

# *Statistical Release*

30 August 2007

## LOCAL AUTHORITY REVENUE EXPENDITURE AND FINANCING

### ENGLAND

#### 2006-07 PROVISIONAL OUTTURN

- **Net current expenditure by local authorities in England was estimated to be £103.1 billion in 2006-07 compared with £97.2 billion in 2005-06, an increase of 6%.**
- **37% of net current expenditure in 2006-07 was on education, 18% on social services, 12% on housing benefits and 11% on police.**
- **24% of revenue expenditure was funded through council tax, 26% through formula grant and 44% from specific grants. The changes in specific and formula grants, as compared to 2005-06, are largely due to the introduction of Dedicated Schools Grant. This is included in specific grants and replaces funding previously included in formula grant.**

This release provides provisional outturn estimates of local authority revenue expenditure and financing for the financial year April 2006 to March 2007 on an FRS17 basis.

This information is derived from Revenue Summary (RS) Outturn Returns submitted by local authorities in England. The estimates in this release are calculated from 476 valid returns grossed up to allow for one invalid return at the time of processing and one authority that failed to submit its return in time for use in this release (Isles of Scilly).

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

#### Contact points

Press enquiries - telephone 020 7944 3042 email [press.office@communities.gsi.gov.uk](mailto:press.office@communities.gsi.gov.uk)

Other enquiries – telephone 020 7944 4176 email [lgf1.revenue@communities.gsi.gov.uk](mailto:lgf1.revenue@communities.gsi.gov.uk)

## Net current expenditure by service

1. Net current expenditure in 2006-07 is summarised in **Table 1** and **Chart A**. **Table 1** also shows net current expenditure in 2005-06. 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**, at the end of this release.

- Net current expenditure by local authorities in England was estimated to be £103.1 billion in 2006-07 compared with £97.2 billion in 2005-06, an increase of 6%.
- 37% of net current expenditure in 2006-07 was on education, 18% on social services, 12% on housing benefits and 11% on police.

**Table 1: Net current expenditure by service 2005-06 and 2006-07**

	£ million		
	Net current expenditure 2005-06	Net current expenditure 2006-07	% Change
Education	36,017	37,696	5
Highways and transport	4,839	5,334	10
Social Services	17,358	18,094	4
Housing (excluding Housing Revenue Account)	2,239	2,400	7
Cultural, environmental and planning	9,189	9,667	5
<i>of which:</i>			
<i>Cultural</i>	2,967	3,158	6
<i>Environmental</i>	4,245	4,536	7
<i>Planning and development</i>	1,977	1,972	0
Police	10,957	11,651	6
Fire & rescue	2,040	2,183	7
Courts	58	63	9
Central services	2,422	3,380	40
Other services	213	122	-43
Mandatory rent allowances	7,592	8,268	9
Mandatory rent rebates to non-HRA tenants	787	925	18
Mandatory rent rebates to HRA tenants	3,448	3,354	-3
<b>Total net current expenditure</b>	<b>97,159</b>	<b>103,136</b>	<b>6</b>

## Revenue expenditure and financing

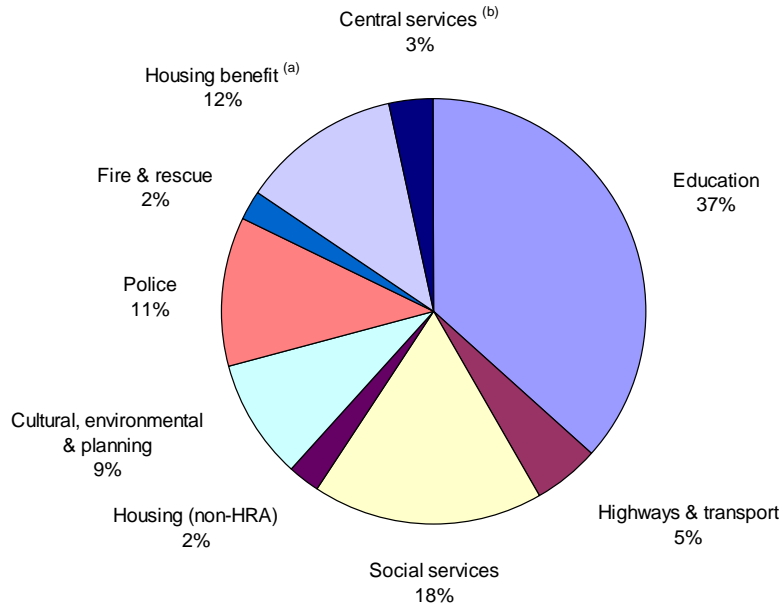
2. **Table 2** shows the link between the definitions of net current and revenue expenditure and shows how revenue expenditure was financed in 2006-07 compared to 2005-06. A more detailed breakdown of this information can be found in **Annex A**. **Chart B** illustrates how revenue expenditure was financed in 2006-07.

- Revenue expenditure was £94.0 billion in 2006-07, compared with £89.0 billion in 2005-06, an increase of 6%.
- Capital financing costs in 2006-07 amounted to £3.0 billion, compared to £2.5 billion in 2005-06. In 2006-07 £1.1 billion of capital expenditure was charged to the revenue account, up from £0.9 billion in 2005-06.
- Interest receipts in 2006-07 totalled £1.5 billion, up from £1.2 billion in 2005-06.
- Other non-current expenditure in 2006-07 includes the payment of council tax benefit of £3.2 billion, but this is netted off by income from specific grants outside Aggregate External Finance (AEF).
- Specific grants outside AEF increased from £18.3 billion in 2005-06 to £19.6 billion in 2006-07, an increase of 7%. Specific grants inside AEF increased from £14.8 billion to £41.5 billion.
- The changes in specific and formula grants, as compared to 2005-06, are largely due to the introduction of Dedicated Schools Grant. This is included in specific grants and replaces funding previously included in formula grant.
- In 2006-07, 24% of revenue expenditure was funded through council tax, 26% through formula grant (Revenue Support Grant, redistributed non-domestic rates and police grant) and 44% from specific grants.

**Table 2: Revenue expenditure and financing 2005-06 and 2006-07**

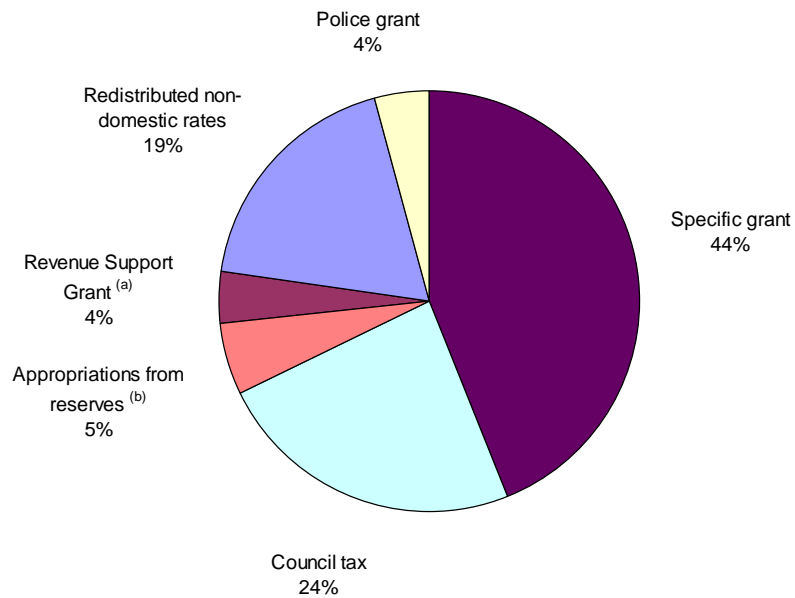
	£ million		
	2005-06	2006-07	% Change
<b>Net current expenditure</b>	<b>97,159</b>	<b>103,136</b>	<b>6</b>
<u>plus non-current expenditure</u>			
Capital financing <sup>(a)</sup>	2,460	2,984	21
Capital expenditure charged to Revenue Account	891	1,095	23
Council tax benefit	3,081	3,235	5
Discretionary Non-Domestic Rate relief	25	24	-2
Bad debt provision	62	67	9
Flood defence payments to Environment Agency	26	23	-11
Pension interest costs	4,785	4,534	-5
<i>less interest receipts</i>	1,214	1,482	22
<i>less specific grants outside AEF <sup>(b)</sup></i>	18,269	19,603	7
<b>Revenue expenditure</b>	<b>89,005</b>	<b>94,014</b>	<b>6</b>
<u>financed by:</u>			
Specific grants inside AEF <sup>(b)</sup>	14,785	41,470	n/a
Transfers and adjustments <sup>(c)</sup>	-24	-17	29
Appropriations to (-) / from (+) revenue reserves	-815	-751	8
Appropriations to (-) / from (+) pension reserves	4,582	5,890	29
Formula grant	49,020	24,820	n/a
<i>of which:</i>			
<i>Revenue Support Grant</i>	26,663	3,378	n/a
<i>Redistributed non-domestic rates</i>	18,004	17,506	-3
<i>Police grant</i>	4,353	3,936	-10
General Greater London Authority (GLA) grant	37	38	1
Other items	104	111	7
Council tax	21,315	22,453	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 Background Notes 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>			

**Chart A: Net current expenditure by service 2006-07**



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

**Chart B: Financing of revenue expenditure in 2006-07**



(a) Revenue Support Grant includes General GLA grant and 'Other items'  
 (b) Appropriations from reserves includes adjustments, and appropriations from the FRS17 pensions reserve

## Detailed outturn information

3. **Annex A (RS)** and **Annex B (RSX)** show all England summaries of the outturn information in the same way as it is returned to Communities and Local Government. 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. The notes, which accompany each form sent to local authorities, can be found at:

[www.local.communities.gov.uk/finance/stats/lqfforms/Revenue.htm](http://www.local.communities.gov.uk/finance/stats/lqfforms/Revenue.htm)

<b>Annex A: Revenue Outturn Summary (RS) 2006-07</b>	
	<b>£ million</b>
	<b>Net current expenditure</b>
190 Education services	37,695
290 Highways, roads and transport services	5,334
390 Social services	18,094
490 Housing services (excluding Housing Revenue Account)	2,360
509 Cultural and related services	3,158
590 Environmental services	4,536
599 Planning and development services	1,972
601 Police services	11,651
602 Fire and rescue services	2,183
603 Court services	63
690 Central services	3,077
698 Other services	225
<b>699 Total service expenditure (total of lines 190 to 698)</b>	<b>90,349</b>
701 Education: student support - mandatory awards	1
711 Housing benefits: rent allowances - mandatory payments	8,268
712 Housing benefits: non-HRA rent rebates - mandatory payments	925
713 Housing benefits: rent rebates to HRA tenants - mandatory payments	3,354
714 Housing benefits: subsidy limitation transfers from HRA	45
715 Housing benefits: transfers to (+) / from (-) HRA under transitional measures	-6
718 Contribution to the HRA re items shared by the whole community	0
721 Parish precepts	280
722 Passenger Transport Authority levy	0
724 Waste Disposal Authority levy	0
727 London Pensions Fund Authority levy	22
728 Other levies	53
731 External Trading Accounts net surplus(-)/ deficit(+)	-243
732 Internal Trading Accounts net surplus(-)/ deficit(+)	72
748 Adjustments to net current expenditure	16
<b>749 Net current expenditure (total of lines 699 to 748)</b>	<b>103,136</b>
754 Local tax collection: Council tax benefit paid to the Collection Fund	3,235
757 Local tax collection: Non-domestic rate relief - discretionary payments	24
759 Levy: Environment Agency flood defence	23
761 Capital charges accounted for in External Trading Accounts	-50
762 Capital charges accounted for in Internal Trading Accounts	-70
765 Capital expenditure charged to the GF Revenue Account (CERA)	1,095
771 Provision for bad debts	67
773 Provision for repayment of principal	1,224
776 Leasing payments	20
781 Interest: external payments	2,748
783 Interest: HRA item 8 payments and receipts	-888
<b>785 Sub-total (total of lines 749 to 783)</b>	<b>110,565</b>
786 Interest and investment income (-): external receipts and dividends	-1,482
787 Pensions interest cost and expected return on pensions assets	4,534
791 Specific and special revenue grants outside AEF	-19,603
<b>795 Revenue expenditure (total of lines 785 to 791)</b>	<b>94,014</b>

*continued*

**Annex A: Revenue Outturn Summary (RS) 2006-07 (continued)**

£ million

	<b>Net current expenditure</b>		
797 Specific and special revenue grants inside AEF	-41,470		
<b>799 Net revenue expenditure (total of lines 795 to 797)</b>	<b>52,543</b>		
801 Inter-authority transfers in respect of reorganisation	8		
802 Adjustments to Formula Grant re 2004-05 and 2005-06 Amending Reports	9		
811 Appropriations to(+)/ from(-) schools' reserves	150		
815 Appropriations to(+)/ from(-) other earmarked financial reserves	409		
816 Appropriations to(+)/ from(-) unallocated financial reserves	192		
817 Appropriations to(+)/ from(-) pensions reserve	-5,890		
<b>830 The budget requirement (total of lines 799 to 817)</b>	<b>47,421</b>		
851 Revenue Support Grant	-3,378		
856 Police grant	-3,936		
858 General GLA grant	-38		
870 Redistributed non-domestic rates	-17,506		
880 Other items	-111		
<b>890 Council tax requirement (total of lines 830 to 880)</b>	<b>22,453</b>		
		<b>At 1 April 2006</b>	<b>Actuarial gains and losses</b>
<b>Financial reserves levels at start and end of 2006-07</b>			<b>At 31 March 2007</b>
911 Schools reserves level	1,596		1,746
915 Other earmarked financial reserves level	8,092		8,500
916 Unallocated financial reserves level	2,913		3,105
917 Estimated pensions reserve level	-122,083	8,977	-118,996
920 Prior Year Adjustments	78		
<b>Capital charges</b>		<b>2006-07</b>	
931 Depreciation	3,690		
933 Loss on impairment of assets	194		
934 Amortisation of deferred charges	1,381		
935 Credit for amortisation of capital grants and other capital contributions <sup>(a)</sup>	-743		
<b>939 Total capital charges (total of lines 931 to 935)</b>	<b>4,522</b>		
<b>Net current expenditure without taking FRS17 into account</b>		<b>Net current expenditure</b>	<b>Net current expenditure without FRS17</b>
961 Education services	37,695	37,430	
962 Highways, roads and transport services	5,334	5,301	
963 Social services	18,094	17,794	
964 Housing services (excluding Housing Revenue Account)	2,360	2,297	
965 Cultural and related services	3,158	3,071	
966 Environmental services	4,536	4,485	
967 Planning and development services	1,972	1,962	
971 Police services	11,651	10,948	
972 Fire & rescue services	2,183	2,027	
973 Court services	63	62	
975 Central services (excluding Non-distributed costs: retirement benefits)	2,645	2,586	
976 Non-distributed costs: retirement benefits	432	489	
978 Other services	225	567	
981 External Trading Accounts net surplus(-)/ deficit(+)	-243	-242	
982 Internal Trading Accounts net surplus(-)/ deficit(+)	72	45	
986 Pensions interest cost and expected return on pensions assets	4,534		
987 Appropriations to(+)/ from(-) pensions reserve	-5,890		
<b>989 Total (total of lines 961 to 987)</b>	<b>88,822</b>	<b>88,822</b>	

(a) 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 the line with the depreciation charge

## Annex B: Revenue Outturn Service Expenditure Summary (RSX) 2006-07

	£ 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	28,767	14,226	42,993	2,049	3,250	5,298	37,695	1,414	39,109
290 Highways, roads and transport services	1,165	6,758	7,923	1,860	729	2,589	5,334	878	6,212
390 Social services	6,734	15,774	22,507	2,282	2,132	4,413	18,094	180	18,274
490 Housing services (excluding Housing Revenue Account)	730	2,780	3,510	611	539	1,149	2,360	380	2,741
509 Cultural and related services	1,792	2,689	4,481	834	489	1,323	3,158	365	3,523
590 Environmental services	1,505	4,536	6,041	809	696	1,505	4,536	133	4,669
599 Planning and development services	1,183	1,928	3,110	672	466	1,138	1,972	352	2,324
601 Police services	10,337	2,128	12,465	362	452	814	11,651	254	11,905
602 Fire & rescue services	1,825	444	2,268	37	49	85	2,183	78	2,261
603 Court services	21	69	90	2	24	26	63	2	65
690 Central services	5,679	6,685	12,364	1,171	8,116	9,287	3,077	450	3,527
698 Other services	236	442	678	116	337	454	225	35	260
<b>699 Total service expenditure (total of lines 190 to 698)</b>	<b>59,973</b>	<b>58,459</b>	<b>118,432</b>	<b>10,805</b>	<b>17,278</b>	<b>28,082</b>	<b>90,349</b>	<b>4,522</b>	<b>94,871</b>

## Annex C: Derivation of service lines used in Table 1

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

## 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 in this Statistical Release is derived from Communities and Local Government Revenue Outturn Summary (RS) returns submitted by local authorities in England. The estimates in this release are calculated from 476 valid returns grossed up to allow for one invalid return at the time of processing and one authority that failed to submit its return in time for use in this release.
3. The one authority that failed to submit its return in time is:
  - Isles of Scilly
4. This Statistical Release can be found at the following web address:  
<http://www.local.communities.gov.uk/finance/stats/natstats.htm#rev>
5. Enquiries about this Statistical Release should be addressed to Peter Gibb at [LGF1.REVENUE@communities.gsi.gov.uk](mailto:LGF1.REVENUE@communities.gsi.gov.uk) (Tel. 020 7944 4176).
6. Timings of future releases are regularly placed on the Department's website, [www.communities.gov.uk](http://www.communities.gov.uk) and on the National Statistics website, [www.statistics.gov.uk/press\\_release/currentreleases.asp](http://www.statistics.gov.uk/press_release/currentreleases.asp).
7. Final Revenue Outturn figures will be published in a further Statistical Release later this year.
8. For a fuller picture of trends in local government finance, readers are directed to *Local Government Financial Statistics England* No. 17 2007, which is available in hard copy from Wetherby Publications Centre at [communities@twoten.com](mailto:communities@twoten.com) (Tel. 0870 1226 236) and electronically via the Department's website: [www.local.communities.gov.uk/finance/stats/lqfs/2007/index.htm](http://www.local.communities.gov.uk/finance/stats/lqfs/2007/index.htm)
9. The figures in this release have not been adjusted to take into account changes of responsibility between 2005-06 and 2006-07.

## Terminology used in this release

**Aggregate External Finance (AEF)** 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 **net current expenditure**. 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 (AEF)**.

**Net revenue expenditure** is equal to net current expenditure, plus capital financing costs and a few minor adjustments, but excludes expenditure financed by all specific grants (inside and outside AEF).

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

## Financial Reporting Standard 17 (FRS17)

Local authorities account for retirement benefits (pensions) in their service expenditure in accordance with Financial Reporting Standard 17 (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). Data shown in this release are mostly presented on an FRS17 basis.

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; this is accounted for 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" (RO line 787) - by the entry "Appropriations to/from pensions reserves" (RO 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.

Local Government Pension Scheme (LGPS) regulations made early in 2006 allowed beneficiaries to take more of their benefits as lump sum and less as continuing pension. Some (but not all) LGPS fund actuaries then made a new assessment of future pension liabilities on the basis of new assumptions about beneficiaries taking more benefits as lump sums. This changes the FRS17 pension liabilities of local authorities. Guidance to local authorities on how to account for these changes was set out in CIPFA's Local Authority Accounting Panel (LAAP) bulletin 65, published in June 2006.

In order to make like-for-like comparisons with previous years, local authorities were requested to provide summary service expenditure on both an FRS17 and a pre-FRS17 basis on the RS form. This is shown at the end of Annex A. The non-FRS17 basis estimates of expenditure are not affected by the changes in the assessment of pension liabilities described above.

### **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.