

Statistical Release

19 June 2008

LOCAL AUTHORITY CAPITAL EXPENDITURE AND RECEIPTS

England: 2007-08 Provisional Outturn & 2008-09 Forecast

- Capital expenditure by local authorities in England rose to £18.6 billion in 2007-08, a year-on-year increase of 14% and is forecast to rise to £19.9 billion in 2008-9, a year-on-year increase of 7%.
- Capital receipts generated by local authorities in England rose to £4.0 billion in 2007-08, a year-on-year increase of 8% and are forecast to remain at that level in 2008-09.

This release provides provisional outturn estimates of local authority capital expenditure and receipts in the financial year April 2007 to March 2008 and forecasts of local authority capital expenditure and receipts in the financial year April 2008 to March 2009.

The information for 2007-08 is derived from Capital Payments and Receipts Returns (CPR4) submitted by local authorities in England and is based on returns from 475 of the 478 authorities that complete the return. Estimates have been made for missing returns. The authorities that did not submit a completed form in time for this release are Ashfield DC, Chester-le-Street DC and Great Yarmouth BC.

The information for 2008-09 is derived from Capital Estimates Returns (CER) submitted by all 478 local authorities in England.

In Tables 1 to 6 the figures reported by local authorities have been adjusted to reflect the historic difference between provisional and final estimates and between forecasts and final estimates. Figures in Tables 7 and 8 are as reported by local authorities.

The release has been compiled by the Local Government Finance – Analysis and Capital Finance division of Communities and Local Government.

Contact points:

Press enquiries:

Telephone 020 7944 3042

Email press.office@communities.gsi.gov.uk

Other enquiries:

Telephone 020 7944 4075

Email capital.receipts@communities.gsi.gov.uk

Website: www.communities.gov.uk

Web-link (capital statistics) : www.local.communities.gov.uk/finance/stats/natstats.htm#cap

Contents:

Capital expenditure and receipts 2003-04 to 2008-09

		Page
Chart A	Expenditure and receipts: England: 2003-04 to 2008-09	3
Table 1	Local authority capital expenditure and receipts: England : 2003-04 to 2008-09	3

Capital expenditure by service

Chart B	Capital expenditure in 2006-07 to 2008-09 by service: England: 2006-07 to 2008-09	4
Table 2	Local authority capital expenditure by service: England : 2003-04 to 2008-09	4
Table 3a	Local authority capital expenditure on fixed assets by economic category and service: England 2007-08: provisional outturn	5
Table 3b	Local authority capital expenditure by economic category and service: England 2007-08: provisional outturn	5
Table 4	Local authority capital receipts by economic category: England 2007-08: provisional outturn	6
Table 5	Local authority capital expenditure & receipts: England 2008-09: forecast by service	6
Table 6	Local authority capital expenditure & receipts: England 2008-09: forecast by economic category	7

Local authorities' own reported estimates for 2007-08 and 2008-09

Table 7	Local authority capital expenditure: England: 2007-08 provisional outturn & 2008-09 forecast	8
Table 8	Local authority capital expenditure: prudential information: England: 2007-08: provisional outturn	9
	Terminology used in this release	10
	Data Quality	11
	Uses made of the data	11
	Background Notes	11

Capital expenditure and receipts 2003-04 to 2008-09

1. **Chart A** and **Table 1** illustrate the change in capital expenditure and receipts from 2003-04 to 2008-09.

- Capital expenditure by local authorities in England rose to £18.6 billion in 2007-08, a year-on-year increase of 14% and is forecast to rise to £19.9 billion in 2008-09, a year-on-year increase of 7%. Local authority capital expenditure has risen by 51% between 2003-04 and 2007-08. Other capital expenditure rose by slightly over £1 billion between 2006-07 and 2007-08, with the largest increases being due to Liverpool's grant to an RSL and grants and advances made by Transport for London.
- Capital receipts generated by local authorities in England rose to £4.0 billion in 2007-08, a year-on-year increase of 8% and are forecast to remain at that level in 2008-09. The increase from 2006-07 to 2007-08 was the result of a few large transactions by the City of London, Transport for London, Kingston Upon Hull (sale of its shares in Kingston Communications) and the five metropolitan districts involved in the sale of Leeds Bradford International Airport.

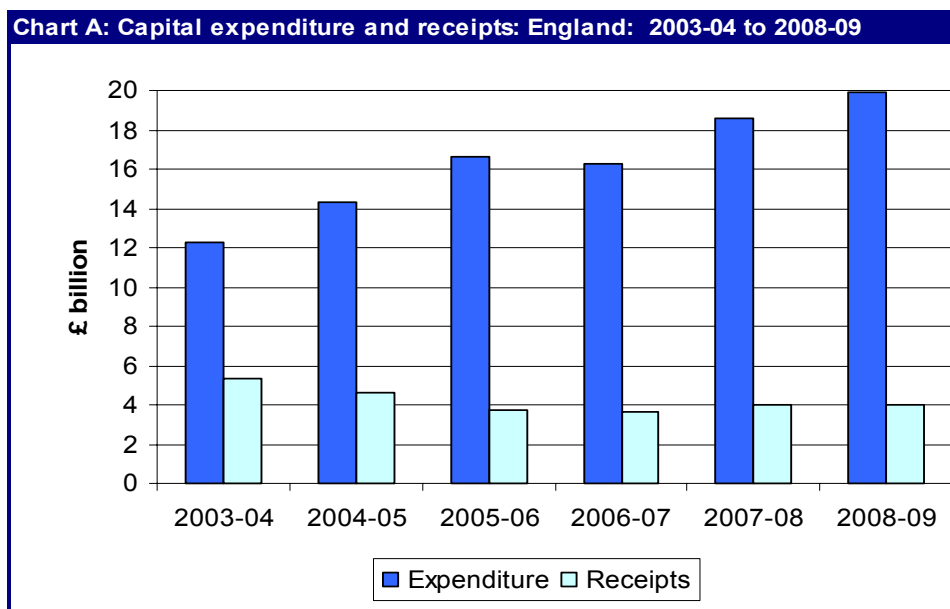


Table 1: Local authority capital expenditure and receipts: England: 2003-04 to 2008-09

	2003-04	2004-05	2005-06	2006-07	2007-08 (P)	2008-09 (F)
Expenditure:						
New construction & conversion	9,615	10,543	12,078	11,797	12,855	15,270
Other fixed assets	1,653	2,432	2,694	2,558	2,812	2,427
Other capital expenditure	1,014	1,301	1,869	1,941	2,948	2,187
Total capital expenditure	12,282	14,276	16,641	16,307	18,615	19,884
Capital receipts	5,322	4,661	3,777	3,671	3,983	4,012

(P) = Provisional (F) = Forecast

Capital expenditure by service

2. **Chart B** and **Table 2** below illustrate the change in the pattern of expenditure for the major services between 2006-07 and 2008-09.

- The largest percentage increases in capital expenditure in 2007-08 were in transport (23%), social services (18%) and sport and recreation (17%).
- The largest percentage increase forecast for 2008-09 is in sport and recreation (63%) where spending is forecast to rise from £483 million to £793 million. Increases in spending in this area are quite widespread across the country, although the 20 largest increases account for 77% of the national increase.

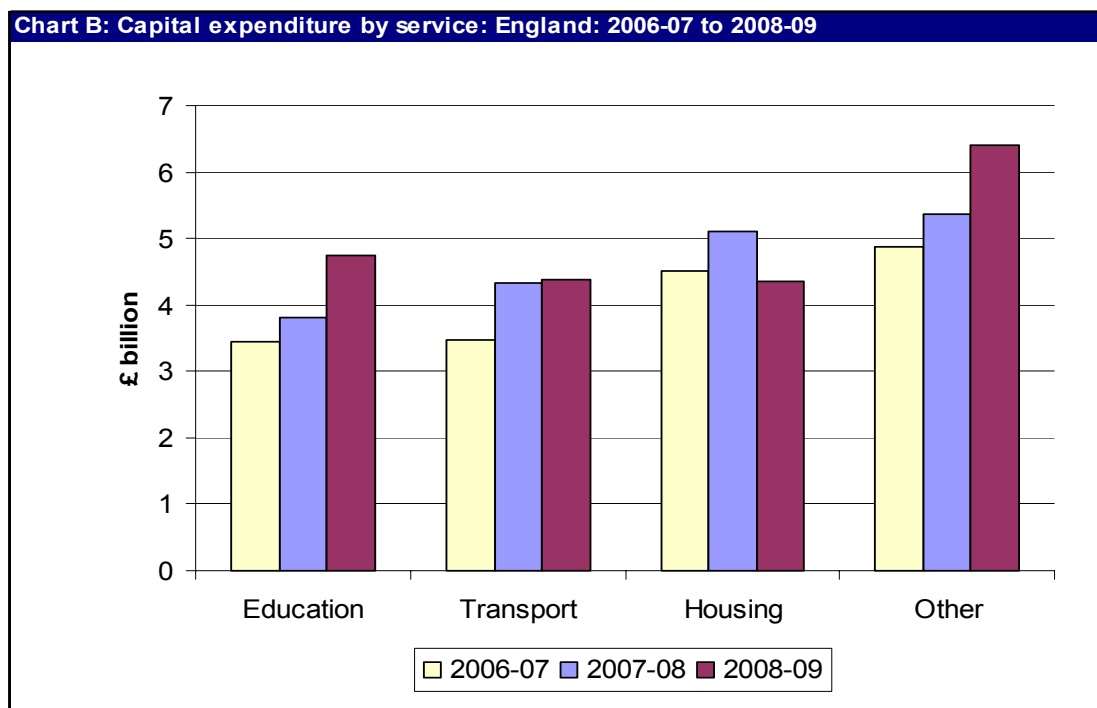


Table 2: Local authority capital expenditure by service: England: 2003-04 to 2008-09

	2003-04	2004-05	2005-06	2006-07	2007-08 (P)	2008-09 (F)
Education	2,780	3,087	3,492	3,442	3,812	4,733
Highways & transport	2,552	2,905	3,461	3,480	4,321	4,390
Housing	3,485	3,987	4,534	4,507	5,108	4,350
Other	3,465	4,297	5,154	4,879	5,374	6,412
<i>Of which:</i>						
<i>Social Services</i>	260	284	387	364	429	352
<i>Sport & recreation</i>	263	306	424	415	486	793
<i>Police</i>	513	561	606	527	567	778
<i>Other</i>	2,429	3,146	3,737	3,573	3,891	4,490
Total capital expenditure	12,282	14,276	16,641	16,307	18,615	19,884

(P) = Provisional (F) = Forecast

3. **Tables 3 (a and b) and 4** provide a service breakdown of estimated provisional expenditure and receipts for 2007-08. These figures (and those in Tables 1 and 2) are based on local authorities' own estimates of spending and receipts, further adjusted by increasing local authorities' own estimates of expenditure and receipts to reflect the historic difference between provisional and final estimates.

Table 3a: Local authority capital expenditure on fixed assets by economic category and service: England 2007-08: provisional outturn					
	£ million				
	Acquisitions of land & buildings existing	New construction, conversion & renovation	Vehicles, plant, equipment and machinery	Intangible assets	Total expenditure on Fixed Assets
Education	139	3,310	221	14	3,684
Highways & transport	113	2,897	108	13	3,132
Social services	24	273	47	11	356
Housing	404	3,364	38	9	3,814
Agriculture & fisheries	0	20	0	0	21
Libraries, culture, heritage	15	331	20	2	368
Sport & recreation	10	424	31	3	468
Police	54	184	313	16	566
Fire & rescue	16	84	58	3	162
Magistrate courts	0	0	0	0	0
Other	573	1,967	451	105	3,096
Total	1,347	12,855	1,289	176	15,667

Table 3b: Local authority capital expenditure by economic category and service: England 2007-08: provisional outturn					
	£ million				
	Total expenditure on Fixed Assets	Grants	Loans & other financial assistance	Acquisition of share & loan capital	Total capital expenditure
Education	3,684	113	15	0	3,812
Highways & transport	3,132	562	620	7	4,321
Social services	356	68	5	0	429
Housing	3,814	1,259	35	0	5,108
Agriculture & fisheries	21	0	0	0	21
Libraries, culture, heritage	368	17	1	0	386
Sport & recreation	468	14	2	2	486
Police	566	0	1	0	567
Fire & rescue	162	1	0	0	163
Magistrate courts	0	0	0	0	0
Other	3,096	202	11	13	3,322
Total	15,667	2,236	690	22	18,615

Table 4: Local authority capital receipts by economic category: England 2007-08: provisional outturn

	£ million				
	Receipts from sale of fixed assets	Intangible assets	Repayments of grants and advances	Disposal of investments inc. share and loan capital	Total Capital Receipts
Education	250	0	0	0	250
Highways & transport	154	0	0	136	290
Social services	86	0	0	0	86
Housing	1,661	3	19	5	1,689
Agriculture & fisheries	75	0	0	0	76
Libraries, culture, heritage	11	0	0	0	12
Sport & recreation	85	0	1	0	86
Police	127	2	1	0	130
Fire & rescue	20	0	0	0	20
Magistrate courts	0	0	0	0	0
Other	1,195	2	19	130	1,345
Total	3,665	7	40	271	3,983

4. Tables 5 and 6 provide a service breakdown of forecast expenditure and receipts for 2008-09. These figures (and those in Tables 1 and 2) are based on local authorities' own estimates of planned spending and receipts, but further adjusted by:

- reducing local authorities' forecast expenditure to reflect the historic pattern of capital programme slippage;
- increasing local authorities' forecasts of receipts to reflect the historic pattern of under recording receipts at the forecast stage.

Table 5: Local authority capital expenditure & receipts: England 2008-09: forecast by service

	Expenditure	£ million Receipts
Education	4,733	512
Highways & transport	4,390	104
Social services	352	109
Housing	4,350	1,316
Sport & recreation	793	105
Police	778	150
Other ^(a)	4,490	1,716
Total	19,884	4,012

(a) Other comprises Agriculture & Fisheries; Libraries, Culture, Heritage; Fire & Rescue; and Magistrate Courts.

Table 6: Local authority capital expenditure & receipts: England 2008-09: forecast by economic category

	£ million
Acquisitions of land and existing buildings	897
New construction, conversion and	15,270
Vehicles, plant, equipment, and machinery	1,354
Intangible fixed assets	177
Total expenditure on fixed assets	17,697
Expenditure for capital purposes on grants	1,597
Expenditure for capital purposes on loans & other financial assistance	584
Acquisition of share and loan capital	5
Total capital expenditure	19,884
Sales of fixed assets	3,989
Sales of intangible assets	6
Repayments of grants and advances	11
Disposal of investments including share and loan capital	6
Total capital receipts	4,012

Local authorities' own reported estimates for 2007-08 and 2008-09

5. **Table 7** provides a summary of local authorities' own provisional estimates of what they spent in 2007-08 and a breakdown of how they financed that expenditure and corresponding information about the forecasts for 2008-09. None of the figures in Table 7 have been adjusted for likely differences between provisional and final outturn spending. Estimates have however been made for missing and invalid CPR4 returns.

Local authorities' own reported information on prudential system: 2007-08

6. **Table 8** provides provisional outturn information about the prudential system in 2007-08.
7. The Prudential Code for Capital Finance in Local Authorities was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities in taking their decisions. Its key objectives are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. As part of this framework the Prudential Code sets out the indicators that must be used.
8. These indicators include forecasts of, and actual figures for:
- capital expenditure;
 - capital financing requirement - a measure that reflects an authority's underlying need to borrow;
 - external debt - gross borrowing and other long-term liabilities;
 - operational boundary for external debt - based on an authority's working estimate of most likely (i.e. prudent), but not worst case scenario;
 - authorised limit for external debt - the intended absolute limit that has to be set by the full Council.

Table 7: Local authority capital expenditure: England: 2007-08 provisional outturn & 2008-09 forecast

Reported by local authorities	£ million	
	2007-08	2008-09
Acquisitions of land and existing buildings	1,308	975
New construction, conversion and renovation	12,481	16,598
Vehicles, plant, equipment and machinery	1,251	1,472
Intangible assets	171	192
Total expenditure on fixed assets	15,211	19,236
Expenditure for capital purposes on grants	2,171	1,736
Expenditure for capital purposes on loans and other financial assistance	670	635
Acquisition of share and loan capital	22	5
Total capital expenditure	18,073	21,612
Expenditure treated as capital expenditure under s16(2)(b) direction	183	101
Payment of Large Scale Voluntary Transfer levy	19	7
Total expenditure and other transactions	18,275	21,720
Sales of tangible fixed assets	3,559	3,950
Sale of intangible assets	7	6
Repayments of grants, loans and other financial assistance	39	11
Disposal of investments including share and loan capital	263	6
Total capital receipts	3,867	3,972
Capital grants from central government departments	5,036	5,906
Capital grants from European Union Structural Funds (including ERDF)	188	172
Grants and contributions from private developers and from leaseholders, etc	1,055	715
Grants and contributions from non-departmental public bodies	572	509
Capital grants from the National Lottery	117	158
Use of capital receipts	2,605	3,920
Capital expenditure financed from the Housing Revenue Account	360	297
Capital expenditure financed by the Major Repairs Reserve (MRR)	1,182	1,313
Capital expenditure financed from the General Fund Revenue Account	1,282	1,584
SCE(R) Single Capital Pot	2,424	2,527
SCE(R) Separate Programme Element	481	694
Other borrowing and credit arrangements not supported by central government	2,973	3,925
Total resources used to finance capital expenditure	18,275	21,720

Table 8: Local authority capital expenditure: prudential information: England 2007-08: provisional outturn

Reported by local authorities	£ million		
	as at 1 April 2007	in 2007-08	as at 31 March 2008
Capital Financing Requirement as at 1 April 2007	84,336		
Capital expenditure to be resourced by means of credit (+)		5,878	
Minimum Revenue Provision & voluntary contributions (-)		1,679	
Change in Capital Financing Requirement		4,199	
Capital Financing Requirement as at 31 March 2008			88,536
Gross borrowing	47,215		49,938
Other long-term liabilities	912		908
Total external debt	48,126		50,846
Operational boundary for external debt	65,114		65,498
Authorised limit for external debt	74,513		76,399
Investments	23,806		26,155

Terminology used in this release

A set of terms relating to local government finance is given in the glossary at *Annex G to Local Government Financial Statistics England No. 18 2008*. This is accessible at www.local.communities.gov.uk/finance/statistics/lgfs/2008/lgfs18/annexg.pdf. The most relevant terms for this release are explained below.

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

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

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

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

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

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

The Prudential Code – a professional code of practice prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA), for the prudential system introduced on 1 April 2004. Local authorities are required by legislation to have regard to the code.

RSL – a Registered Social Landlord, formerly known as Housing Associations.

Supported Capital Expenditure – the term for most forms of central government support for local authority capital expenditure from 1 April 2004. Supported Capital Expenditure (Revenue) – SCE(R) – is the amount of expenditure towards which revenue support grant will be paid to a local authority on the cost of its borrowing. The revenue grant support is provided to help authorities with the costs of financing loans.

Data quality

National Statistics are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer demands.

The adjustments made to local authorities' own estimates in order to calculate the main estimates include an assessment of the difference between CPR4 estimates and CER estimates respectively and final outturn information for recent years where outturn data are available. The adjustment made for underestimation of capital expenditure and receipts in the CPR4 returns was 1.03. Corresponding adjustments for CER were made for the overestimation of expenditure and underestimation of receipts of 0.92 and 1.01 respectively.

Further adjustments have been made to avoid double counting the GLA grants to other London authorities.

The information for 2007-08 in this release is derived from Capital Payments and Receipts Returns (CPR4) submitted to Communities and Local Government by English local authorities and is based on returns from 475 of the 478 authorities that complete the return. Estimates have been made for missing returns. The information for 2008-09 is derived from Capital Estimates Returns (CER) submitted by all 478 local authorities in England.

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

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

Uses made of the data

The data in this Statistical Release are important for a number of different purposes. They are used to provide the Secretary of State for Communities and Local Government, HM Treasury and the Office for National Statistics (ONS) with the most up to date information available on local authority capital spending plans and how they are financed, both as forecasts and as emerging outturn information. The ONS use the information for National Accounts and public sector finances.

In addition, the returns are important sources for evidence-based policy decisions, answering Parliamentary Questions and other requests for information by Ministers, local authorities and their associations and the general public.

Background Notes

1. For press enquiries about this Statistical Release please contact the Local Government press desk on 020 7944 3042 or email press.office@communities.gsi.gov.uk. For other enquiries please telephone John Wallis on 020 7944 4075 or email capital.receipts@communities.gsi.gov.uk.

2. This Statistical Release can be found at the following web address:
www.local.communities.gov.uk/finance/stats/natstats.htm#cap
3. Timings of future Releases are regularly placed on the Department's website, www.local.communities.gov.uk and on the ONS National Statistics website, www.statistics.gov.uk/releasecalendar/currentreleases.asp
4. Further information is also available on the department's website www.communities.gov.uk/localgovernment/localgovernmentfinance/.
5. For a fuller picture of recent trends in local government finance readers are directed to *Local Government Financial Statistics England No. 18 2008* which is available in hard copy from Wetherby Publications Centre at communities@twoten.com (Tel. 0870 1226236) and electronically in PDF format via the Department's web site:

www.local.communities.gov.uk/finance/stats/lgfs/2008/index.htm
6. Final outturn estimates of capital expenditure and receipts in 2007-08 will be published in a National Statistics Release later this year.
7. The statistics in this Release are for England only. Statistics for Wales and Scotland can be found at wales.gov.uk/topics/statistics/theme/loc-gov/?lang=en and www.scotland.gov.uk/topics/statistics/browse/local-government-finance respectively.

Symbols and conventions

...	=	not available
0	=	zero or negligible
n/a	=	not applicable
	=	discontinuity

Rounding

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