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Housing & Communities



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PREFACE

This is the 32nd 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 Department of Levelling Up, Housing and Communities (DLUHC) by all local authorities in England.

Local government expenditure represents just under 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 2020-21, the latest year for which complete information is available, and some estimates for 2021-22. 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 Department of Levelling Up, Housing and Communities 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 DLUHC 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/department-for-levelling-up-housing-and-communities/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 consist of 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.

Since 2016, the *LGFS* has presented only an overview of all the data collected on local government finance by the Department. 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 which are referred to in the publication.

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 and the county council in Buckinghamshire into a single unitary authority. In 2021-22, there was reorganisation of Northamptonshire (county and district councils) into two unitary authorities.

A table of local authorities in England in 2020-21 is provided as an additional table to this *LGFS* publication, which will be published online at <https://www.gov.uk/government/statistics/local-government-financial-statistics-england-2022>

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: lcfstats@levellingup.gov.uk

Responsible Statistician: Jo Coleman

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 data relating to local government in England in 2020-21. 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 2020-21, 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 2020-21 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, 8,886 charged a precept in 2020-21, 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 2020

	<i>Local authority level</i>			<i>Parish Level</i>	
	Billing authorities	Major precepting authorities^(a)	Other authorities^{(b) (c)}	All local authorities	Parishes^(d)
Shire areas	244	81	13	338	8,646
Metropolitan areas	36	10	8	54	237
London	33	1	5	39	3
England	313	92	26	431	8,886

Source: This table appears in Chapter 1 of the Local Government Financial Statistics 2022 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) Four combined authorities cover both metropolitan and shire authorities. In these cases, they have been included in the shire or metropolitan category based on the type for the majority of authorities that it covers.
- (d) 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, and 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 2020-21, there were over 8,800 parishes that charged a precept, and these were situated in 232 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 2016-17 and 2020-21. 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.
- 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 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.

2.2.5. As a result of the impacts of the COVID-19 pandemic, extra grants were paid to local authorities in 2020-21 and 2021-22. These are not shown separately in the table.

- general un-ringfenced grant to councils comprising four tranches of grant totalling £4.6 billion for 2020-21, followed by a further £1.55 billion in 2021-22. These were given so that councils could meet increased costs and demand for services.
- numerous specific grants, the largest being to fund adult social care and public transport, including to Transport for London following a huge fall in fare income.
- grant compensating councils for other lost sales, fees and charges, and for lower than normal council tax and business rates income. .

Further details of the extra grants can be found at the following link <https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>

Table 2.1a: Summary of local authority income: 2016-17 to 2020-21

<i>Real terms series, all monetary figures in 2020-21 prices ^(a)</i>					£ million
	2016-17	2017-18	2018-19	2019-20	2020-21
Grant income:					
Revenue Support Grant	7,796	4,241	1,442	679	1,613
Police Grant	8,012	7,585	7,452	7,433	7,776
Specific and special grants inside Aggregate External Finance (AEF) ^(b)	42,535	41,935	41,361	41,345	49,827
Local Services Support Grant (LSSG)	20	37	23	29	21
Grants outside AEF ^(c)	23,436	21,834	20,003	17,453	16,489
Housing Revenue Account Government Grants and Assistance ^(d)	168	154	200	185	230
Grants towards capital expenditure	11,045	8,646	9,533	8,435	9,017
Total grant income	92,014	83,451	79,047	74,616	83,929
Locally-funded income:					
Council tax	28,289	29,471	30,918	32,163	33,141
Retained Income from Rate Retention Scheme	12,727	16,168	18,796	17,605	16,856
External interest receipts	1,180	1,246	1,576	1,726	1,483
Capital receipts ^(e)	2,524	2,952	3,305	2,286	2,049
Sales, fees and charges ^(f)	13,126	13,575	13,785	13,624	11,184
Council rents	7,711	7,474	7,482	7,311	7,229
Total locally-funded income	65,558	70,886	75,862	74,715	71,942
Other income and adjustments ^(g)	20,127 (R)	20,236 (R)	19,949 (R)	20,282 (R)	20,766 (R)
Total income	177,699 (R)	174,573 (R)	174,858 (R)	169,613 (R)	176,638 (R)
Grants as a percentage of total income	52%	48%	45%	44%	48%

Sources: Revenue Outturn (RO) returns & Capital Outturn Returns (COR), 2016-17 to 2020-2021 (R) Revised – see note (h)

- (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-2022-quarterly-national-accounts> (as updated 31 March 2022).
- (b) 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. The former was added back onto 2021-22, while the latter is part of the retained business rates calculation.
- (c) Excludes council tax benefit subsidy and rent rebates granted to HRA tenants.
- (d) As reported in the Revenue Outturn HRA section (in table RO4).
- (e) Capital receipts used to finance capital expenditure. Circa £100m 'Capital receipts used to finance revenue expenditure under receipts flexibility' in 2016-17 not included.
- (f) This figure excludes any sales, fees and charges from the trading accounts which are not recorded.
- (g) Other income and adjustments includes 'Other Income' from the Services areas, 'Other Items', 'Collection fund surplus/deficits for council tax' 'Inter-authority transfers in respect of reorganisation', 'Tenants' leaseholders' and other charges for services and facilities' and 'Contributions towards expenditure (other than government grants and assistance)' in the Housing Revenue Account. (Continues over).

To avoid double counting, 'Recharges to other accounts' recorded in the RO6 are removed from this. While updating the table, it was spotted that the derivation of other income and adjustments for previous years had been incorrect. This was most significant for 2017-18 and 2018-19, for which 'Recharges to other accounts' had not been netted off.

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 2016-17 to 2020-21. These figures are shown in real terms.

2.3.2. Sales, fees and charges income was notably lower than normal during the COVID-19 pandemic, especially during the periods of lockdown. This was noticeable for many local authorities in:

i) transport, as a result of lower income from parking fees and other motoring charges. Public transport fares were lower and thus required more grant funding. Public transport fees are generally paid to operators, and so did not impact the data in this table.

ii) leisure, educational and cultural venues and activities

2.3.3. A scheme was established to compensate for much of losses in sales, fees and charges income over the period from April 2020 to June 2021. Further details of this scheme can be found at the following link <https://www.gov.uk/guidance/local-government-income-compensation-scheme-for-lost-sales-fees-and-charges>

Table 2.3a: Sales, fees and charges by service area: 2016-17 to 2020-21 ^(a)

<i>Real terms series, all monetary figures in 2020-21 prices</i> ^(b)					
	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Service Expenditure:					
Education	1,724	1,795	1,630	1,522	1,023
Highways and transport	2,328	2,383	2,502	2,445	1,650
Social Care	3,143	3,223	3,342	3,412	3,227
<i>of which:</i>					
<i>Children Social Care</i>	167	182	183	169	164
<i>Adult Social Care</i>	2,976	3,041	3,159	3,244	3,063
Public Health	20	41	36	21	24
Housing (excluding HRA) ^(c)	888	889	936	951	914
Cultural, environmental and planning	3,104	3,256	3,327	3,265	2,559
<i>of which:</i>					
<i>Cultural</i>	850	916	907	884	305
<i>Environmental</i>	1,325	1,377	1,401	1,352	1,298
<i>Planning and development</i>	929	962	1,018	1,030	956
Police	517	522	514	542	502
Fire	44	48	48	51	55
Central services	1,302	1,335	1,369	1,307	1,124
Other	57	84	82	108	108
Total All Services	13,126	13,575	13,785	13,624	11,184

Source: Revenue Outturn (RO) returns - RSX 2016-17 to 2020-21.

- (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-2022-quarterly-national-accounts> (as updated 31 March 2022).
- (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 2021, 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	2021
Total number of dwellings on valuation lists	23,863	24,076	24,298	24,549	24,762	24,987
<i>less:</i>						
Number of dwellings exempt from council tax	542	568	599	626	651	660
Number of demolished dwellings	1	1	1	1	1	1
Number of dwellings on valuation list liable for council tax	23,320	23,506	23,698	23,922	24,109	24,326
<i>Of this</i>						
Number of dwellings subject to a discount or a premium	8,075	8,090	8,154	8,254	8,391	8,564
<i>of which:</i>						
second homes ^(b)	22	19	15	13	10	10
empty homes subject to a discount ^(c)	93	79	72	64	53	52
empty homes being charged a premium ^(d)	59	61	62	63	69	72
single person	7,657	7,680	7,738	7,837	7,982	8,151
all residents disregarded for council tax purposes	34	34	35	36	36	38
all but one resident disregarded for council tax purposes	209	217	232	242	241	242
Number of dwellings not subject to a discount or a premium	15,245	15,417	15,545	15,668	15,718	15,762
<i>of which:</i>						
empty homes ^{(c), (d)}	290	314	338	356	357	345
second homes ^(b)	225	230	237	240	253	243
others	14,730	14,873	14,970	15,072	15,108	15,174

Source: CTB returns

- (a) Data taken as at the second Monday in September.
- (b) At local authority discretion, second homes can be subject to a discount of between 0% and 100%. If an authority sets a discount of 0% then this is classified in the table as 'not subject to discount'. All other rates are classified as 'subject to discount'.
- (c) Empty homes are those dwellings which are unoccupied and substantially unfurnished and, at local authority discretion, can be subject to a discount of between 0% and 100%. If an authority sets a discount of 0% then it is classified in the table as 'not subject to discount'. All other rates are classified as 'subject to a discount'.
- (d) Empty homes are those dwellings which are unoccupied and substantially unfurnished and, if they have been empty for more than two years, may be charged a premium. Not all authorities set a premium.

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. 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** gives figures for levels of, and changes in, the average Band D council tax for England for 2016-17 to 2021-22. The average Band D council tax is calculated by dividing the council tax requirement by the taxbase estimated for the purposes of setting council tax. These figures include parish precepts and the adult social care precept.

Table 2.4b: Average Band D council tax in England and the annual percentage change: 2016-17 to 2021-22^{(a)(b)(c)}

	£	% change
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
2021-22	1,898	4.4

Source: CTR returns

- (a) Figures include parish and adult social care precepts.
 (b) Local authorities have been given flexibility to increase council tax by an additional amount to fund adult social care since 2016-17.
 (c) 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. 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. This was in addition to the usual funding of adult social care through council tax. The maximum amount that could be raised through the additional precept has changed in the years since 2016-17. 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%. In 2021-22, authorities were able to increase by an additional 3 per cent in total across two years.

Parishes and other local precepting authorities in England

2.4.7. Local precepting authorities represent the most local level of government in England. They vary widely both in terms of the populations they represent and the functions they perform. Some have a very limited, local role while others are more active, carrying out activities similar to that of a smaller district council. Typical responsibilities include village halls, war memorials, cemeteries, allotments, open spaces, playgrounds, maintenance of public footpaths and cultural projects.

2.4.8. **Table 2.4c** shows information relating to parishes and other local precepting authorities and the precepts they raise. For many authorities this is their main source of income; it is set at their discretion and is used to finance their net expenditure. Not all local precepting authorities set a precept as they do not require funds for local activities; however, they still maintain the power to set a precept in future years.

Table 2.4c: Average Band D parish precept, England, 2016-17 to 2021-22

Parishes and other local precepting authorities charging a non-zero precept						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total number of precepting parishes	8,817	8,839	8,838	8,859	8,886	8,877
Tax base (thousands)	7,754.2	7,954.4	8,082.9	8,253.8	8,532.7	8,600.7
Aggregate of local precepts (£000)	445,065	485,474	517,629	554,492	596,362	618,060
Average parish precept per Band D (£)	57.40	61.03	64.04	67.18	69.89	71.86
Change (£)	3.28	3.64	3.01	3.14	2.71	1.97
Percentage change	6.1%	6.3%	4.9%	4.9%	4.0%	2.8%

Source: CTR returns

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

2.5. Non-domestic rates

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

- 2.5.2. Each hereditament has a rateable value that is based, broadly, on the annual rent that the property could have been let for on the open market at a particular date. This is periodically reviewed and is known as revaluation. Details of the hereditaments are recorded on rating lists that are compiled and maintained by the Valuation Office Agency (VOA), an agency of HM Revenue and Customs. The total number of hereditaments in England and their rateable value for 2016-17 to 2021-22 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. The multipliers for 2016-17 to 2021-22 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, 2016-17 to 2021-22

	2016-17	2017-18 ^(b)	2018-19	2019-20	2020-21	2021-22
Number of hereditaments on rating list as at 30 Sept ('000s) ^(a)	1,831 ||	1,856	1,882	1,942	1,976	1,996
Aggregate rateable value on rating list as at 30 Sept ^(a)	57,289 ||	63,212	63,213	63,637	64,045	63,910
Small business rate multiplier (pence)	48.4 ||	46.6	48.0	49.1	49.9	49.9
National non-domestic rates multiplier (pence)	49.7 ||	47.9	49.3	50.4	51.2	51.2

Source: NNDR1 returns

(a) Data taken from VOA local list where the data for 2017-18 are at 30 September 2016, for 2018-19 where the data are taken as at 1 April 2017 and 2019-20 where the data are at 3 October 2018, 2020-21 where the data are at 3 October 2019 and 2021-22 where the data are at 7 October 2020.

(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 services¹.

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 2016-17 to 2020-21 and their forecasts for 2021-22. These figures are in cash terms.

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 cash terms. 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

¹ 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.

local authorities then have the discretion to top that up to 100 per cent. The cost of both mandatory and discretionary relief is borne by both central and local government.

- 2.5.10. Discretionary reliefs that are funded through a Section 31 grant are reliefs that have been introduced since 2013-14 which have made changes to the original national non-domestic rates scheme. Central government compensates local authorities for these changes and this compensation is made outside of the rate retention scheme by means of a Section 31 (S31) grant. The grants are given to local authorities to fund activities which are not covered by existing payment schedules or methods.
- 2.5.11. In addition, at a revaluation, transitional arrangements are introduced which cap significant increases and decreases in bills. The transitional scheme (introduced in April 2010) aims to be revenue neutral by phasing in both increases and decreases over a number of years, instead of all ratepayers receiving the full impact of the changes immediately following revaluation.
- 2.5.12. In 2020-21 the government implemented many measures in response to the Covid-19 pandemic. In relation to business rates, the existing retail discount relief was expanded for one year into a 100% relief for retail, hospitality and leisure businesses. A relief for eligible nurseries was also introduced for the year. These two reliefs were granted by local authorities as discretionary relief and funded through Section 31 grants. In 2020-21, the cost of the retail, hospitality and leisure relief was £11.1 billion.
- 2.5.13. The reliefs continued in the first three months of 2021-22, and was then reduced to a 66% relief for the remaining 9 months.
- 2.5.14. This means that the income is significantly lower and reliefs are higher for 2020-21 and 2021-22 than normal, and are not comparable to previous or subsequent years.
- 2.5.15. Information for the amounts of non-domestic rates collected by local authorities are available via <https://www.gov.uk/government/collections/national-non-domestic-rates-collected-by-councils>

Table 2.5b Non-domestic rates collected by local authorities under the business rates retention scheme, England: 2016-17 to 2021-22

	Outturn					£ million Forecast
	2016-17	2017-18 ^(f)	2018-19	2019-20	2020-21	2021-22
Gross rates payable in year	27,215	28,492	29,957	30,934	30,943	31,904
Net cost of Small Business Rate relief	584	1,062	1,258	1,415	1,601	1,470
Other mandatory relief	2,655	2,782	2,995	3,071	3,127	3,089
Discretionary relief ^(a)	143	306	229	603	11,303	5,948
Total cost of reliefs	3,382	4,150	4,483	5,089	16,031	10,507
Gross Rates Payable in year less total cost of reliefs	23,833	24,342	25,474	25,845	14,912	21,397
Net cost of transitional arrangement ^(b)	109	9	-5	83	192	58
Net Rates Yield (Gross Rates Payable less net cost of Transition)	23,942	24,351	25,470	25,927	15,104	21,445
Accounting adjustments						
Losses in collection ^(c)	235	209	181	298	860	653
Net addition to Appeals Provision	-164	171	103	-21	970	1,162
Interest payable	1	0	0	0	0	-
Total cost of accounting adjustments	72	380	284	278	1,831	1,815
Other deductions from collectable rates^(d)	204	104	91	179	288	154
Disregarded Amounts						
Amounts retained in respect of Designated Areas	29	40	52	83	63	100
Amounts retained in respect of Renewable Energy schemes	51	61	65	72	85	87
Amounts retained in respect of Shale Gas schemes	-	-	0	0	0	0
Total Disregarded Amounts	80	101	117	155	147	187
Non-domestic rating income from rates retention scheme for year^(e)	23,585	23,765	24,977	25,316	12,838	19,289

Footnotes to Table 2.5b

Source: Outturn data are taken from auditor confirmed NNDR3 forms, forecast data are taken from NNDR1 forms. Note that the outturn data for 2019-20 and 2020-21 contains a mix of pre-audit and post-audit data. There is usually minimal change to the pre-audit figures, but any changes will be published in the relevant release.

- (a) This total includes the expanded retail discount and nursery reliefs introduced in response to the coronavirus pandemic. For 2021-22, this reflects both the data reported on the NNDR1 2021-22 and the data reported in an additional exercise which was published in August 2021.
- (b) The transitional relief scheme from the 2017 revaluation expired in 2021-22.
- (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) Non-domestic rating income from rates retention scheme for the year is the Net Rates Yield less Accounting adjustments, Other deductions & Disregarded amounts.
- (f) Revaluation came into effect on 1st April 2017.

Table 2.5c: Cost of reliefs from non-domestic rates: 2016-17 to 2021-22

	Out-turn					£ million
	2016-17	2017-18 ^(a)	2018-19	2019-20	2020-21	Forecast 2021-22
MANDATORY RELIEFS						
Small Business Rate Relief						
Relief provided in year	1,165	1,670	1,820	1,970	2,100	2,103
Of which: Relief on existing properties where a 2nd property is occupied	3	4	4	4	5	4
Additional yield generated from the small business supplement	651	621	631	633	630	633
Net cost of small business rate relief in respect of current year	514	1,049	1,190	1,338	1,470	1,470
Net cost of small business rate relief in respect of previous years	69	13	68	77	131	-
Net cost of small business rate relief	584	1,062	1,258	1,415	1,601	1,470
Other Mandatory reliefs						
Charitable occupation	1,616	1,825	1,933	2,011	2,021	2,015
Community Amateur Sports Clubs (CASCs)	19	19	20	21	22	21
Rural rate relief	6	4	4	4	4	4
Telecomms relief ^{(b)(c)}	-	-	0	0	0	0
Partially occupied hereditaments	28	24	24	26	22	15
Empty premises	950	916	996	1,006	1,082	943
Total other mandatory relief in respect of current year	2,619	2,789	2,977	3,069	3,151	2,997
Other mandatory relief in respect of previous years	36	-6	18	2	-24	-
Changes as a result of local estimates of growth or decline in mandatory relief	-	-	-	-	-	92
Total cost of other mandatory relief	2,655	2,782	2,977	3,071	3,127	3,089
Total cost of mandatory relief	3,239	3,844	4,253	4,486	4,728	4,559

(Table continued on following page)

**Table 2.5c: Cost of reliefs from non-domestic rates: 2016-17 to 2021-22
(continued)**

	Out-turn					£ million Forecast
	2016- 17	2017- 18 ^(a)	2018- 19	2019- 20	2020- 21	2021-22
DISCRETIONARY RELIEFS						
Charitable occupation	44 ||	44	47	48	42	46
Non-profit making bodies	41 ||	37	38	37	31	33
Community Amateur Sports Clubs (CASCs)	1 ||	1	1	1	1	1
Rural rate relief ^(c)	3 ||	1	0	0	0	0
Small rural businesses	2 ||	1	1	1	1	1
Other relief awarded under s47	17 ||	18	21	22	20	19
Hardship relief	2 ||	2	2	2	3	-
Total discretionary relief in respect of current year	109 ||	103	110	112	98	100
Discretionary relief in respect of previous years	7 ||	2	5	3	1	-
Discretionary reliefs funded through Section 31 grants						
"New Empty" properties	7 ||	4	-	-	-	-
"Long term empty" properties	10 ||	1	-	-	-	-
Flooding relief	2 ||	0	0	2	1	-
In lieu of Transitional relief	2 ||	-	-	-	-	-
Rural rate relief	- ||	4	4	4	4	4
Local newspaper temporary relief ^{(c)(d)}	- ||	0	0	0	0	0
Supporting Small Businesses relief	- ||	17	14	13	13	13
Discretionary Scheme relief	- ||	155	77	30	3	-
Pub relief	- ||	18	17	-	-	-
Retail discount relief ^(d)	- ||	-	-	432	11,061	5,757
Nursery relief ^(d)	- ||	-	-	-	98	68
Total cost of discretionary reliefs funded through S31 grant	21 ||	200	113	481	11,180	5,843
Discretionary relief funded through S31 grants in respect of previous years	6 ||	1	1	7	25	-
Changes as a result of local estimates of growth or decline in discretionary relief	- ||	-	-	-	-	5
Total cost of discretionary relief	143 ||	306	229	603 ||	11,303	5,948
TOTAL COST OF ALL RELIEFS	3,382 ||	4,150	4,483	5,089 ||	16,031	10,507

Footnotes on following page

Footnotes to Table 2.5c

Source: Outturn data are taken from auditor confirmed NNDR3 forms, forecast data are taken from NNDR1 forms. Note that the outturn data for 2019-20 and 2020-21 contains a mix of pre-audit and post-audit data. There is usually minimal change to the pre-audit figures, but any changes will be published in the relevant release.

- (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
- (d) In 2019-20, this was a discount of one third of the non-domestic rates bill for retail shops, restaurants pubs and cinemas with a rateable value of £51,000 or less (also referred to as retail discount relief). In 2020-21 this was expanded in response to the coronavirus pandemic to provide a 100% relief to all retail, hospitality and leisure businesses. In 2021-22 the relief gave a 100% discount for the first three months and then a 66% discount for the remaining months with a cap on the relief for each business.

Council tax and Non-Domestic rates collection

2.5.16. 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 nor cost effective to try to collect it. **Table 2.5d** shows the amount of council tax and non-domestic rates collected in 2016-17 to 2020-21 irrespective of the year to which it relates.

2.5.17. Council tax receipts in 2020-21 were lower than usual due to a combination of more support given to taxpayers due to the Covid-19 pandemic through the use of discretionary discounts and use of local council tax support schemes, and there was also a lower rate of collection.

2.5.18. Business rates receipts in 2020-21 were substantially lower than usual, largely due to the additional business rates relief provided in response to the Covid-19 pandemic. This has been estimated by local authorities to cost around £11 billion.

Table 2.5d: Receipts of council tax and non-domestic rates collected irrespective of the year to which they relate, England, 2016-17 to 2020-21

£ million				
Receipts of council taxes				
	In respect of the billing year	In respect of previous years ^(a)	In respect of subsequent billing year ^(b)	Total receipts collected in financial year
2016–17	25,654	507	452	26,613
2017–18	27,078	483	444	28,006
2018–19	28,876	493	457	29,826
2019–20	30,635	489	454	31,578
2020–21	31,252	372	552	32,176
Receipts of non-domestic rates				
	In respect of the billing year	In respect of previous years ^{(a)(c)}	In respect of subsequent billing year ^(b)	Total receipts collected in financial year
2016–17	23,929	-445	430	23,914
2017–18	24,501	-582	554	24,473
2018–19	25,289	-473	507	25,323
2019–20	25,473	-318	411	25,566
2020–21	14,561 ^(d)	-678	417	14,300

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.

(d) These figures are affected by the 100% relief provided to eligible retail, hospitality and leisure businesses and eligible nurseries in 2020-21 in response to the Covid-19 pandemic.

2.5.19. 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 2016-17 and 2020-21.

2.5.20. Collection rates in 2020-21 were lower than usual with authorities reporting that this was because of a temporary reduction or pause of recovery action during 2020-21 due to the Covid-19 pandemic.

Table 2.5e: Collection rates of council tax and non-domestic rates, England, 2016-17 to 2021-22.

	% of total collected				
	2016-17	2017-18	2018-19	2019-20	2020-21
Council tax	97.2	97.1	97.0	96.8	95.7
Non-domestic rates	98.2	98.4	98.3	98.0	93.0

Source: QRC4 returns

2.5.21. 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.

2.5.22. 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. Net

expenditure was notably higher than normal in 2020-21 and is also budgeted to be so in 2021-22. This due to a combination of higher net expenditure and lower fees and charges income resulting from the COVID-19 pandemic. Substantial additional grants have been provided, and a summary detailing many of these can be found at <https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>

Table 3.2a: General fund revenue account: Outturn 2016-17 to 2020-21 and budget 2021-22^(a) in real terms

	£ million - adjusted for inflation, in 2021-22 prices ^(a)						£ million 2021-22 (Budget)
	2016-17	2017-18	2018-19	2019-20	2020-21		
Education	37,023	35,179	34,471	34,092	34,177	35,903	
Highways and transport	4,451	4,358	4,125	3,929	8,017	5,896	
Social care	25,942	26,346	27,219	28,051	29,894	29,013	
<i>Of which:</i>							
<i>Children's Social Care</i>	9,401	9,632	10,026	10,373	10,750	10,384	
<i>Adult Social Care</i>	16,541	16,714	17,192	17,678	19,144	18,629	
Public Health	3,860	3,669	3,506	3,375	3,869	3,680	
Housing (excluding Housing Revenue Account)	1,672	1,675	1,789	1,856	2,103	1,865	
Cultural, environmental and planning	9,366	9,042	9,021	9,156	10,324	9,312	
Police	12,255	12,173	12,219	12,761	13,378	13,520	
Fire & rescue	2,175	2,150	2,144	2,257	2,243	2,310	
Central services	3,504	3,342	3,220	3,399	4,218	3,174	
Other Services	62	-21	51	44	538	953	
Total Service Expenditure	100,309	97,912	97,764	98,921	108,762	105,627	
Housing Benefits ^(b)	22,435	20,909	19,071	16,489	15,378	15,257	
Parish Precepts and Levies ^(c)	562	627	643	594	639	648	
Trading Account Adjustments and Other Adjustments ^(d)	-505	-490	-541	-634	-627	-510	
Total Net Current Expenditure	122,801	118,958	116,936	115,370	124,153	121,022	
Capital financing ^(e)	4,701	4,622	5,013	5,409	5,223	5,067	
Capital Expenditure charged to Revenue Account (CERA)	1,704	2,174	1,739	2,207	1,769	2,126	
Other non-current expenditure ^(f)	216	216	213	259	362	95	
Private Finance Initiative (PFI) difference from service charge	86	-33	-27	-3	41	-43	
Appropriations to(+)/ from(-) financial instruments adjustment acc.	41	-27	-192	15	51	21	

£ million - adjusted for inflation, in 2021-22 prices ^(o)						£ million 2021-22 (Budget)
	2016-17	2017-18	2018-19	2019-20	2020-21	
Appropriations to(+)/ from(-) unequal pay back pay account	66	-33	-112	2	1	1
Appropriations to(+)/ from(-) dedicated schools grant adjustment account	...	...	...	...	-235	...
<i>less</i> Interest receipts	1,207	1,275	1,612	1,765	1,516	1,292
<i>less</i> Specific grants outside AEF	23,965	22,327	20,455	17,848	16,861	16,305
<i>less</i> Business rates supplement	260	311	290	281	177	155
<i>less</i> Community Infrastructure Levy	335	301	339	490	335	118
<i>less</i> Carbon Reduction Commitment	-19	-13	-8	2	2	-1
<i>less</i> Capital receipts used to finance revenue expenditure	94	165	169	210	112	132
<i>less</i> other revenue expenditure capitalised by Section 16(2)(b) direction	...	...	...	...	119	...
Total Revenue Expenditure ^(g)	103,773	101,511	100,768	102,663	112,242	110,288
<i>Financed by:</i>						
Government Grants ^{(h)(i)}	59,682	55,013	51,414	50,603	67,169	59,155
<i>Of which:</i>						
Specific grants inside AEF ^(j)	43,516	42,920	42,319	42,309	50,974	49,112
Revenue Support Grant	7,972	4,337	1,475	694	1,649	1,667
Police grant ^(k)	8,193	7,756	7,620	7,601	7,952	8,376
Council tax requirement	28,928	30,137	31,615	32,889	33,889	34,390
Retained Income from Rate Retention Scheme ^(l)	13,015	16,531	19,221	18,003	17,236	14,418
Appropriation to (-)/from (+) Reserves (excluding Pensions) ^(m)	1,689	-687	-2,008	801	-6,259	2,708
Council tax collection fund surplus (+) / deficit (-) ⁽ⁿ⁾	465	517	431	377	95	-324
Other items	...	-2	118	-13	62	-59

Source: Revenue Summary (RS) returns 2016-17 to 2020-21, Revenue Account (RA) budget return 2021-22.

Footnotes to Table 3.2a

- (a) Figures are rounded to the nearest integer. Due to rounding, figures may not sum to totals. Totals are based on unrounded figures.
- (b) '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.
- (c) '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.
- (d) '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. 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>
- (e) 'Capital financing' includes 'Provision for repayment of principal', 'Leasing payments', 'Interest payable and similar charges' and 'HRA item 8 payments'.
- (f) '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.
- (g) Components of revenue expenditure do not sum exactly due to several imbalances.
- (h) Except for adult social care grants, which are all included, this excludes grants where a local authority is 'acting as an agent': e.g. where both eligibility and amounts to be passed on are prescribed by central government.
- (i) In 2019-20 and 2020-21, this has been adjusted in order to make as comparable as possible. Where local authorities recorded in their RO 2019-20 returns their shares of the £1.6bn first tranche of COVID-19 funding paid in March 2020, this has been netted off from 2019-20 and added into 2020-21 instead. The business rates reliefs grants also paid in March 2020 are also netted off; this is because grant compensation for regular business rates reliefs feed into the figure for 'Retained Business Rates income' for 2020-21. The grant compensation for 2020-21 COVID-19 business rates reliefs are netted off because these are earmarked to compensate for lower income due to the reliefs. The same amounts are netted off from 'appropriation to other earmarked reserves' which otherwise would be inflated by these amounts.
- (j) Includes grants formerly grouped as Local Services Support Grant.
- (k) Police authorities are not part of the rates retention scheme and receive all of their funding through Police Grant.
- (l) 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>
- (m) In 2019-20 and 2020-21, this has been adjusted in order to make as comparable as possible. Movements to and from reserves as a result of additional COVID grant funding and changes in business rates and council tax income and related grant compensation (e.g. for the additional COVID-19 business rates reliefs) ought to be interpreted over a period longer than to 31/3/2021. Interpretation of reserves levels needs also to include analysis of the collection fund, which is beyond the scope of this data set and publication.
- (n) 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. Prior to 2017-18, 'Council tax collection fund surplus./deficit' and 'Other items' were collected as a single item.
- (o) All figures have been adjusted for inflation using the GDP deflator to 2021-22 prices using <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2022-quarterly-national-accounts> (as updated 31 March 2022) with growth smoothed between 2019-20 to 2022-21 to remove COVID measurement issues.

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 2016-17 to 2020-21. 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 2016-17 to 2020-21

<i>Real terms series, all monetary figures in 2020-21 prices ^(a)</i>	£ million					% of total
	2016-17	2017-18	2018-19	2019-20	2020-21	2020-21
Teachers ^{(b)(c)}	14,497	13,272	12,764	12,003	12,862	24%
Police	7,526	7,375	7,243	7,550	8,027	15%
Firefighters	1,340	1,281	1,293	1,416	1,456	3%
Other local government ^(c)	30,027	30,739	29,477	31,061	30,217	55%
Pay related costs	2,970	1,785	2,479	1,876	1,979	4%
Total employee expenditure	56,360	54,453	53,256	53,905	54,541	
Premises related expenditure	6,125	...	...	6,327	...	...
Transport expenditure	2,547	...	...	2,996	...	...
Supplies and services expenditure	18,212	...	...	19,946	...	...
External contractors ^(d)	34,769	...	...	37,540	...	...
Internal trading services	845	...	...	812	...	...
Other ^(e)	5,675	...	...	2,106	...	...
Total procurement expenditure ^(f)	68,172	...	...	69,726	...	...
Total employee and procurement expenditure ^(f)	123,160	...	...	123,631	...	...

Source: Subjective Analysis Returns (SAR) 2016-17 to 2020-21

(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-2022-quarterly-national-accounts> (as updated 31 March 2022).

(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) With 2020-21 figures now available, it can be seen that the value for 'Teachers' is below trend while the value for 'Other local government (employees)' is above trend by a similar amount. The derivation of these figures is not trivial since they are estimated from a sample. Therefore, we will revisit the underlying data for 2019 when we start work on 2021-22 data returns.

(d)

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

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

(g) 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.

3.4.4. **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, and also to exclude public health reserves since these are ring-fenced to spend on public health only.

3.4.5. As a result of the impacts of COVID-19, local authorities received various new grants. Two grant payments were made in late March 2020; since many local authorities recorded these in their Revenue Outturn 2019-20, this caused an increase in (unadjusted) reserves at the end of 2019-20. Further grant payments followed during 2020-21 to fund specific and general covid pressures and costs,

as well as grants compensating for the additional business rates reliefs announced for 2020-21. The timing and routing of these grants through the local authorities' revenue accounts have contributed to increases to reserves levels at the end of 2020-21. In Table 3.4a, we have adjusted grants and reserves to remove - as far as possible - those effects that are just due to timing.

Table 3.4a: Level and use of Revenue Reserves, 31 March 2016 - 31 March 2021

<i>Real terms series, all monetary figures in 2020-21 prices ^(a)</i>								
Revenue reserves								
								£ million
Non-ringfenced reserves								
At 31 March	Revenue expenditure ^(b)	Schools	Public Health	Other earmarked ^(d)	Unallocated	Non-ringfenced total ^(d)	Total Revenue Reserves ^{(c)(d)}	% change over previous years
2016	104,818	2,567	287	19,599	4,943	24,542	27,396	-2.5
2017	101,481	1,995	267	18,241	4,549	22,789	25,051	-8.6
2018	99,270	1,769	255	18,809	4,570	23,379	25,403	1.4
2019	98,543	1,686	247	20,613	4,460	25,072	27,006	6.3
2020	100,396	1,461	217	19,198	4,787	23,985	25,663	-5.0
2021	109,763	2,145	380	24,490	5,465	29,955	32,480	26.6
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	
2016		2.4	0.3	18.7	4.7	23.4	26.1	
2017		2.0	0.3	18.0	4.5	22.5	24.7	
2018		1.8	0.3	18.9	4.6	23.6	25.6	
2019		1.7	0.3	20.9	4.5	25.4	27.4	
2020		1.5	0.2	19.1	4.8	23.9	25.6	
2021		2.0	0.3	22.3	5.0	27.3	29.6	

Source: Revenue Summary (RS) returns 2015-16 to 2020-21.

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

(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-2022-quarterly-national-accounts> (as updated 31 March 2022).

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

(c) 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.

- (d) For 2019-20 and 2020-21 'other earmarked', 'non-ringfenced total' and 'total reserves' are presented as adjusted figures. These adjustments are necessary to balance the required changes to these three grants: i) where local authorities included in their RO 2019-20 returns their shares of the £1.6bn first tranche of COVID-19 funding, these are added back on into 2020-21 instead. ii) The business rates reliefs grants also paid in March 2020 are also netted off; this is because grant compensation for regular business rates reliefs feed into the figure of its 'Retained Business Rates income' for 2020-21. iii) The grant compensation for 2020-21 COVID-19 business rates reliefs are netted off because these will compensate for lower business rates retained income subsequently.

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.

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.

3.5.3 **Table 3.5a** shows details of the internal and external trading accounts. These figures are shown in real terms. An operating profit on the Trading Accounts Services (TSR) return is shown as a negative on the expenditure form.

Table 3.5a: Trading Account Services, 2016-17 to 2020-21 (a)

<i>Real terms series, all monetary figures in 2020-21 prices</i> (b)	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Net surplus/deficit of Internal Trading Account	37	48	73	85	185
Net surplus/deficit of External Trading Account	-290	-446	-511	-481	-465
Net surplus/deficit of Total Trading Accounts	-253	-398	-438	-396	-280

Source: Trading Account Services (TSR) Returns and Revenue Summary (RS) Returns 2016-17 to 2020-21.

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

(a) Includes capital items.

(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-2022-quarterly-national-accounts> (as updated 31 March 2022).

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 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 2016-17 can be found in **Table 3.6a**. These figures are shown in real terms.

Table 3.6a: Housing Revenue Account income and expenditure, 2016-17 to 2020-21, and budget 2021-22

<i>Real terms series, all monetary figures in 2021-22 prices ^(a)</i>	£ million					% of total	£ million
	2016-17	2017-18	2018-19	2019-20	2020-21	2020-21	2021-22 (Budget)
Expenditure							
Repairs and maintenance	1,928	1,854	1,932	1,953	1,901	22%	1,877
Supervision and management: general	2,096	2,056	2,187	2,246	2,256	26%	2,208
Supervision and management: special services	466	467	529	546	519	6%	609
Expenditure for capital purposes	560	638	755	593	428	5%	801
Debt charges ^(b)	1,409	1,420	1,382	1,455	1,355	16%	1,332
Interest payable and similar charges	992	940	915	889	849	10%	777
Transfers to GFRA or MRR ^(c)	1,022	1,004	988	963	1,066	12%	789
Other expenditure ^(d)	199	177	176	186	222	3%	229
Total expenditure	8,671	8,554	8,866	8,830	8,596	100%	8,621
Income							
Rents from dwellings	7,726	7,485	7,496	7,320	7,245	84%	7,102
Rents other than dwellings	160	158	155	156	147	2%	168
Heating and other services	789	717	785	816	746	9%	742
Government subsidy	172	157	204	189	235	3%	150
Interest income	51	44	59	65	42	0%	26
Transfers from GFRA or MRR ^(c)	77	93	96	119	92	1%	114
Other income ^(e)	136	146	118	127	127	1%	143
Total income	9,110	8,800	8,913	8,793	8,635	100%	8,445

Source: Revenue Outturn (RO4) return from 2016-17 to 2020-21, Revenue Account (RA) budget return 2021-22.

(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-2022-quarterly-national-accounts> (as updated 31 March 2022).

- (b) 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'.
- (c) Transfers to and from the 'General Fund Revenue Account' (GFRA) and 'Major Repairs Reserve' (MRR).
- (d) Other HRA expenditure comprises 'Provision for bad debts' and 'Rents, rates, taxes and other charges'.
- (e) 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. Some local authorities have experienced more slippage than usual as a result of the COVID-19 pandemic, where projects either haven't been completed, have been postponed or delayed, and this is a contributing factor on why expenditure on some items in 2020-21 is lower than in previous years.

Table 4.1a: Capital expenditure by economic category, outturn data from 2016-17 to 2020-21

<i>Real terms series, all monetary figures in 2020-21 prices(a)</i>					£ million
	2016-17	2017-18	2018-19	2019-20	2020-21
Expenditure:					
Acquisition of land and existing buildings and works	3,051	4,297	4,633	4,332	2,756
New construction and conversion	14,329	14,770	13,705	14,073	14,183
Vehicles, plant equipment and machinery	1,338	1,440	1,364	1,688	1,496
Intangible assets	249	278	307	279	279
Total payments on fixed assets	18,967	20,784	20,009	20,373	18,713
Grants, loans and other financial assistance	4,610	5,263	5,215	4,756	4,922
Acquisition of share and loan capital	1,668	860	1,863	1,746	1,014
Total capital expenditure	25,246	26,907	27,087	26,876	24,650
<i>of which GLA: (b)</i>	<i>4,501</i>	<i>3,502</i>	<i>5,187</i>	<i>5,272</i>	<i>3,801</i>
Expenditure by virtue of a section 16(2)(b) direction (c)	35	153	258	183	187
Total expenditure and other transactions	25,281	27,061	27,345	27,059	24,836
Receipts:					
Sales of fixed assets	3,477	3,141	3,247	2,501	2,189
Intangible fixed assets	11	13	7	22	3
Repayments of grants, loans and financial assistance	347	269	881	338	353
Disposal of investments including share and loan capital	49	118	31	27	56
Total capital receipts (d)	3,883	3,517	4,161	2,887	2,582

Source: COR returns

(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-2022-quarterly-national-accounts> (as updated 31 March 2022).

(b) These figures do not exclude double counting.

(c) 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.

(d) 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, 2016-17 to 2020-21

<i>Real terms series, all monetary figures in 2020-21 prices^(a)</i>					
	£ millions				
	2016-17	2017-18	2018-19	2019-20	2020-21
Education ^(b)	3,332	3,039	2,534	2,362	2,089
Highways & transport	8,477	7,043	8,107	7,642	7,773
<i>of which GLA</i>	3,698	1,953	3,379	2,828	2,489
Social Care	339	311	352	380	285
Public health	20	10	21	21	23
Housing	5,096	5,979	5,634	6,189	5,901
<i>of which GLA</i>	180	775	948	803	523
Culture & Related services	1,089	1,164	1,156	1,270	1,122
Environmental & Regulatory services ^(c)	671	1,268	637	728	724
Planning & development services	1,808	1,703	1,758	1,933	1,715
Digital Infrastructure	-	-	-	142	172
Police	681	973	711	776	827
Fire & Rescue Services	198	168	156	167	166
Central services ^(d)	2,414	2,076	1,815	1,924	1,966
Trading ^(e)	1,295	3,172	4,207	3,342	1,886
Total capital expenditure ^{(f), (g)}	25,246	26,907	27,087	26,876	24,650

Source: COR returns

- (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-2022-quarterly-national-accounts> (as updated 31 March 2022).
- (b) 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 2010-11, which are centrally funded rather than funded by local authorities.
- (c) The figure in 2017-18 includes Greater Manchester Waste Disposal Authority's PFI buy-out (£527 million).
- (d) 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.
- (e) Trading services includes 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, were 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.
- (f) Total capital expenditure in 2016-17 excludes £172 million of transfer to other local authorities that could not be attributed to a specific service area.
- (g) This total should avoid double counting due to any flow of grants, loans or other financial assistance or receipts between local authorities and functional bodies of the Greater London Authority.

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 2016-17 to 2020-21. These figures are shown in real terms.

Table 4.2a: Financing of capital expenditure, 2016-17 to 2020-21

	<i>Real terms series, all monetary figures in 2020-21 prices(a)</i>					£ million
	2016-17	2017-18	2018-19	2019-20	2020-21	
Central government grants	8,627	6,470	7,421	6,168	6,726	
Grants from Local Enterprise Partnerships (LEPs)	623 ^(b)	516	375	496	622	
EU structural funds grants	14	29	71	48	48	
Grants from private developers and from leaseholders etc	1,206	1,269	1,310	1,210	1,068	
Grants from NDPBs ^(c)	511	287	308	456	507	
National lottery grants	64	77	48	57	47	
Use of capital receipts	2,524	2,952	3,305	2,286	2,049	
Revenue financing of capital expenditure	4,335	4,415	4,129	4,534	3,909	
<i>of which:</i>						
<i>Housing Revenue Account (CERA)</i>	824	670	641	528	408	
<i>Major Repairs Reserve</i>	1,781	1,736	1,790	1,846	1,685	
<i>General Fund (CERA)</i>	1,730	2,009	1,699	2,161	1,816	
Capital expenditure financed by borrowing/credit ^(d)	7,366	10,728	10,372	11,753	10,319	
<i>of which:</i>						
<i>Loans & other financial assistance from LEPs</i>	0	3	35	28	11	
<i>Other borrowing & credit arrangements not supported by central government</i>	7,366	10,724	10,337	11,725	10,307	
Total resources used to finance capital expenditure ^(e)	25,271	26,742	27,339	27,008	25,293	

Footnotes on following page

Footnotes to Table 4.2a

Source: COR returns

- (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-2022-quarterly-national-accounts> (as updated 31 March 2022).
- (b) Includes loans & other financial assistance from Local Enterprise partnerships. Grants and loans & other financial assistance were not split until 2017-18.
- (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) 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.
- (e) 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 the end of 2016-17 to 2020-21. 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 2016-17 to 2020-21.
- 5.1.5. Local authorities are permitted to invest their surplus funds to generate a return. However, certain types of investments that are considered too risky are prohibited.
- 5.1.6. The stock of local authority investments is the financial representation of local authorities' reserves, unused capital receipts and cash flow surpluses. Authorities that are net borrowers may use such resources to reduce their borrowing rather than hold them as investments.
- 5.1.7. Further statistics on Borrowing and Investments can be found on-line at <https://www.gov.uk/government/statistical-data-sets/live-tables-on-local-government-finance#borrowing-and-investment>

Table 5.1a: Local authority borrowing levels as at end March 2017-2021, England

	£ million				
	end-Mar 2017	end-Mar 2018	end-Mar 2019	end-Mar 2020	end-Mar 2021
Temporary borrowing					
Banks	43	22	17	22	19
Building societies	0	10	6	0	0
Other financial intermediaries	121	170	111	66	64
Public corporations	36	104	24	63	63
Private non-financial corporations	13	13	13	12	18
Central government	0	1	8	2	9
Household sector	17	52	32	10	11
Other sources	46	1	5	6	12
Total	275	373	216	181	195
Longer-term borrowing					
Negotiable bonds	4,384	4,095	3,970	3,995	4,259
Listed securities other than bonds	1,233	1,225	1,193	1,584	1,795
Public Works Loan Board	52,731	56,141	62,971	69,907	70,435
Banks	8,226	8,246	6,938	6,658	6,503
Building societies	1	1	1	1	1
Other financial intermediaries	498	648	591	721	853
Public corporations	6	13	25	30	50
Private non-financial corporations	155	156	161	156	166
Central government	83	90	616	1,460	2,215
Household sector	3	0	1	0	6
Other Sources	5,837	7,379	8,090	8,396	8,492
Total	73,156	77,995	84,557	92,908	94,773
Total borrowing	73,430	78,369	84,773	93,089	94,969
TFL and GLA ^(a)	13,009	14,154	15,407	16,899	18,127
Total borrowing excluding TFL and GLA	60,422	64,215	69,366	76,190	76,842

Source: Monthly (MB) and Quarterly (QB) Borrowing and Investments returns from local authorities to DLUHC 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 2017-2021, England

	end-Mar 2017	end-Mar 2018	end-Mar 2019	end-Mar 2020	£ million end-Mar 2021
Investments					
Deposits: banks	10,720	9,282	9,980	11,311	11,536
Deposits: building societies	1,689	1,017	994	791	790
Treasury bills	671	530	734	837	0
Certificates of deposit: banks	713	810	464	405	255
Certificates of deposit: building societies	23	80	51	126	0
British Government (Gilt-edge) securities	471	188	115	166	404
Other financial intermediaries	37	51	49	68	81
Public corporations	1,040	1,222	1,455	1,852	2,172
Debt Management Account deposit facility	458	543	509	1,647	1,639
Money market funds	5,857	6,695	7,153	8,045	10,045
Externally managed funds	1,811	2,451	3,036	3,351	4,107
Other investments	3,219	2,755	3,498	3,326	3,101
Total investments	26,710	25,624	28,038	31,925	34,129

Source: Monthly (MB) and Quarterly (QB) Borrowing and Investments returns from local authorities to DLUHC 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 2016-17 to 2020-21.

Table 5.2a: Local Government Net Cash Requirement, 2016-17 to 2020-21

	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Annual change in temporary borrowing	-37	99	-157	-35	14
Annual change in longer-term borrowing	1,830	4,840	6,561	8,351	1,865
Total	1,794	4,938	6,404	8,316	1,880
<i>less</i> annual change in investments	-2,932	-1,085	2,414	3,887	2,204
Net Cash Requirement	4,726	6,024	3,990	4,430	-325

Source: Monthly (MB) and Quarterly (QB) Borrowing and Investments returns from local authorities to DLUHC 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 2020-21, local government employee expenditure accounted for 43 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.
- 6.2.2. **Table 6.2a** illustrates levels of local government pay from 2016-17 to 2020-21 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 2020-21. 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 2016-17 to 2020-21

<i>Real terms series, all monetary figures in 2020-21 prices ^(a)</i>						
	2016-17	2017-18	2018-19	2019-20	£ billion 2020-21	% of total 2020-21
Teachers	11.6	10.5	10.1	9.3	9.8	18%
Police and Police Support Staff	5.7	5.2	5.2	5.2	5.3	10%
Firefighters	1.1	1.0	1.0	1.0	1.0	2%
Other Local Government Staff	23.5	23.7	22.9	23.8	23.3	43%
Total pay ^(b)	41.9	40.5	39.2	39.3	39.5	72%
Total non-pay for all groups ^(c)	11.4	12.2	11.6	12.7	13.1	24%
Other pay related costs ^(d)	3.0	1.8	2.5	1.9	2.0	4%
Total employee expenditure	56.3	54.5	53.3	53.9	54.5	100%

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-2022-quarterly-national-accounts> (as updated 31 March 2022).
- (b) Includes overtime, bonuses, severance payments, etc.
- (c) Includes employers' National Insurance, pensions contributions and location allowances.
- (d) Includes recruitment, retention and training.

Table 6.2b: Employee expenditure as a proportion of total service expenditure for 2020-21

	£ billion		%
	Employee expenditure	Service expenditure ^(b)	Employees expenditure
Education services	20.4	37.2	55%
Highways, roads and transport services	1.4	10.9	13%
Children Social Care	3.9	11.4	34%
Adult Social Care	3.9	26.6	15%
Public Health	0.5	4.0	12%
Housing services ^(a)	0.8	3.7	21%
Cultural and related services	1.3	3.4	38%
Environmental services	1.9	7.6	25%
Planning and development services	1.3	3.5	37%
Police services	11.4	14.3	79%
Fire and rescue services	1.8	2.4	76%
Central services	5.8	12.2	48%
Other services	0.1	0.8	17%
Total service expenditure	54.5	137.9	39%

Source: RSX form (2020-21)

- (a) Expenditure on the General Fund Revenue Account only.
- (b) Total Expenditure is Employee 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 of 1 April 2020, the Local Government Pension Scheme (LGPS) was operated via 77 administering authorities in England, and 8 administering authorities in Wales, typically at county council, metropolitan district 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 corporation 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 nationally 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 cash terms) in England comes from each of these sources between 2016-17 and 2020-21.

Table 6.3a: Local Government Pension Scheme income (in cash terms) 2016-17 to 2020-21, England

	2016-17	2017-18	2018-19	2019-20	£ million 2020-21
Contributions (including those from admitted authorities)					
Employees	1,969	2,004	2,058	2,172	2,278
Employers ^(a)	6,942	8,925	6,608	7,116	9,753
Investment income (gross)	3,755	4,212	4,231	4,257	3,461
<i>of which:</i>					
Dividends receivable	2,441	2,667	2,412	2,287	1,663
Interest receivable	289	306	235	301	193
Income from property	528	565	600	635	562
Other investment income	497	675	983	1,033	1,044
Transfer values ^{(b)(c)(d)(e)}	1,140 ||	1,292 ||	1,083 |	1,459 |	783
Other income	57	46	184	46	42
Total income	13,863 ||	16,480 ||	14,163 |	15,051 |	16,317

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 cash terms) in England is divided between each of the categories between 2016-17 and 2020-21.

Table 6.3b: Local Government Pension Scheme expenditure in cash terms 2016-17 to 2020-21, England

	2016-17	2017-18	2018-19	2019-20	£ million 2020-21
Total expenditure on benefits	8,932	9,198	9,751	10,232	10,402
<i>of which:</i>					
Pensions or annuities	7,196	7,490	7,910	8,331	8,656
Lump sums paid on retirement	1,422	1,388	1,478	1,520	1,363
Lump sums paid on death	200	201	222	221	249
Optional lump sum	111	115	132	151	126
Other benefits	3	4	9	9	7
Disposal of Liabilities	1,208 |	1,604 |	876 ||	905	736
<i>of which:</i>					
Transfer values ^{(a)(b)}	1,204 |	1,602 |	875 ||	903	735
Pensions Act premiums	4	3	2	1	1
Refunds of contributions	0	0	0	0	0
Total Management expenses charged to the fund	956	1,102	1,231	1,392	1,571
<i>of which: ^{(c)(d)}</i>					
Investment management expenses	800	942	1,052	1,193	1,368
Administrative expenses	106	111	121	130	136
Governance and oversight costs	49	48	58	69	67
Other expenditure	29	27	31	36	22
Total expenditure	11,125 |	11,932 |	11,890 ||	12,565	12,731

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 2016-17 and 2020-21.

Table 6.3c: Number by type of retirements from the Local Government Pension Scheme 2016-17 to 2020-21, England

	2016-17	2017-18	2018-19	2019-20	2020-21
Redundancy	12,581	10,059	8,029	7,124	5,670
Tier 1, 2 & 3 ill health retirement awards under LGPS	2,429	2,483	2,606	2,723	2,467
Early payment of deferred benefits	33,336	35,312	43,779	50,354	47,549
Normal retirements	23,382	24,669	24,969	24,547	23,405
Total retirements	71,728	72,523	79,383	84,748	79,091

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>

