



Ministry of Housing,  
Communities &  
Local Government



# **Local Government Financial Statistics England No.31 2021**

July 2021

Ministry of Housing, Communities and Local Government: London

# Local Government Financial Statistics, England, No. 31 2021

Presented to Parliament pursuant to Section 168(4) of the Local Government Act, 1972, Elizabeth II, c70

Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
Westminster  
London  
SW1P 4DF  
Telephone: 0303 444 0000  
Web site: [www.gov.uk/mhclg](http://www.gov.uk/mhclg)



© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/official-documents](http://www.gov.uk/official-documents).

Any enquiries regarding this publication should be sent to us at Ministry of Housing, Communities and Local Government Publications

Tel: 0300 123 1124

Fax: 0300 123 1125

Email: [product@communities.gov.uk](mailto:product@communities.gov.uk)

or online via Ministry of Housing, Communities and Local Government web site:

<https://forms.communities.gov.uk/>

ISBN 978-1-5286-2763-4

CCS0421354642 07/21

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

July 2021

# Contents

Contents.....	iv
PREFACE .....	i
Symbols and conventions .....	ii
Rounding.....	ii
<b>CHAPTER 1</b>	<b>3</b>
Local government.....	3
1.1 What is local government?.....	3
1.2 Local government structure and services.....	3
<b>CHAPTER 2</b>	<b>6</b>
How is the money found? .....	6
2.1. Summary of sources of local government income.....	6
2.2. Revenue grants.....	6
2.3. Sales, fees and charges.....	8
2.4. Council tax .....	9
2.5. Non-domestic rates .....	12
<b>CHAPTER 3</b>	<b>21</b>
How is the money spent? – Revenue expenditure .....	21
3.1. Summary of revenue expenditure .....	21
3.2. General Fund Revenue Account expenditure definitions .....	21
3.3. Labour, goods and services purchased .....	24
3.4. Revenue reserves .....	25
3.5 External trading services.....	28
3.6 Housing Revenue Account (HRA).....	28
<b>CHAPTER 4</b>	<b>30</b>
How is the money spent? – Capital expenditure .....	30
4.1. Capital spending and receipts.....	30
4.2. Capital financing.....	32
<b>CHAPTER 5</b>	<b>35</b>
Borrowing and Investments.....	35
5.1. Outstanding debt and holdings of investments.....	35
5.2. Borrowing and investment transactions .....	37
<b>CHAPTER 6</b>	<b>39</b>
Local government pay and pensions.....	39
6.1. Local government employment .....	39
6.2. Local government pay expenditure .....	39
6.3. Local authority pension funds.....	40





# PREFACE

This is the 31st 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 2019-20, the latest year for which complete information is available, and some estimates for 2020-21. 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 have been published as National Statistics and some have been published as Official Statistics. All have been produced to the high professional standards set out in the Code of Practice for Statistics. Those published as National Statistics are fully compliant with the Code of Practice. 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. In 2020-21, there was one reorganisation merging districts in Buckinghamshire into a single unitary authority.

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:** Joe Scott

## 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 2019-20. 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 2019-20, 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 2019-20 there were only seven mayoral combined authorities, six of these could raise income by setting a council tax precept, and only two (Greater Manchester Combined Authority and Liverpool City Region) 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, 8,859 charged a precept in 2019-20, 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 2019**

	<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	248	81	14	343	8,622
Metropolitan areas	36	10	7	53	234
London	33	1	5	39	3
<b>England</b>	<b>317</b>	<b>92</b>	<b>26</b>	<b>435</b>	<b>8,859</b>

Source: This table appears in Chapter 1 of the Local Government Financial Statistics 2021 report only.

(a) These are county councils in two-tier areas, police authorities, fire and rescue authorities and the Greater London 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, in 2019-20, there were over 8,800 parishes that charged a precept, and these were situated in 238 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 2015-16 and 2019-20. These figures are shown in real terms. Tables showing cash figures are published in the relevant statistical releases.

### 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, 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 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: 2015-16 to 2019-20**

<i>Real terms series, all monetary figures in 2019-20 prices <sup>(a)</sup></i>	<b>£ million</b>				
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Grant income:</b>					
Revenue Support Grant <sup>(b)</sup>	10,387	7,653	4,162	1,410	664
Police Grant <sup>(b)</sup>	8,099	7,865	7,443	7,286	7,269
Specific and special grants inside Aggregate External Finance (AEF) <sup>(c)</sup>	43,773	41,756	41,151	40,441	40,432
Local Services Support Grant (LSSG)	32	20	37	23	29
Grants outside AEF <sup>(d)</sup>	19,963	23,007	21,426	19,558	17,068
Housing subsidy <sup>(e)</sup>	-801	-816	-812	-750	-741
Grants towards capital expenditure	11,852	10,843	8,484	9,321	8,249
<b>Total grant income</b>	<b>93,304</b>	<b>90,329</b>	<b>81,892</b>	<b>77,288</b>	<b>72,969</b>
<b>Locally-funded income:</b>					
Council tax <sup>(f)</sup>	24,734	26,083	27,641	29,563	31,452
Retained Income from Rate Retention Scheme <sup>(b)</sup>	11,855	11,735	15,162	17,973	17,216
External interest receipts	1,047	1,088	1,169	1,507	1,688
Capital receipts <sup>(g)</sup>	2,196	2,327	2,769	3,160	2,235
Sales, fees and charges <sup>(h)</sup>	11,666	12,103	12,732	13,181	13,323
Council rents	7,468	7,110	7,010	7,154	7,150
<b>Total locally-funded income</b>	<b>58,966</b>	<b>60,445</b>	<b>66,483</b>	<b>72,539</b>	<b>73,065</b>
Other income and adjustments <sup>(i)</sup>	19,390	18,305	19,511	19,553	19,857
<b>Total income</b>	<b>163,871</b>	<b>163,588</b>	<b>164,262</b>	<b>167,676</b>	<b>165,890</b>
Grants as a percentage of total income	52%	52%	48%	45%	44%

Sources: Revenue Outturn (RO) returns & Capital Outturn Returns (COR), 2015-16 to 2019-2020

- (a) All figures have been adjusted for inflation using the GDP deflator: <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2021-quarterly-national-accounts> (as updated 31 March 2021).
- (b) 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.
- (c) This nets off where local authorities recorded in their RO2019-20 returns their shares of the £1.6bn first tranche of COVID-19 funding and business rates reliefs compensation Section 31 grants for 2020-21. Both of which were paid in late March 2020 but much or all of which would be spent for 2020-21.
- (d) Excludes council tax benefit subsidy and rent rebates granted to HRA tenants.
- (e) 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.
- (f) Includes council taxes financed from Council Tax Benefit Grant but excludes council taxes financed from local authority contributions to council tax benefit.
- (g) Capital receipts used to finance capital expenditure. Circa £100m 'Capital receipts used to finance revenue expenditure under receipts flexibility' in 2016-17 not included.

- (h) This figure excludes any sales, fees and charges from the trading accounts which are not recorded.
- (i) 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.  
To avoid double counting, 'levies and recharges from other accounts' recorded in the RO6 are removed from this.

## 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 2015-16 to 2019-20. These figures are shown in real terms.

**Table 2.3a: Sales, fees and charges by service area: 2015-16 to 2019-20** <sup>(a)</sup>

<i>Real terms series, all monetary figures in 2019-20 prices</i> <sup>(b)</sup>	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Service Expenditure:</b>					
Education	1,696	1,692	1,761	1,594	1,488
Highways and transport	2,240	2,285	2,339	2,446	2,391
Social Care	3,088	3,085	3,163	3,268	3,337
<i>of which:</i>					
<i>Children Social Care</i>	179	164	179	179	165
<i>Adult Social Care</i>	2,909	2,921	2,984	3,089	3,172
Public Health	22	19	41	35	21
Housing (excluding HRA) <sup>(c)</sup>	844	872	873	915	930
Cultural, environmental and planning	3,004	3,047	3,195	3,253	3,193
<i>of which:</i>					
<i>Cultural</i>	893	835	899	887	864
<i>Environmental</i>	1,258	1,301	1,352	1,370	1,322
<i>Planning and development</i>	853	912	944	996	1,021
Police	490	508	512	502	530
Fire	38	43	47	47	50
Central services	1,240	1,279	1,310	1,338	1,279
Other	65	56	83	80	106
<b>Total All Services</b>	<b>12,728</b>	<b>12,886</b>	<b>13,322</b>	<b>13,478</b>	<b>13,323</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) All figures have been adjusted for inflation using the GDP deflator:  
<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2021-quarterly-national-accounts> (as updated 31 March 2021).
- (c) HRA = 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.

2.4.2. **Table 2.4a** provides figures for the total number of domestic dwellings in England in September each year from 2016 to 2020, 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 2016-2020 (a)**

	Thousands				
	2016	2017	2018	2019	2020
<b>Total number of dwellings on valuation lists</b>	<b>23,863</b>	<b>24,076</b>	<b>24,298</b>	<b>24,549</b>	<b>24,762</b>
<i>less:</i>					
Number of dwellings exempt from council tax	542	568	599	626 <sup>(R)</sup>	651
Number of demolished dwellings	1	1	1	1 <sup>(R)</sup>	1
<b>Number of dwellings on valuation list liable for council tax</b>	<b>23,320</b>	<b>23,506</b>	<b>23,698</b>	<b>23,922</b>	<b>24,109</b>
<i>Of this</i>					
<b>Number of dwellings subject to a discount or a premium</b>	<b>8,075</b>	<b>8,090</b>	<b>8,154</b>	<b>8,254</b> <sup>(R)</sup>	<b>8,391</b>
<i>of which:</i>					
- second homes	22	19	15	13	10
- empty homes subject to a discount	93	79	72	64 <sup>(R)</sup>	53
- empty homes subject to a premium	59	61	62	63 <sup>(R)</sup>	69
- single person	7,657	7,680	7,738	7,837 <sup>(R)</sup>	7,982
- all residents disregarded for council tax purposes	34	34	35	36	36
- all but one resident disregarded for council tax purposes	209	217	232	242	241
<b>Number of dwellings not subject to a discount or a premium</b>	<b>15,245</b>	<b>15,417</b>	<b>15,545</b>	<b>15,668</b> <sup>(R)</sup>	<b>15,718</b>
<i>of which:</i>					
- empty homes	290	314	338	356	357
- second homes	225	230	237	240 <sup>(R)</sup>	253
- others	14,730	14,873	14,970	15,072 <sup>(R)</sup>	15,108

### Footnotes to Table 2.4a

Source: CTB returns

(a) Data taken as at the second Monday in September.

(R) Revisions to 2019 data made in November 2020.

2.4.3. 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.

2.4.4. 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

2.4.5. **Table 2.4b** gives figures for levels of, and changes in, the average Band D council tax for England for 2015-16 to 2020-21. 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: 2015-16 to 2020-21**<sup>(a)(b)(c)(d)</sup>

	£	% change
2015-16	1,484	1.1
2016-17	1,530	3.1
2017-18	1,591	4.0
2018-19	1,671	5.1
2019-20	1,750	4.7
2020-21	1,818	3.9

Source: CTR returns

a) Figures include parish and adult social care precepts.

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

c) Local authorities have been given flexibility to increase council tax by an additional amount to fund adult social care since 2016-17.

d) Referendum principles may vary year-on-year which will affect the annual change. 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>.

2.4.6. 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.



2.4.7. 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. In 2020-21, it was possible to set an increase of up to 2%. This is in addition to the usual funding of adult social care through council tax.

### Parishes and other local precepting authorities in England

2.4.8. 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.

2.4.9. **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, 2015-16 to 2020-21**

Parishes and other local precepting authorities charging a non-zero precept						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Total number</b>	<b>8,810</b>	<b>8,817</b>	<b>8,839</b>	<b>8,838</b>	<b>8,859</b>	<b>8,886</b>
Tax base (thousands)	7,560.4	7,754.2	7,954.4	8,082.9	8,253.8	8,532.7
Aggregate of local precepts (£000)	409,146	445,065	485,474	517,629	554,492	596,362
Average parish precept per Band D (£)	54.12	57.40	61.03	64.04	67.18	69.89
Change (£)	1.75	3.28	3.64	3.01	3.14	2.71
<b>Percentage change</b>	<b>3.3%</b>	<b>6.1%</b>	<b>6.3%</b>	<b>4.9%</b>	<b>4.9%</b>	<b>4.0%</b>

Source: CTR returns

2.4.10. 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 2015-16 to 2020-21 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 2015-16 to 2020-21 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.

**Table 2.5a: Number of hereditaments, rateable value and multipliers used, England, 2015-16 to 2020-21**

	2015-16	2016-17	2017-18 <sup>(b)</sup>	2018-19	2019-20	2020-21
Number of hereditaments on rating list as at 30 Sept ('000s) <sup>(a)</sup>	1,816	1,831	1,856	1,882	1,942	1,976
Aggregate rateable value on rating list as at 30 Sept <sup>(a)</sup>	57,224	57,289	63,212	63,213	63,637	64,045
Small business rate multiplier (pence)	48.0	48.4	46.6	48.0	49.1	49.9
National non-domestic rates multiplier (pence)	49.3	49.7	47.9	49.3	50.4	51.2

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 and 2020-21 where the data are at 3 October 2019.

b) Revaluation came 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>1</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 2015-16 to 2019-20 and their forecasts for 2020-21.

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 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

<sup>1</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.

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: 2015-16 to 2020-21**

	Out-turn					£ million Forecast
	2015-16	2016-17	2017-18 <sup>(e)</sup>	2018-19	2019-20	2020-21
<b>Gross rates payable in year</b>	<b>26,660</b>	<b>27215</b>	<b>28,492</b>	<b>29,957</b>	<b>30,934</b>	<b>32,128</b>
Net cost of Small Business Rate relief	539	584	1,062	1,258	1,415	1,379
Other mandatory relief	2,594	2655	2,782	2,995	3,071	3,046
Discretionary relief <sup>(a)</sup>	445	143	306	229	603	11,300
<b>Total cost of reliefs</b>	<b>3,577</b>	<b>3382</b>	<b>4,150</b>	<b>4,483</b>	<b>5,089</b>	<b>15,725</b>
<b>Gross Rates Payable in year less total cost of reliefs</b>	<b>23,083</b>	<b>23833</b>	<b>24,342</b>	<b>25,474</b>	<b>25,845</b>	<b>16,403</b>
Net cost of transitional arrangement <sup>(b)</sup>	<b>165</b>	<b>109</b>	<b>9</b>	<b>-5</b>	<b>83</b>	<b>50</b>
<b>Net Rates Yield (Gross Rates Payable less net cost of Transition)</b>	<b>23,248</b>	<b>23942</b>	<b>24,351</b>	<b>25,470</b>	<b>25,927</b>	<b>16,452</b>
<b>Accounting adjustments</b>						
Losses in collection <sup>(c)</sup>	228	235	209	181	298	266
Net addition to Appeals Provision	287	-164	171	103	-21	927
Interest payable	4	1	0	0	0	-
<b>Total cost of accounting adjustments</b>	<b>519</b>	<b>72</b>	<b>380</b>	<b>284</b>	<b>278</b>	<b>1,193</b>
<b>Other deductions from collectable rates<sup>(d)</sup></b>	<b>260</b>	<b>204</b>	<b>104</b>	<b>91</b>	<b>179</b>	<b>146</b>
<b>Disregarded Amounts</b>						
Amounts retained in respect of Designated Areas	14	29	40	52	83	88
Amounts retained in respect of Renewable Energy schemes	38	51	61	65	72	73
Amounts retained in respect of Shale Gas schemes	-	-	-	0	0	0
<b>Total Disregarded Amounts</b>	<b>51</b>	<b>80</b>	<b>101</b>	<b>117</b>	<b>155</b>	<b>161</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>22,417</b>	<b>23585</b>	<b>23,765</b>	<b>24,977</b>	<b>25,316</b>	<b>14,953</b>

Footnotes on following page

**Footnotes to Table 2.5b**

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

a) Data for 2020-21 reflects both the data reported on the NNDR1 2020-21 (excluding retail relief) and the data reported in additional exercises collected during the year. For local newspaper relief this is as reported in April 2020 and for the Expanded Retail Relief and Nursery Relief, this is as reported in October 2020.

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

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

d) 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.

e) Revaluation came into effect on 1st April 2017.

**Table 2.5c: Cost of reliefs from non-domestic rates: 2015-16 to 2020-21**

	Out-turn					£ million
	2015-16	2016-17	2017-18 <sup>(a)</sup>	2018-19	2019-20	Forecast 2020-21
<b>MANDATORY RELIEFS</b>						
<b>Small Business Rate Relief</b>						
<b>In respect of current year</b>						
Relief provided in year	1,123	1,165	1,670	1,820	1,970	2,016
<i>of which: relief on existing properties where a 2nd property is occupied</i>	4	3	4	4	4	3
Additional yield generated from the small business supplement	646	651	621	631	633	637
Net cost of small business rate relief in respect of current year	477	514	1,049	1,190	1,338	1,379
Net cost of small business rate relief in respect of previous years	61	69	13	68	77	-
<b>Net cost of small business rate relief</b>	<b>539</b>	<b>584   </b>	<b>1,062</b>	<b>1,258</b>	<b>1,415</b>	<b>1,379</b>
<b>Other Mandatory reliefs</b>						
<b>In respect of current year</b>						
Charitable occupation	1,558	1,616	1,825	1,933	2,011	2,036
Community Amateur Sports Clubs (CASCs)	20	19	19	20	21	21
Rural rate relief	6	6	4	4	4	4
Telecomms relief <sup>(b)(c)</sup>	-	-	-	0	0	0
Partially occupied hereditaments	32	28	24	24	26	20
Empty premises	935	950	916	996	1,006	874
Total other mandatory relief in respect of current year	2,551	2,619	2,789	2,977	3,069	2,956
Other mandatory relief in respect of previous years	42	36	-6	18	2	-
Changes as a result of local estimates of growth or decline in mandatory relief	-	-	-	-	-	91
<b>Total cost of other mandatory relief</b>	<b>2,594</b>	<b>2,655   </b>	<b>2,782</b>	<b>2,977</b>	<b>3,071</b>	<b>3,046</b>
<b>Total cost of mandatory relief</b>	<b>3,132</b>	<b>3,239   </b>	<b>3,844</b>	<b>4,253</b>	<b>4,486</b>	<b>4,425</b>

(Table continued on following page)

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.

(b) Telecomms relief was reported as a discretionary relief funded through section 31 grant in 2019-20. However this relief is mandatory, but currently funded through a section 31 grant.

(c) Value below £0.5 million.

**Table 2.5c: Cost of reliefs from non-domestic rates: 2015-16 to 2020-21  
(continued)**

	Out-turn					£ million Forecast
	2015-16	2016-17	2017-18 <sup>(a)</sup>	2018-19	2019-20	2020-21
<b>DISCRETIONARY RELIEFS</b>						
<b>In respect of current year</b>						
Charitable occupation	44	44	44	47	48	49
Non-profit making bodies	38	41	37	38	37	36
Community Amateur Sports Clubs (CASCs)	1	1	1	1	1	1
Rural rate relief <sup>(c)</sup>	3	3	1	0	0	0
Small rural businesses	2	2	1	1	1	1
Other relief awarded under s47	13	17	18	21	22	23
Hardship relief	2	2	2	2	2	-
Total discretionary relief in respect of current year	104	109	103	110	112	110
Discretionary relief in respect of previous years	4	7	2	5	3	-
<b>Discretionary reliefs funded through Section 31 grants</b>						
"New Empty" properties	7	7	4	-	-	-
"Long term empty" properties	13	10	1	-	-	-
Retail relief	296	-	-	-	-	-
Flooding relief	7	2	0	0	2	-
In lieu of Transitional relief	4	2	-	-	-	-
Rural rate relief	-	-	4	4	4	4
Local newspaper temporary relief <sup>(c)(d)</sup>	-	-	0	0	0	0
Supporting Small Businesses relief	-	-	17	14	13	15
Discretionary Scheme relief	-	-	155	77	30	5
Pub relief	-	-	18	17	-	-
Retail discount relief <sup>(d)</sup>	-	-	-	-	432	11,062
Nursery relief <sup>(d)</sup>	-	-	-	-	-	96
Total cost of discretionary reliefs funded through S31 grant	328	21	200	113	481	11,182
Discretionary relief funded through S31 grants in respect of previous years	10	6	1	1	7	-
Changes as a result of local estimates of growth or decline in discretionary relief	-	-	-	-	-	8
<b>Total cost of discretionary relief</b>	<b>445</b>	<b>143   </b>	<b>306</b>	<b>229</b>	<b>603</b>	<b>11,300</b>
<b>TOTAL COST OF ALL RELIEFS</b>	<b>3,577</b>	<b>3,382   </b>	<b>4,150</b>	<b>4,483</b>	<b>5,089</b>	<b>15,725</b>

Footnotes on following page



### Footnotes to Table 2.5c

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.

c) Value below £0.5 million

d) The retail discount relief was expanded, the local newspaper relief extended, and the nursery relief introduced in 2020-21 in response to the COVID-19 pandemic. These were time limited reliefs. As the figures were exceptional and the reliefs not reflected in other years, these figures are not comparable across years.

## 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 2015-16 to 2019-20 irrespective of the year to which it relates.

**Table 2.5d: Receipts of council tax and non-domestic rates collected irrespective of the year to which it relates, England, 2015-16 to 2019-20**

				£ million
Receipts of council taxes				
	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
2015-16	24,409	509	400	<b>25,318</b>
2016-17	25,654	507	452	<b>26,613</b>
2017-18	27,078	483	444	<b>28,006</b>
2018-19	28,876	493	457	<b>29,826</b>
2019-20	30,635	489	454	<b>31,578</b>
Receipts of non-domestic rates				
	In respect of the billing year	In respect of previous years <sup>(a)(c)</sup>	In respect of subsequent billing year <sup>(b)</sup>	Total receipts collected in financial year
2015-16	23,319	-486	344	<b>23,177</b>
2016-17	23,929	-445	430	<b>23,914</b>
2017-18	24,501	-582	554	<b>24,473</b>
2018-19	25,289	-473	507	<b>25,323</b>
2019-20	25,473	-318	411	<b>25,566</b>

Source: QRC4 returns

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 2015-16 and 2019-20.

**Table 2.5e: Collection rates of council tax and non-domestic rates, England, 2015-16 to 2019-20**

	% of total collected				
	2015-16	2016-17	2017-18	2018-19	2019-20
Council tax	97.1	97.2	97.1	97.0	96.8
Non-domestic rates	98.2	98.2	98.4	98.3	98.0

Source: QRC4 returns

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**. These figures are shown in real terms. Tables showing cash figures are published in the relevant statistical releases.

**Table 3.2a: General fund revenue account: Outturn 2015-16 to 2019-20 and budget 2020-21<sup>(a)</sup>**

	2015-16	2016-17	2017-18	2018-19	2019-20	£ million 2020-21 (Budget) <sup>(b)</sup>
Education	34,136	33,382	32,265	32,233	32,603	34,349
Highways and transport	4,331	4,013	3,997	3,857	3,757	3,915
Social care	22,702	23,390	24,164	25,452	26,826	27,500
<i>of which:</i>						
<i>Children's Social Care</i>	8,303	8,476	8,834	9,375	9,920	9,814
<i>Adult Social Care</i>	14,399	14,914	15,330	16,076	16,905	17,686
Public Health	3,152	3,480	3,365	3,278	3,228	3,313
Housing (excluding Housing Revenue Account)	1,608	1,508	1,536	1,673	1,775	1,864
Cultural, environmental and planning	8,698	8,445	8,293	8,435	8,757	8,981
Police	10,932	11,050	11,165	11,426	12,203	12,986
Fire & rescue	1,984	1,961	1,972	2,005	2,158	2,284
Central services	3,022	3,159	3,065	3,011	3,251	3,066
Other Services	70	56	-19	48	42	525
<b>Total Service Expenditure</b>	<b>90,634</b>	<b>90,444</b>	<b>89,803</b>	<b>91,417</b>	<b>94,600</b>	<b>98,782</b>
Housing Benefits <sup>(c)</sup>	20,917	20,228	19,177	17,833	15,768	15,882
Parish Precepts and Levies <sup>(d)</sup>	461	507	574	601	568	632
Trading Account Adjustments and Other Adjustments <sup>(e)</sup>	-325	-455	-449	-506	-606	-574
<b>Total Net Current Expenditure</b>	<b>111,686</b>	<b>110,724</b>	<b>109,106</b>	<b>109,344</b>	<b>110,330</b>	<b>114,722</b>
Capital financing <sup>(f)</sup>	4,419	4,239	4,239	4,688	5,173	4,894
Capital Expenditure charged to Revenue Account (CERA)	1,966	1,536	1,994	1,626	2,110	1,665
Other non-current expenditure <sup>(g)</sup>	208	195	198	199	248	87
Private Finance Initiative (PFI) difference from service charge	37	78	-30	-25	-3	-11
Appropriations to(+)/ from(-) financial instruments adjustment acc.	19	37	-25	-180	14	-15
Appropriations to(+)/ from(-) unequal pay back pay account	51	60	-30	-105	2	1
<i>less</i> Interest receipts	1,047	1,088	1,169	1,507	1,688	1,487
<i>less</i> Specific grants outside AEF	22,452	21,608	20,478	19,127	17,068	17,085
<i>less</i> Business rates supplement	222	235	285	271	269	185
<i>less</i> Community Infrastructure Levy	154	302	276	317	468	120
<i>less</i> Carbon Reduction Commitment	18	17	12	8	2	3
<i>less</i> Capital receipts used to finance revenue expenditure	-	85	151	158	200	80

**Table 3.2a continued**

	2015-16	2016-17	2017-18	2018-19	2019-20	£ million 2020-21 (Budget) <sup>(b)</sup>
<b>Total Revenue Expenditure</b> <sup>(h)</sup>	<b>94,529</b>	<b>93,567</b>	<b>93,104</b>	<b>94,226</b>	<b>98,178</b>	<b>102,003</b>
financed by:						
<b>Government Grants</b> <sup>(i)</sup>	<b>57,090</b>	<b>58,812</b>	<b>50,457</b>	<b>48,076</b>	<b>48,393</b>	<b>51,512</b>
<i>of which:</i>						
Specific grants inside AEF <sup>(j)</sup>	40,148	39,237	39,365	39,571	40,432	42,003
Revenue Support Grant <sup>(k)</sup>	9,520	7,188	3,978	1,379	664	1,565
Police grant <sup>(l)</sup>	7,423	7,387	7,114	7,125	7,269	7,944
<b>Council tax requirement</b>	<b>24,734</b>	<b>26,083</b>	<b>27,641</b>	<b>29,563</b>	<b>31,452</b>	<b>33,118</b>
<b>Retained Income from Rate Retention Scheme</b> <sup>(k)</sup>	<b>11,845</b>	<b>11,735</b>	<b>15,162</b>	<b>17,973</b>	<b>17,216</b>	<b>16,498</b>
<b>Appropriation to (-)/from (+) Reserves (excluding Pensions)</b>	400	1,523	-630	-1,878	-1,481	-442
<b>Council tax collection fund surplus (+) / deficit (-)</b> <sup>(m)</sup>	459	419	474	403	361	283
<b>Other items</b>	459	427	473	110	-12	149

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

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

(b) Budget data for 2020-21 were collected from February 2020, and are as initially set by early in 2020. Therefore the figures exclude additional funding and expenditure that followed as a result of COVID-19.

(c) '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.

(d) '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.

(e) '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. This also includes disbursement to businesses figures as reported in RO 2019-20. Published Local authority grant payments can be found at the following link: <https://www.gov.uk/government/publications/coronavirus-grant-funding-local-authority-payments-to-small-and-medium-businesses>

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

(g) '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

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

(i) This nets off where local authorities recorded in their RO2019-20 returns their shares of the £1.6bn first tranche of COVID-19 funding and business rates reliefs compensation Section 31 grants for 2020-21. Both of which were paid in late March 2020 but much or all of which would be spent for 2020-21.

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

(k) 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>

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

(m) 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 2015-16 to 2019-20. 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. These figures are shown in real terms.

**Table 3.3a: Labour, goods and services 2015-16 to 2019-20**

<i>Real terms series, all monetary figures in 2019-20 prices <sup>(a)</sup></i>	<b>£ million % of total</b>					
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2019-20</b>
Teachers <sup>(b)</sup>	14,538	14,231	13,024	12,480	11,738	22%
Police	7,496	7,388	7,237	7,081	7,383	14%
Firefighters	1,330	1,316	1,257	1,265	1,385	3%
Other local government	31,132	29,477	30,165	28,821	30,375	58%
Pay related costs	2,023	2,915	1,752	2,424	1,834	3%
<b>Total employee expenditure</b>	<b>56,520</b>	<b>55,328</b>	<b>53,435</b>	<b>52,070</b>	<b>52,714</b>	
Premises related expenditure	...	6,012	...	...	6,187	
Transport expenditure	...	2,500	...	...	2,930	
Supplies and services expenditure	...	17,879	...	...	19,505	
External contractors <sup>(c)</sup>	...	34,132	...	...	36,711	
Internal trading services	...	829	...	...	794	
Other <sup>(d)</sup>	...	5,571	...	...	2,059	
<b>Total procurement expenditure <sup>(e)</sup></b>	...	<b>66,924</b>	...	...	<b>68,186</b>	
<b>Total employee and procurement expenditure <sup>(e)</sup></b>	...	<b>120,905</b>	...	...	<b>120,901</b>	

Source: Subjective Analysis Returns (SAR) 2015-16 to 2019-20.

a) All figures have been adjusted for inflation using the GDP deflator:

<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2021-quarterly-national-accounts> (as updated 31 March 2021)

b) 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.

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

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

e) 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.

### 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 the 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 real terms. 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.



**Table 3.4a: Level and use of Revenue Reserves, 31 March 2015 - 31 March 2020**

*Real terms series, all monetary figures in 2019-20 prices <sup>(a)</sup>*

Revenue reserves								
								£ million
Non-ringfenced reserves								
At 31 March	Revenue expenditure <sup>(b)</sup>	Schools	Public Health	Other earmarked	Unallocated	Non-ringfenced total <sup>(d)</sup>	Total Revenue Reserves <sup>(c)(d)</sup>	% change over previous years
2015	105,535	2,680	346	19,648	4,940	24,588	27,614	2.0
2016	103,138	2,557	284	19,231	4,790	24,021	26,862	-2.7
2017	99,623	1,954	259	18,030	4,453	22,483	24,696	-8.1
2018	97,415	1,670	246	18,531	4,458	22,989	25,043	1.4
2019	96,349	1,648	241	20,154	4,361	24,514	26,396	5.4
2020	98,178	1,429	212	21,022	4,681	23,455	24,699	-6

  

Revenue reserves as a % of revenue expenditure								
								%
Non-ringfenced reserves								
At 31 March	Schools	Public Health	Other earmarked	Unallocated	Non-ringfenced total	Total Revenue Reserves		
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		
2020	1.5	0.2	21.4	4.8	26.2	27.4		

Source: Revenue Summary (RS) returns 2014-15 to 2019-20.

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

- All figures have been adjusted for inflation using the GDP deflator: <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2021-quarterly-national-accounts> (as updated 31 March 2021).
- This figure represents the Revenue Expenditure for the full financial year. For example, Revenue expenditure for 2017 is outturn for financial year 2016-17.
- Total reserves include 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.
- For 2019-20 non-ringfenced reserves minus the two grants paid in late March 2020. This nets off local authorities' shares of COVID-19 £1.6bn first tranche and business rates Section 31 grants for 2020-21 - where these were recorded in RO 2019-20 returns. Both of which were paid in late March 2020 but much or all of which was spent for 2020-21.

### 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. These figures are shown in real terms.

**Table 3.5a: Trading Account Services, 2015-16 to 2019-20** <sup>(a) (b)</sup>

<i>Real terms series, all monetary figures in 2019-20 prices <sup>(c)</sup></i>					£ million
	2015-16	2016-17	2017-18	2018-19	2019-20
Net surplus/deficit of Internal Trading Account	15	36	47	72	83
Net surplus/deficit of External Trading Account	-426	-284	-437	-500	-470
Net surplus/deficit of Total Trading Accounts	-411	-248	-390	-428	-387

Source: Trading Account Services Returns (TSR) to 2019-20.

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.

(c) All figures have been adjusted for inflation using the GDP deflator:

<https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2021-quarterly-national-accounts> (as updated 31 March 2021).

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 Details of the income and expenditure on the HRA since 2015-16 can be found in **Table 3.6a**. These figures are shown in real terms.

**Table 3.6a: Housing Revenue Account income and expenditure, 2015-16 to 2019-20, and budget 2020-21**

	2015-16	2016-17	2017-18	2018-19	£ million 2019-20	% of total 2019-20	£ million 2020-21 (Budget)
<b>Expenditure</b>							
Repairs and maintenance	1,794	1,738	1,700	1,807	1,867	22%	1,861
Supervision and management: general	1,953	1,890	1,886	2,045	2,147	25%	2,165
Supervision and management: special services	473	420	428	495	522	6%	594
Expenditure for capital purposes	707	505	585	706	567	7%	789
Debt charges <sup>(a)</sup>	1,177	1,270	1,302	1,292	1,392	17%	1,239
Interest payable and similar charges	1,013	894	862	856	850	10%	804
Transfers to GFRA or MRR <sup>(b)</sup>	1,064	921	921	924	921	11%	823
Other expenditure <sup>(c)</sup>	188	180	162	165	178	2%	207
<b>Total expenditure</b>	<b>8,369</b>	<b>7,819</b>	<b>7,846</b>	<b>8,290</b>	<b>8,444</b>	<b>100%</b>	<b>8,482</b>
<b>Income</b>							
Rents from dwellings	7,316	6,966	6,865	7,009	7,001	83%	7,091
Rents other than dwellings	152	144	145	145	150	2%	161
Heating and other services	706	711	658	734	781	9%	729
Government subsidy	330	155	144	191	181	2%	149
Interest income	42	46	40	55	63	1%	29
Transfers from GFRA or MRR <sup>(b)</sup>	55	69	85	90	113	1%	77
Other income <sup>(d)</sup>	105	123	134	110	122	1%	151
<b>Total income</b>	<b>8,706</b>	<b>8,214</b>	<b>8,071</b>	<b>8,334</b>	<b>8,409</b>	<b>100%</b>	<b>8,387</b>

Source: Revenue Outturn (RO4) return from 2015-16 to 2019-20, Revenue Account (RA) budget return 2020-21.

- 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. These figures are shown in real terms. Tables showing cash figures are published in the relevant statistical releases.

**Table 4.1a: Capital expenditure by economic category, out-turn data from 2015-16 to 2019-20**

<i>Real terms series, all monetary figures in 2019-20 prices</i>					
	2015-16	2016-17	2017-18	2018-19	£ millions 2019-20
<b>Expenditure:</b>					
Acquisition of land and existing buildings and works	1,286	3,000	4,224	4,539	4,237
New construction and conversion	14,783	14,091	14,519	13,425	13,763
Vehicles, plant equipment and machinery	1,323	1,316	1,415	1,336	1,651
Intangible assets	263	245	273	301	273
<b>Total payments on fixed assets</b>	<b>17,654</b>	<b>18,652</b>	<b>20,431</b>	<b>19,600</b>	<b>19,923</b>
Grants, loans and other financial assistance	4,910	4,533	5,173	5,109	4,651
Acquisition of share and loan capital	2,188	1,641	846	1,825	1,708
<b>Total capital expenditure</b>	<b>24,752</b>	<b>24,826</b>	<b>26,449</b>	<b>26,534</b>	<b>26,282</b>
<i>of which GLA:</i>	<i>5,560</i>	<i>4,426</i>	<i>3,443</i>	<i>5,081</i>	<i>5,156</i>
Expenditure by virtue of a section 16(2)(b) direction <sup>(a)</sup>	-1	34	151	253	179
Notional capital receipts set aside and Large Scale Voluntary Transfer levy	0	0	0	0	0
<b>Total expenditure and other transactions</b>	<b>24,750</b>	<b>24,860</b>	<b>26,600</b>	<b>26,786</b>	<b>26,461</b>
<b>Receipts:</b>					
Sales of fixed assets	3,636	3,419	3,088	3,181	2,446
Intangible fixed assets	5	11	13	7	22
Repayments of grants, loans and financial assistance	245	341	264	863	331
Disposal of investments including share and loan capital	22	48	116	31	27
<b>Total capital receipts <sup>(b)</sup></b>	<b>3,908</b>	<b>3,818</b>	<b>3,457</b>	<b>4,076</b>	<b>2,823</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, 2015-16 to 2019-20**

<i>Real terms series, all monetary figures in 2019-20 prices</i>					
	<b>£ millions</b>				
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Education <sup>(a)</sup>	3,493	3,277	2,988	2,483	2,310
Highways & transport	9,078	8,336	6,923	7,941	7,473
<i>of which GLA</i>	<i>4,709</i>	<i>3,808</i>	<i>2,092</i>	<i>3,709</i>	<i>3,877</i>
Social Care	285	333	306	345	371
Public health	11	20	10	20	21
Housing	5,032	5,011	5,877	5,519	6,052
<i>of which GLA</i>	<i>283</i>	<i>177</i>	<i>762</i>	<i>929</i>	<i>785</i>
Culture & Related services	1,167	1,071	1,144	1,132	1,242
Environmental & Regulatory services	794	660	1,246 <sup>(d)</sup>	624	712
Planning & development services	1,843	1,778	1,674	1,722	1,891
Digital Infrastructure	-	-	-	-	139
Police	668	670	957	697	759
Fire & Rescue Services	188	195	165	153	163
Central services <sup>(b)</sup>	1,627	2,374	2,041	1,778	1,881
Trading <sup>(c)</sup>	566	1,273	3,118	4,121	3,269
<b>Total capital expenditure</b>	<b>24,752</b>	<b>24,826 <sup>(e)</sup></b>	<b>26,449</b>	<b>26,534</b>	<b>26,282</b>

Source: COR returns

- a) Expenditure on education services from 2010-11 onwards is not comparable between years due to a number of schools changing their status to become academies from 2010-11, 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. Care should be taken when comparing across financial years because, a significant amount of commercial acquisitions, was reported under central services in 2016-17; these ought generally to be recorded as trading services. Reporting under the correct categories improved from 2017-18.
- d) Includes Greater Manchester Waste Disposal Authority's PFI buy-out (£521 million).
- e) Total capital expenditure excludes £170 million 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 2015-16 to 2019-20. These figures are shown in real terms.

**Table 4.2a: Financing of capital expenditure, 2015-16 to 2019-20**

<i>Real terms series, all monetary figures in 2019-20 prices</i>					
	<b>£ millions</b>				
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Central government grants <sup>(a)</sup>	9,976	8,483	6,360	7,270	6,032
Grants from Local Enterprise Partnerships (LEPs) <sup>(b)</sup>	-	613 <sup>(d)</sup>	507	367	485
EU structural funds grants	124	14	28	69	47
Grants from private developers and from leaseholders etc	1,168	1,186	1,247	1,284	1,183
Grants from NDPBs <sup>(c)</sup>	-	-	-	-	446
National lottery grants	552	502	282	301	55
Use of capital receipts					2,235
Revenue financing of capital expenditure	52	63	75	47	4,434
<i>of which:</i>					
<i>Housing Revenue Account (CERA)</i>	847	810	659	628	516
<i>Major Repairs Reserve</i>	1,984	1,752	1,707	1,753	1,805
<i>General Fund (CERA)</i>	2,256	1,701	1,975	1,664	2,113
Capital expenditure financed by borrowing/credit <sup>(e)</sup>	5,201	7,243	10,545	10,160	11,493
<i>of which:</i>					
<i>Loans &amp; other financial assistance from LEPs <sup>(b)</sup></i>	-	-	3	34	27
<i>Other borrowing &amp; credit arrangements not supported by central government</i>	5,201	7,243	10,542	10,126	11,466
<b>Total resources used to finance capital expenditure <sup>(f)</sup></b>	<b>24,560</b>	<b>24,850</b>	<b>26,287</b>	<b>26,780</b>	<b>26,411</b>

Footnotes on following page

### Footnotes to Table 4.2a

Source: COR returns

- a) Previous publications erroneously included grants and other contributions from GLA bodies within the 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 2015-16 to 2019-20. 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 2015-16 to 2019-20.
- 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.

Further statistics on Borrowing and Investments can be found on-line at

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/964569/Borrowing\\_and\\_Investment\\_Live\\_Table\\_Q3\\_2020\\_21.ods](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/964569/Borrowing_and_Investment_Live_Table_Q3_2020_21.ods)

**Table 5.1a: Local authority borrowing levels as at end March 2016-2020, England**

	end-Mar 2016	end-Mar 2017	end-Mar 2018	end-Mar 2019	£ millions end-Mar 2020
<b>Temporary borrowing</b>					
Banks	59	43	22	17	22
Building societies	0	0	10	6	0
Other financial intermediaries	128	121	170	111	66
Public corporations	35	36	104	24	63
Private non-financial corporations	12	13	13	13	12
Central government	0	0	1	8	2
Household sector	29	17	52	32	10
Other sources	48	46	1	5	6
<b>Total</b>	<b>311</b>	<b>275</b>	<b>373</b>	<b>216</b>	<b>181</b>
<b>Longer-term borrowing</b>					
Negotiable bonds	4,400	4,384	4,095	3,970	3,995
Listed securities other than bonds	1,236	1,233	1,225	1,193	1,584
Public Works Loan Board	51,362	52,731	56,141	62,971	69,907
Banks	8,165	8,226	8,246	6,938	6,658
Building societies	1	1	1	1	1
Other financial intermediaries	516	498	648	591	721
Public corporations	6	6	13	25	30
Private non-financial corporations	151	155	156	161	156
Central government	49	83	90	616	1,460
Household sector	3	3	0	1	0
Other Sources	5,438	5,837	7,379	8,090	8,396
<b>Total</b>	<b>71,325</b>	<b>73,156</b>	<b>77,995</b>	<b>84,557</b>	<b>92,908</b>
<b>Total borrowing</b>	<b>71,637</b>	<b>73,430</b>	<b>78,369</b>	<b>84,773</b>	<b>93,089</b>
TFL and GLA <sup>(a)</sup>	12,606	13,009	14,154	15,407	16,899
<b>Total borrowing excluding TFL and GLA</b>	<b>59,031</b>	<b>60,422</b>	<b>64,215</b>	<b>69,366</b>	<b>76,190</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 2016-2020, England**

	£ millions				
	end-Mar 2016	end-Mar 2017	end-Mar 2018	end-Mar 2019	end-Mar 2020
<b>Investments</b>					
Deposits: banks	12,000	10,720	9,282	9,980	11,311
Deposits: building societies	2,524	1,689	1,017	994	791
Treasury bills	2,099	671	530	734	837
Certificates of deposit: banks	964	713	810	464	405
Certificates of deposit: building societies	37	23	80	51	126
British Government (Gilt-edge) securities	600	471	188	115	166
Other financial intermediaries	18	37	51	49	68
Public corporations	715	1,040	1,222	1,455	1,852
Debt Management Account deposit facility	196	458	543	509	1,647
Money market funds	4,993	5,857	6,695	7,153	8,045
Externally managed funds	1,400	1,811	2,451	3,036	3,351
Other investments	4,096	3,219	2,755	3,498	3,326
<b>Total investments</b>	<b>29,642</b>	<b>26,710</b>	<b>25,624</b>	<b>28,038</b>	<b>31,925</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 2015-16 to 2019-20.

**Table 5.2a: Local Government Net Cash Requirement, 2015-16 to 2019-20**

	£ millions				
	2015-16	2016-17	2017-18	2018-19	2019-20
Annual change in temporary borrowing	41	-37	99	-157	-35
Annual change in longer-term borrowing	986	1,830	4,840	6,561	8,351
<b>Total</b>	<b>1,028</b>	<b>1,794</b>	<b>4,938</b>	<b>6,404</b>	<b>8,316</b>
less annual change in investments	-748	-2,932	-1,085	2,414	3,887
<b>Net Cash Requirement</b>	<b>1,776</b>	<b>4,726</b>	<b>6,024</b>	<b>3,990</b>	<b>4,430</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 2019-20, local government employee expenditure accounted for 44 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 2015-16 to 2019-20 for each of the main pay negotiating groups in real terms. **Table 6.2b** shows employee expenditure as a proportion of service expenditure for each of the service areas for 2019-20. These figures are in real terms. Tables showing cash figures are published in the relevant statistical releases.

**Table 6.2a: Local government pay by pay negotiating group 2015-16 to 2019-20**

	<i>Real terms series, all monetary figures in 2019-20 prices <sup>(a)</sup></i>					<i>£ billion</i>	<i>% of total</i>
	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2019-20</i>	
Teachers	11.9	11.4	10.3	9.9	9.1	17%	
Police and Police Support Staff	5.5	5.6	5.1	5.0	5.1	10%	
Firefighters	1.0	1.0	1.0	1.0	1.0	2%	
Other Local Government Staff	24.8	23.1	23.3	22.4	23.3	44%	
<b>Total pay <sup>(b)</sup></b>	<b>43.3</b>	<b>41.1</b>	<b>39.7</b>	<b>38.3</b>	<b>38.4</b>	<b>73%</b>	
Total non-pay for all groups <sup>(c)</sup>	11.2	11.2	12.0	11.3	12.4	24%	
Other pay related costs <sup>(d)</sup>	2.0	2.9	1.8	2.4	1.8	3%	
<b>Total employee expenditure</b>	<b>56.5</b>	<b>55.3</b>	<b>53.4</b>	<b>52.0</b>	<b>52.7</b>	<b>100%</b>	

Footnotes on following page

### Footnotes to Table 6.2a

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

- (a) All figures have been adjusted for inflation using the GDP deflator: <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2021-quarterly-national-accounts> (as updated 31 March 2021)
- (b) Includes overtime, bonuses, severance payments, etc.
- (c) Includes employers' National Insurance, pensions contributions and location allowances (sum of lines 2,3,4,7,8,9,12,13,14).
- (d) Includes recruitment, retention and training

**Table 6.2b: Employee expenditure as a proportion of total service expenditure for 2019-20**

	£ billion		%
	Employee expenditure	Service expenditure <sup>(b)</sup>	Employees expenditure
Education services	20.3	36.8	55%
Highways, roads and transport services	1.5	7.6	20%
Children Social Care	3.6	10.8	34%
Adult Social Care	3.7	23.7	16%
Public Health	0.4	3.4	11%
Housing services <sup>(a)</sup>	0.7	3.3	22%
Cultural and related services	1.3	3.6	37%
Environmental services	1.7	7.2	24%
Planning and development services	1.2	2.9	41%
Police services	10.5	13.5	78%
Fire and rescue services	1.7	2.3	75%
Central services	6.0	11.7	51%
Other services	0.1	0.4	30%
<b>Total service expenditure</b>	<b>52.9</b>	<b>127.0</b>	<b>42%</b>

Source: RSX form (2019-20)

- (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 2019, the Local Government Pension Scheme (LGPS) was operated via 78 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 2015-16 and 2019-20.

**Table 6.3a: Local Government Pension Scheme income 2015-16 to 2019-20**

	2015-16	2016-17	2017-18	2018-19	£ million 2019-20
Contributions (including those from admitted authorities)					
Employees	1,961	1,969	2,004	2,058	2,172
Employers <sup>(a)</sup>	6,604	6,942	8,925	6,608	7,116
Investment income (gross)	3,413	3,755	4,212	4,231	4,257
<i>of which:</i>					
<i>Dividends receivable</i>	2,231	2,441	2,667	2,412	2,287
<i>Interest receivable</i>	320	289	306	235	301
<i>Income from property</i>	489	528	565	600	635
<i>Other investment income</i>	373	497	675	983	1,033
Transfer values <sup>(b)(c)(d)(e)</sup>	399	1,140	1,292	1,083	1,459
Other income	51	57	46	184	46
<b>Total income</b>	<b>12,428   </b>	<b>13,863   </b>	<b>16,480   </b>	<b>14,163   </b>	<b>15,051</b>

Source: SF3 returns

- (a) Includes employers' secondary contributions.
- (b) 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.
- (c) 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.
- (d) Greater Manchester accounted for the remaining West Yorkshire transfer value in 2018-19 as a reported £313.6m transfer.
- (e) Transfer values for 2019-20 include a £491.7 million transfer from West Midlands Integrated Transport Authority Pension Fund for the merger of West Midlands Integrated Transport Authority Pension Fund and West Midlands Pension Fund. Please note that this £491.7million transfer appears in the income data but not the expenditure data due to the timing of the merger.

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 2015-16 and 2019-20.



**Table 6.3b: Local Government Pension Scheme expenditure 2015-16 to 2019-20**

	2015-16	2016-17	2017-18	2018-19	£ million 2019-20
Total expenditure on benefits	8,642	8,932	9,198	9,751	10,232
<i>of which:</i>					
<i>Pensions or annuities</i>	6,962	7,196	7,490	7,910	8,331
<i>Lump sums paid on retirement</i>	1,392	1,422	1,388	1,478	1,520
<i>Lump sums paid on death</i>	189	200	201	222	221
<i>Optional lump sum</i>	96	111	115	132	151
<i>Other benefits</i>	3	3	4	9	9
Disposal of Liabilities	477	1,208	1,604	876	905
<i>of which:</i>					
<i>Transfer values <sup>(a)(b)</sup></i>	472	1,204	1,602	875	903
<i>Pensions Act premiums</i>	4	4	3	2	1
<i>Refunds of contributions</i>	0	0	0	0	0
Total Management expenses charged to the fund	890	956	1,102	1,231	1,392
<i>of which: <sup>(c)(d)</sup></i>					
<i>Investment management expenses</i>	741	800	942	1,052	1,193
<i>Administrative expenses</i>	101	106	111	121	130
<i>Governance and oversight costs</i>	48	49	48	58	69
Other expenditure	19	29	27	31	36
<b>Total expenditure</b>	<b>10,027   </b>	<b>11,125   </b>	<b>11,932   </b>	<b>11,890   </b>	<b>12,565</b>

Source: SF3 returns

- (a) 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.
- (b) Transfer values for 2017-18 includes £240.7 million from South Yorkshire PTA for the merger with Greater Manchester and £450 million from West Yorkshire to Greater Manchester for the transfer.
- (c) Recording of Management expenses in SF3 2015-16 was changed in line with CIPFA guidance.
- (d) The total Management expenses charged to the funds figure for 2018-19 does not equal the sum of the component parts due to inconsistencies in reporting by one local authority.

6.3.7. **Table 6.3c** shows the types of retirements from the LGPS in England between 2015-16 and 2019-20.

**Table 6.3c: Number by type of retirements from the Local Government Pension Scheme 2015-16 to 2019-20**

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Redundancy	12,346	12,581	10,059	8,029	7,124
Tier 1, 2 & 3 ill health retirement awards under LGPS	2,487	2,429	2,483	2,606	2,723
Early payment of deferred benefits	30,296	33,336	35,312	43,779	50,354
Normal retirements	21,404	23,382	24,669	24,969	24,547
<b>Total retirements</b>	<b>66,533</b>	<b>71,728</b>	<b>72,523</b>	<b>79,383</b>	<b>84,748</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>

CCS0421354642  
978-1-5286-2763-4