



Ministry of Housing,  
Communities &  
Local Government



# Local Government Financial Statistics England No.30 2020

July 2020

Ministry of Housing, Communities and Local Government: London

# Local Government Financial Statistics, England, N<sup>o</sup>. 30 2020

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# PREFACE

This is the 30th edition of *Local Government Financial Statistics (LGFS) England*, providing a summary of financial data from local authorities with links to the statistical releases that contain the full set of data. The first 24 editions provided more context and commentary on the data, and earlier versions of *LGFS* have been published and presented to Parliament since the 1930s. Links have been provided to the relevant statistical releases within chapters, and these may contain more up to date statistics and the current definitions of terms. Most of the information comes from forms sent to the Ministry of Housing, Communities and Local Government (MHCLG) by all local authorities in England.

Local government expenditure represents over a fifth 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 outturn summaries of local government expenditure and income for years up to 2018-19, the latest year for which complete information is available, and some estimates for 2019-20. Data are published throughout the year in statistical releases and live tables. These are all available on the Department's website. Therefore, more up to date data will be available before the next edition of *LGFS*.

Some of the data within this publication are published as National Statistics and as such have been produced to the high professional standards set out in the National Statistics Code of Practice. Other data are published as Official Statistics. Most of the information in this publication is based on data supplied by local authorities to the Ministry of Housing, Communities and Local Government in statutory statistical returns. Due to the statutory nature of the returns, response rates are normally 100%. Figures are subject to rigorous pre-defined validation tests both within the form itself and also within MHCLG as the forms are received and stored. The publication itself, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.

Local government finance statistics publications and other detailed data can be found online at:

<https://www.gov.uk/government/organisations/ministry-of-housing-communities-and-local-government/about/statistics#statistical-collections>

Further information on data quality, methodology and the uses of the data can be found on these releases, as well as a more detailed look at the statistical outputs. If you cannot locate the data you require please use the contact details below.

The key purpose of the *LGFS* compendium is to present a copy of the data collected for statistics to parliament every year as required by law. However, it is also used by a variety of different users and has been developed through time to be accessible to a wider audience. Users include local authorities (including fire, police, transport and waste authorities), central government colleagues, libraries, schools, contacts in government or local government organisations and the private sector.

In 2016, the 26<sup>th</sup> *LGFS* was streamlined to present only an overview of all the data collected on local government finance by MHCLG. This follows a consultation which showed that limited use was made of the *LGFS* as all the information collected is published online. Users who want detailed commentary of the data are advised to refer to previous versions of the *LGFS*, or to refer to the statistical releases.

Local government's structure, maps and lists of all local authorities prior to 2019-20 can be found in the 2014 *LGFS* publication, which can be found online at <https://www.gov.uk/government/statistics/local-government-financial-statistics-england-2014>

In 2019-20, there were local authority reorganisations affecting authorities in Dorset and the merging of some districts in Suffolk and Somerset.

We welcome comments and suggestions for further improvement or about your experiences with this product. This may include comments on data quality, timing and the format of the statistics. In addition local authority level data are available upon request.

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

**Responsible Statistician:** Kirstie Parris

## Symbols and conventions

...	=	not available	E	=	estimate
-	=	not relevant	F	=	forecast
-	=	negative	P	=	provisional
0	=	zero or negligible	R	=	revised
B	=	budget		=	discontinuity

## Rounding

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

# CHAPTER 1

## Local government

### 1.1 What is local government?

- 1.1.1 Local government is one way in which the country's governance, administration and public service delivery is carried out. Two key features of local authorities are that they tend to have elected representatives and the ability to raise taxes locally.
- 1.1.2 Local authorities are statutory bodies created by Acts of Parliament. They are not accountable to Parliament as they are directly elected by their local communities. Local government is a devolved responsibility in Scotland, Wales and Northern Ireland.
- 1.1.3 Local authorities, their members and the administrative units supporting them have a number of objectives, the key one being the delivery of services. They deliver services in line with national objectives, and in a manner that meets the diverse requirements of different neighbourhoods and communities. Services are delivered directly through their employees and indirectly through other bodies. Outside agencies also play a role in service delivery.

### 1.2 Local government structure and services

- 1.2.1 This document covers local government in England in 2018-19. The structure of local government varies across the country. The structure of local authorities takes one of seven forms:
- Metropolitan Districts
  - London Boroughs
  - Unitary Authorities
  - Shire Counties
  - Shire Districts
  - Combined Authorities
  - Single Purpose Authorities
- 1.2.2 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.
- 1.2.3 In London, the London boroughs and the City of London deliver most of the functions. The Greater London Authority (GLA) comprises a directly



elected Mayor and a separately elected Assembly. The GLA group includes the following:

- Mayor's Office for Policing and Crime (MOPAC)
- London Fire Commissioner
- Transport for London (TfL)
- Old Oak and Park Royal Development Corporation
- London Legacy Development Corporation.

- 1.2.4 In most of the rest of England, called the shire areas, there are two main tiers of local authorities: shire counties and shire districts. However, in some parts of the country, a single unitary authority carries out shire county and shire district responsibilities. In 2018-19, 56 single unitary authorities were in existence.
- 1.2.5 Across the country there are also ten combined authorities, of which eight have directly elected mayors. These authorities exercise their remit across areas of a number of local authorities, collaborating with them. The extent of responsibilities of combined authorities varies, though includes transport and economic development. In 2018-19 there were only six mayoral combined authorities, five of these could raise income by setting a council tax precept, and only one (Greater Manchester Combined Authority) used this power.
- 1.2.6 Fire & rescue are typically the responsibility of single purpose authorities, which usually share the same boundaries. Single purpose authorities also extend to National Parks and some waste disposal services. There is also a Police and Crime Commissioner for each constabulary which cover each metropolitan area and shire county (sometimes combinations of these).
- 1.2.7 Additionally, Parishes and Charter Trustees represent the third tier of local government, the most local level of government in England. They typically fund their activities by charging an additional cost known as a "precept" to each householder's council tax bill. There are more than 10,000 local parishes in England. Of these, 8,839 charged a precept in 2018-19, which was collected by the local billing authority on their behalf. Further details on geographies can be found online at <https://www.ons.gov.uk/methodology/geography> .
- 1.2.8 **Table 1.2a** shows details on the number of authorities in England.

**Table 1.2a: Billing, major precepting and other authorities, England as at 1 April 2018**

	<i>Local authority level</i>			<i>Parish Level</i>	
	<b>Billing authorities</b>	<b>Major precepting authorities<sup>(a)</sup></b>	<b>Other authorities<sup>(b)</sup></b>	<b>All authorities</b>	<b>Parishes<sup>(c)</sup></b>
Shire areas	257	81	13	351	8,603
Metropolitan areas	36	10	7	53	233
London	33	1	5	39	3
<b>England</b>	<b>326</b>	<b>92</b>	<b>25</b>	<b>443</b>	<b>8,839</b>

(a) These are county councils in two-tier areas, police authorities, fire and rescue authorities and the Greater London Authority. Excludes Greater Manchester Police & Crime Commissioner and Greater Manchester Fire and Rescue as these became the responsibility of Greater Manchester Combined Authority.

(b) Other authorities are parks, waste and combined authorities.

(c) Includes non-zero precepting authorities only

1.2.9 Local authority spending can be divided into revenue expenditure and capital expenditure. On the whole, revenue expenditure (see **Chapter 3**) is financed through a balance of central government grant, retained non-domestic rates and the locally raised council tax (see **Chapter 2**). Capital expenditure is principally financed through central government grants, borrowing and capital receipts (see **Chapter 4**).

1.2.10 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 and to provide accounts which balance.

1.2.11 Only some of the local authorities may collect money directly through council tax. These are called billing authorities. Others receive funds indirectly, either by precepting on a billing authority or by other channels, such as levies. In shire areas, county councils are precepting authorities, as district councils are the billing authorities. Police and fire and rescue authorities are also precepting authorities. Some combined authorities also have the power to charge a precept. Additionally, there were over 8,800 parishes that charged a precept, and these were situated in 242 billing authorities.

# CHAPTER 2

## How is the money found?

### 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, retained non-domestic rates, other government grants (including specific government grants), borrowing and investments, interest receipts, capital receipts, sales, fees and charges and council rents.
- 2.1.2. **Table 2.1a** on the next page provides details of how much income has been raised through these funding streams between 2014-15 and 2018-19.

### 2.2. Revenue grants

- 2.2.1. Funding distributed through the local government finance settlement plus certain non-housing revenue specific grants are known as Aggregate External Finance (AEF). AEF includes Revenue Support Grant (RSG), redistributed non-domestic rates and certain specific grants. AEF does not include housing subsidy<sup>1</sup>, which until its cessation at the end of 2011-12 was administered and recorded separately, as part of the Housing Revenue Account (HRA).
- 2.2.2. Prior to 2014-15, the funding distributed through the local government finance settlement was distributed based 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 which was updated on a regular basis.
- 2.2.3. The business rate retention scheme, introduced in April 2013 has reformed the way in which local government is funded. It provides a direct link between business rates growth and the amount of money available to local authorities to spend on local people and services. Under the business rates retention scheme, authorities overall keep at least half of the local business rates revenue as well as the growth on their share. A system of tariffs and top-ups provides a one-off rebalancing of resources at the outset in order to ensure that no authority loses out in its ability to meet local service needs as a result of their business rates tax base.
- 2.2.4. The business rates revenue that comes to Central Government is then used to fund the majority of Revenue Support Grant provided to local authorities. Revenue Support Grant is a central government grant given

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<sup>1</sup> See **Chapter 3** for further details of housing subsidy.

to local authorities which can be used to finance revenue expenditure on any service. Since 2017-18, some authorities have been able to retain more than a 50% share of local business rates revenue. This led to a marked increase in retained business rates income and a similar decrease in Revenue Support Grant income in these years.

**Table 2.1a: Summary of local authority income: 2014-15 to 2018-19**

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Grant income:</b>					
Revenue Support Grant <sup>(a)</sup>	12,675	9,520	7,188	3,978	1,379
Police Grant <sup>(a)</sup>	7,784	7,423	7,387	7,114	7,125
Specific and special grants inside Aggregate External Finance (AEF)	40,805	40,119	39,218	39,330	39,549
Local Services Support Grant (LSSG)	48	29	19	35	22
Grants outside AEF <sup>(b)</sup>	18,655	18,296	21,608	20,478	19,127
Housing subsidy <sup>(c)</sup>	-692	-734	-767	-776	-733
Grants towards capital expenditure	9,760	10,863	10,184	8,109	9,115
<b>Total grant income</b>	<b>89,035</b>	<b>85,516</b>	<b>84,838</b>	<b>78,268</b>	<b>75,585</b>
<b>Locally-funded income:</b>					
Council tax <sup>(d)</sup>	23,964	24,734	26,083	27,641	29,563
Retained Income from Rate Retention Scheme <sup>(a)</sup>	11,331	11,855	11,735	15,162	17,973
External interest receipts	865	1,047	1,088	1,169	1,507
Capital receipts <sup>(e)</sup>	1,879	2,196	2,327	2,769	3,160
Sales, fees and charges <sup>(f)</sup>	11,741	11,666	12,103	12,732	13,181
Council rents	7,439	7,468	7,110	7,010	7,154
<b>Total locally-funded income</b>	<b>57,218</b>	<b>58,966</b>	<b>60,445</b>	<b>66,483</b>	<b>72,539</b>
Other income and adjustments <sup>(g)</sup>	18,469	19,390	18,305	19,511	19,553
<b>Total income</b>	<b>164,722</b>	<b>163,871</b>	<b>163,588</b>	<b>164,262</b>	<b>167,676</b>
Grants as a percentage of total income	54%	52%	52%	48%	45%

Sources: Revenue Outturn (RO) returns and Capital Outturn Returns (COR), 2014-15 to 2018-19

(a) Since 2013-14 there were changes to the Department's Local Government Finance Settlement policy. This affects the figures for Revenue Support Grant, Police Grant and Non-domestic rates.

(b) Excludes council tax benefit subsidy and rent rebates granted to HRA tenants.

(c) Housing Subsidy includes 'Government grants and assistance (including downward adjustments)' less Transfers to the General Fund Revenue Account (GFRA) and Major Repairs Reserve (MRR). These are all recorded in the Housing Revenue Account (HRA) in RO4

(d) Includes council taxes financed from Council Tax Benefit Grant but excludes council taxes financed from local authority contributions to council tax benefit.

(e) Capital receipts used to finance capital expenditure. Circa £100m 'Capital receipts used to finance revenue expenditure under receipts flexibility' in 2016-17 not included

(f) Since 2014-15 Sales, Fees and Charges from the Trading account are no longer recorded. For 2014-15 onwards this figure excludes the any sales, fees and charges from the trading accounts.

(g) Other income and adjustments includes 'Other Income' from the Services areas, 'Other Items' (surpluses/deficits from the collection fund), 'Inter-authority reorganisation recoupment', HRA leaseholder charges and 'other contributions toward expenditure' in the Housing Revenue Account. Prior to 2014-15 this also included other income in the Trading Accounts, this was not recorded for 2014-15 onwards.

To avoid double counting, 'levies and recharges from other accounts' recorded in the RO6 are removed from this. Before 2014-15 receipts from other authorities were also excluded but this figure is no longer regularly collected as part of the SAR return.

### 2.3. Sales, fees and charges

2.3.1. 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. Local authorities receive income from sales fees and charges from over 100 service areas. **Table 2.3a** shows sales, fees and charges by service area from 2014-15 to 2018-19.

<b>Table 2.3a: Sales, fees and charges by service area: 2014-15 to 2018-19 <sup>(a)</sup></b>					
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>£ million 2018-19</b>
<b>Service Expenditure:</b>					
Education	1,814	1,554	1,589	1,683	1,559
Highways and transport	1,884	2,053	2,147	2,235	2,392
Social Care	2,799	2,830	2,898	3,023	3,196
<i>of which:</i>					
<i>Children Social Care</i>	147	164	154	171	175
<i>Adult Social Care</i>	2,653	2,666	2,744	2,852	3,021
Public Health	16	21	18	39	35
Housing (excluding HRA) <sup>(b)</sup>	653	774	819	834	895
Cultural, environmental and planning	2,738	2,753	2,862	3,053	3,181
<i>of which:</i>					
<i>Cultural</i>	860	818	784	859	868
<i>Environmental</i>	1,108	1,153	1,222	1,292	1,340
<i>Planning and development</i>	769	782	856	902	974
Police	455	449	477	489	491
Fire	31	34	40	45	46
Central services	1,304	1,137	1,201	1,252	1,309
Other	47	60	53	79	78
<b>Total All Services</b>	<b>11,741</b>	<b>11,666</b>	<b>12,103</b>	<b>12,732</b>	<b>13,181</b>

Source: Revenue Outturn (RO) returns - RSX and TSR, 2014-15 to 2018-19  
(a) Sales, fees and charges for General Fund only. Sales fees and charges are not collected as a separate item within Trading Accounts.  
(b) Housing Revenue Account

## 2.4. Council tax

2.4.1. 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. The amount of council tax payable on a property depends in part on the valuation band to which it is allocated and in part on the number of occupants that live in the property.

**Table 2.4a** provides figures for the total number of domestic dwellings in England in September each year from 2015 to 2019, those that are liable for council tax i.e. chargeable dwellings, those that are exempt from council tax, those that receive discount on their council tax and those that are required to pay a premium on their council tax.

**Table 2.4a: Number of chargeable dwellings 2015-2019 <sup>(a)</sup>**

	Thousands				
	2015	2016	2017	2018	2019
<b>Total number of dwellings on valuation lists</b>	<b>23,652</b>	<b>23,863</b>	<b>24,076</b>	<b>24,298</b>	<b>24,549</b>
<i>less:</i>					
Number of dwellings exempt from council tax	531	542	568	599	626
Number of demolished dwellings	2	1	1	1	1
<b>Number of dwellings on valuation list liable for council tax</b>	<b>23,120</b>	<b>23,320</b>	<b>23,506</b>	<b>23,698</b>	<b>23,922</b>
<i>Of this</i>					
<b>Number of dwellings subject to a discount or a premium</b>	<b>8,085</b>	<b>8,075</b>	<b>8,090</b>	<b>8,154</b>	<b>8,255</b>
<i>of which:</i>					
- second homes	27	22	19	15	13
- empty homes subject to a discount	107	93	79	72	64
- empty homes subject to a premium	59	59	61	62	63
- single person	7,653	7,657	7,680	7,738	7,837
- all residents disregarded for council tax purposes	34	34	34	35	36
- all but one resident disregarded for council tax purposes	205	209	217	232	242
<b>Number of dwellings not subject to a discount or a premium</b>	<b>15,035</b>	<b>15,245</b>	<b>15,417</b>	<b>15,545</b>	<b>15,667</b>
<i>of which:</i>					
- empty homes	283	290	314	338	356
- second homes	219	225	230	237	240
- others	14,533	14,730	14,873	14,970	15,071

Source: CTB returns  
(a) Data taken as at the second Monday in September.

2.4.2. Band D council tax is the usual standard measure of council tax and is the council tax payable on a Band D dwelling occupied as a main residence by at least two adults, before any reductions due to discounts, exemptions or local council tax support schemes. This definition is widely regarded as a benchmark when comparing council tax levels in different areas or over time.

2.4.3. The council tax paid by a dwelling may be made up of several elements. Depending on its location, in addition to the council tax for the local authority responsible for the area, it may consist of council tax that will be redistributed to some or all of the following: county council (the Greater London Authority in London), mayoral combined authority, fire and rescue authority, police & crime commissioner. Dwellings may also be liable for council tax to fund their local parish council activities.

## Council tax levels

2.4.4. **Table 2.4b** gives figures for levels of, and changes in, the average Band D council tax for England for 2014-15 to 2019-20. These figures include parish precepts. Authorities are required to hold a referendum if their relevant basic amount of council tax for the year is in excess of the council tax referendum principles which apply to them. These referendum principles differ between each type of authority and each year.

**Table 2.4b: Average Band D council tax in England and the annual percentage change: 2014-15 to 2019-20** <sup>(a) (b) (c) (d)</sup>

	£	% change
2014-15	1,468	0.8
2015-16	1,484	1.1
2016-17	1,530	3.1
2017-18	1,591	4.0
2018-19	1,671	5.0
2019-20	1,750	4.7

Source: CTR returns

(a) Figures include parish precepts.

(b) Freeze grant was paid to local authorities that froze or reduced council tax between 2011-12 to 2015-16.

(c) Local authorities given flexibility to increase council tax by an additional amount to fund adult social care in 2016-17 to 2019-20.

(d) Referendum principles may vary year-on-year. Please see the introduction section of the relevant statistical release for further information which can be found here:

<https://www.gov.uk/government/collections/council-tax-statistics>

- 2.4.5. Between 2011-12 and 2015-16 a grant was offered to those authorities that set their average Band D council tax (excluding parish precepts) either at or below the level for the previous year.
- 2.4.6. In 2016-17, an additional precept was introduced which allowed local authorities with adult social care responsibilities to increase council tax up to an additional 2% to fund adult social care only. Between 2017-18 and 2019-20, it was possible to set the increase up to an additional 3% in the first two years, but no more than 2% in 2019-20, and no more than a total of 6 percentage points rise over the three-year period. This is in addition to the usual funding of adult social care through council tax.

### Parishes and other local precepting authorities in England

- 2.4.7. Local precepting authorities represent the most local level of government in England. They vary widely both in terms of the populations they represent and the functions they perform. Some have a very limited, local role while others are more active, carrying out activities similar to that of a smaller district council. Typical responsibilities include village halls, war memorials, cemeteries, allotments, open spaces, playgrounds, maintenance of public footpaths and cultural projects.
- 2.4.8. **Table 2.4c** shows information relating to parishes and other local precepting authorities and the precepts they raise. For many authorities this is their main source of income; it is set at their discretion and is used to finance their net expenditure. Not all local precepting authorities set a precept as they do not require funds for local activities; however they still maintain the power to set a precept in future years.

**Table 2.4c: Average Band D parish precept, England, 2014-15 to 2019-20**

<b>Parishes and other local precepting authorities charging a non-zero precept</b>						
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Total number</b>	<b>8,813</b>	<b>8,810</b>	<b>8,817</b>	<b>8,839</b>	<b>8,838</b>	<b>8,859</b>
Tax base (thousands)	7,424.2	7,560.4	7,754.2	7,954.4	8,082.9	8,253.8
Aggregate of local precepts (£000)	388,808	409,146	445,065	485,474	517,629	554,492
Average parish precept per Band D (£)	52.37	54.12	57.40	61.03	64.04	67.18
Change (£)	2.14	1.75	3.28	3.64	3.01	3.14
<b>Percentage change</b>	<b>4.3%</b>	<b>3.3%</b>	<b>6.1%</b>	<b>6.3%</b>	<b>4.9%</b>	<b>4.9%</b>

Source: CTR returns

2.4.9. Further details about council tax, parishes and other local precepting authorities and collection rates can be found via <https://www.gov.uk/government/collections/council-tax-statistics>

## 2.5. Non-domestic rates

2.5.1. Non-domestic rates, also known as business rates, are collected by billing authorities and are the way in which those that occupy a non-domestic property (or hereditament) contribute towards the funding of local services. The introduction of the business rates retention scheme in 2013-14 allows local authorities to retain a proportion of the revenue that is generated in their area.

2.5.2. 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. This is periodically reviewed, and is known as revaluation. Details of the hereditaments are recorded on rating lists that are compiled and maintained by the Valuation Office Agency (VOA), an agency of HM Revenue and Customs. The total number of hereditaments in England and their rateable value for 2014-15 to 2019-20 are shown in **Table 2.5a**.

2.5.3. Generally, billing authorities work out the rates liability for every hereditament by multiplying the rateable value of the property by the appropriate multiplier. There are two multipliers, the non-domestic multiplier and the small business non-domestic rate multiplier. The former is higher because it includes a supplement which is used to fund the Small Business Rate Relief scheme, which is designed to help small businesses meet the cost of their business rates.

2.5.4. The Government sets the multipliers for each financial year for England according to formulae set by legislation. Until 2018-19, the multipliers increased in line with the Retail Price Index (RPI) in September of the preceding year. In 2018-19, the RPI was replaced by the Consumer Price Index. In 2014-15, the Government capped the increase in the multiplier



for that year at 2% to provide business rate payers with additional support. The multipliers for 2014-15 to 2019-20 are shown in **Table 2.5a**.

- 2.5.5. Every few years, the government adjusts the rateable value of business properties to reflect changes in the property market. This is known as a revaluation. At revaluation, the Government also revises the business rates multiplier to reflect the aggregate change in rateable values. The data up to 2016-17 shown below is based on a value at 1 April 2008, using a list compiled for 1 April 2010. The data from 2017-18 are based on a value at 1 April 2015, using a list compiled for 1 April 2017.

<b>Table 2.5a: Number of hereditaments, rateable value and multipliers used, England, 2014-15 to 2019-20</b>						
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18 <sup>(b)</sup></b>	<b>2018-19</b>	<b>2019-20</b>
Number of hereditaments on rating list as at 30 Sept ('000s) <sup>(a)</sup>	1,787	1,816	1,831	1,856	1,882	1,942
Aggregate rateable value on rating list as at 30 Sept <sup>(a)</sup>	57,069	57,224	57,289	63,212	63,213	63,637
Small business rate multiplier (pence)	47.10	48.00	48.40	46.60	48.00	49.10
National non-domestic rates multiplier (pence)	48.20	49.30	49.70	47.90	49.30	50.40

Source: NNDR1 returns

(a) Data taken from VOA local list as at 30 September of the previous year eg 2015-16 data taken as at 30 September 2014, except for the 2018-19 where the data are taken as at 1 April 2017 and 2019-20 where the data are at 3 October 2018.

(b) Revaluation comes into effect 1st April 2017

- 2.5.6. Since the introduction of the business rates retention scheme, the local government sector (local authorities and fire and rescue authorities) are able to benefit directly from supporting local business growth as they are allowed to keep at least half of any increases in business rates revenue to invest in local services<sup>2</sup>.

- 2.5.7. In addition, safety net payments are available if a council's business rates income falls by a certain amount. This safety net is funded by a levy paid by those councils whose business rates revenue increases by a disproportionate amount compared to their needs. The levy is designed to ensure that the more councils grow their business rates, the more they benefit.

- 2.5.8. **Table 2.5b** shows details of the amount of non-domestic rates that local authorities collected in 2014-15 to 2018-19 and their forecasts for 2019-20.

- 2.5.9. There are a number of rate reliefs that can be granted in certain circumstances by local authorities. **Table 2.5c** provides details of these reliefs. In addition to the Small Business Rate Relief scheme which, as its

<sup>2</sup> Since 2017-18 some local authorities have been able to retain 100% of their business rates revenue as part of their Devolution deal. In 2017-18, the local share for London boroughs was also increased to 67% to reflect additional functions given to the GLA. In 2018-19 and 2019-20, some local authorities participated in pilots to retain an increased share of revenue for that year only. For 2018-19, this was 100% retention and in 2019-20, this was 75% retention.

name suggests, is targeted at small businesses, there are mandatory reliefs which are automatic entitlements in any local authority area, and discretionary reliefs which are granted at a local authority's discretion. Some of the discretionary reliefs are time limited. 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 local authorities then have the discretion to top that up to 100 per cent. The cost of both mandatory and discretionary relief is borne by both central and local government.

- 2.5.10. Discretionary reliefs that are funded through a Section 31 grant are reliefs that have been introduced since 2013-14 which have made changes to the original national non-domestic rates scheme. Central government compensates local authorities for these changes and this compensation is made outside of the rate retention scheme by means of a Section 31 (S31) grant. The grants are given to local authorities to fund activities which are not covered by existing payment schedules or methods.
- 2.5.11. In addition, at a revaluation, transitional arrangements are introduced which cap significant increases and decreases in bills. The transitional scheme (introduced in April 2010) aims to be revenue neutral by phasing in both increases and decreases over a number of years, instead of all ratepayers receiving the full impact of the changes immediately following revaluation.
- 2.5.12. Information for the amounts of non-domestic rates collected prior to 2013-14 and further details on data in this table are available via <https://www.gov.uk/government/collections/national-non-domestic-rates-collected-by-councils>.

**Table 2.5b Non-domestic rates to be collected by local authorities under the business rates retention scheme, England: 2014-15 to 2019-20**

	Out-turn					£ million
	2014-15	2015-16	2016-17	2017-18 <sup>(d)</sup>	2018-19	Forecast 2019-20
<b>Gross rates payable in year</b>	<b>26,039</b>	<b>26,660</b>	<b>27,215</b>	<b>   28,492</b>	<b>29,955</b>	<b>31,432</b>
Net cost of Small Business Rate relief	580	539	584	1,062	1,258	1,241
Other mandatory relief	2,471	2,594	2,655	2,782	2,995	2,987
Discretionary relief	312	445	143	306	229	671
<b>Total cost of reliefs</b>	<b>3,363</b>	<b>3,577</b>	<b>3,382</b>	<b>   4,150</b>	<b>4,483</b>	<b>4,898</b>
<b>Gross Rates Payable in year less total cost of reliefs</b>	<b>22,675</b>	<b>23,083</b>	<b>23,833</b>	<b>   24,342</b>	<b>25,473</b>	<b>26,533</b>
Net cost of transitional arrangement <sup>(a)</sup>	119	165	109	9	-5	28
<b>Net Rates Yield (Gross Rates Payable less net cost of</b>	<b>22,794</b>	<b>23,248</b>	<b>23,942</b>	<b>   24,351</b>	<b>25,468</b>	<b>26,562</b>
<b>Accounting adjustments</b>						
Losses in collection <sup>(b)</sup>	221	228	235	209	181	288
Net addition to Appeals Provision	770	287	-164	171	122	1,053
Interest payable	2	4	1	0	0	-
Deferrals	-60	-	-	-	-	-
<b>Total cost of accounting adjustments</b>	<b>932</b>	<b>519</b>	<b>72</b>	<b>   380</b>	<b>303</b>	<b>1,342</b>
<b>Other deductions from collectable rates<sup>(c)</sup></b>	<b>214</b>	<b>260</b>	<b>204</b>	<b>   104</b>	<b>91</b>	<b>124</b>
<b>Disregarded Amounts</b>						
Amounts retained in respect of Designated Areas	15	14	29	40	52	62
Amounts retained in respect of Renewable Energy scheme	22	38	51	61	65	67
Amounts retained in respect of Shale Gas schemes	-	-	-	-	0	0
<b>Total Disregarded Amounts</b>	<b>38</b>	<b>51</b>	<b>80</b>	<b>   101</b>	<b>117</b>	<b>129</b>
<b>Non-domestic rating income from rates retention scheme (Net Rates Yield less Accounting adjustments, Other deductions &amp; Disregarded amounts) for year</b>	<b>21,610</b>	<b>22,417</b>	<b>23,585</b>	<b>   23,765</b>	<b>24,957</b>	<b>24,967</b>

Source: Out-turn data are taken from auditor confirmed NNDR3 forms, forecast data are taken from NNDR1 forms

(a) No transitional relief awarded in 2015-16 or 2016-17, however 2015-16 outturn reflects transitional arrangements in respect to previous years.

(b) 'Losses in collection - write offs' are not included in the Total cost of Accounting Adjustments.

(c) Other deductions from collectable rates includes an allowance for cost of collection & legal costs, a special authority deduction for the City of London, and the net cost of transitional protection payments made to authorities to reverse the effects of transitional arrangements.

(d) Revaluation came into effect on 1st April 2017.

**Table 2.5c: Cost of reliefs from non-domestic rates: 2014-15 to 2019-20**

	Out-turn					£ million
	2014-15	2015-16	2016-17	2017-18 <sup>(a)</sup>	2018-19	Forecast
<b>MANDATORY RELIEFS</b>						
<b>Small Business Rate Relief</b>						
<b>In respect of current year</b>						
Relief provided in year	1,061	1,123	1,165	1,670	1,820	1,875
<i>of which: relief on existing properties where a 2nd property is occupied</i>	2	4	3	4	4	3
Additional yield generated from the small business supplement	543	646	651	621	631	634
Net cost of small business rate relief in respect of current year	518	477	514	1,049	1,190	1,241
Net cost of small business rate relief in respect of previous years	62	61	69	13	68	-
<b>Net cost of small business rate relief</b>	<b>580</b>	<b>539</b>	<b>584</b>	<b>   1,062</b>	<b>1,258</b>	<b>1,241</b>
<b>Other Mandatory reliefs</b>						
<b>In respect of current year</b>						
Charitable occupation	1,476	1,558	1,616	1,825	1,933	1,967
Community Amateur Sports Clubs (CASCs)	19	20	19	19	20	20
Rural rate relief	6	6	6	4	4	4
Partially occupied hereditaments	32	32	28	24	24	26
Empty premises	947	935	950	916	996	880
Total other mandatory relief in respect of current year	2,480	2,551	2,619	2,789	2,977	2,898
Other mandatory relief in respect of previous years	-9	42	36	-6	18	-
Changes as a result of local estimates of growth or decline in mandatory relief	-	-	-	-	-	89
<b>Total cost of other mandatory relief</b>	<b>2,471</b>	<b>2,594</b>	<b>2,655</b>	<b>   2,782</b>	<b>2,995</b>	<b>2,987</b>
<b>Total cost of mandatory relief</b>	<b>3,051</b>	<b>3,132</b>	<b>3,239</b>	<b>   3,844</b>	<b>4,253</b>	<b>4,228</b>
<b>DISCRETIONARY RELIEFS</b>						
<b>In respect of current year</b>						
Charitable occupation	44	44	44	44	47	49
Non-profit making bodies	36	38	41	37	38	37
Community Amateur Sports Clubs (CASCs)	1	1	1	1	1	1
Rural rate relief	3	3	3	1	0	0
Small rural businesses	2	2	2	1	1	1
Other relief awarded under s47	12	13	17	18	21	23
Hardship relief	3	2	2	2	2	-
Total discretionary relief in respect of current year	100	104	109	103	110	111
Discretionary relief in respect of previous years	2	4	7	2	5	-
<b>Discretionary reliefs funded through Section 31 grants</b>						
"New Empty" properties	4	7	7	4	-	-
"Long term empty" properties	4	13	10	1	-	-
Retail relief	196	296	-	-	-	-
Flooding relief	1	7	2	0	0	-
In lieu of Transitional relief	-	4	2	-	-	-
Rural rate relief	-	-	-	4	4	4
Local newspaper temporary relief	-	-	-	0	0	0
Supporting Small Businesses relief	-	-	-	17	14	17
Discretionary Scheme relief	-	-	-	155	77	33
Pub relief	-	-	-	18	17	-
Telecomms relief	-	-	-	-	0	1
Retail discount relief	-	-	-	-	-	502
Total cost of discretionary reliefs funded through S31 grant	205	328	21	200	113	558
Discretionary relief funded through S31 grants in respect of previous years	5	10	6	1	1	-
Changes as a result of local estimates of growth or decline in discretionary relief	-	-	-	-	-	2
<b>Total cost of discretionary relief</b>	<b>312</b>	<b>445</b>	<b>143</b>	<b>   306</b>	<b>229</b>	<b>671</b>
<b>TOTAL COST OF ALL RELIEFS</b>	<b>3,363</b>	<b>3,577</b>	<b>3,382</b>	<b>   4,150</b>	<b>4,483</b>	<b>4,898</b>

Source: Out-turn data are taken from auditor confirmed NNDR3 forms, forecast data are taken from NNDR1 forms

(a) Revaluation came into effect on 1st April 2017.

## Council tax and Non-Domestic rates collection

2.5.13. The collection of council tax and non-domestic rates doesn't stop at the end of March; authorities will continue to attempt to collect the outstanding amounts until such times that they make a decision that it is no longer practical, or cost effective to try to collect it. **Table 2.5d** shows the amount of council tax and non-domestic rates collected in 2014-15 to 2018-19 irrespective of the year to which it relates.

<b>Table 2.5d: Receipts of council tax and non-domestic rates collected irrespective of the year to which it relates, England, 2014-15 to 2018-19</b>								
								£ millions
	Receipts of council taxes				Receipts of non-domestic rates			
	In respect of the billing year	In respect of previous years <sup>(a)</sup>	In respect of subsequent billing year <sup>(b)</sup>	Total receipts collected in financial year	In respect of the billing year	respect of previous years <sup>(a)(c)</sup>	In respect of subsequent billing year <sup>(b)</sup>	Total receipts collected in financial year
2014-15	23,709	457	392	<b>24,558</b>	22,797	-291	362	<b>22,868</b>
2015-16	24,409	509	400	<b>25,318</b>	23,319	-486	344	<b>23,177</b>
2016-17	25,654	507	452	<b>26,613</b>	23,929	-445	430	<b>23,914</b>
2017-18	27,078	483	444	<b>28,006</b>	24,501	-582	554	<b>24,473</b>
2018-19	28,876	493	457	<b>29,826</b>	25,289	-473	507	<b>25,323</b>

Source: QRC4

(a) Does not include court or administration costs.

(b) In respect of subsequent billing year = Prepayments for year ahead

(c) A negative figure indicates that local authorities repaid more than they collected in respect of previous years. This is usually down to revaluations and appeals which often stretch back over a number of years.

2.5.14. The in-year collection rate is the amount received by 31 March of the year in question of that financial year's council tax and non-domestic rates, shown as a percentage of the net collectable debit in respect of that year's council tax or non-domestic rates. In other words it is how much the local authority collected by 31 March of the local tax they would have collected if everyone liable had paid what they were supposed to. **Table 2.5e** shows the in-year collection rates for England between 2014-15 and 2018-19.

<b>Table 2.5e : Collection rates of council tax and non-domestic rates, England, 2014-15 to 2018-19</b>					
	2014-15	2015-16	2016-17	% of total collected	
				2017-18	2018-19
Council tax	97.0	97.1	97.2	97.1	97.0
Non-domestic rates	98.1	98.2	98.2	98.4	98.3

Source : QRC4

- 2.5.15. It includes prepayments made in the previous year in respect of the current year but it does not include prepayments made in the current year in respect of future years nor does it include the payment of any arrears. The collection of council tax and non-domestic rates continue 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.
- 2.5.16. Further details associated with the data in this table are available via <https://www.gov.uk/government/collections/council-tax-statistics>

# CHAPTER 3

## How is the money spent? – Revenue expenditure

### 3.1. Summary of revenue expenditure

- 3.1.1. Revenue spending by local authorities is mainly for meeting employee costs, such as the salaries of staff; procurement costs, 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) and recharges to other accounts.
- 3.1.2. 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.
- 3.1.3. Further statistics about revenue expenditure in England that are summarised in this chapter can be found via <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>.

### 3.2. General Fund Revenue Account expenditure definitions

- 3.2.1. **Total current expenditure** is the cost of running local authority services within the financial year. This expenditure is offset by income from sales, fees and charges and other (non-grant) income, which gives **total net current expenditure**. Net current expenditure includes expenditure financed by specific government grants within and outside Aggregate External Finance (AEF).
- 3.2.2. **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 and income from interest receipts. The sum of government grants, redistributed non-domestic rates, and council tax does not normally exactly equal revenue expenditure because of the use of reserves.
- 3.2.3. **Net revenue expenditure** is revenue expenditure, excluding that funded by all specific grants inside AEF, and excluding the Local Services Support Grant. Police Grant is not included in this. This represents an authority's budget requirement and use of reserves.
- 3.2.4. Changes and comparisons over time can be misleading owing to changes in functions that are the responsibilities of local government and the definition of service lines, but these discontinuities have been highlighted in the tables. For example, education expenditure by local authorities has decreased because of the increase in the number of academy schools, which are centrally funded rather than funded by the local authorities. These discontinuities have a knock on effect for comparing the total net current expenditure over time. Recent trends in revenue spending by broad service group and how it has been financed are shown in summary form in **Table 3.2a**.

**Table 3.2a: General fund revenue account: Outturn 2014-15 to 2018-19 and budget 2019-20<sup>(f)</sup>**

	2014-15	2015-16	2016-17	2017-18	2018-19	£ million 2019-20 (Budget)
Education	34,477	34,136	33,382	32,265	32,233	34,296
Highways and transport	4,537	4,331	4,013	3,997	3,857	4,864
Social care	22,587	22,702	23,390	24,164	25,452	25,892
of which:						
<i>Children's Social Care</i>	8,091	8,303	8,476	8,834	9,375	9,105
<i>Adult Social Care</i>	14,496	14,399	14,914	15,330	16,076	16,787
Public Health	2,737	3,152	3,480	3,365	3,278	3,242
Housing (excluding Housing Revenue Account)	1,852	1,608	1,508	1,536	1,673	1,680
Cultural, environmental and planning	8,915	8,698	8,445	8,293	8,435	8,551
Police	10,889	10,932	11,050	11,165	11,426	12,130
Fire & rescue	2,045	1,984	1,961	1,972	2,005	2,188
Central services	3,068	3,022	3,159	3,065	3,011	2,969
Other Services	92	70	56	-19	48	340
<b>Total Service Expenditure</b>	<b>91,199</b>	<b>90,634</b>	<b>90,444</b>	<b>89,803</b>	<b>91,417</b>	<b>96,152</b>
Housing Benefits <sup>(a)</sup>	21,113	20,917	20,228	19,177	17,833	17,828
Parish Precepts and Levies <sup>(b)</sup>	436	461	507	574	601	624
Trading Account Adjustments and Other Adjustments <sup>(c)</sup>	-344	-325	-455	-449	-506	-534
<b>Total Net Current Expenditure</b>	<b>112,404</b>	<b>111,686</b>	<b>110,724</b>	<b>109,106</b>	<b>109,344</b>	<b>114,070</b>
Capital financing <sup>(d)</sup>	4,528	4,419	4,239	4,239	4,688	4,548
Capital Expenditure charged to Revenue Account (CERA)	3,010	1,966	1,536	1,994	1,626	1,288
Other non-current expenditure <sup>(e)</sup>	165	208	195	198	199	92
Private Finance Initiative (PFI) difference from service charge	41	37	78	-30	-25	-1
Appropriations to (+)/ from (-) financial instruments adjustment acc.	3	19	37	-25	-180	-14
Appropriations to (+)/ from (-) unequal pay back pay account	33	51	60	-30	-105	1
less Interest receipts	865	1,047	1,088	1,169	1,507	1,385
less Specific grants outside AEF	23,045	22,452	21,608	20,478	19,127	18,912
less Business rates supplement	221	222	235	285	271	273
less Community Infrastructure Levy	123	154	302	276	317	132
less Carbon Reduction Commitment	-13	-18	-17	-12	-8	-10
less Capital receipts used to finance revenue expenditure	-	-	85	151	158	101
<b>Total Revenue Expenditure</b>	<b>95,943</b>	<b>94,529</b>	<b>93,567</b>	<b>93,104</b>	<b>94,226</b>	<b>99,191</b>

Source: Revenue Summary (RS) returns 2014-15 to 2018-19, Revenue Account (RA) budget return 2019-20

(a) 'Housing Benefits' includes all mandatory payments on rent allowances and rent rebates to Housing Revenue Account tenants and non-HRA tenants. This also includes HRA items shared by the whole community and subsidy transfers. For more information please see the Revenue Summary (RS) tables for actuals and the Revenue Account (RA) table for budgets.

(b) 'Parish Precepts and levies' comprises all Parish Precepts, Integrated Transport Authority levy, Waste Disposal Authority levy, London Pensions Fund Authority levy and any Other levies.

(c) 'Trading Account and other adjustments' comprises the net surplus(-)/ deficit(+) of the Internal and External Trading Accounts less any Capital items, movements to and from the Accumulated Absences Account and Adjustments to net current expenditure.

(d) 'Capital financing' includes 'Provision for repayment of principal', 'Leasing payments', 'Interest payable and similar charges' and 'HRA item 8 payments'

(e) 'Other non-current expenditure' includes flood defence payments to the environment agency and bad debt provision. This previously included gross expenditure on council tax benefit and discretionary non-domestic rate relief

(f) Figures are rounded to the nearest integer. Due to rounding, figures may not sum to totals. Totals are based on unrounded figures.



**Table 3.2a: General fund revenue account: Outturn 2014-15 to 2018-19 and budget 2019-20 (continued)**

	2014-15	2015-16	2016-17	2017-18	2018-19	£ million 2019-20 (Budget)
<b>Total Revenue Expenditure</b> <sup>(a)</sup>	<b>95,943</b>	<b>94,529</b>	<b>93,567</b>	<b>93,104</b>	<b>94,226</b>	<b>99,191</b>
financed by:						
<b>Government Grants</b>	<b>61,312</b>	<b>57,090</b>	<b>53,812</b>	<b>50,457</b>	<b>48,076</b>	<b>48,961</b>
of which:						
Specific grants inside AEF <sup>(b)</sup>	40,853	40,148	39,237	39,365	39,571	40,827
Revenue Support Grant <sup>(c)</sup>	12,675	9,520	7,188	3,978	1,379	653
Police grant <sup>(d)</sup>	7,784	7,423	7,387	7,114	7,125	7,481
<b>Council tax requirement</b>	<b>23,964</b>	<b>24,734</b>	<b>26,083</b>	<b>27,641</b>	<b>29,563</b>	<b>31,478</b>
<b>Retained Income from Rate Retention Scheme</b> <sup>(c)</sup>	<b>11,331</b>	<b>11,845</b>	<b>11,735</b>	<b>15,162</b>	<b>17,973</b>	<b>17,085</b>
<b>Appropriation to (-)/from (+) Reserves (excluding Pensions)</b>	-948	400	1,523	-630	-1,878	1,204
<b>Council tax collection fund surplus (+) / deficit (-)</b> <sup>(e)</sup>	284	459	419	474	403	343
<b>Other items</b>	282	459	427	473	110	340

Source: Revenue Summary (RS) returns 2014-15 to 2018-19, Revenue Account (RA) budget return 2019-20

(a) Components of revenue expenditure do not sum exactly due to several imbalances.

(b) Includes grants formerly grouped as Local Services Support Grant.

(c) In 2017-18 and 2018-19, a number of authorities piloted 100% business rates retention, details can be found here: <https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2018-to-2019>

(d) Police authorities, which are not part of the rates retention scheme, will receive all of their funding through Police Grant from 2013-14.

(e) Council Tax collection fund surplus/deficit includes 'Inter-authority transfers in respect of reorganisation, and the net collection fund surpluses/deficits from the previous year.

### 3.3. Labour, goods and services purchased

3.3.1. Revenue expenditure can also be analysed in terms of the labour, goods and services purchased by local authorities.

3.3.2. A sample of local authorities complete the Subjective Analysis Return (SAR). This is a more detailed return showing 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 (see Chapter 6). Procurement of goods and services is analysed to show goods and services purchased directly and services provided by external contractors or internal trading services.

3.3.3 **Table 3.3a** shows this analysis from 2014-15 to 2017-18, as SAR 2018-19 has not yet been published. 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.

**Table 3.3a: Labour, goods and services 2013-14 to 2017-18 <sup>(e)</sup>**

	2013-14	2014-15	2015-16	2016-17	£ million 2017-18	% of total 2017-18
Teachers <sup>(a)</sup>	14,109	13,700	13,325	13,366	12,355	24%
Police	9,492	6,633	6,871	6,939	7,586	15%
Firefighters	1,509	1,282	1,219	1,236	1,202	2%
Other local government	25,985	29,435	28,534	27,629	27,934	55%
Pay related costs	2,805	2,085	1,854	2,738	1,908	4%
<b>Total employee expenditure</b>	<b>53,899</b>	<b>53,136</b>	<b>51,802</b>	<b>51,908</b>	<b>50,985</b>	
Premises related expenditure	6,349	...	...	5,647	...	
Transport expenditure	2,830	...	...	2,348	...	
Supplies and services expenditure	17,973	...	...	16,792	...	
External contractors <sup>(b)</sup>	30,232	...	...	30,793	...	
Internal trading services	1,239	...	...	779	...	
Other <sup>(c)</sup>	2,033	...	...	5,232	...	
<b>Total procurement expenditure <sup>(d)</sup></b>	<b>60,654</b>	...	...	<b>61,591</b>	...	
<b>Total employee and procurement expenditure <sup>(d)</sup></b>	<b>114,554</b>	...	...	<b>113,499</b>	...	

Source: Subjective Analysis Returns (SAR) 2013-14 to 2017-18

(a) The number of teachers has been decreasing due to schools moving to academy status, where academies are directly funded by central government and are independent of local government control.

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

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

(d) Since the SAR collection methodology was reviewed in 2013-14, total procurement expenditure and the component expenditure is now only collected as part of the SAR return every three years and unavailable for 2014-15, 2015-16 and 2017-18.

(e) 2018-19 figures have not yet been published and therefore are not shown in this table.

### 3.4. Revenue reserves

3.4.1. 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.

3.4.2. Planning for unexpected expenditure 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.

3.4.3. There are five 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,
- **Dedicated schools grant reserves**, which represents any deficit or surplus an authority may have on its DSG account which is to be carried forward to the next year's schools budget. This was collected in the revenue return for the first time in 2018-19,
- **public health reserves**, which represent amount retained by local authorities out of their public health budgets and can only be used for public health expenditure,
- **other earmarked reserves**, which have been set aside for other particular purposes,
- **unallocated reserves**, which are intended for general contingencies.

**Table 3.4a** shows the level and use of revenue reserves. 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.

<b>Table 3.4a: Level and use of Revenue Reserves, 31 March 2014 - 31 March 2019</b>								
								£ million
<b>Revenue reserves</b>								
<b>Non-ringfenced reserves</b>								
<b>At</b>	<b>Revenue</b>					<b>Non-</b>	<b>Total</b>	<b>% change</b>
<b>31 March</b>	<b>expenditure</b> <sup>(a)</sup>	<b>Schools</b>	<b>Public</b>	<b>Other</b>	<b>Unallocated</b>	<b>ringfenced</b>	<b>Revenue</b>	<b>over previous</b>
			<b>Health</b>	<b>earmarked</b>		<b>total</b>	<b>Reserves</b> <sup>(b)</sup>	<b>years</b>
2014	<b>96,419</b>	2,419	207	17,200	4,454	<b>21,653</b>	<b>24,279</b>	12.5
2015	<b>95,943</b>	2,436	315	17,862	4,491	<b>22,353</b>	<b>25,104</b>	3.4
2016	<b>94,533</b>	2,344	260	17,626	4,390	<b>22,016</b>	<b>24,620</b>	-1.9
2017	<b>93,567</b>	1,835	243	16,934	4,182	<b>21,116</b>	<b>23,195</b>	-5.8
2018	<b>93,104</b>	1,596	235	17,711	4,261	<b>21,972</b>	<b>23,935</b>	3.2
2019	<b>94,226</b>	1,612	236	19,710	4,265	<b>23,974</b>	<b>25,814</b>	7.9
<b>Revenue reserves as a % of revenue expenditure</b>								
%								
<b>Non-ringfenced reserves</b>								
<b>At</b>					<b>Non-</b>	<b>Total</b>		
<b>31 March</b>	<b>Schools</b>	<b>Public</b>	<b>Other</b>	<b>Unallocated</b>	<b>ringfenced</b>	<b>Revenue</b>		
		<b>Health</b>	<b>earmarked</b>		<b>total</b>	<b>Reserves</b>		
2014	2.5	0.2	17.8	4.6	22.5	25.2		
2015	2.5	0.3	18.6	4.7	23.3	26.2		
2016	2.5	0.3	18.6	4.6	23.3	26.0		
2017	2.0	0.3	18.1	4.5	22.6	24.8		
2018	1.7	0.3	19.0	4.6	23.6	25.7		
2019	1.7	0.3	20.9	4.5	25.4	27.4		

Source: Revenue Summary (RS) returns 2013-14 to 2018-19

This table shows end year reserves levels only and compares these with the end years of previous financial year.

(a) This figure represents the Revenue Expenditure for the full financial year. For example, Revenue expenditure for 2017 is outturn for financial year 2016-17.

(b) Total reserves includes a new category of Dedicated Schools Grant reserves which was introduced in the 2018-19 RO return, which is not shown separately in this table.

### 3.5 External trading services

3.5.1 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. **Table 3.5a** shows details of the internal and external trading accounts.

**Table 3.5a: Trading Account Services, 2014-15 to 2018-19** <sup>(a) (b)</sup>

	2014-15	2015-16	2016-17	2017-18	2018-19
					£ million
<b>Net surplus/deficit of Internal Trading Account</b>	<b>8</b>	<b>14</b>	<b>34</b>	<b>45</b>	<b>70</b>
<b>Net surplus/deficit of External Trading Account</b>	<b>-186</b>	<b>-391</b>	<b>-267</b>	<b>-418</b>	<b>-489</b>
<b>Net surplus/deficit of Total Trading Accounts</b>	<b>-178</b>	<b>-377</b>	<b>-232</b>	<b>-373</b>	<b>-419</b>

Source: Trading Account Services Returns (TSR) to 2018-19

Note: A negative figure indicates a surplus (operating profit) and a positive figure indicates a deficit.

(a) Since 2014-15 we have only collected the net surplus / deficit of the internal and external trading accounts

(b) Includes capital items

3.5.2 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. An operating profit on the Trading Accounts Services (TSR) return is shown as a negative on the expenditure form.

### 3.6 Housing Revenue Account (HRA)

3.6.1 The Housing Revenue Account (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.

3.6.2 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.

3.6.3 The HRA is a ring-fenced account. The ring-fence, introduced in the Local Government and Housing Act 1989, ensures 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.

3.6.4 In March 2012 the HRA subsidy system was abolished and replaced with a self-financing system. This involved transfers of assets and liabilities between central and local government. The net result of these transactions was that local government borrowing increased by approximately £8.1 billion in March 2012 to cover the housing stock they took over.

3.6.5 Details of the income and expenditure on the HRA since 2014-15 can be found in **Table 3.6a**.

<b>Table 3.6a: Housing Revenue Account income and expenditure, 2014-15 to 2018-19, and budget 2019-20</b>							
	2014-15	2015-16	2016-17	2017-18	£ million 2018-19	% of total 2018-19	£ million 2019-20 (Budget)
<b>Expenditure</b>							
Repairs and maintenance	1,844	1,794	1,738	1,700	1,807	22%	1,776
Supervision and management: general	1,819	1,953	1,890	1,886	2,045	25%	2,062
Supervision and management: special services	488	473	420	428	495	6%	557
Expenditure for capital purposes	708	707	505	585	706	9%	970
Debt charges <sup>(a)</sup>	1,187	1,177	1,270	1,302	1,292	16%	1,225
Interest payable and similar charges	970	1,013	894	862	856	10%	774
Transfers to GFRA or MRR <sup>(b)</sup>	1,013	1,064	921	921	924	11%	749
Other expenditure <sup>(c)</sup>	123	188	180	162	165	2%	211
<b>Total expenditure</b>	<b>8,152</b>	<b>8,369</b>	<b>7,819</b>	<b>7,846</b>	<b>8,290</b>	<b>100%</b>	<b>8,324</b>
<b>Income</b>							
Rents from dwellings	7,286	7,316	6,966	6,865	7,009	84%	6,874
Rents other than dwellings	153	152	144	145	145	2%	150
Heating and other services	699	706	711	658	734	9%	703
Government subsidy	321	330	155	144	191	2%	146
Interest income	48	42	46	40	55	1%	25
Transfers from GFRA or MRR <sup>(b)</sup>	70	55	69	85	90	1%	83
Other income <sup>(d)</sup>	123	105	123	134	110	1%	99
<b>Total income</b>	<b>8,700</b>	<b>8,706</b>	<b>8,214</b>	<b>8,071</b>	<b>8,334</b>	<b>100%</b>	<b>8,080</b>

Source: Revenue Outturn (RO4) return from 2014-15 to 2018-19, Revenue Account (RA) budget return 2019-20.

(a) Comprises 'Charges to the HRA for debt repayment or non-interest charges in respect of credit arrangements (including on balance sheet PFI schemes)' and 'Debt management costs'

(b) Transfers to and from the 'General Fund Revenue Account' (GFRA) and 'Major Repairs Reserve' (MRR)

(c) Other HRA expenditure comprises 'Provision for bad debts' and 'Rents, rates, taxes and other charges'

(d) Other HRA Income comprises 'Contributions towards expenditure other than government grants' and appropriations from the 'Accumulated Absences Account'

# CHAPTER 4

## How is the money spent? – Capital expenditure

### 4.1. Capital spending and receipts

- 4.1.1. Capital spending by local authorities is mainly for buying, constructing or improving physical assets such as buildings – schools, houses, libraries, museums, police and fire stations etc.; land – for development, roads, playing fields etc.; and vehicles, plant and machinery – including street lighting, road signs etc.
- 4.1.2. 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.
- 4.1.3. 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.
- 4.1.4. Authorities do not need prior government approval to finance capital spending by borrowing or credit. They operate under the prudential capital finance system and, although they receive central government support for a major part of their capital programmes, are free to borrow to fund additional investment as long as they can prudently afford to service the debt.
- 4.1.5. A **capital receipt** is the money received by a local authority from the sale of a capital asset, such as a council house, or from the repayment of a grant or loan made by the authority to someone else to use for capital spending.
- 4.1.6. Further statistics on capital expenditure can be found on-line at <https://www.gov.uk/government/collections/local-authority-capital-expenditure-receipts-and-financing>.
- 4.1.7. Recent trends in capital expenditure by type of spending are shown in **Table 4.1a**. **Table 4.1b** provides details of capital expenditure by service.

**Table 4.1a: Capital expenditure by economic category, out-turn data from 2014-15 to 2018-19**

	2014-15	2015-16	2016-17	2017-18	£ million 2018-19
<b>Expenditure:</b>					
Acquisition of land and existing buildings and works	1,022	1,177	2,813	4,030	4,430
New construction and conversion	12,983	13,526	13,212	13,853	13,105
Vehicles, plant equipment and machinery	1,270	1,210	1,234	1,351	1,304
Intangible assets	226	240	230	260	294
<b>Total payments on fixed assets</b>	<b>15,500</b>	<b>16,153</b>	<b>17,488</b>	<b>19,494</b>	<b>19,133</b>
Grants, loans and other financial assistance	4,403	4,492	4,251	4,936	4,987
Acquisition of share and loan capital	1,635	2,002	1,538	807	1,781
<b>Total capital expenditure</b>	<b>21,537</b>	<b>22,647</b>	<b>23,277</b>	<b>25,236</b>	<b>25,901</b>
<i>of which GLA:</i>	<i>5,080</i>	<i>5,087</i>	<i>4,150</i>	<i>3,285</i>	<i>4,960</i>
Expenditure by virtue of a section 16(2)(b) direction <sup>(a)</sup>	1	-1	32	144	247
Notional capital receipts set aside and Large Scale Voluntary Transfer levy	0	0	0	0	0
<b>Total expenditure and other transactions</b>	<b>21,539</b>	<b>22,646</b>	<b>23,309</b>	<b>25,380</b>	<b>26,147</b>
<b>Receipts:</b>					
Sales of fixed assets	2,876	3,327	3,206	2,946	3,105
Intangible fixed assets	35	5	10	12	7
Repayments of grants, loans and financial assistance	72	224	320	252	843
Disposal of investments including share and loan capital	13	20	45	111	30
<b>Total capital receipts</b>	<b>2,996</b>	<b>3,576</b>	<b>3,580</b>	<b>3,299</b>	<b>3,978</b>

Source: COR returns

(a) Expenditure which does not fall within the definition of expenditure for capital purposes, but is treated as capital expenditure by a direction under section 16(2)(b) of the Local Government Act 2003

(b) From 2017-18, inter-authority grants, loans & other financial assistance and receipts are net off from England-level totals to avoid double counting. As a result, figures for Total capital receipts may not equal the sum of their sub-component categories.

**Table 4.1b: Local authority capital expenditure by service: England: 2014-15 to 2018-19**

	2014-15	2015-16	2016-17	2017-18	£ million 2018-19
Education <sup>(a)</sup>	3,480	3,196	3,072	2,851	2,423
Highways & transport	7,438	8,306	7,816	6,606	7,752
<i>of which GLA</i>	3,802	4,309	3,571	1,996	3,620
Social Care	264	261	312	292	337
Public health	7	10	19	10	20
Housing	4,807	4,604	4,698	5,607	5,387
<i>of which GLA</i>	676	259	166	727	906
Culture & Related services	957	1,068	1,004	1,092	1,105
Environmental & Regulatory services	680	726	619	1189 <sup>(d)</sup>	609
Planning & development services	1,467	1,686	1,667	1,598	1,681
Police	546	611	628	913	680
Fire & Rescue Services	192	172	183	158	149
Central services <sup>(b)</sup>	1,375	1,489	2,226	1,947	1,735
Trading <sup>(c)</sup>	323	518	1,194	2,975	4,023
<b>Total capital expenditure</b>	<b>21,537</b>	<b>22,647</b>	<b>23,277 <sup>(e)</sup></b>	<b>25,236</b>	<b>25,901</b>

Source: COR returns

(a) Expenditure on education services from 2010-11 are not comparable from year to year due to a number of schools changing their status to become academies, which are centrally funded rather than funded by local authorities.

(b) Central services include court costs, local tax collection, and other core council services costs (such as IT). Some local authorities report commercial activity within this category. New categories and guidance were issued in Spring 2018 encouraging such expenditure to be recorded under Trading Services.

(c) Trading services include the maintenance of direct labour and service organisations, such as civic halls, retail markets and industrial estates, and commercial activity.

(d) Includes Greater Manchester Waste Disposal Authority's PFI buy-out (£497m)

(e) Total capital expenditure excludes £160,938 of transfer to other local authorities that could not be attributed to a specific service area.

## 4.2. Capital financing

### 4.2.1. Capital spending is financed by:

- grants received from government departments for any purpose, but mainly given for schools, transport, housing or regeneration work; contributions or grants from elsewhere, including the National Lottery and Non-Departmental Public Bodies such as Sports England, English Heritage and Natural England. These can also come from private sector partners, for example for access roads or traffic management schemes;
- capital receipts (that is proceeds from the sale of land, buildings or other fixed assets);
- revenue resources – either the General Fund Revenue Account, the Housing Revenue Account (HRA) or the Major Repairs Reserve although an authority



cannot charge council tenants for spending on general services, or spending on council houses to local taxpayers;

- self-financed borrowing within limits of affordability, having regard to the 2003 Act and the CIPFA *Prudential Code*.

4.2.2. **Table 4.2a** provides details of capital expenditure financing from 2014-15 to 2018-19.

<b>Table 4.2a: Financing of capital expenditure, 2014-15 to 2018-19</b>					
	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Central government grants <sup>(a)</sup>	8,284	9,128	7,954	6,068	7,096
Grants from Local Enterprise Partnerships (LEPs) <sup>(b)</sup>	-	-	574	484	359
EU structural funds grants	132	114	13	27	67
Grants from private developers and from leaseholders etc	727	1,069	1,112	1,190	1,253
Grants from NDPBs <sup>(c)</sup>	564	505	471	269	294
National lottery grants	53	47	59	72	46
Use of capital receipts	1,879	2,196	2,327	2,769	3,160
Revenue financing of capital expenditure <i>of which:</i>	5,241	4,654	3,997	4,141	3,948
<i>Housing Revenue Account (CERA)</i>	686	775	759	629	613
<i>Major Repairs Reserve</i>	1,526	1,815	1,642	1,628	1,711
<i>General Fund (CERA)</i>	3,029	2,065	1,595	1,884	1,624
Capital expenditure financed by borrowing/credit <i>of which:</i>	4,777	4,759	6,792	10,061	9,917
<i>Loans &amp; other financial assistance from LEPs <sup>(d)</sup></i>	-	-	-	3	33
<i>Other borrowing &amp; credit arrangements not supported by central government <sup>(e)</sup></i>	4,777	4,759	6,792	10,058	9,884
<b>Total resources used to finance capital expenditure <sup>(f)</sup></b>	<b>21,657</b>	<b>22,472</b>	<b>23,300</b>	<b>25,081</b>	<b>26,141</b>

Source: COR returns

(a) Previous publications erroneously included grants and other contributions GLA bodies within the 2014-15, 2015-16 and 2016-17 grants from central government figures. These figures have now been excluded.

(b) Before 2016-17, grants, loans & other financial assistance from Local Enterprise Partnerships were reported within grants from central government departments.

(c) Non-Departmental Public Bodies, organisations that are not government departments but which have a role in the processes of national government, such as the Sport England, English Heritage and Natural England.

(d) Includes loans & other financial assistance from Local Enterprise partnerships. Grants and loans & other financial assistance were not split until 2017-18.

(e) 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.

(f) From 2017-18 onwards, intra-local government transfers are net off both expenditure and financing. However, as grants and loans made to other local authorities as part of expenditure may not equal the use of grants and loans from other authorities to finance expenditure within a financial year, financing and expenditure may not match.

# CHAPTER 5

## Borrowing and Investments

### 5.1. Outstanding debt and holdings of investments

- 5.1.1. Local authorities have the power to determine how much debt they can take on to deliver services. Each local authority sets its own debt limit. In doing so, the authority will need to be confident that it can service the debt, without the costs of doing so adversely impacting on service delivery.
- 5.1.2. Outstanding debt includes temporary borrowing, issued with a term of less than one year, for the purpose of managing cash flow, and longer-term borrowing, issued with a term greater than one year, taken out to finance capital projects.
- 5.1.3. **Table 5.1a** outlines the total borrowing figures across the past five years from 2014-15 to 2018-19. These are broken down by borrowing source. Separate totals for Transport for London (TFL) and the Greater London Authority (GLA) have been provided as these two authorities manage funds for some of the largest capital investment programmes in the country, such as Crossrail. Borrowing to finance these projects contributes significantly to UK borrowing trends.
- 5.1.4. **Table 5.1b** shows the local authority investment levels as at the 31 March from 2014-15 to 2018-19.
- 5.1.5. Local authorities are permitted to invest their surplus funds to generate a return. However, certain types of investments that are considered too risky are prohibited.
- 5.1.6. The stock of local authority investments is the financial representation of local authorities' reserves, unused capital receipts and cash flow surpluses. Authorities that are net borrowers may use such resources to reduce their borrowing rather than hold them as investments.
- 5.1.7. Further statistics on Borrowing and Investments can be found on-line at <https://www.gov.uk/government/collections/borrowing-and-investments-by-uk-local-authorities> and [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/893011/Borrowing\\_and\\_Investment\\_Live\\_Table\\_Q4\\_2019\\_20.xls](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/893011/Borrowing_and_Investment_Live_Table_Q4_2019_20.xls)  
[x](#)

**Table 5.1a: Local authority borrowing levels as at end March 2015-2019, England**

	£ million				
	end-Mar 2015	end-Mar 2016	end-Mar 2017	end-Mar 2018	end-Mar 2019
<b>Temporary borrowing</b>					
Banks	51	59	43	22	17
Building societies	4	0	0	10	6
Other financial intermediaries	88	128	121	170	111
Public corporations	57	35	36	104	24
Private non-financial corporations	8	12	13	13	13
Central government	0	0	0	1	8
Household sector	13	29	17	52	32
Other sources	48	48	46	1	5
<b>Total</b>	<b>270</b>	<b>311</b>	<b>275</b>	<b>373</b>	<b>216</b>
<b>Longer-term borrowing</b>					
Negotiable bonds	3,866	4,400	4,384	4,095	3,970
Listed securities other than bonds	968	1,236	1,233	1,225	1,193
Public Works Loan Board	51,462	51,362	52,731	56,141	62,971
Banks	8,356	8,165	8,226	8,246	6,938
Building societies	1	1	1	1	1
Other financial intermediaries	435	516	498	648	591
Public corporations	9	6	6	13	25
Private non-financial corporations	149	151	155	156	161
Central government	35	49	83	90	616
Household sector	3	3	3	0	1
Other Sources	5,056	5,438	5,837	7,379	8,090
<b>Total</b>	<b>70,339</b>	<b>71,325</b>	<b>73,156</b>	<b>77,995</b>	<b>84,557</b>
<b>Total borrowing</b>	<b>70,609</b>	<b>71,637</b>	<b>73,430</b>	<b>78,369</b>	<b>84,773</b>
TFL and GLA <sup>(a)</sup>	11,805	12,606	13,009	14,154	15,407
<b>Total borrowing excluding TFL and GLA</b>	<b>58,804</b>	<b>59,031</b>	<b>60,422</b>	<b>64,215</b>	<b>69,366</b>

Source: Monthly (MB) and Quarterly (QB) Borrowing and Investments returns from local authorities to MHCLG returns

(a) Transport for London (TFL) and the Greater London Authority (GLA) figures are shown as they contribute significantly to the overall change in borrowing each year.

**Table 5.1b: Local authority investments as at end March 2015-2019, England**

	£ million				
	end-Mar 2015	end-Mar 2016	end-Mar 2017	end-Mar 2018	end-Mar 2019
<b>Investments</b>					
Deposits: banks	12,863	12,000	10,720	9,282	9,980
Deposits: building societies	2,706	2,524	1,689	1,017	994
Treasury bills	2,004	2,099	671	530	734
Certificates of deposit: banks	965	964	713	810	464
Certificates of deposit: building societies	6	37	23	80	51
British Government (Gilt-edge) securities	597	600	471	188	115
Other financial intermediaries	46	18	37	51	49
Public corporations	285	715	1,040	1,222	1,455
Debt Management Account deposit facility	367	196	458	543	509
Money market funds	4,545	4,993	5,857	6,695	7,153
Externally managed funds	1,568	1,400	1,811	2,451	3,036
Other investments	4,438	4,096	3,219	2,755	3,498
<b>Total investments</b>	<b>30,390</b>	<b>29,642</b>	<b>26,710</b>	<b>25,624</b>	<b>28,038</b>

Source: Monthly (MB) and Quarterly (QB) Borrowing and Investments returns from local authorities to MHCLG returns

## 5.2. Borrowing and investment transactions

- 5.2.1. 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 needed for immediate expenditure, may be invested or used to redeem debt.
- 5.2.2. 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.
- 5.2.3. **Table 5.2a** shows the change in borrowing, investments and net cash requirement across local government from 2014-15 to 2018-19.

<b>Table 5.2a: Local Government Net Cash Requirement, 2014-15 to 2018-19</b>					
	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Annual change in temporary borrowing	13	41	-37	99	-157
Annual change in longer-term borrowing	1,111	986	1,830	4,840	6,561
<b>Total</b>	<b>1,124</b>	<b>1,028</b>	<b>1,794</b>	<b>4,938</b>	<b>6,404</b>
<i>less</i> annual change in investments	1,085	-748	-2,932	-1,085	2,414
<b>Net Cash Requirement</b>	<b>39</b>	<b>1,776</b>	<b>4,726</b>	<b>6,024</b>	<b>3,990</b>

Source: Monthly (MB) and Quarterly (QB) Borrowing and Investments returns from local authorities to MHCLG returns

# CHAPTER 6

## Local government pay and pensions

### 6.1. Local government employment

- 6.1.1. Local government is collectively one of the largest employers in England, employing just over 1.2 million full time equivalent staff (FTEs). Pay negotiating groups are responsible for negotiating, amongst other aspects, the pay rewards for employees in their group and cover the majority of local government employees. These groups are Teachers, Police, Police Support Staff, Firefighters; and Other Local Government Staff. For the purposes of this publication, police and police support staff are treated as one group.
- 6.1.2. The group classified as 'Other Local Government Staff' is covered by a number of separate negotiating bodies and includes fire support staff, all non-teachers working in education including teaching assistants, and all other local government employees such as social workers, planners, chief executives, chief officers and other administrative staff.

### 6.2. Local government pay expenditure

- 6.2.1. In 2017-18, local government employee expenditure accounted for 42 per cent 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 pension contributions, location allowances and other employee related costs such as training and recruitment. **Table 6.2a** illustrates levels of local government pay from 2013-14 to 2017-18 for each of the main pay negotiating groups. 2018-19 figures have not yet been published and therefore are not shown in this table. **Table 6.2b** shows employee expenditure as a proportion of service expenditure for each of the service areas for 2018-19.

**Table 6.2a: Local government pay by pay negotiating group 2013-14 to 2017-18 <sup>(d)</sup>**

	2013-14	2014-15	2015-16	2016-17	£ billion 2017-18	% of total 2017-18
Teachers	11.8	11.5	10.9	10.7	9.8	19%
Police and Police Support Staff	5.0	4.8	5.0	5.2	5.4	11%
Firefighters	1.0	1.0	0.9	1.0	0.9	2%
Other Local Government Staff	23.5	23.8	22.7	21.7	21.6	42%
<b>Total pay <sup>(a)</sup></b>	<b>41.3</b>	<b>41.2</b>	<b>39.6</b>	<b>38.6</b>	<b>37.7</b>	<b>74%</b>
Total non-pay for all groups <sup>(b)</sup>	9.7	9.9	10.2	10.5	11.4	22%
Other pay related costs <sup>(c)</sup>	2.8	2.1	1.9	2.7	1.9	4%
<b>Total employee expenditure</b>	<b>53.9</b>	<b>53.2</b>	<b>51.8</b>	<b>52.0</b>	<b>51.1</b>	<b>100%</b>

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

(a) Includes overtime, bonuses, severance payments, etc.

(b) Includes employers' National Insurance, pensions contributions and location allowances (sum of lines 2,3,4,7,8,9,12,13,14)

(c) Includes recruitment, retention and training

(d) 2018-19 figures have not yet been published and therefore are not shown in this table.

**Table 6.2b: Employee expenditure as a proportion of total service expenditure for 2018-19**

	£ billion		
	Employee expenditure	Service expenditure <sup>(b)</sup>	Employees expenditure %
Education services	20.1	36.3	55%
Highways, roads and transport services	1.4	7.4	19%
Children Social Care	3.5	10.1	34%
Adult Social Care	3.5	22.6	15%
Public Health	0.4	3.4	10%
Housing services <sup>(a)</sup>	0.7	3.2	22%
Cultural and related services	1.3	3.6	36%
Environmental services	1.7	7.0	24%
Planning and development services	1.1	2.7	43%
Police services	9.9	12.7	78%
Fire and rescue services	1.6	2.1	75%
Central services	5.7	11.3	51%
Other services	0.1	0.4	28%
<b>Total service expenditure</b>	<b>50.9</b>	<b>122.8</b>	<b>41%</b>

Source: RSX form (2018-19)

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

(b) Total Expenditure is Employees expenditure plus Running Expenses

6.2.2 Further statistics on local government pay expenditure can be found via <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

### 6.3. Local authority pension funds

#### The Local Government Pension Scheme

6.3.1. As at 1 April 2018, the Local Government Pension Scheme (LGPS) was operated via 80 administering authorities in England, and 8 administering authorities in Wales, typically at county council or London borough local authority level. The Scheme provides pensions for most local authority employees, as well as some staff working in the wider public sector such as academies, and certain individuals employed by private and voluntary sector organisations that deliver services for local government.

6.3.2. These authorities have the responsibility to meet pension liabilities as and when they arise. The administering authorities hold assets which they invest to help ensure that liabilities can be paid and to stabilise employer contribution rates to the Scheme over the medium and long term. The assets of the administering authorities are part of the financial corporations sector in the National Accounts, not part of the local government sector.

- 6.3.3. Although pensions are paid out under the scheme by local authorities in their capacity as administering authorities, this does not count as expenditure of the local authorities themselves. Employers' 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.
- 6.3.4. 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' contributions are paid by local authorities to the DfE and are recorded as expenditure in their revenue accounts.
- 6.3.5. Income into the LGPS is sourced from employee and employer contributions, investment income, the value of transfers between pension schemes plus other income. **Table 6.3a** shows how much income in England comes from each of these sources between 2014-15 and 2018-19.

**Table 6.3a: Local Government Pension Scheme income and market value of funds 2014-15 to 2018-19**

	2014-15	2015-16	2016-17	2017-18	2018-19
					£ million
Contributions (including those from admitted authorities)					
Employees	1,934	1,961	1,969	2,004	2,058
Employers <sup>(a)</sup>	6,837	6,604	6,942	8,925	6,608
Investment income (gross)	3,338	3,413	3,755	4,212	4,231
of which :					
Dividends receivable	2,160	2,231	2,441	2,667	2,412
Interest receivable	347	320	289	306	235
Income from property	450	489	528	565	600
Other investment income <sup>(b)</sup>	380	373	497	675	983
Transfer values <sup>(c)(d)(e)(f)</sup>	3,036	399	1,140	1,292	1,083
Other income	58	51	57	46	184
<b>Total income</b>	<b>15,204</b>	<b>12,428</b>	<b>13,863</b>	<b>16,480</b>	<b>14,163</b>

Source: SF3 returns

(a) Includes employers' secondary contributions

(b) Other investment income includes a one-off exceptional item of £120m due to the transfer to the Greater Manchester Pension Fund of MoJ/Probation Service staff from other LGPS schemes during 2014-15.

(c) Transfer values for 2014-15 includes an exceptional transfer of £2.6 billion to the Greater Manchester Pension Fund from other LGPS funds in respect of MoJ/Probation Service staff who were transferred to that fund during 2014-15.

(d) Transfer values for 2016-17 includes £675 million transfer to Wandsworth for the merger of Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016.

(e) Transfer values for 2017-18 includes £240.7m from South Yorkshire PTA for the merger and £147.3m transfer from West Yorkshire both involving Greater Manchester. West Yorkshire has accounted for the transfer wholly within 2017-18 although Greater Manchester will account for most of it in 2018-19.

(f) Greater Manchester accounted for the remaining West Yorkshire transfer value in 2018-19 as a reported £313.6m

6.3.6. The majority of LGPS' expenditure is on benefits, either as pensions or lump sums on the retirement or the death of members. **Table 6.3b** shows how the LGPS expenditure in England is divided between each of the categories between 2014-15 and 2018-19.

<b>Table 6.3b: Local Government Pension Scheme expenditure 2014-15 to 2018-19</b>					
	<b>£ million</b>				
	<b>2014-15</b>	<b>2015-16 <sup>(c)</sup></b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Total expenditure on benefits	8,269	8,642	8,932	9,198	9,751
<i>of which :</i>					
<i>Pensions or annuities</i>	6,691	6,962	7,196	7,490	7,910
<i>Lump sums paid on retirement</i>	1,295	1,392	1,422	1,388	1,478
<i>Lump sums paid on death</i>	172	189	200	201	222
<i>Optional lump sum</i>	110	96	111	115	132
<i>Other benefits</i>	1	3	3	4	9
Disposal of Liabilities	2,952	477	1,208	1,604	876
<i>of which :</i>					
<i>Transfer values <sup>(a)(d)(e)</sup></i>	2,950	472	1,204	1,602	875
<i>Pensions Act premiums</i>	2	4	4	3	2
<i>Refunds of contributions</i>	0	0	0	0	0
Total Management expenses charged to the fund	810	890	956	1,102	1,231
<i>of which : <sup>(c)</sup></i>					
<i>Fund Management costs <sup>(b)</sup></i>	689	-	-	-	-
<i>Administration costs</i>	121	-	-	-	-
<i>Investment management expenses</i>	-	741	800	942	1,052
<i>Administrative expenses</i>	-	101	106	111	121
<i>Governance and oversight costs</i>	-	48	49	48	58
Other expenditure	22	19	29	27	31
<b>Total expenditure</b>	<b>12,054   </b>	<b>10,027   </b>	<b>11,125   </b>	<b>11,932   </b>	<b>11,890</b>

Source: SF3 returns

(a) Transfer values for 2014-15 includes an exceptional transfer of £2.6 billion from a number of LGPS funds to the Greater Manchester Pension Fund in respect of MoJ/Probation Service staff who were transferred to that fund during 2014-15.

(b) The way Fund Management costs are reported was changed during 2014-15 following revised guidance from CIPFA

(c) Recording of Management expenses in SF3 2015-16 was changed in line with CIPFA guidance.

(d) Transfer values for 2016-17 includes £675 million transfer from Richmond upon Thames for the merger of Richmond upon Thames and Wandsworth Pension Funds from 1 October 2016.

(e) Transfer values for 2017-18 includes £240.7m from South Yorkshire PTA for the merger with Greater Manchester and £450m from West Yorkshire to Greater Manchester for the transfer.



6.3.7. **Table 6.3c** shows the types of retirements from the LGPS in England between 2014-15 and 2018-19.

<b>Table 6.3c: Number by type of retirements from the Local Government Pension Scheme 2014-15 to 2018-19</b>					
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Redundancy	12,074	12,346	12,581	10,059	8,029
Tier 1, 2 & 3 ill health retirement awards under LGPS	2,480	2,487	2,429	2,483	2,606
Early payment of deferred benefits	29,402	30,296	33,336	35,312	43,779
Normal retirements	18,883	21,404	23,382	24,669	24,969
<b>Total retirements</b>	<b>62,839</b>	<b>66,533</b>	<b>71,728</b>	<b>72,523</b>	<b>79,383</b>

Source : SF3 returns

6.3.8. Further statistics about the Local Government Pension schemes in England can be found via <https://www.gov.uk/government/collections/local-government-pension-scheme>

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