

## CHAPTER 2

# Summary of Combined Authority Accounts: 1995/96 to 1998/99 Outturn

- 2.1. This section summarises local authority spending and income. All accounts are combined but pension funds are excluded. The actuarial reserves of the pension funds are owned by the fund members and these are part of the financial corporation sector in the National Accounts, not part of the local government sector. This information is given separately in **Table 8.1**.
- 2.2. Where possible, the tables in this chapter eliminate double counting of flows of money. There are three types of such flows:
  - (i) *Between services within the same account.* The most significant flow or recharge of this kind is from general administration to other services. On the revenue outturn (RO) returns, the general administration recharged to services scores as running expenses under both 'general administration' and the service line, and as 'other income' to general administration. Adjustments have been made to figures in **Table 2.1** (and **Table 3.1**) so that such costs only score as running expenses under the appropriate service line.
  - (ii) *Between accounts of the same authority.* For example, contributions by the General Fund revenue account to the Housing revenue account.
  - (iii) *Between authorities.* This occurs when an authority pays another authority for goods and services it provides (for example, payments to other local education authorities in respect of pupils educated outside their area of residence).

The most significant of these flows can be identified and eliminated but some cannot, such as recharges made by services other than general administration and some payments and receipts between authorities.

- 2.3. **Table 2.1** summarises gross expenditure and income for each of the main local authority accounts. There are several different measures of "gross expenditure". The measure used in **Table 2.1** excludes payments of rent rebates to tenants and payments of community charge or council tax benefits. These payments are excluded because their purpose is to *finance* local authority expenditure rather than to *increase* it.
- 2.4. Total gross expenditure (excluding identifiable double counting) totalled around £74 billion in 1995/96, £76 billion in 1996/97, £77 billion in 1997/98 and £81 billion in 1998/99. In order to make expenditure and income balance, after allowing for changes in levels of borrowing and investments, it is necessary to make an adjustment to allow for cash/accruals and other timing differences. This adjustment for 1995/96 was £407 million, for 1996/97 was £983 million, for 1997/98 was £841 million and for 1998/99 was £464 million.
- 2.5. **Table 2.2** gives a breakdown of expenditure by service. In 1998/99, 50% of local authority gross spending (revenue and capital combined) was accounted for by just two services – education and housing. **Figure 2.1** shows this breakdown of expenditure by services.
- 2.6. **Table 2.3** gives the sources of gross revenue and capital income. In 1998/99, 46% came from central government grants and subsidies. This is shown in **Figure 2.2**.

**Table 2.1: Summary of gross expenditure and income (excluding double counting of flows):  
1995/96 to 1998/99**

	£ million				
GROSS EXPENDITURE <sup>(a)</sup>	1995/96	1996/97	1997/98	1998/99	Table ref.
<b>General fund revenue account:</b>					
Employees	29,381	30,237	31,167	32,524	3.1
Running expenses <sup>(b)</sup>	29,766	31,208	32,250	34,872	3.1
less <sup>(1)</sup>	(1,306)	(1,217)	(1,214)	(1,148)	
<b>Housing revenue account:</b>					
Supervision, management, repairs and other expenditure	4,290	4,351	4,279	4,356	3.5
<b>External Trading services revenue accounts:</b>					
Employees	259	300	289	155	3.6
Running expenses	761	776	816	626	3.6
Parish precepts	122	133	144	154	4.1
External interest payments (all accounts)	3,276	3,224	2,987	3,168	
<b>Total revenue expenditure <sup>(c)</sup></b>	<b>66,549</b>	<b>69,012</b>	<b>70,718</b>	<b>74,707</b>	2.2
<b>Capital account:</b>					
Rate/General Fund services <sup>(d)</sup>	5,363	4,944	4,589	4,830 <sup>(f)</sup>	6.1
Housing revenue account <sup>(d)</sup>	1,394	1,322	1,563	1,660	6.1
Trading services <sup>(d)</sup>	153	154	146	140	6.1
<b>Total capital expenditure</b>	<b>6,910</b>	<b>6,420</b>	<b>6,298</b>	<b>6,630</b>	6.1
Capitalised current expenditure <sup>(e)</sup>	109	164	193	94	6.5 & 2.2
<b>Total gross expenditure</b>	<b>73,568</b>	<b>75,596</b>	<b>77,209</b>	<b>81,431</b>	2.2

(a) See paragraph 2.3.

(b) Comprises running expenses from Tables 3.1 and items of non-current expenditure, such as leasing payments, payments to central government in respect of grant maintained schools and bad debt provision. For 1995/96 to 1997/98, running expenses excluded expenditure on joint arrangements. In 1998/99 the joint arrangements figure was not separately identified and is included within the running expenses figure. In 1997/98 these joint arrangements amounted to some £500m.

(c) Excluding double counting of flows between revenue accounts and repayments of principal of debt.

(d) Payments of fixed assets, payments on grants and advances, acquisition of share or loan capital, credit cover required for leases and credit cover required for other credit arrangements.

(e) Comprises expenditure under section 40(6) and LSVT levy.

(f) From 1997/98 agriculture and fisheries trading and theatres trading are not collected separately and are included with Rate/General Fund services. In 1996/97 capital expenditure on these trading services was £14 million.

(g) Revenue Support Grant, non-domestic rates from the pool and certain special grants are paid into authorities' General Funds. Council tax benefit and transitional reduction scheme grant are paid by central government into billing authorities' General Funds and then transferred into the Collection Funds.

(h) Council tax income is net of council tax benefit and transitional reduction scheme grant but gross of income support.

(i) Excludes council tax benefit grant and council tax transitional reduction scheme grant.

(j) Other income except interest receipts. For 1995/96 to 1997/98, other income excluded income on joint arrangements. In 1998/99 the joint arrangements figure was not separately identified and is included within the other income figure. In 1997/98 these joint arrangements amounted to some £300m.

(k) Comprising Local Authority Social Housing Grant and European grants.

(l) Capital receipts comprises disposal of fixed assets, leasing disposals, repayments of grants and advances, disposal of share or loan capital and disposal of other investments.

(m) Increase in local authority investments excluding inter-authority investments.

(n) An accruals adjustment is required to allow for the fact that some figures (such as borrowing) are on a cash basis (ie in respect of payments made or income received during the year) and some figures (eg revenue expenditure) are on an accruals basis (ie in respect of the period for which transactions took place).

(o) Comprises payments/receipts in respect of students educated by another local education authority only.

(p) Other income except interest receipts.

	£ million				
<b>GROSS INCOME</b>	<b>1995/96</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>Table ref.</b>
<b>General Fund revenue account <sup>(g)</sup></b>					
Council taxes and non-domestic rates <sup>(h)</sup>	19,316	21,310	21,292	22,908	4.6
Council tax benefit grant	1,699	1,790	1,863	1,840	
Council tax transitional reduction scheme grant	27	2	15	11	5.4
Revenue support grant to Local Authorities	18,296	18,001	18,650	19,480	4.6
SSA Reduction grant	261	220	123	102	
Specific and special government grants <sup>(i)</sup>	12,474	11,945	12,618	12,678	4.7
Sales, fees and charges	4,447	4,875	5,473	6,159	3.1
Other income <sup>(j)</sup>	4,791	4,800	4,919	5,676	3.1
less <sup>(2)</sup>	(1,137)	(1,045)	(1,003)	(969)	
<b>Housing revenue account:</b>					
Rents (net of rebates)	2,777	2,823	2,869	3,010	3.5
Government subsidies and grants	3,986	3,918	3,633	3,371	3.5
Other income	344	358	326	364	3.5
less <sup>(3)</sup>	(21)	(13)	(10)	(10)	
<b>External trading services revenue accounts:</b>					
Sales, Fees and charges	1,008	1,052	1,099	861	3.6
Other income <sup>(p)</sup>	244	272	237	175	3.6
<b>External interest receipts (all accounts)</b>					
	<b>793</b>	<b>720</b>	<b>793</b>	<b>990</b>	
<b>Total revenue income</b>					
	<b>69,305</b>	<b>71,028</b>	<b>72,896</b>	<b>76,646</b>	
<b>Capital account:</b>					
Government grants	1,484	1,388	1,262	1,160	6.5
Grants used for debt redemption <sup>(k)</sup>	418	425	426	443	
Other grants and contributions	230	281	389	485	6.5
Capital receipts <sup>(l)</sup>	1,995	2,183	2,349	2,662	6.1
<b>Total capital income</b>					
	<b>4,127</b>	<b>4,277</b>	<b>4,426</b>	<b>4,750</b>	
Notional borrowing i.r.o. credit cover for credit arrangements					
	34	9	14	12	
Increase in borrowing	618	554	52	440	7.2
less increase in investments <sup>(m)</sup>	(979)	(1,279)	(1,044)	(896)	7.3
net change in capital creditors	56	24	24	15	6.5
Accruals adjustment and balancing item <sup>(n)</sup>	407	983	841	464	
<b>Total gross income</b>					
	<b>73,568</b>	<b>75,596</b>	<b>77,209</b>	<b>81,431</b>	<b>2.3</b>
Double accounting adjustments (as numbered above)					
<b>EXPENDITURE</b>					
	<b>1995/96</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>Table ref.</b>
<b>(1)</b>					
Net contribution to housing revenue account	(22)	(40)	(42)	(50)	3.1
Net contribution to trading services revenue accounts	53	64	92	63	3.1
Recharges to other accounts	1,039	966	907	844	
Payments to other local authorities <sup>(o)</sup>	114	94	113	137	
Parish Precepts	122	133	144	154	
<b>INCOME</b>					
<b>(2)</b>					
Recharges to other accounts	1,039	966	907	844	
Receipts from other local authorities <sup>(o)</sup>	99	79	96	125	
<b>(3)</b>					
Housing benefit transfers from other revenue account	21	13	10	10	

Table 2.2: Local authority gross expenditure by service: 1998/99

	Capital expenditure		Capitalised current expenditure		Revenue expenditure <sup>(a)</sup>		Total gross expenditure	
	£ million	%	£ million	%	£ million	%	£ million	%
Education	995	15	9	10	24,014	32	25,018	31
Personal Social Services	140	2	5	5	12,247	16	12,392	15
Police	252	4	0	0	7,117	10	7,369	9
Fire	49	1	3	3	1,552	2	1,604	2
Transport	1,053	16	1	1	3,680	5	4,734	6
Other H O/LC Dept. Services*	44	1	0	0	1,158	2	1,202	1
Housing <sup>(b)</sup>	2,513	38	0	0	11,176	15	13,689	17
Libraries and Art Galleries <sup>(c)</sup>	92	1	0	0	1,110	1	1,202	1
Sports and Recreation	235	4	0	0	870	1	1,105	1
Local Environmental Services	1,140	17	76 <sup>(c)</sup>	81	5,442	7	6,658	8
Other Services <sup>(d)</sup>	115	2	0	0	6,340	9	6,455	8
<b>All services</b>	<b>6,630</b>	<b>100</b>	<b>94</b>	<b>100</b>	<b>74,707</b>	<b>100</b>	<b>81,431</b>	<b>100</b>

\*HO – Home Office/LC – Lord Chancellor

(a) Expenditure not directly attributable to any particular service has been allocated in proportion to non-HRA running expenses.

(b) Revenue Expenditure includes expenditure on housing paid through all accounts, in particular mandatory rent allowances paid through the general fund revenue account. The figure is therefore not comparable with the housing revenue account figure in Table 2.1.

(c) Capital expenditure on arts activities and facilities (including theatres) is included under Other Services with a view to consistency with Revenue figures. In table 6.1 it is included under arts and libraries.

(d) Figure includes 'Other Services'.

Figure 2.1: Local authority gross expenditure by service 1998/99

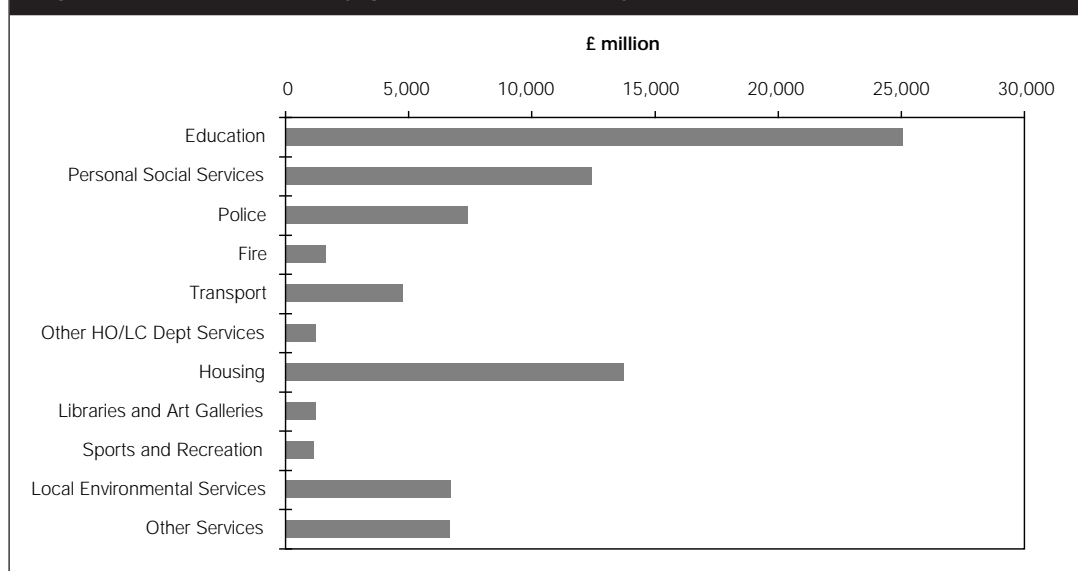


Table 2.3: Local authority income by source: 1998/99

	£ million	%	Table
<b>Government Funded</b>			
Revenue support grant to local authorities	19,480	24	2.1
National Non-domestic Rates	12,524	15	4.6
Hypothecated revenue grants	16,151	20	2.1
Hypothecated capital grants	1,603	2	2.1
<b>Local Authority Funded</b>			
Council Tax	10,384	13	5.4.
Council Tax Grants <sup>(a)</sup>	1,851	2	2.1
Revenue from services <sup>(b)</sup>	15,276	19	2.1
of which			
Sales, Fees and Charges (General Fund Revenue)	6,159	8	2.1
Rents (Housing Revenue Account)	3,010	4	2.1
Sales, Fees and Charges (Trading Services Revenue)	861	1	2.1
Other Income (General Fund Revenue)	5,676	7	2.1
Adjustments	(969)	(1)	2.1
Other Income (Housing Revenue Account)	364	0	2.1
Other Income (Trading Services Revenue)	175	0	2.1
Proceeds from disposals	2,662	3	2.1
External interest receipts	980	1	2.1
Other	520	1	2.1
of which			
National borrowing i.ro credit	12	0	2.1
Increase in Borrowing	440	1	2.1
Net change in capital creditors	15	0	2.1
Other grants and contributions	485	1	2.1
Increase in investments	(896)	(1)	2.1
Accruals adjustment and balancing item	464	1	2.1
<b>All income</b>	<b>81,431</b>	<b>100</b>	

(a) Council tax transitional reduction scheme grant and council tax benefit grant.

(b) Including rents. Net of recharged administration income.

(c) Includes non-central government capital grants and contributions, credit cover for credit arrangements, increase in borrowing, decrease in investments, accruals adjustment and balancing item.

Figure 2.2: Local authority gross income by source 1998/99

