

Statistical Release

29 August 2008

LOCAL AUTHORITY REVENUE EXPENDITURE AND FINANCING

ENGLAND 2007-08 PROVISIONAL OUTTURN

- Total net current expenditure by local authorities in England was estimated to be £108.3 billion in 2007-08 compared with £103.5 billion in 2006-07, an increase of 5%.
- 37% of net current expenditure in 2007-08 was on education, 17% on social care, 12% on housing benefits and 11% on police.
- 56% of revenue expenditure (on a non-Financial Reporting Standard 17 basis) in 2007-08 was funded by government grants, 26% by council tax and 20% by redistributed non-domestic rates.

This release provides provisional outturn estimates of local authority revenue expenditure and financing for the financial year April 2007 to March 2008. These estimates are on a Financial Reporting Standard 17 (FRS17) basis except where stated otherwise. This information is derived from Revenue Summary (RS) Outturn returns submitted by local authorities in England. The estimates in this release are calculated from 477 valid returns grossed up to allow for one invalid return at the time of processing. 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 4176

Email lgf1.revenue@communities.gsi.gov.uk

Website: www.communities.gov.uk

Local authority revenue expenditure and financing England 2007-08 provisional outturn

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Provisional net current expenditure by service

1. Provisional net current expenditure in 2007-08 is summarised in **Table 1** and **Chart A**. **Table 1** also shows net current expenditure in 2006-07 and the percentage change to 2007-08. Service expenditure is based on information from the RS forms, which can be found in **Annex A**. The service breakdowns have been created from this detailed information, according to **Annex C** of this release. It should be noted that year on year comparisons may not be valid due to local government changes in function and responsibility.

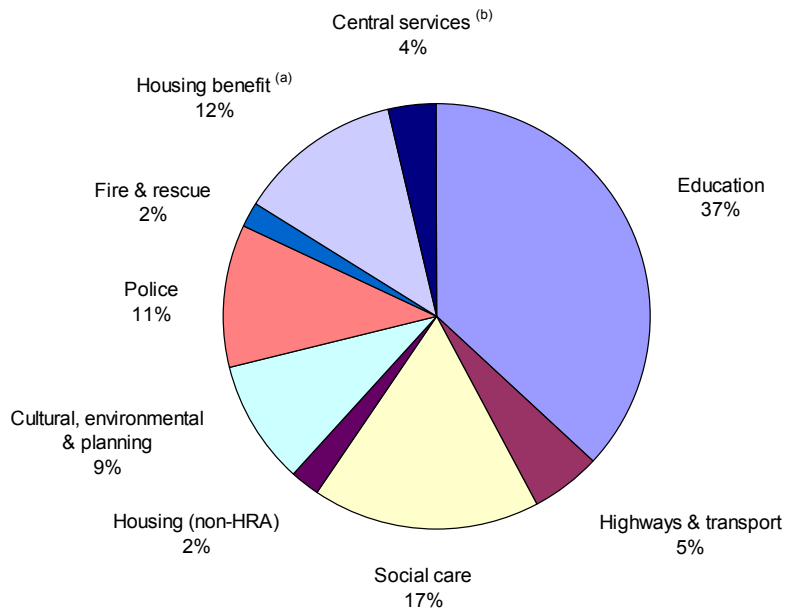
- Total net current expenditure by local authorities in England was estimated to be £108.3 billion in 2007-08 compared with £103.5 billion in 2006-07, an increase of 5%.
- 37% of net current expenditure in 2007-08 was on education, 17% on social care, 12% on housing benefits and 11% on police.

Table 1: Net current expenditure by service 2006-07 and 2007-08

	£ million		
	Net current expenditure 2006-07	Net current expenditure 2007-08 (P)	% Change
Education	37,942	40,085	6
Highways and transport	5,316	5,629	6
Social care	18,108	18,607	3
Housing (excluding Housing Revenue Account)	2,374	2,424	2
Cultural, environmental and planning	9,658	10,131	5
<i>of which:</i>			
<i>Cultural</i>	3,129	3,216	3
<i>Environmental</i>	4,524	4,827	7
<i>Planning and development</i>	2,005	2,089	4
Police	11,651	11,807	1
Fire and rescue	2,193	2,225	1
Courts	62	70	12
Central services	3,429	3,535	3
Other services ^(a)	159	363	128
Mandatory rent allowances	8,261	9,017	9
Mandatory rent rebates to non-HRA tenants	925	942	2
Mandatory rent rebates to HRA tenants	3,403	3,474	2
Total net current expenditure	103,482	108,309	5

(a) The majority of the increase is accounted for by a capital charge in the trading account for New castle-upon-Tyne in respect of a shopping centre redevelopment

Chart A: Provisional total net current expenditure by service 2007-08



(a) Housing benefit includes mandatory rent allowances and mandatory rent rebates
(b) Central services includes courts and other services

Provisional revenue expenditure and financing

2. **Table 2** shows the link between the definitions of net current and revenue expenditure and how revenue expenditure was financed in 2007-08 compared to 2006-07. A more detailed breakdown of this information can be found in **Annex A**.

- Revenue expenditure was £98.0 billion in 2007-08, compared with £94.3 billion in 2006-07, an increase of 4%.
- Non-current expenditure in 2007-08 includes the payment of council tax benefit of £3.3 billion, but this is netted off by income from specific grants outside Aggregate External Finance (AEF).
- Specific grants outside AEF increased from £19.6 billion in 2006-07 to £20.8 billion in 2007-08, an increase of 6%. Specific grants inside AEF increased from £41.7 billion to £44.5 billion.

Table 2: Revenue expenditure and financing 2006-07 and 2007-08

	£ million		
	2006-07	2007-08 (P)	% Change
Total net current expenditure	103,482	108,309	5
<u>plus non-current expenditure</u>			
Capital financing ^(a)	2,993	3,009	1
Capital expenditure charged to Revenue Account	1,103	1,095	-1
Council tax benefit	3,235	3,338	3
Discretionary Non-Domestic Rate relief	25	29	14
Bad debt provision	67	56	-17
Flood defence payments to Environment Agency	23	27	18
Pension interest costs	4,534	4,809	6
<i>less</i> interest receipts	1,481	1,863	26
<i>less</i> specific grants outside AEF ^(b)	19,643	20,782	6
Revenue expenditure	94,339	98,026	4
<u>financed by:</u>			
Specific grants inside AEF ^(b)	41,741	44,533	7
Transfers and adjustments ^(c)	-16	-2	89
Appropriations to (-) / from (+) revenue reserves	-698	-1,499	-115
Appropriations to (-) / from (+) pension reserves	5,890	5,596	-5
Formula grant	24,820	25,639	3
<i>of which:</i>			
<i>Revenue Support Grant</i>	3,378	3,105	-8
<i>Redistributed non-domestic rates</i>	17,506	18,506	6
<i>Police grant</i>	3,936	4,028	2
General Greater London Authority (GLA) grant	38	38	1
Other items	111	112	1
Council tax	22,453	23,608	5
<p>(a) Includes capital charges accounted for in External and Internal Trading Accounts, provision for repayment of principal, leasing payments, external interest payments and HRA item 8 interest payments and receipts</p> <p>(b) Aggregate External Finance; see page 11 for definition</p> <p>(c) Inter-authority transfers in respect of reorganisation and Adjustments to Formula Grant re 2004-05 and 2005-06 Amending Reports</p>			

Financing of revenue expenditure

3. **Table 3** shows the funding of revenue expenditure in terms of government grants, redistributed non-domestic rates and council taxes from 2003-04 onwards. All years are produced on a non-FRS17 basis. This is because local authorities set their council tax with regard to their expenditure on a non-FRS17 basis. A fuller definition of FRS17 can be found in the **Terminology used in this release** section.

- In 2007-08, 56% of revenue expenditure on a non-FRS17 basis was funded by government grants (including Revenue Support Grant, specific grants inside Aggregate External Finance and police grant), 26% by council tax and 20% by redistributed non-domestic rates.

Table 3: Financing of revenue expenditure since 2003-04 ^(a)

	Revenue expenditure (£ million)	Government grants (£ million)	% of total	Redistributed non-domestic rates (£ million)	% of total	Council tax (£ million)	% of total
2003-04	75,244	41,777	56	15,611	21	18,946	25
2004-05	79,303	45,258	57	15,004	19	20,299	26
2005-06	84,423	45,839	54	18,004	21	21,315	25
2006-07	88,449	49,093	56	17,506	20	22,453	25
2007-08 (P)	92,430	51,704	56	18,506	20	23,608	26

(a) Produced on a Non-Financial Reporting Standard 17 basis. Sum of government grants, redistributed non-domestic rates and council tax does not normally exactly equal revenue expenditure because of the use of reserves

Detailed outturn information

4. **Annex A** (RS) and **Annex B** (RSX) show a detailed breakdown of the outturn information provided. The RS forms the basis of **Table 1** and **Table 2** in this release. The RSX forms should be read in conjunction with the FRS17 note on page 11 of this Statistical Release.

Annex A: Provisional Revenue Outturn Summary (RS) 2007-08	
	£ million
	Net current expenditure
190 Education services	40,084
290 Highways, roads and transport services	5,629
390 Social care	18,607
490 Housing services (excluding Housing Revenue Account)	2,369
509 Cultural and related services	3,216
590 Environmental services	4,827
599 Planning and development services	2,089
601 Police services	11,807
602 Fire and rescue services	2,225
603 Court services	70
690 Central services	3,214
698 Other services	226
699 Total service expenditure (total of lines 190 to 698)	94,364
701 Education: student support - mandatory awards	0
711 Housing benefits: rent allowances - mandatory payments	9,017
712 Housing benefits: non-HRA rent rebates - mandatory payments	942
713 Housing benefits: rent rebates to HRA tenants - mandatory payments	3,474
714 Housing benefits: subsidy limitation transfers from HRA	49
715 Housing benefits: transfers to (+) / from (-) HRA under transitional measures	-4
718 Contribution to the HRA re items shared by the whole community	9
721 Parish precepts	299
722 Passenger Transport Authority levy	0
724 Waste Disposal Authority levy	0
727 London Pensions Fund Authority levy	22
728 Other levies	34
731 External Trading Accounts net surplus(-)/ deficit(+)	-69
732 Internal Trading Accounts net surplus(-)/ deficit(+)	92
748 Adjustments to net current expenditure	80
749 Total net current expenditure (total of lines 699 to 748)	108,309
754 Local tax collection: Council tax benefit paid to the Collection Fund	3,338
757 Local tax collection: Non-domestic rate relief - discretionary payments	29
759 Levy: Environment Agency flood defence	27
761 Capital charges accounted for in External Trading Accounts	-241
762 Capital charges accounted for in Internal Trading Accounts	-92
765 Capital expenditure charged to the GF Revenue Account (CERA)	1,095
771 Provision for bad debts	56
773 Provision for repayment of principal	1,418
776 Leasing payments	16
781 Interest: external payments	2,826
783 Interest: HRA item 8 payments and receipts	-918
785 Sub-total (total of lines 749 to 783)	115,863
786 Interest and investment income (-): external receipts and dividends	-1,863
787 Pensions interest cost and expected return on pensions assets	4,809
791 Specific and special revenue grants outside AEF	-20,782
795 Revenue expenditure (total of lines 785 to 791)	98,026

continued

Annex A: Provisional Revenue Outturn Summary (RS) 2007-08 (continued)

£ million

	Net current expenditure
797 Specific and special revenue grants inside AEF	-44,533
799 Net revenue expenditure (total of lines 795 to 797)	53,493
801 Inter-authority transfers in respect of reorganisation	2
811 Appropriations to(+)/ from(-) schools' reserves	240
815 Appropriations to(+)/ from(-) other earmarked financial reserves	1,041
816 Appropriations to(+)/ from(-) unallocated financial reserves	218
817 Appropriations to(+)/ from(-) pensions reserve	-5,596
830 The budget requirement (total of lines 799 to 817)	49,398
851 Revenue Support Grant	-3,105
856 Police grant	-4,028
858 General GLA grant	-38
870 Redistributed non-domestic rates	-18,506
880 Other items	-112
890 Council tax requirement (total of lines 830 to 880)	23,608

Financial reserves levels at start and end of 2007-08	At 1 April 2007	Actuarial gains and losses	At 31 March 2008
911 Schools reserves level	1,756		1,996
915 Other earmarked financial reserves level	8,094		9,135
916 Unallocated financial reserves level	3,202		3,421
917 Estimated pensions reserve level ^(a)	-115,813	10,738	-110,671
920 Prior Year Adjustments	600		

Capital charges

2007-08

931 Depreciation	4,096
933 Loss on impairment of assets	2,974
934 Amortisation of deferred charges	1,859
935 Credit for amortisation of capital grants and other capital contributions ^(b)	-1,488
939 Total capital charges (total of lines 931 to 935)	7,440

Net current expenditure without taking FRS17 into account

	Net current expenditure	Net current expenditure without FRS17
961 Education services	40,084	40,166
962 Highways, roads and transport services	5,629	5,623
963 Social care	18,607	18,582
964 Housing services (excluding Housing Revenue Account)	2,369	2,362
965 Cultural and related services	3,216	3,203
966 Environmental services	4,827	4,810
967 Planning and development services	2,089	2,078
971 Police services	11,807	11,273
972 Fire and rescue services	2,225	2,112
973 Court services	70	70
975 Central services (excluding Non-distributed costs: retirement benefits)	2,656	2,624
976 Non-distributed costs: retirement benefits	558	464
978 Other services	226	226
981 External Trading Accounts net surplus(-)/ deficit(+)	-69	-71
982 Internal Trading Accounts net surplus(-)/ deficit(+)	92	79
986 Pensions interest cost and expected return on pensions assets	4,809	
987 Appropriations to(+)/ from(-) pensions reserve	-5,596	
989 Total (total of lines 961 to 987)	93,599	93,599

(a) Pensions reserves represent the liabilities authorities are judged to have incurred under Financial Reporting Standard 17 for future pensions additional to the contributions made to pension funds. The movement during the year on the pensions reserve reflects the appropriation from the revenue account shown at line 817 above together with actuarial gains and losses on pension fund assets and liabilities (which are not taken to the revenue account)

(b) Where capital expenditure has been financed by capital grant, the grant is credited to the income and expenditure account over the useful life of the asset in line with the depreciation charge

Annex B: Provisional Revenue Outturn Service Expenditure Summary (RSX) 2007-08

	£ million								
	Employees	Running expenses	Total expenditure	Sales, fees & charges	Other income	Total income	Net current expenditure	Capital charges	Net total cost (excluding specific grants)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			= (1) + (2)			= (4) + (5)	= (3) - (6)		= (7) + (8)
190 Education services	30,065	15,275	45,341	2,050	3,206	5,256	40,084	2,955	43,040
290 Highways, roads and transport services	1,243	7,212	8,456	2,117	710	2,827	5,629	1,007	6,635
390 Social care	6,698	16,642	23,340	2,301	2,431	4,732	18,607	335	18,942
490 Housing services (excluding Housing Revenue Account)	725	2,766	3,491	595	527	1,122	2,369	432	2,802
509 Cultural and related services	1,789	2,766	4,555	867	473	1,339	3,216	673	3,888
590 Environmental services	1,589	4,678	6,267	842	598	1,440	4,827	220	5,047
599 Planning and development services	1,202	2,062	3,263	685	490	1,175	2,089	360	2,449
601 Police services	10,500	2,174	12,674	391	476	867	11,807	370	12,177
602 Fire and rescue services	1,855	463	2,318	38	54	93	2,225	109	2,334
603 Court services	21	75	95	2	23	25	70	2	72
690 Central services	5,791	6,892	12,682	1,047	8,422	9,468	3,214	921	4,136
698 Other services	192	410	601	132	243	375	226	56	283
699 Total service expenditure (total of lines 190 to 698)	61,670	61,412	123,083	11,066	17,652	28,718	94,364	7,440	101,804

Annex C: Derivation of service lines used in Table 1

	Line Reference	Levies/transfers
Education	RS line 190	
	RS line 701	Mandatory student awards
Highways and transport	RS line 290	
	RS line 722	Passenger transport authority levy
Social care	RS line 390	
Housing (excluding Housing Revenue Account)	RS line 490	
	RS line 714	Subsidy limitation transfers from HRA
	RS line 715	Transfers to/from HRA under transitional measures
	RS line 718	Contribution to HRA re items shared by whole community
Cultural	RS line 509	
Environment	RS line 590	
	RS line 724	Waste disposal authority levy
Planning	RS line 599	
Police	RS line 601	
Fire and rescue	RS line 602	
Courts	RS line 603	
Central services	RS line 690	
	RS line 721	Parish precepts
	RS line 727	London Pensions Fund Authority levy
Other	RS line 698	
	RS line 728	Other levies
	RS line 731	External Trading Accounts net surplus/deficit
	RS line 732	Internal Trading Accounts net surplus/deficit
	RS line 748	Adjustments
Total net current expenditure	RS line 749	

Terminology used in this release

A list of terms relating to local government finance is given in the glossary at Annex G of *Local Government Finance Statistics England* No. 18 2008. This is accessible at

<http://www.local.communities.gov.uk/finance/stats/lgfs/2008/lgfs18/annexG.pdf>.

The most relevant terms for this release are explained below.

Aggregate External Finance - is the total amount of grant provided to finance all local government expenditure, excluding that subject to separate arrangements under statutory schemes, rent allowances and rebates and council tax benefit, which are funded by specific grants outside Aggregate External Finance.

Current expenditure - is the cost of running local authority services within the financial year. This includes the costs of staffing, heating, lighting and cleaning, together with expenditure on goods and services consumed within the year. This expenditure is offset by income from sales, fees and charges and other (non-grant) income, which gives **total net current expenditure** (line 749). Total net current expenditure also includes payments made by local authorities on behalf of central government, under statutory schemes and the payment of rent allowances and rebates. Such payments are fully funded by central government through specific grants outside **Aggregate External Finance**.

Dedicated Schools Grant (DSG) – there was a change in the funding of specific and formula grants in 2006-07 largely due to changes in the way that expenditure on schools is funded. From 2006-07, local authorities receive school funding through specific grant rather than funding previously included in formula grant.

Financial Reporting Standard 17 (FRS17) - Local authorities account for retirement benefits (pensions) in their service expenditure in accordance with FRS17. This requirement is enshrined in the Code of Practice on Local Authority Accounting in the UK, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in CIPFA's Best Value Accounting Code of Practice (BVACOP). The estimates in this release are on a FRS17 basis except where stated otherwise.

Under FRS17 most of the pension schemes covering local government employees are classed as defined benefit schemes. The main implication of defined benefit status is that retirement benefits are accounted for on the basis of the retirement benefit entitlement to which employment in the year gives rise, rather than the cash amounts of employer's contribution or pension due for the year. The major exception to defined benefit status is the teachers' pension scheme, which is administered centrally; local authorities account for this on a defined contribution basis, and the charges to service expenditure equal the employer's contribution.

The defined benefit charges are not allowed to impact on council tax payers, the charge that must ultimately be carried by taxpayers is the employer's contributions due for the year. Consequently, the effects on the revenue account are that the net current expenditure service lines are on a defined benefit basis, but the Budget Requirement is based on the cash contributions due. This neutrality is achieved by reversing out the impact of FRS17. In the analysis this is shown - after taking account of a further element of the FRS17 charge, "Pensions interest cost and expected return on pensions assets" (line 787) - by the entry "Appropriations to/from pensions reserves" (line 817). Line 787 is a small difference between two

large numbers and hence can show volatile movements from year to year. More than three quarters of line 787 relates to police and fire authorities, where most employees belong to the unfunded pension schemes for police and firefighters. The appropriation in line 817 equals the difference between the FRS17 charges (including Line 787) and the employer's contributions for the year.

Formula Grant – the main channel of government funding. This includes **Redistributed non-domestic rates**, **Revenue Support Grant** and Police grant. The distribution is determined by the Formula spending shares formulae, also taking account of authorities' relative ability to raise council tax and the floor damping mechanism. There are no restrictions on what local government can spend it on.

Redistributed non-domestic rates – non-domestic rates which, having been paid into the non-domestic rating pool, are redistributed between local authorities on the basis of population, as part of **Formula Grant**.

Revenue expenditure (line 795) - is equal to total net current expenditure (line 749), plus capital financing costs and a few minor adjustments, but excludes expenditure financed by grants outside **Aggregate External Finance**. Revenue expenditure is financed by grants inside Aggregate External Finance, council tax and authorities' reserves.

Revenue Support Grant – a general grant which replaced rate support grant in 1990-91. Now it is distributed as part of **Formula Grant**.

Data quality

1. This Statistical Release contains National Statistics and as such has been produced to the high professional standards set out in the National Statistics Code of Practice. National Statistics products undergo regular quality assurance reviews to ensure that they meet customer demands.
2. The information in this Statistical Release is calculated from 477 valid returns grossed up to allow for one invalid return at the time of processing.
3. Figures are subjected to rigorous pre-defined validation tests both within the form itself, while the form is being completed by the authority, and also as the data are received and stored.
4. Finally, the release document, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.
5. Please note that the figures in this release have not been adjusted to take into account changes of responsibility between 2006-07 and 2007-08.

Uses made of the data

1. The data in this Statistical Release are essential for a number of different purposes. A central and immediate purpose is to provide the Secretary of State, Ministers, HM Treasury and the Office for National Statistics with the most up to date information available on local authority revenue spending for decision making. In particular, the data are provided to HM Treasury to inform the Chancellor's Pre Budget Report.
2. The data are also important sources for various evidence based policy and financial decisions and answering numerous parliamentary questions. In addition they are used by local authorities and their associations, regional bodies, members of the business community and the general public.

Background Notes

1. This Statistical Release can be found at the following web address:
<http://www.local.communities.gov.uk/finance/stats/natstats.htm#rev>
2. 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 contact Peter Gibb on 020 7944 4176 or email LGF1.REVENUE@communities.gsi.gov.uk.
3. Timings of future releases are regularly placed on the Department's website, www.communities.gov.uk and on the National Statistics website, www.statistics.gov.uk/press_release/currentreleases.asp
4. Final Revenue Outturn figures will be published in a further Statistical Release later this year.
5. The notes, which accompany each form sent to local authorities, can be found at: www.local.communities.gov.uk/finance/stats/lgforms/Revenue.htm
6. For a fuller picture of recent trends in local government finance, readers are directed to *Local Government Finance Statistics England* No. 18 2008, which is available in hard copy from Wetherby Publications Centre at communities@twoten.com (Tel. 0870 1226 236) and electronically from the Communities and Local Government website:
<http://www.local.communities.gov.uk/finance/stats/lgfs/2008/index.htm>
7. Both the Scottish Government and the Welsh Assembly Government also collect revenue outturn data. Their information can be found at the following websites:

Scotland:

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance>

Wales:

<http://wales.gov.uk/topics/statistics/theme/loc-gov/?lang=en>

Symbols and conventions

...	=	not available
0	=	zero or negligible
n/a	=	not applicable
	=	discontinuity
(P)	=	provisional

Rounding

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