



Statistical Release

July 2004

LOCAL AUTHORITY CAPITAL EXPENDITURE AND RECEIPTS

ENGLAND

2004 - 05 Forecast

- **Capital expenditure by local authorities in England is forecast to continue rising in 2004-05. Total capital expenditure is expected to be £15.3 bn, an increase of 26% on the provisional outturn for 2003-04.**
- **Capital receipts are forecast to be lower than in the last two years, falling to £4.9 bn.**
- **Capital spending is expected to grow most rapidly in transport, where the increase is forecast at 37% and in Other Services which is set to increase by 38%.**

This Release provides forecasts of local authority capital expenditure and receipts in the financial year April 2004 to March 2005.

The information is derived from Capital Estimates Returns (CER) submitted by local authorities in England and is based on returns from all 478 authorities.

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

Total capital expenditure by local authorities in England during 2004-05 is forecast to be £15.3 bn and capital receipts to be £4.9 bn.

1. Tables 1 and 2 provide a service breakdown of forecast expenditure and receipts for 2004-05. These figures 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 1: Local Authority capital expenditure & receipts in England : 2004-05 : forecast by service

| | Expenditure | Receipts | £ million |
|--------------------------|---------------|--------------|-----------|
| Education | 3,193 | 333 | |
| Transport | 3,297 | 101 | |
| Personal social services | 336 | 78 | |
| Housing | 3,945 | 2,890 | |
| Sport & recreation | 525 | 52 | |
| Police | 652 | 77 | |
| Other | 3,396 | 1,350 | |
| TOTAL | 15,344 | 4,881 | |

Table 2 : Local Authority capital expenditure & receipts in England : 2004-05 : forecast by economic category

| | £ million |
|--|---------------|
| Total expenditure on fixed assets | 13,953 |
| Grants | 1,262 |
| Loans & other financial assistance | 86 |
| Acquisition of share or loan capital | 14 |
| Cost of or variations in credit arrangements | 25 |
| Payment of LSVT levy | 5 |
| Total capital expenditure | 15,344 |
| Receipts from sale of fixed assets | 4,718 |
| Repayments of grants and advances | 38 |
| Disposal of investments inc. share or loan capital | 45 |
| Leasing disposals | 81 |
| Total capital receipts | 4,881 |

LSVT - Large Scale Voluntary Transfer

Capital expenditure and receipts 1999-00 to 2004-05

2. **Chart A** illustrates the change in capital expenditure and receipts from 1999-00 to 2004-05.

Capital expenditure by English local authorities is forecast to increase by 26% in 2004-05 so that spending will have more than doubled in the last five years.

Capital receipts have been at a higher level in recent years although they are forecast to fall to £4.9bn in 2004-05.

The increase in spending is largely planned to be financed from the recent higher levels of receipts and the new freedom to undertake self-financed borrowing.

Chart A: Expenditure and receipts from 1999-00 to 2004-05

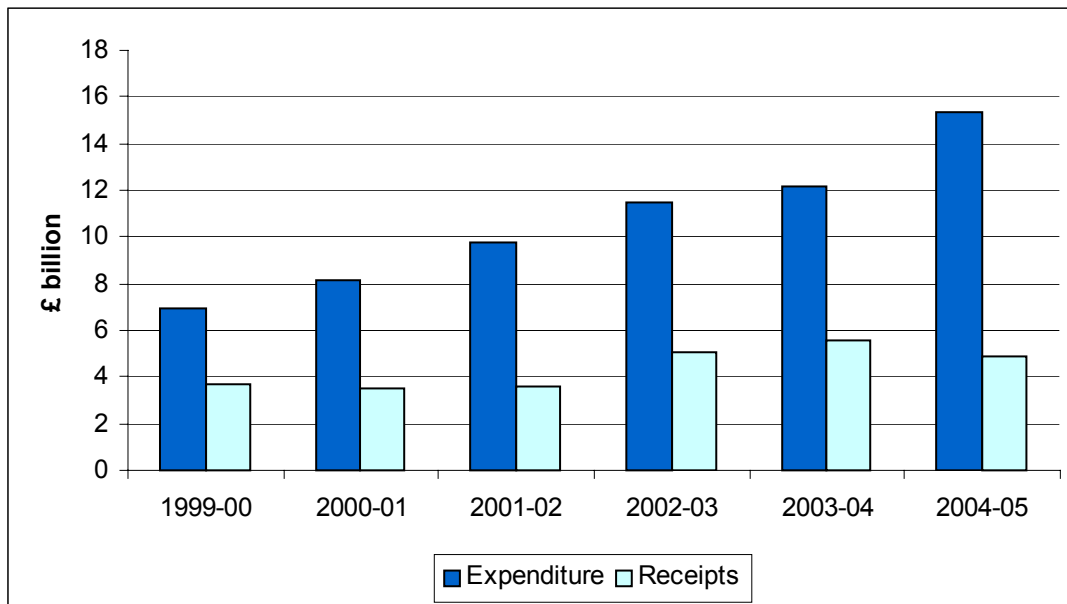


Table 3: Local authority capital expenditure and receipts

| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 (P) | 2004-05 (F) |
|----------------------------------|--------------|--------------|--------------|---------------|----------------|----------------|
| £ million | | | | | | |
| Expenditure: | | | | | | |
| Expenditure on fixed assets | 5,930 | 6,959 | 8,526 | 10,288 | 11,142 | 13,953 |
| Other capital expenditure | 982 | 1,150 | 1,215 | 1,220 | 1,020 | 1,392 |
| Total capital expenditure | 6,912 | 8,109 | 9,741 | 11,508 | 12,162 | 15,344 |
| Receipts | 3,651 | 3,512 | 3,579 | 5,040 | 5,571 | 4,881 |

(P) = Provisional (F) = Forecast

Capital expenditure by service

Local authority capital spending is growing most rapidly in transport and other services. Transport spending is forecast to rise by 37% in 2004-05.

Housing is forecast to remain the largest single sector at 26%.

3. **Chart B** below, illustrates the change in the pattern of forecast expenditure for the major services between 2002-03 and 2004-05.

Chart B: Capital expenditure in 2002-03 to 2004-05 by service

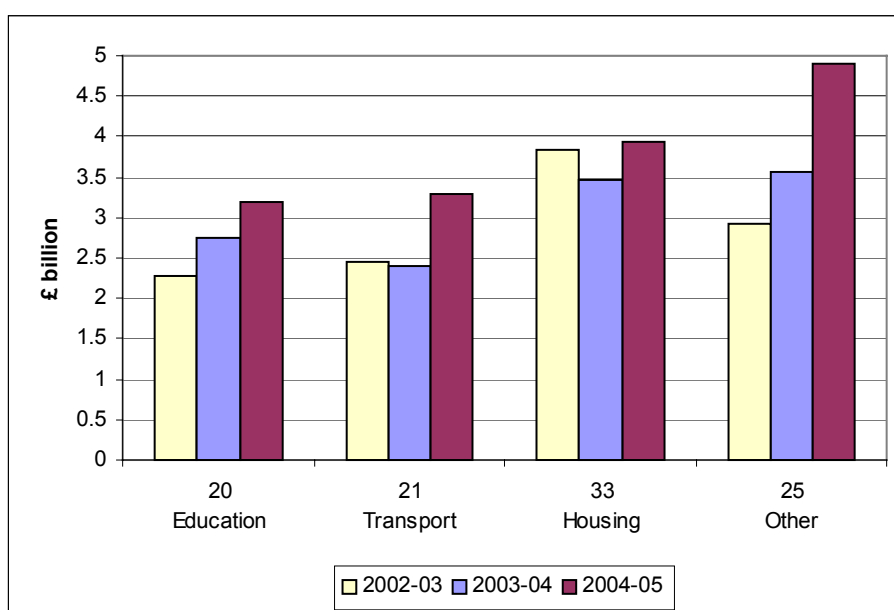


Table 4: Local authority capital expenditure by service

| | £ million | | | | | |
|--------------------------|--------------|--------------|--------------|---------------|----------------|----------------|
| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 (P) | 2004-05 (F) |
| Education | 1,139 | 1,533 | 2,064 | 2,287 | 2,749 | 3,193 |
| Transport | 1,086 | 1,410 | 1,877 | 2,461 | 2,400 | 3,297 |
| Housing | 2,406 | 2,779 | 3,110 | 3,828 | 3,461 | 3,945 |
| Other | 2,281 | 2,386 | 2,690 | 2,932 | 3,552 | 4,909 |
| Total expenditure | 6,912 | 8,109 | 9,741 | 11,508 | 12,162 | 15,344 |

(P) = Provisional (F) = Forecast

Local authorities' own forecasts of capital expenditure and its financing

4. **Table 5**, given at the end of this report, provides a summary of local authorities' own estimates of what they plan to spend in 2004-05 and a breakdown of how they plan to finance that expenditure.
5. This breakdown has not been adjusted for likely differences between forecasts and final outturn spending.

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 Capital Estimates Returns (CER) submitted by local authorities in England and is based this time on a full response from all 478 authorities.
3. The adjustments made to local authorities' own estimates in order to calculate the main forecasts (see para 1) include an assessment of the difference between CER estimates and final outturn information for recent years where outturn data are available. The adjustment made for overestimation of capital expenditure was 0.965; the corresponding adjustment for underestimation of receipts was 1.15. On this occasion there was no need for an additional adjustment for LSVT receipts not included in returns.
4. Further adjustments have been made to avoid double counting the GLA grants to other London authorities.
5. From 1 April 2004 local authorities have the freedom to finance capital expenditure by borrowing without any approval or financial support from central government.
6. Enquiries about this Statistical Release should be addressed to Karl Schunmann at karl.schunmann@odpm.gsi.gov.uk (Tel. 020 7944 4074).
7. Timings of future Releases are regularly placed on the ODPM website, www.local.odpm.gov.uk and on the ONS National Statistics website, www.statistics.gov.uk
8. For a fuller picture of recent trends in local government finance readers are directed to "Local Government Financial Statistics England" No. 14 2003 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 Office of the Deputy Prime Minister's web site:

<http://www.local.odpm.gov.uk/finance/stats/lqfs/2003/index.htm>

Table 5 - Local authority capital expenditure and receipts : forecasts 2004-05

| Reported by local authorities England | £ million |
|---|-------------------|
| Acquisitions of land and existing buildings | 483 |
| New construction, conversion and renovation | 12,791 |
| Vehicles, plant equipment, and machinery | 1,185 |
| Total expenditure on fixed assets | 14,459 |
| Expenditure for capital purposes on grants | 1,307 |
| Expenditure for capital purposes on loans & other financial assistance | 89 |
| Acquisition of share or loan capital | 15 |
| Cost of credit arrangements or variations in credit arrangements | 26 |
| Payment of LSVT levy | 5 |
| TOTAL CAPITAL EXPENDITURE | 15,901 |
| Expenditure treated as capital expenditure - section 16(2)(b) direction | 33 |
| TOTAL EXPENDITURE AND OTHER TRANSACTIONS | 15,934 |
| The amount of PCL at 31 March 2004 to be treated as receipt (reg 33(2)) | 1,238 |
| Accumulated capital receipts as at 1 April 2004 | 2,804 |
| Available capital receipts carried forward to 2004-05 | 4,042 |
| Gross in-year receipts (before pooling) | |
| Sales of fixed assets | 4,103 |
| Repayments of grants and advances | 33 |
| Disposal of investments including share or loan capital | 39 |
| Leasing disposals | 70 |
| TOTAL IN-YEAR CAPITAL RECEIPTS | 4,245 |
| Resources used | |
| Capital grants from central government departments | 3,208 |
| Capital grants from EC structural funds | 202 |
| Grants and contributions from private developers and from leaseholders, etc | 378 |
| Grants and contributions from NDPBs | 450 |
| Capital grants from the National Lottery | 232 |
| Use of capital receipts | 3,416 |
| Capital expenditure financed from HRA | 223 |
| Capital expenditure financed by the MRR | 1,473 |
| Capital expenditure financed from the General Fund Revenue Account | 1,051 |
| Total SCE(R) Single Capital Pot for 2004-05 | 3,246 |
| Total SCE(R) Separate Programme Element for 2004-05 | 572 |
| Other borrowing and credit arrangements not supported by central govt | 1,483 |
| TOTAL RESOURCES USED TO FINANCE CAPITAL EXPENDITURE | 15,934 |