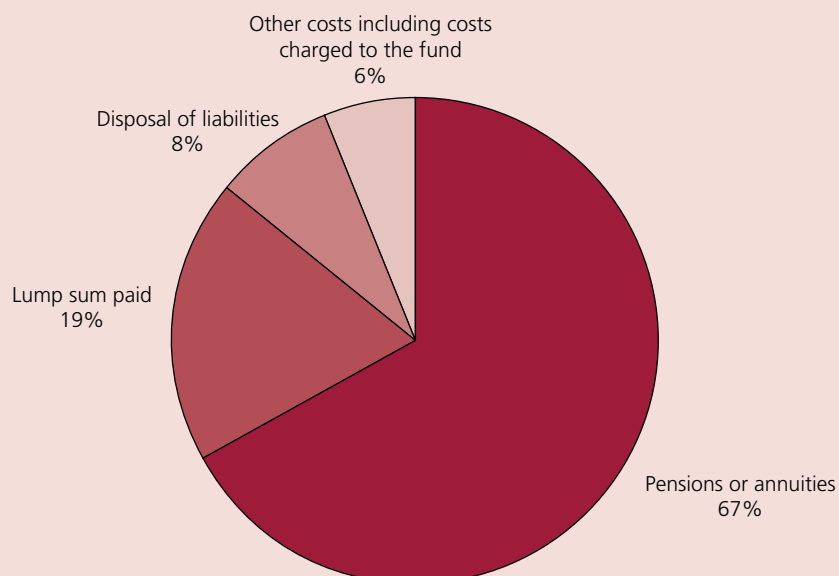
	Pensions or annuities paid to retired employees or dependants	Lump sums paid				£ million Total benefits
		On retirement <sup>(a)</sup>	On death <sup>(b)</sup>	Optional lump sum <sup>(c)</sup>	Other benefits <sup>(c)</sup>	
1999-00	2,725	372	52	-	4	3,153
2000-01	2,819	405	52	-	2	3,278
2001-02	2,973	430	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	<u>581</u>	78	-	2	<u>4,272</u>
2006-07	3,816	859	81	-	1	4,757
2007-08	4,100	1,038	<u>84</u>	-	1	<u>5,222</u>
2008-09	4,388	1,047	123	41	1	5,600

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 2008-09**

- In 2008-09, 68% of Local Government Pension Scheme income came from employers' and employees' contributions whilst income from investments and other income provided 27% of the total.
- Income from employees' contributions to the Local Government Pension Scheme in 2008-09 was £1.9bn, an increase of 15% on 2007-08. Income from employers' contributions to the scheme rose by 8% to £5.4bn in the same period.
- Income from investments fell by 9% on 2007-08 figures to £2.9bn.

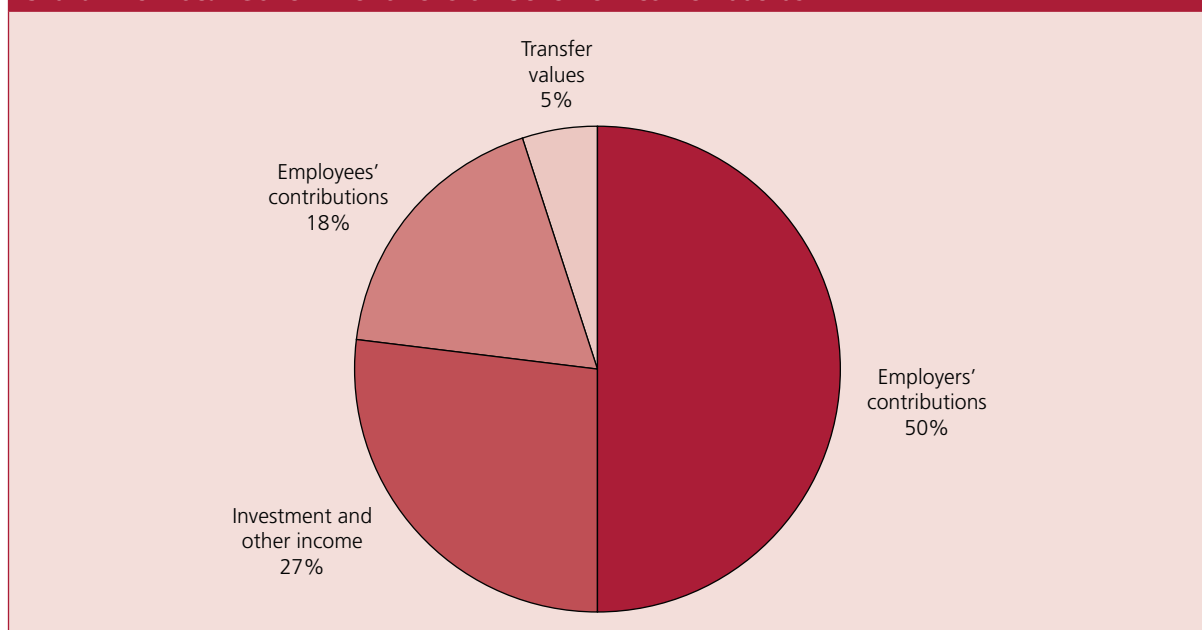


**Table 7.2d: Local Government Pension Scheme income 1999-00 to 2008-09**

						£ million
	Contributions (including those from admitted authorities)		Investment income (gross)	Transfer values	Other income	Total income
	Employees <sup>(a)</sup>	Employers (inc. secondary contributions)				
1999-00	999	1,972	2,364	597	38	5,969
2000-01	1,060	2,273	2,325	660	45	6,363
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

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.

**Chart 7.2e: Local Government Pension Scheme income 2008-09**

**Chart 7.2f: Local Government Pension Scheme total expenditure and income 1999-00 to 2008-09**

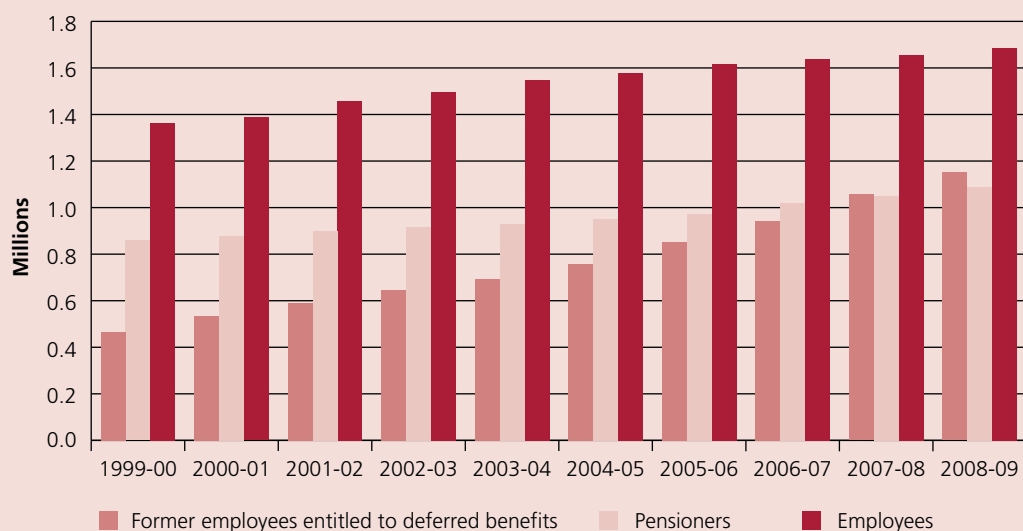
- There were nearly 1.7m employees in the Local Government Pension Scheme at the end of March 2009, an increase of 2% from March 2008.
- The number of former employees entitled to deferred benefits rose to 1.1m in 2008-09, an increase of 52% over 2004-05. Over the same period the number of pensioners has increased by 14%, such that the number of former employees entitled to deferred benefits now exceeds the number of pensioners.
- The market value of the funds at end of March 2009 was £97bn, a decrease of 19% on March 2008.

**Table 7.2g: Number of Local Government Pension Scheme members and market value of funds 1999-00 to 2008-09**

	Number of scheme members at end of each year (thousand)				Market value of fund at end of year (£ million)
	Employees	Pensioners	Former employees entitled to deferred benefits	Former employees to whom Reg. 18 <sup>(a)</sup>	
1999-00	1,362	859	465	-	83,326
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

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 1999-00 to 2008-09**

**Table 7.2i: Type of retirements from the Local Government Pension Scheme 2004-05 to 2008-09**

	Redundancy	Ill health retirement (pre April 2008)	New tier 1,2 & 3 ill health retirement awards under LGPS <sup>(a)</sup>	Early payment of deferred benefits <sup>(b)</sup>	Normal retirements	Total retirements
2004-05	7,949	5,440	-	7,506	15,689	36,584
2005-06	8,139	4,678	-	9,252	15,844	37,913
2006-07	9,838	4,279	-	14,800	19,015	47,932
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

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 2008-09**