



Local Authority Capital Expenditure and Receipts, England: 2014-15 Provisional Forecasts

- The provisional forecast capital expenditure increased from £21.3bn in 2013-14 to £23.3bn in 2014-15, a year-on-year increase of 9.5%.
- The provisional forecast capital receipts increased from £1.8bn in 2013-14 to £2.3bn in 2014-15, a year-on-year increase of 23%.
- The financing of capital expenditure through central government grants slightly increased from £7.9 billion in 2013-14 to £8 billion in 2014-15, a year-on-year increase of 1.5%.
- Between 2009-10 and 2014-15 capital financing requirement increased by 39% mainly due to Greater London Authority (GLA) paying Transport for London (TfL) for their increased planned expenditure for Crossrail and London Underground investment programme, and in 2012-13 taking over Housing and Community Agency's London responsibilities and other regeneration programmes.

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Introduction

This release provides information on Local Authorities' anticipated Capital Expenditure and Receipts for 2014-15. The information is used to inform public expenditure planning and consideration of likely levels of public sector borrowing in the financial year, including whether the Government wishes to use its reserve power to set a national limit on increases in borrowing. This information has previously been published as Live Tables on the Department's website. This is the first time it is being published in the form of a Statistical Release.

Local authorities make provisional forecasts of their Capital finances ahead of the financial year, before budgets have been ratified within the LA. This is the data shown in this release. Once the budgets have been finalised, further estimates of capital finances for that year are available (published by DCLG in the 20xx-xx Provisional Outturn & 20xx-xx Forecast Statistical Release) in the latter part of June / early part of July. Capital expenditure and receipts outturn information is available for Local Authorities on a quarterly basis as a live table at

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-local-government-finance>

The outturn information for the year will first be available as provisional outturn in the latter part of June / early part of July and then the final outturn will be available in September.

The information contained in this release reflects the returns from all 444 local authorities in England. Local authority capital expenditure forecasts are adjusted to take account of historic differences between capital forecast and capital outturn.

The release has been compiled by the Local Government Finance - Data Collection Analysis and Accountancy Division of Department for Communities and Local Government. For uses please see "uses of the data" section.

1. Capital Forecast 2014-15

Table 1 shows the provisional forecast data for the financial year 2014-15 by economic category.

- The provisional forecast capital expenditure increased from £21.3bn in 2013-14 to £23.3bn in 2014-15, a year-on-year increase of 9.5%.
- The provisional forecast capital receipts increased from £1.8bn in 2013-14 to £2.3bn in 2014-15, a year-on-year increase of 23%.

Table 1: Provisional forecast by economic category: England 2014-15	
	£ million
	Forecast
Total planned capital expenditure	23,269
Total in-year capital receipts	2,273
Housing capital receipts expected to be paid to the Secretary of State under sections 11(2) and 11(3) of the Local Government Act 2003	197
Resources to be used to finance capital expenditure:	
Capital grants from central government	8,028
Capital grants and contributions from other sources	1,705
Use of capital receipts	2,196
Revenue and Major Repairs Reserve (MRR) financing	4,395
Borrowing and credit arrangements that attract central government support	48
Other borrowing and credit arrangements	6,896
Total resources to be used to finance capital expenditure	23,269

Table 1a: Provisional forecast by further economic category: England 2014-15	
Capital financing requirement:	
Capital Financing Requirement as at 1 April 2014	98,411
Capital expenditure to be resourced by means of credit	8,558
Minimum Revenue Provision, other contributions from revenue and major repairs reserve, use of receipts	2,880
Change in Capital Financing Requirement	5,677
Capital Financing Requirement as at 31 March 2015	104,089
Borrowing, credit and investments at start of year:	
Gross borrowing as at 1 April 2014	74,268
Other long-term liabilities as at 1 April 2014	10,798
Investments as at 1 April 2014	25,110
Borrowing, credit and investments at end of year:	
Gross borrowing as at 31 March 2015	79,843
Other long-term liabilities as at 31 March 2015	10,902
Investments as at 31 March 2015	21,206
Operational boundary and authorised limit:	
Forecast operational boundary for external debt during 2014-15	105,589
Forecast authorised limit for external debt during 2014-15	117,456
Borrowing and other long term liabilities of local authority companies:	
Gross borrowing and other long-term liabilities as at 1 April 2014	1,285
Gross borrowing and other long-term liabilities as at 31 March 2015	1,231

2. Capital Forecast 2009-10 to 2014-15

Table 2 below illustrate the change in the forecast between 2009-10 and 2014-15.

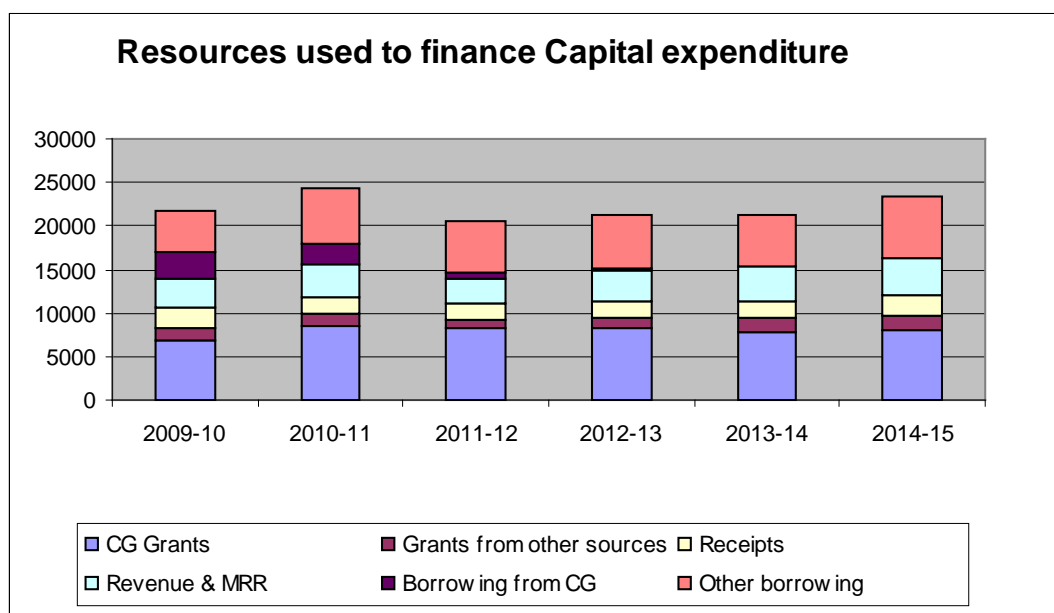
- Local authority capital expenditure figures are adjusted to take account of historic differences between capital forecast and capital outturn. The calculation is based on 3 recent years' capital outturn data.

Pattern of Forecast

- The increase in the capital expenditure in 2010-11 was mainly due to Greater London Authority (GLA) making its first contribution to the Cross rail project
- The financing of capital expenditure through central government grants slightly increased from £7.9 billion in 2013-14 to £8 billion in 2014-15, a year-on-year increase of 1.5%

Table 2: Provisional forecast: England 2009-10 to 2014-15

	£ million					
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total planned capital expenditure	21,759	24,371	20,590	21312	21,250	23,269
Total in-year capital receipts	1,959	1,554	1,780	2087	1,845	2,273
Housing capital receipts expected to be paid to the Secretary of State under sections 11(2) and 11(3) of the Local Government Act 2003	219	144	136	142	121	197
Resources to be used to finance capital expenditure:						
Capital grants from central government	6,767	8,448	8,221	8216	7,908	8,028
Capital grants and contributions from other sources	1,613	1,569	1,104	1164	1,438	1,705
Use of capital receipts	2,286	1,901	1,823	1870	1,887	2,196
Revenue and MRR financing	3,387	3,573	2,751	3629	4,133	4,395
Borrowing and credit arrangements that attract central government support	3,015	2,561	856	309	62	48
Other borrowing and credit arrangements	4,692	6,318	5,836	6124	5,821	6,896
Total resources to be used to finance capital expenditure	21,759	24,371	20,590	21312	21,250	23,269



- Between 2009-10 and 2014-15 capital financing requirement increased by 39% mainly due to Greater London Authority (GLA) paying Transport for London (TfL) for their increased planned expenditure for Crossrail and London Underground investment programme, and in 2012-13 taking over Housing and Community Agency's London responsibilities and other regeneration programmes

Table 2a: Provisional forecast: England 2009-10 to 2014-15						
	£ million					
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<u>Capital financing requirement:</u>						
Capital Financing Requirement as at 1 April	59,985	66,465	78,479	88,924	94,870	98,411
Capital expenditure to be resourced by means of credit	8,113	9,347	7,706	7,564	7,220	8,558
Minimum Revenue Provision, other contributions from revenue and major repairs reserve, use of receipts	1,728	1,863	2,363	2,694	2,607	2,880
Change in Capital Financing Requirement	6,385	7,483	5,343	4,870	4,613	5,677
Capital Financing Requirement as at 31 March	66,370	73,948	83,822	93,794	100,368	104,089
<u>Borrowing, credit and investments at start of year:</u>						
Gross borrowing as at 1 April	55,729	57,052	63,135	72,100	73,861	74,268
Other long-term liabilities as at 1 April	917	1,211	5,367	8,646	10,651	10,798
Investments as at 1 April	25,709	21,067	20,096	20,892	25,994	25,110
<u>Borrowing, credit and investments at end of year:</u>						
Gross borrowing as at 31 March	60,227	63,878	69,123	76,565	77,911	79,843
Other long-term liabilities as at 31 March	969	1,842	5,445	8,707	10,487	10,902
Investments as at 31 March	21,890	18,963	17,900	18,567	23,449	21,206
<u>Operational boundary and authorised limit:</u>						
Forecast operational boundary for external debt during the year	71,385	76,745	86,591	97,581	102,391	105,589
Forecast authorised limit for external debt during the year	80,530	86,216	98,424	108,755	114,071	117,456
<u>Borrowing and other long term liabilities of local authority companies:</u>						
Gross borrowing and other long-term liabilities as at 1 April	2,681	2,852	3,004	1,184	1,375	1,285
Gross borrowing and other long-term liabilities as at 31 March	2,892	2,913	3,013	1,143	1,314	1,231

3. Comparison between Provisional Forecast, Budget and outturn

Table 3 provides a comparison between provisional forecast, budget and outturn.

- The budget (CER) for total planned capital expenditure has on average been 2.7% higher than the provisional estimate figures (CFR).
- Similarly the budget (CER) for financing of capital expenditure through central government grants have been 5.3% higher than the provisional estimates (CFR).

Table 3: Comparison between provisional forecast (CFR), budget (CER) and outturn (COR)														£ million	
	2009-10			2010-11			2011-12			2012-13			2013-14 ^(a)		
	CFR	CER	COR	CFR	CER	COR	CFR	CER	COR	CFR	CER	COR	CFR	CER	
Total planned capital expenditure	21,759	22,141	21,362	24,371	24,411	23,146	20,590	20,454	20,032	21,312	21,364	18,931	21,250	23,745	
Total in-year capital receipts	1,959	1,695	1,427	1,554	1,364	1,498	1,780	1,734	2,014	2,087	2,012	2,124	1,845	2,019	
Resources to be used to finance capital expenditure:															
Capital grants from central government	6,767	7,140	7,494	8,448	8,563	8,063	8,221	8,605	7,170	8,216	8,684	8,481	7,908	8,624	
Capital grants and contributions from other sources	1,613	1,437	802	1,569	1,469	1,290	1,104	1,174	1,203	1,163	992	1,146	1,438	1,163	
Use of capital receipts	2,286	2,295	1,603	1,901	1,978	1,409	1,823	1,967	1,647	1,870	1,860	1,294	1,887	2,106	
Revenue and MRR financing	3,387	3,496	3,532	3,573	3,559	3,984	2,751	2,558	4,504	3,629	3,482	3,167	4,133	4,360	
Borrowing and credit arrangements that attract central government support	3,015	2,794	2,929	2,561	2,349	2,064	856	529	412	309	195	118	62	81	
Other borrowing and credit arrangements	4,692	4,979	5,002	6,318	6,493	6,335	5,836	5,621	5,096	6,124	6,151	4,724	5,821	7,411	
Total resources to be used to finance capital expenditure	21,759	22,141	21,362	24,371	24,411	23,146	20,590	20,454	20,032	21,311	21,364	18,931	21,250	23,745	

(a) 2013-14 local authority outturn data will not be available until later in the year.

4. Definitions

A list of terms relating to local government finance is given in the glossary at Annex G of *Local Government Finance Statistics England* No. 23 2013. This is accessible at.

<https://www.gov.uk/government/publications/local-government-financial-statistics-england-2013> The most relevant terms for this release are explained below.

Capital expenditure – expenditure on the acquisition of fixed assets or expenditure which adds to and does not merely maintain the value of existing fixed assets.

Capital receipts – income from the sale of capital assets. Such income may only be used to repay loan debt or to finance new capital expenditure.

Capitalised current expenditure – expenditure which would normally score as current expenditure but which a local authority has been allowed to capitalise, with the permission of the Secretary of State (e.g. redundancy payments).

Capital expenditure charged to revenue account (CERA) – a method of financing capital expenditure where the expenditure is financed direct from revenue account in the year it is incurred

Credit arrangements – forms of credit that do not involve the borrowing of money by a local authority. For example leases of land (including buildings) or other property and contracts which provide for external credit (in the sense that there is more than a full financial year gap between the giving of value to the authority and the payment for that value).

Greater London Authority (GLA) – this includes GLA and its functional bodies, the Mayor's Office for Policing and Crime, London Fire and Emergency Planning Authority, Transport for London (TfL) and London Legacy Development Corporation (LLDC). Capital expenditure and receipts are reported by the GLA and the four functional bodies as a group and individually.

Minimum Revenue Provision – the minimum amount which must be charged to a revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities

Major Repairs Reserve – a source of financing for housing capital expenditure created by the charge for depreciation in the Housing Revenue Account.

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

The Prudential Code – a professional code of practice prepared by the CIPFA, for the prudential

system introduced on 1 April 2004. Local authorities are required by legislation to have regard to the code.

Supported Capital Expenditure – the term for most forms of central government support for local authority capital expenditure from 1 April 2004. Supported Capital Expenditure (Revenue) – SCE(R) – is the amount of expenditure towards which revenue support grant will be paid to a local authority on the cost of its borrowing. The revenue grant support is provided to help authorities with the costs of financing loans. This form of financial support was discontinued from 2011-12 so only expenditure financed from borrowing undertaken in previous years will be recorded after 2011-12.

6. Technical Notes

Symbol

... = not available

Rounding

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

Data quality

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods, and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

The information in this release are derived from Capital Forecast Returns (CFR) submitted to Communities and Local Government by English local authorities in January 2014 for the period 1 April 2014 to 31 March 2015 providing an early indication of expenditure, receipts and self-

financed borrowing for the forthcoming financial year. It is based on returns from xxx authorities out of the 444 authorities that are expected to complete the return.

Capital expenditure figures are adjusted to take account of historic differences between capital forecast and capital outturn. The calculation is based on 3 recent years' capital outturn data. Adjustment has not been made to local authorities' forecasts for capital receipts as there is no clear pattern in recent differences between the forecast data and final outturn.

Figures are subjected to rigorous pre-defined validation tests both within the forms themselves, while the forms are being completed by the authority and also in Communities and Local Government itself as the data are received and stored. These include:

- 1) **In form validation:** This refers to warnings that are built into the excel forms that are sent to authorities. Forms have been pre-programmed with sense checks to highlight figures outside a set range. If an authority inputs figures that are likely to be incorrect, the form flags up to the officer inputting the data that this value could be incorrect. In some fields the figure can still be accepted if a reason is given whereas some cells will definitely be rejected as it is deemed impossible. In the majority of cases this means that the forms are returned completed and without any validation queries.
- 2) **CLASS (Computerised Local Authority Statistics System) validation:** Once the figures have been received by DCLG, they get inputted onto the CLASS database, which has built in checks that return errors and warnings for unexpected figures. CLASS can then be asked to output a list of warnings and errors which a team member can look through and contact an authority about if necessary.
- 3) **Manual (or analytical) validation:** These are extra checks done manually by the teams to double check the figures they receive. During this process the teams also liaise with relevant policy sections and the Group Accountant to clarify and rectify any anomalies. Furthermore the data received from LAs are compared with other data sources (both internal and external).
- 4) **Post validation:** Figures get checked and double-checked on the statistical releases. Particular attention is paid to making sure the values have been entered correctly and the figures on the graphs and tables correlate with each other.

Service Reporting Code of Practice (SeRCOP) is a set of general guidance notes which are provided to local authorities, providing them with instructions on how to account on various elements of public service expenditure. The services are primarily broken down into a few main groups (e.g. Children and Family Services, Housing Services, Central services). Within each group, detailed guidance is provided on all possible elements of spending, which a Local Authority (LA) could have responsibility over. The SeRCOP is used by all LAs as a foundation for constructing their accounts in the financial year. Therefore the categorisation defined by SeRCOP is used as a basis for our form design and guidance, enabling LA to report their financial data under the correct headings – improving quality of the outputs. In-depth discussions take place with several authorities, prior to them being put forward to Central and Local Government Information Partnership/Finance (CLIP/F) for agreement, as part of our ongoing

review of enhanced data collection. CLIP/F is also kept informed of the full planned developments to meet the HM Treasury and ONS requirements

For a summary of SERCOP please see the following web link including information on legislative requirements:

<http://www.cipfastats.net/sercop/>

Finally, the release document, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.

Revisions policy

This policy has been developed in accordance with the UK Statistics Authority Code of Practice for Official statistics and the Department for Communities and Local Government Revisions Policy (found at <https://www.gov.uk/government/publications/statistical-notice-dclg-revisions-policy>).

There are two types of revisions that the policy covers:

Non-Scheduled Revisions

Where a substantial error has occurred as a result of the compilation, imputation or dissemination process, the statistical release, live tables and other accompanying releases will be updated with a correction notice as soon as is practical.

Scheduled Revisions

At time of publication there are no scheduled revisions for this series.

Uses of the data

The data in this Statistical Release are important for a number of different purposes. They are used to provide ministers in CLG, HM Treasury and the Office for National Statistics (ONS) with the most up to date information available on local authority capital spending and how they are financed. The ONS use the information for National Accounts and public sector finances for which the service breakdown is used. In particular, the data are often provided to HM Treasury to inform the Chancellor's Pre-Budget Report or for government spending reviews.

The data are also important sources for various evidence based policy and financial decisions and answering numerous parliamentary questions. In addition it is used by local authorities and their associations, regional bodies, other government departments, members of the business community and the general public.

Audit Commission uses the data in their report on "Protecting the Public Purse". Information from this release such as capital receipts and self-financed borrowing are used by policy colleagues.

Comments and feedback from end users for further improvement or about your experiences with this product will be welcomed. Please send all views to: capital.receipts@communities.gsi.gov.uk

User engagement

Users are encouraged to provide feedback on how these statistics are used and how well they meet user needs. Comments on any issues relating to this statistical release are welcomed and encouraged. Responses should be addressed to the "Public enquiries" contact given in the "Enquiries" section below.

The Department's engagement strategy to meet the needs of statistics users is published here:

<https://www.gov.uk/government/publications/engagement-strategy-to-meet-the-needs-of-statistics-users>

Notes

This Statistical Release can be found at the following web address:

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

Further local government finance statistics can be found at the following web link:

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

Timings of future releases are regularly placed on the Department's website, <https://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics#forthcoming-publications> and on the National Statistics website, <http://www.statistics.gov.uk/releasecalendar/currentreleases.asp>

For a fuller picture of recent trends in local government finance, readers are directed to *Local Government Finance Statistics England* No. 23 2013, which is available in hard copy from Communities and Local Government Publications, Cambertown House at prod-uct@communities.gsi.gov.uk (Tel. 0300 123 1124) and electronically from the Communities and Local Government website:

<https://www.gov.uk/government/publications/local-government-financial-statistics-england-2013>

The CIPFA *Finance and General Statistics* publication also contains detailed information on local government finance.

Please see the web link below for access to the papers tabled to the 'Central and Local Information Partnership – Finance' (CLIP-F) group,

<http://www.clip.local.gov.uk/lgv/core/page.do?pageId=31626>

CLIP Finance (CLIP F) is a consultative group which considers the collection, presentation and analysis of data on local government finance. It has been in existence since 2006, prior to this the group was known as Working Group on Local Government Financial Statistics (WGLGFS). The membership consists of representatives from central government departments, local government, CIPFA and the Audit Commission, and generally meets three times a year. To ensure users are made aware of significant changes and adjustments to Local Government Finance forms papers are tabled, discussed and published. Please visit the website for details of likely changes for future Revenue/Capital statistical releases.

Devolved administration statistics

The statistics in this Release are for England only. Statistics for Wales and Scotland can be found at wales.gov.uk/topics/statistics/theme/loc-gov/?lang=en and www.scotland.gov.uk/topics/statistics/browse/local-government-finance respectively.

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Information on Official Statistics is available via the UK Statistics Authority website: www.statistics.gov.uk/hub/browse-by-theme/index.html

Information about statistics at DCLG is available via the Department's website: www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics

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