

Statistical Release

14 June 2006

LOCAL AUTHORITY CAPITAL EXPENDITURE AND RECEIPTS

England: 2005-06 Provisional Outturn & 2006-07 Forecast

- **Capital expenditure by local authorities in England rose by 19% in 2005-06 to stand at £16.9bn and is forecast to remain at about the same level in 2006-7.**
- **Capital receipts fell back by 20% in 2005-06, owing to a fall in the level of Right To Buy sales, but are forecast to rise by 7% in 2006-07.**

This Release provides provisional outturn estimates of local authority capital expenditure and receipts in the financial year April 2005 to March 2006 and forecasts of local authority capital expenditure and receipts in the financial year April 2006 to March 2007.

The information for 2005-06 is derived from Capital Payments and Receipts Returns (CPR4) submitted by local authorities in England and is based on returns from 476 of the 477 authorities that complete the return. The only authority that did not submit a completed form in time for this Release is Ashfield DC. The information for 2006-07 is derived from Capital Estimates Returns (CER) submitted by all 477 local authorities in England.

The Release has been compiled by Local Government Finance Statistics division of DCLG.

Capital expenditure and receipts 2001-02 to 2006-07

1. **Chart A** and **Table 1** illustrate the change in capital expenditure and receipts from 2001-02 to 2006-07.

- Capital expenditure by local authorities in England is estimated to have increased by 19% in 2005-06 and is forecast to remain at about the same level in 2006-7.
- New construction and conversion contributed £2.0bn of the overall increase of £2.7bn between 2004-05 and 2005-06.
- The increase of £0.7bn in other capital expenditure mostly comprised two major projects.
- Capital receipts fell back by 20% in 2005-06, owing to a fall in the level of Right To Buy sales, but are forecast to rise by 7% in 2006-07.

Chart A: Expenditure and receipts from 2001-02 to 2006-07

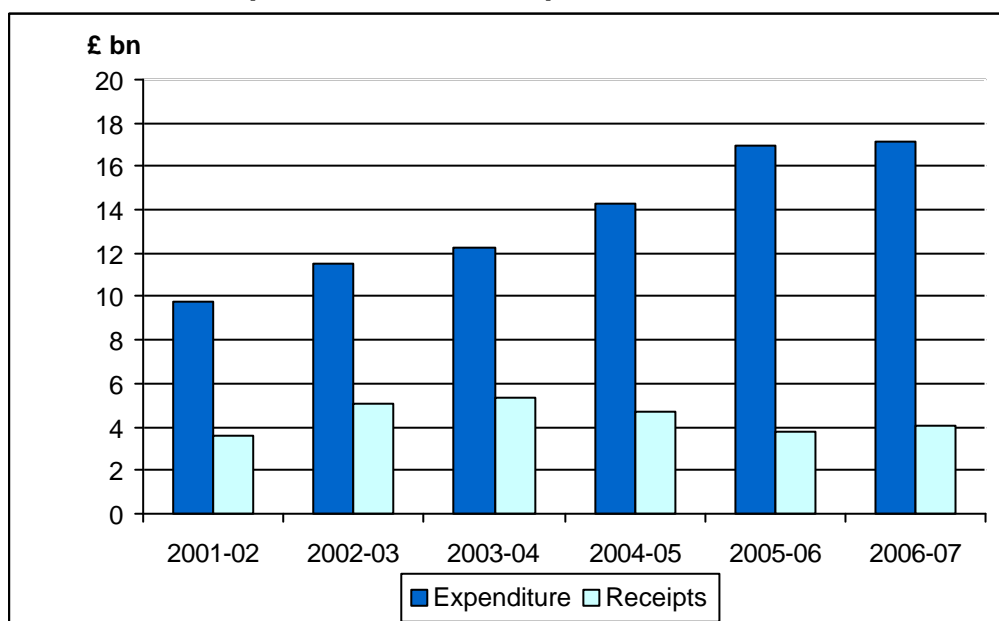


Table 1: Local authority capital expenditure and receipts : England

	2001-02	2002-03	2003-04	2004-05	2005-06 (P)	2006-07 (F)
£million						
Expenditure:						
New construction & conversion	7,385	8,768	9,615	10,543	12,528	13,245
Other fixed assets	1,141	1,519	1,653	2,432	2,437	2,241
Other capital expenditure	1,215	1,220	1,014	1,301	1,974	1,674
Total capital expenditure	9,741	11,508	12,282	14,276	16,939	17,161
Receipts	3,579	5,040	5,322	4,661	3,744	4,013

(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 2004-05 and 2006-07.

- **Local authority capital spending continued to grow across all service categories in 2005-06, with capital spending in transport services showing the largest proportionate increase. Spending in the other services contributed the largest absolute increase of £1.0bn between 2004-05 and 2005-06.**
- **Capital expenditure in transport and housing services is forecast to fall in 2006-07 while spending in the education services is forecast to show a small increase.**

Chart B: Capital expenditure in 2004-05 to 2006-07 by service

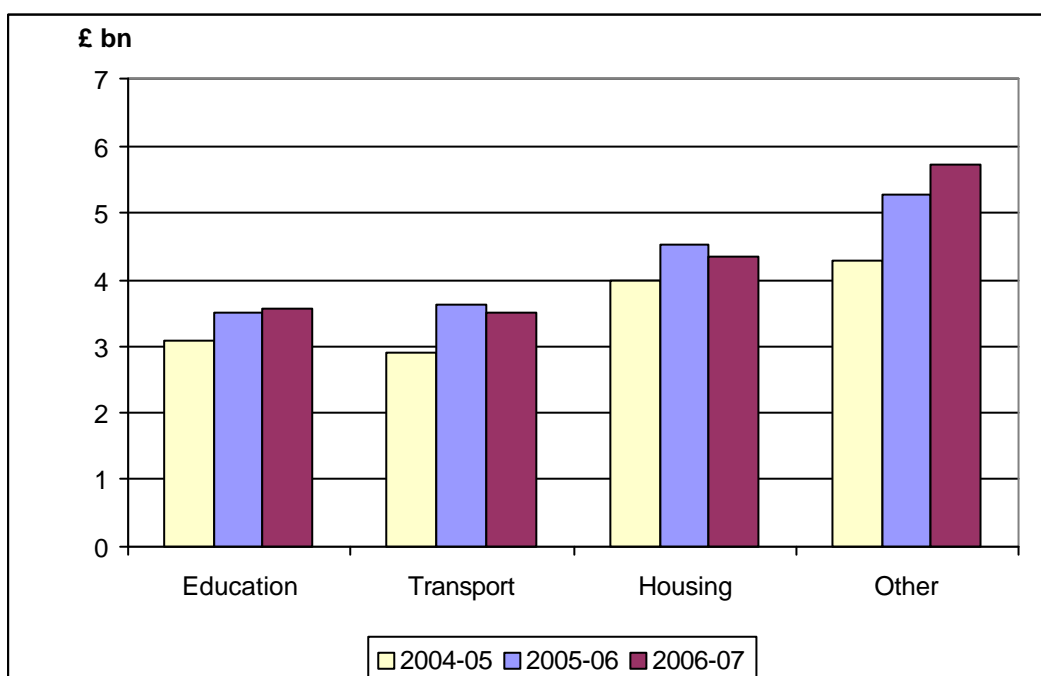


Table 2: Local authority capital expenditure by service : England

	2001-02	2002-03	2003-04	2004-05	2005-06 (P)	2006-07 (F)
Education	2,064	2,287	2,780	3,087	3,508	3,581
Transport	1,877	2,461	2,552	2,906	3,632	3,506
Housing	3,110	3,828	3,485	3,987	4,538	4,353
Other	2,690	2,932	3,466	4,296	5,261	5,720
Total expenditure	9,741	11,508	12,282	14,276	16,939	17,161

(P) = Provisional (F) = Forecast

3. **Tables 3 (a and b) and 4** provide a service breakdown of estimated provisional expenditure and receipts for 2005-06. 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.

- **Total capital expenditure by local authorities in England during 2005-06 is provisionally estimated to be £16.9bn and capital receipts to be £3.7bn.**

Table 3a : Local authority capital expenditure on fixed assets : England 2005-06 : provisional outturn by economic category and service

	Acquisitions of existing land & buildings	New Construction & conversion	Vehicles, plant & machinery	Intangible fixed assets	£ million Total expenditure on fixed assets
Education	100	3,176	166	5	3,447
Transport	76	2,800	90	34	3,000
Social services	24	274	48	7	353
Housing	316	3,499	83	12	3,911
Agriculture & fisheries	0	19	0	0	19
Libraries, culture & heritage	14	295	20	1	329
Sport & recreation	14	411	26	1	452
Police	33	241	330	11	615
Fire	7	38	49	3	97
Magistrates' courts	0	0	0	0	0
Other	296	1,775	531	139	2,741
TOTAL	881	12,528	1,343	213	14,965

Table 3b : Local authority capital expenditure : England 2005-06 : provisional outturn by service

	Total expenditure on fixed assets	Grants	Loans & other financial assistance	Acquisition of share or loan capital	£ million Total capital expenditure
Education	3,447	60	1	0	3,508
Transport	3,000	629	4	0	3,632
Personal social services	353	31	2	0	386
Housing	3,911	583	43	1	4,538
Agriculture & fisheries	19	0	0	0	20
Libraries, culture & heritage	329	12	0	0	342
Sport & recreation	452	24	2	0	478
Police	615	6	1	0	622
Fire	97	1	0	0	97
Magistrates' courts	0	0	0	0	0
Other	2,741	252	49	273	3,316
TOTAL	14,965	1,597	103	274	16,939

Table 4: Local authority capital receipts : England 2005-06 : provisional outturn by economic category and service

	Receipts from sale of fixed assets	Intangible assets	Repayments of grants and advances	Disposal of investments inc. share or loan capital	£ million Total capital receipts
Education	209	0	0	0	209
Transport	64	0	0	14	79
Personal social services	83	0	0	0	84
Housing	2,009	80	31	0	2,120
Agriculture & fisheries	53	0	0	0	53
Libraries, culture & heritage	6	0	0	0	6
Sport & recreation	36	0	0	0	37
Police	99	0	0	0	100
Fire	8	0	0	0	8
Magistrates' courts	0	0	0	0	0
Other	998	3	17	32	1,049
TOTAL	3,565	83	49	46	3,744

4. Tables 5 and 6 provide a service breakdown of forecast expenditure and receipts for 2006-07. 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.

- **Total capital expenditure by local authorities in England during 2006-07 is forecast to be £17.2bn and capital receipts to be £4.0bn.**

Table 5: Local Authority capital expenditure & receipts : England 2006-07 : forecast by service

	Expenditure	£ million Receipts
Education	3,581	399
Transport	3,506	91
Social services	469	126
Housing	4,353	1,929
Sport & recreation	621	57
Police	674	95
Other	3,956	1,315
TOTAL	17,161	4,013

Table 6 : Local Authority capital expenditure & receipts : England 2006-07 : forecast by economic category

	£ million
Acquisitions of land and existing buildings	960
New construction, conversion and renovation	13,245
Vehicles, plant equipment, and machinery	1,135
Intangible fixed assets	146
Total expenditure on fixed assets	15,487
Expenditure for capital purposes on grants	1,563
Expenditure for capital purposes on loans & other financial assistance	62
Acquisition of share or loan capital	17
Total capital expenditure	17,161
Sales of fixed assets	3,952
Intangible fixed assets	2
Repayments of grants and advances	32
Disposal of investments including share or loan capital	27
Total capital receipts	4,013

Local authorities' own reported estimates for 2005-06 and 2006-07

5. **Table 7** provides a summary of local authorities' own provisional estimates of what they spent in 2005-06 and a breakdown of how they financed that expenditure and corresponding information about the forecasts for 2006-07. None of the figures in Table 7 have been adjusted for likely differences between provisional and final outturn spending.

Local authorities' own reported information on prudential system: 2005-06

6. **Table 8** provides provisional outturn information about the prudential system in 2005-06.
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 : provisional outturn 2005-06 & forecast 2006-07

Reported by local authorities	£ million	
	2005-06	2006-07
Acquisitions of land and existing buildings and works	855	1,022
New construction and conversion	12,163	14,091
Vehicles, plant equipment and machinery	1,304	1,208
Intangible fixed assets	207	155
Total expenditure on fixed assets	14,529	16,475
Expenditure for capital purposes on grants	1,551	1,663
Expenditure for capital purposes on loans & other financial assistance	100	66
Acquisition of share or loan capital	266	18
TOTAL CAPITAL EXPENDITURE	16,445	18,222
Expenditure treated as capital expenditure under s16(2)(b) direction	45	24
Payment of LSVT levy	6	10
TOTAL EXPENDITURE AND OTHER TRANSACTIONS	16,496	18,256
Sales of fixed assets	3,461	3,763
Sale of intangible assets	81	2
Repayments of grants, loans & other financial assistance	48	31
Disposal of investments incl. share or loan capital	45	26
TOTAL CAPITAL RECEIPTS	3,635	3,821
Capital grants from central government departments	3,749	3,956
Capital grants from European Union Structural Funds (including ERDF)	187	206
Grants and contributions from private developers and from leaseholders, etc	478	522
Grants and contributions from non-departmental public bodies	440	545
Capital grants from the National Lottery	200	177
Use of capital receipts	2,694	3,455
Capital expenditure financed from the Housing Revenue Account	213	300
Capital expenditure financed by the Major Repairs Reserve (MRR)	1,317	1,302
Capital expenditure financed from the General Fund Revenue Account	1,137	1,220
SCE(R) Single Capital Pot	2,992	3,014
SCE(R) Separate Programme Element	715	791
Other borrowing and credit arrangements not supported by central government	2,375	2,768
TOTAL RESOURCES USED TO FINANCE CAPITAL EXPENDITURE	16,496	18,256

Table 8 - Local authority capital expenditure : prudential information : England : provisional outturn 2005-06**Reported by local authorities**

	as at 1 April 2005	in 2005-06	£ million as at 31 March 2006
Capital Financing Requirement as at 1 April 2005	39,967		
Capital expenditure to be resourced by means of credit (+)		6,082	
Minimum Revenue Provision & voluntary contributions (-)		1,175	
Change in Capital Financing Requirement		4,907	
Capital Financing Requirement as at 31 March 2006			44,874
Investments	19,103		21,131
Gross borrowing	40,023		45,544
Other long-term liabilities	<u>992</u>		<u>1,094</u>
Total external debt	41,015		46,638
Operational boundary for external debt	50,672		52,501
Authorised limit for external debt	58,577		63,409

Background Notes

1. 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.
2. The information for 2005-06 in this Statistical Release is derived from Capital Payments and Receipts Returns (CPR4) submitted by local authorities in England and is based this time on a response from 476 of the 477 authorities. The only authority that did not submit a completed form in time for this Release is Ashfield DC. The information for 2006-07 is derived from Capital Estimates Returns (CER) submitted by all 477 local authorities in England.
3. The adjustments made to local authorities' own estimates in order to calculate the main estimates (see paras 3 and 4) 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 0.94 and 1.05 respectively.
4. Further adjustments have been made to avoid double counting the GLA grants to other London authorities.
5. Enquiries about this Statistical Release should be addressed to Donna Obembe at donna.obembe@communities.gsi.gov.uk (Tel. 020 7944 4068).
6. Timings of future statistical releases are regularly placed on the DCLG website, www.communities.gov.uk and on the ONS National Statistics website, www.statistics.gov.uk
7. For a fuller picture of recent trends in local government finance readers are directed to "Local Government Financial Statistics England" No. 16 2005 which is available in hard copy from Wetherby Publications Centre at odpm@twoten.press.net (Tel. 0870 1226236) and electronically in PDF format via the DCLG web site:

<http://www.local.communities.gov.uk/finance/stats/lqfs/2005/index.htm>
8. Final outturn estimates of capital expenditure and receipts in 2005-06 will be published in a National Statistics Release later this year.