



Department for  
Communities and  
Local Government

# Whole of Government Accounts

## Local Government, England

Local Government in England sub-consolidation (unaudited)

Year ending 31 March 2011

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If you have any enquiries regarding this document/publication, email [contactus@communities.gov.uk](mailto:contactus@communities.gov.uk) or write to us at:

Department for Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU  
Telephone: 030 3444 0000

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# Whole of Government Accounts – Local Government, England

## Local Government in England sub-consolidation (unaudited) Year ending 31 March 2011

### Introduction

Whole of Government Accounts is a consolidated set of financial statements for the UK public sector. The aim of Whole of Government Accounts is to enable Parliament and the public to better understand and scrutinise how taxpayers' money is spent. Whole of Government Accounts consolidates the accounts of more than a thousand organisations across the public sector. It offers new insights into the long-term sustainability of the public finances.

HM Treasury has published the accounts for the 2010-11 financial year which present a comprehensive, accounts-based picture of the fiscal position for the financial year. This set of accounts can be viewed on HM Treasury's website at: [http://www.hm-treasury.gov.uk/psr\\_government\\_accounts.htm](http://www.hm-treasury.gov.uk/psr_government_accounts.htm). The purpose of this paper is to bring out of the consolidated set of accounts the English Local Government component; this includes principal local authorities (including the Greater London Authority and its functional bodies), police authorities, fire and rescue authorities, waste disposal authorities, integrated transport authorities and national park authorities.

Set out in Annex A are the Consolidated Statement of Revenue and Expenditure (Income and Expenditure Account), Consolidated Statement of Financial Position (Balance Sheet), and the Consolidated Statement of Changes in Taxpayers' Equity. The first two statements show the total Whole of Government Accounts figures and the equivalent figures for English Local Government; the third statement shows only the English local government figures.

This set of statements complements previous statistical publications on local government finances for 2010-11, but does not replace them. The statistical releases on local government finances and the National Accounts published by the Office for National Statistics have different objectives and reveal different aspects of the public finances. Please see Annex B for a briefing on the consistency and comparability of the two sets of data.

## Points to note

### **International Financial Reporting Standards**

The overall Whole of Government Accounts statements have been prepared in accordance with International Financial Reporting Standards. The transition of local authority accounts to International Financial Reporting Standards was completed in 2010-11 and involved adjustment to opening balances for the year to reflect consequent changes to accounting practice. Local authority accounts for 2009-10 were prepared on the basis of UK Generally Accepted Accounting Practice, and because figures on that basis would not be fully comparable with International Financial Reporting Standards based figures we have not included previous year comparative figures in this paper.

### **Comparison of the two sets of accounts**

It is important to point out here that the extraction of the English Local Government component from the consolidated set of Whole of Government Accounts does cause some apparent anomalies when we come to comparing the two sets of figures. This is because the component figures include transactions between English Local Government and the rest of the public sector. The effect of these transactions is eliminated as part of the consolidation process, so that the overall Whole of Government Accounts figures show only the position of the UK public sector as a whole as against the world outside the UK public sector.

For example, under the heading of "Other revenue" in the Revenue and Expenditure Statement, the English Local Government figure is higher than the consolidated Whole of Government Accounts figure. This is because the English Local Government figure consists mainly of grants received from central government. On overall consolidation, the grant income for English Local Government and the corresponding expenditure on the grants for central government are eliminated.

Similarly, in the Financial Position Statement, English Local Government appears to account for over 80% of trade and other payables under non-current liabilities. In fact much of the English Local Government figure is borrowing from central government sources, and so is eliminated on consolidation.

### **Difference between financing surplus/deficit and accounting surplus/deficit**

The deficit for English Local Government shown in the Revenue and Expenditure Statement differs from the surplus/deficit for the year for the purposes of council tax calculations. This is because the former is based on a strict application of accounting principles, while the latter incorporates modifications required by legislation. The principal modifications are (a) the removal of depreciation charges and their replacement by charges based on the means by which capital expenditure was financed, and (b) replacement of the accounting charges for defined benefit pension schemes with the actual employer contributions due in respect of the relevant retirement benefits.

## ANNEX A

### Consolidated Statement of Revenue and Expenditure for year ending 31 March 2011

	Whole of Government Accounts Audited	English local govt Unaudited
	£bn	£bn
Taxation revenue from direct taxes	(296.4)	0.0
Taxation revenue from indirect taxes	(165.2)	0.0
Taxation revenue from local taxes	(53.8)	
Council tax		(26.4)
National Non-domestic rates		(21.1)
Revenue from sales of goods and services	(49.8)	(22.8)
Other revenue	(48.8)	(116.3)
<b>Total revenue</b>	<b>(614.0)</b>	<b>(186.6)</b>
Social security benefits	204.0	24.9
Staff Costs	193.1	68.1
Pension past service costs and indexation adjustment	(126.0)	(26.5)
Purchase of goods and services	159.2	67.8
Cost of grants and subsidies	68.4	1.5
Depreciation and impairment charges	80.4	36.1
Provision expense	18.3	0.8
Other expenditure	27.5	6.6
<b>Total Expenditure</b>	<b>624.9</b>	<b>179.2</b>
<b>Net deficit/(surplus) before financing costs</b>	<b>10.9</b>	<b>(7.4)</b>
Investment revenue	(5.1)	(0.5)
Finance costs	40.5	3.9
Interest on pension scheme liabilities	60.8	15.8
Expected return on funding pension fund schemes' assets	(13.0)	(7.7)
<b>Net Financing costs</b>	<b>83.2</b>	<b>11.5</b>
Revaluation of financial assets and liabilities	(3.3)	(0.3)
Net loss on sale of assets	3.6	3.6
<b>Net deficit for the year</b>	<b>94.4</b>	<b>7.4</b>

## Consolidated Statement of Financial Position as at 31 March 2011

	Whole of Government Accounts Audited	English local govt Unaudited
	£bn	£bn
<b>Non-current assets</b>		
Property, plant and equipment	710.0	245.2
Investment property	12.4	10.7
Intangible assets	34.3	0.8
Trade and other receivables	15.1	2.0
Equity investment in public sector banks	56.5	0.0
Other financial assets	<u>120.6</u>	<u>13.2</u>
<b>Total non-current assets</b>	<b>948.9</b>	<b>271.9</b>
<b>Current Assets</b>		
Inventories	12.0	0.3
Trade and other receivables	130.7	10.6
Cash and cash equivalents	22.5	8.1
Gold holdings	9.0	0.0
Assets held for sale	1.9	0.7
Other financial assets	<u>102.7</u>	<u>3.2</u>
<b>Total current assets</b>	<b>278.8</b>	<b>22.9</b>
<b>Total assets</b>	<b>1,227.7</b>	<b>294.8</b>
<b>Current liabilities</b>		
Trade and other payables	(104.2)	
Bank and other borrowings		(5.9)
Trade and other payables		(18.4)
Government borrowing and financing	(217.2)	0.0
Provision for liabilities and charges	(12.0)	(1.7)
Other financial liabilities	<u>(254.2)</u>	<u>0.0</u>
<b>Total current liabilities</b>	<b>(587.6)</b>	<b>(26.0)</b>
<b>Net current assets/(liabilities)</b>	<b>(308.8)</b>	<b>(3.1)</b>
<b>Total assets less current liabilities</b>	<b>640.1</b>	<b>268.8</b>
<b>Non-current liabilities</b>		
Trade and other payables	(77.7)	
Bank and other borrowings		(55.5)
Trade and other payables		(12.5)
Government borrowing and financing	(691.0)	0.0
Provision for liabilities and charges	(96.1)	(1.6)
Net public service pension liability	<u>(959.5)</u>	<u>(146.3)</u>

Other financial liabilities	(9.2)	0.0
<b>Total non-current liabilities</b>	<b>(1,833.5)</b>	<b>(216.0)</b>
<b>Net assets / (liabilities)</b>	<b>(1,193.4)</b>	<b>52.9</b>
<b>Financed by Taxpayer's Equity</b>		
<b>Liabilities to be funded by future revenues</b>		
General reserve	1,401.9	(25.9)
Revaluation reserve	(221.8)	(27.0)
Other Reserves	13.3	(0.0)
<b>Total liabilities to be funded by future revenues</b>	<b>1,193.4</b>	<b>(52.9)</b>

## Consolidated Statement of Changes in Taxpayers' Equity (English Local Government) for year ending 31 March 2011

	General reserve £bn	Revaluation reserve £bn	Other reserves £bn	Total £bn
<b>Changes in taxpayers' equity for 2010-11</b>				
At 1 April 2010	(5.1)	(26.4)	(0.1)	(31.6)
Retained (surplus)/deficit	7.4	-	-	7.4
Net (gain)/loss on revaluation of property, plant and equipment	-	(1.6)	-	(1.6)
Net (gain)/loss on revaluation of available for sale financial assets	-	(0.0)	-	(0.0)
Actuarial (gain)/loss on pension liabilities	(25.9)	-	-	(25.9)
Receipt of donated/government granted assets	(2.7)	-	-	(2.7)
Other movements on reserves	1.5	0.2	-	1.8
Transfers between reserves	(0.9)	0.9	0.0	(0.0)
<b>Balance at 31 March 2011</b>	<b>(25.9)</b>	<b>(27.0)</b>	<b>(0.0)</b>	<b>(52.9)</b>

The Consolidated Statement of Changes in Taxpayers' Equity for the English Local Government component has been published to enable readers of the accounts to see how the net deficit for the year of £7.4bn feeds into the taxpayers' equity figure of £52.9bn. The figure of £2.7bn shown as donated / government granted assets relates almost entirely to governments grants. These are capital grants paid by central government to English local

authorities. As stated previously in relation to grants in the Revenue and Expenditure Statement, on overall consolidation this figure is eliminated.



## ANNEX B

### Consistency and comparability of the published data

1. The Whole of Government Accounts figures published by this Department showing versions of the main statements with the figures for English Local Government are derived from and consistent with the full Whole of Government Accounts dataset held by HM Treasury and used to produce the accounts published on 31 October 2012. The English local government sub-consolidation dataset includes all eliminations and adjustments between English Local Authorities bodies but not with local government bodies in the rest of the UK or with central government bodies. The HM Treasury dataset, on the other hand, includes all eliminations and adjustments made by this Department and in addition any further adjustments made by HM Treasury in respect of transactions with central government departments and other bodies within Whole of Government Accounts.
2. Users should be aware that the collection of Whole of Government Accounts data by this Department runs alongside the collection of its suite of Local Government Finance statistical collections also published on the Department's website:

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

These statistics are collected for a number of purposes. They are the primary source for the National Accounts statistics produced by Office for National Statistics and are designed as far as possible to deliver data according to the definition required for this purpose.

3. A number of differences exist between these datasets. In respect of National Accounts and Whole of Government Accounts data, these differences primarily exist due to differences in the systems of accounts used to compile the figures; Whole of Government Accounts is based on the International Financial Reporting Standard while the National Accounts are based on the European System of Accounts 1995 (ESA95). Further reasons for difference include sectoral coverage and timing differences. The Office for National Statistics have published a paper which examines these differences in detail:

<http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/psf-and-wga/index.html>

4. Further differences then exist between the National Accounts data and the Department's suite of finance statistics used as their primary source for Local Government in England. Users should be aware of these differences when making comparisons between these statistics and either the National Accounts or Whole of Government Accounts figures.

## **Sectoral coverage**

Further to the differences outlined in the Office for National Statistics article, there are some differences between the National Accounts definition of the Local Government Sector in England and the boundary of the Local Authorities which complete the Department's statistical returns. Crossrail Ltd. is, for example, classified to the Local Government Sector in the National Accounts and in Whole of Government Accounts but is treated as a third-party body in this Department's non- Whole of Government Accounts Statistics.

## **Timing**

Whole of Government Accounts data are based on an authority's audited accounts. While authorities are given the opportunity to revise their outturn figures to reflect changes at audit, unless differences are considered material, published outturn in the remainder of the Department's statistics remain based on earlier unaudited accounts.