



# Local Authority Revenue Expenditure and Financing: 2015-16 Final Outturn, England



17 November 2016

## Expenditure

- Revenue expenditure by all local authorities in England totalled £94.5 billion in 2015-16. This is a decrease of 1.5% from £95.9 billion in 2014-15.  
There is no substantial variation to the 2015-16 figure compared to provisional.
- Over half of local authorities' net current expenditure is spending from three of the main categories of spend; Education (30.6%), Housing Benefits (18.7%) and Adult Social Care (12.9%).
- Education services saw the largest actual decrease; this was £344 million (1.0%) less than spend in 2014-15. This continues to be driven by schools changing status to centrally funded academies.
- Public Health services increased by £415 million (15.2%) compared to 2014-15 to £3.2 billion. This was the largest actual increase in expenditure on services.

Since October 2015, authorities have had additional responsibilities and funding to provide Public Health services for children aged 0-5.

## Financing

- 26.2% of revenue expenditure will be funded through council tax 12.5% from rates used under the business rate retention scheme and 60.4% from central Government grants. The remaining 0.9% is funded by authorities using their reserves (0.4%) and other items (0.5%).

These percentages were 25.0%, 11.8% and 63.9% respectively in 2014-15 and authorities added equivalent to 0.7% of revenue expenditure to their reserves.

- In 2015-16, local authorities used £0.4 billion of the money saved in reserves, equivalent to 1.6% of the £25.1 billion held at on 1 April 2015. In 2014-15, local authorities added £0.9 billion to their reserves.

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# Introduction

The Local Authority Revenue Expenditure and Financing release and all associated tables show how local authorities in England have spent their money over the financial year. This edition covers 2015-16 and tables in this report make comparisons to spend in the previous financial year. Local government expenditure accounts for approximately a quarter of all government spending and the majority of this is through local authority revenue expenditure. The release presents the main sources of income available to local authorities to finance this expenditure. Broadly, these sources include the central government grants and funding they receive, the business rates authorities retained and used and council tax.

These figures are the final estimates and use the final audited financial accounts for local authorities where possible. These figures are an update of the provisional figures published on 25 August 2016. There is no substantial variation between the total expenditure figures reported at provisional stage and the final outturn figures in this report.

All the data in the release is compiled from the Department for Communities and Local Government Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioner and Fire authorities.

This publication is based on complete and finalised returns from 442 of the 444 local authorities in England. Copeland council were unable to submit a return in time for release and we've been working with the authority to improve return rates. Reading provided indicative figures for 2015-16 but we are continuing to resolve outstanding data quality issues. Both their figures are not present in the associated local authority tables, but are grossed up to produce a comparable England level figure using a combination of budget data, outturn data for 2014-15 and available 2015-16 data.

Local authorities were sent the forms on 9 May 2016. The most recent copy of the RO forms and guidance sent to authorities can be found here:

[www.gov.uk/government/collections/local-government-finance-miscellaneous-forms#revenue-forms](http://www.gov.uk/government/collections/local-government-finance-miscellaneous-forms#revenue-forms)

## Notes and definitions

Functions and responsibilities of local government can change year on year so comparisons between financial years may not be wholly valid. When major changes occur, these will be highlighted in the report.

Definitions of terms used in the report can be found on page 18. Full descriptions of what is included in each service area and individual line are provided in guidance notes for each of the revenue outturn forms on the '[forms](#)' section of our website.

## Relevant information to revenue data for 2015-16

From October 2015, additional public health responsibilities and funding for children aged 0 to 5 has transferred to local authorities. Details on the conditions of the grant can be found here:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388172/final\\_PH\\_grant\\_determination\\_and\\_conditions\\_2015\\_16.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388172/final_PH_grant_determination_and_conditions_2015_16.pdf)

As with previous years, expenditure on education services continues to be budgeted to decrease in 2015-16 due to local authority schools changing status to centrally funded academies. The trend is also seen in the Dedicated Schools Grant (DSG) and Pupil Premium Grant allocations.

## Uses of the data

Data in this Statistical Release are essential for providing the Secretary of State for Communities, Ministers, HM Treasury and the Office for National Statistics with the most up to date and comprehensive information available on local authority revenue spending for decision making. They are used by the Office for National Statistics in compiling Public Sector Finances and National Accounts, which are used to set fiscal and monetary policy.

Data collected are an important source for the department to create evidence based policy, make financial decisions and answer parliamentary questions. It is used by local authorities and their associations, regional bodies, other government departments, academics, research organisations, members of the business community and the general public.

The release allows for trends in funding for different local authority services and types to be identified over a period of years when compared with previous releases. Local authorities can also compare their own spending with the aggregated figures presented here or with the equivalent data for individual local authorities.

This statistics can be read in conjunction with budgeted Revenue Account (RA) statistics published at the beginning of the financial year to illustrate how local authorities budgeting plans at the start of the year compare with actual spend and financing.

Accompanying dropdown tables presenting detailed revenue expenditure and financing figures for 2015-16 for all local authorities are available to download alongside this release. See **Accompanying tables** on page 21 for more details.

## User Engagement Survey

We are currently running a survey to understand more about how local government finance statistics and data are used. Please see the link to the short survey below:

<https://www.surveymonkey.co.uk/r/LGFuserengagement>

## Symbols

- ... = not available
- 0 = zero or negligible
- = not relevant
- || = discontinuity
- (R) = revised since the last statistical release

## Rounding

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

# Local Authority Outturn Summary

Table 1 below provides a summary of the key expenditure lines for local authorities in England for 2015-16 and 2014-15 for comparison. How authorities financed this expenditure is presented by the broad categories of financing available to authorities

The majority of local authority spend can be divided into specific service areas which sum to '**Total Service Expenditure**'. Housing Benefits and any precepts, levies and adjustments are added to Total Service Expenditure to obtain '**Total Net Current Expenditure**'. This includes the other costs involved in running local authority services within the financial year.

'**Revenue Expenditure**' accounts for costs which didn't fall wholly within the financial year. The majority of these costs relate to debt servicing, capital financing and grants that authorities receive on behalf of the recipient.

In 2015-16, total revenue expenditure by local authorities in England was £94.5 billion, compared with £95.9 billion in 2014-15. This is a decrease of 1.5%. There is no substantial variation to the 2015-16 Total Service, Net Current and Revenue expenditure figures compared to provisional.

**Table 1: Revenue Expenditure and Financing Summary, England, 2014-15 and 2015-16**

	£ million			
	Net current expenditure 2014-15	Net current expenditure 2015-16	£ Change	% Change
Education services	34,477	34,133	-344	-1.0
Highways and transport services	4,537	4,331	-207	-4.6
Social care services	22,587	22,701	114	0.5
Public Health services	2,737	3,152	415	15.2
Housing services (excluding Housing Revenue Account)	1,852	1,603	-249	-13.4
Cultural, environmental and planning services	8,915	8,703	-212	-2.4
Police services	10,889	10,932	43	0.4
Fire and rescue services	2,045	1,984	-62	-3.0
Central services	3,068	3,024	-43	-1.4
Other Services	92	70	-22	-24.1
<b>Total Service Expenditure</b>	<b>91,199</b>	<b>90,633</b>	<b>-566</b>	<b>-0.6</b>
Housing Benefits	21,113	20,918	-194	-0.9
Precepts, levies, trading account movements and adjustments	92	135	43	46.4
<b>Total Net Current Expenditure</b>	<b>112,404</b>	<b>111,686</b>	<b>-718</b>	<b>-0.6</b>
Non Current Expenditure and External Receipts	-20,989	-21,572		
Capital financing and debt servicing	4,528	4,418		
<b>Revenue Expenditure</b>	<b>95,943</b>	<b>94,533</b>	<b>-1,410</b>	<b>-1.5</b>
<i>Financed by:</i>				
Government Grants	61,312	57,090	-4,221	-6.9
Locally Retained Business Rates	11,331	11,855	524	4.6
Council Tax	23,964	24,734	770	3.2
Movements to(-) / from (+) financial reserves	-948	394	1,342	-
Other Items	284	459	175	61.7

# Local Authority Expenditure

## Total Net Current Expenditure

Table 2 compares Net Current Expenditure and details the components of this spend for both this year and last. The table also shows how Service Expenditure totals combined with Housing Benefits, other levies and adjustments form the **Total Net Current Expenditure**.

**Total net current expenditure** decreased from £112.4 billion to £111.7 billion between 2014-15 and 2015-16, a decrease of 0.6%.

Table 2: Net current expenditure by service, England, 2014-15 and 2015-16

	Net current expenditure 2014-15	Net current expenditure 2015-16	£ million	
			£ Change	% Change
<b>Education services</b>	<b>34,477</b>	<b>34,133</b>	<b>-344</b>	<b>-1.0</b>
<b>Highways and transport services</b>	<b>4,537</b>	<b>4,331</b>	<b>-207</b>	<b>-4.6</b>
<b>Social care services</b>	<b>22,587</b>	<b>22,701</b>	<b>114</b>	<b>0.5</b>
<i>of which:</i>				
<i>Children's Social Care services</i>	<i>8,091</i>	<i>8,303</i>	<i>211</i>	<i>2.6</i>
<i>Adult Social Care services</i>	<i>14,496</i>	<i>14,398</i>	<i>-97</i>	<i>-0.7</i>
<b>Public Health services</b>	<b>2,737</b>	<b>3,152</b>	<b>415</b>	<b>15.2</b>
<b>Housing services (excluding Housing Revenue Account)</b>	<b>1,852</b>	<b>1,603</b>	<b>-249</b>	<b>-13.4</b>
<b>Cultural, environmental and planning services</b>	<b>8,915</b>	<b>8,703</b>	<b>-212</b>	<b>-2.4</b>
<i>of which:</i>				
<i>Cultural services</i>	<i>2,682</i>	<i>2,504</i>	<i>-179</i>	<i>-6.7</i>
<i>Environmental services</i>	<i>4,945</i>	<i>4,980</i>	<i>35</i>	<i>0.7</i>
<i>Planning and development services</i>	<i>1,288</i>	<i>1,219</i>	<i>-68</i>	<i>-5.3</i>
<b>Police services</b>	<b>10,889</b>	<b>10,932</b>	<b>43</b>	<b>0.4</b>
<b>Fire and rescue services</b>	<b>2,045</b>	<b>1,984</b>	<b>-62</b>	<b>-3.0</b>
<b>Central services</b>	<b>3,068</b>	<b>3,024</b>	<b>-43</b>	<b>-1.4</b>
<b>Other Services</b>	<b>92</b>	<b>70</b>	<b>-22</b>	<b>-24.1</b>
<b>Total Service Expenditure</b>	<b>91,199</b>	<b>90,633</b>	<b>-566</b>	<b>-0.6</b>
<i>plus precepts, levies, trading accounts and adjustments</i>				
Housing Benefits	21,113	20,918	-194	-0.9
Parish Precepts	389	409	20	5.2
Levies <sup>(a)</sup>	48	51	3	7.1
Trading Account Adjustments and Other Adjustments <sup>(b)</sup>	-345	-325	20	-5.7
<b>Total Net Current Expenditure</b>	<b>112,404</b>	<b>111,686</b>	<b>-717</b>	<b>-0.6</b>

(a) Includes 'Integrated Transport Authority levy', 'Waste Disposal Authority levy', 'London Pensions Fund Authority levy' and 'Other levies'

(b) Includes 'External Trading Accounts', 'Internal Trading Accounts', 'Capital items accounted for in External Trading Accounts', 'Capital items accounted for in Internal Trading Accounts', 'Adjustments to net current expenditure' and 'Appropriations to/from Accumulated Absences Account'

**Total Net Current Expenditure** comprises all spend with the current year. This includes details housing benefits allowances and rebates paid by authorities, precepts paid to Parish Councils and the additional levies and adjustments but the majority of this is service expenditure.

Service expenditure is made up of 12 distinct service areas of spend (such as Education, Adult Social care and Public health) and ‘Other services’ to include spend authorities are unable to allocate to specific areas.

‘**Total Service Expenditure**’ is the net of individual ‘Total Expenditure’ (which is the total of the amounts spent on the Running Expenses for the service and Employees in that area) and ‘Total income’ for each area. This comprises income from Sales, Fees and Charges and Other Income (including lottery funding, joint arrangements and additional grants authorities apply for, which are not part of central government funding). Detail on these can be found in the Service Expenditure Summary

## Net Current Expenditure by service

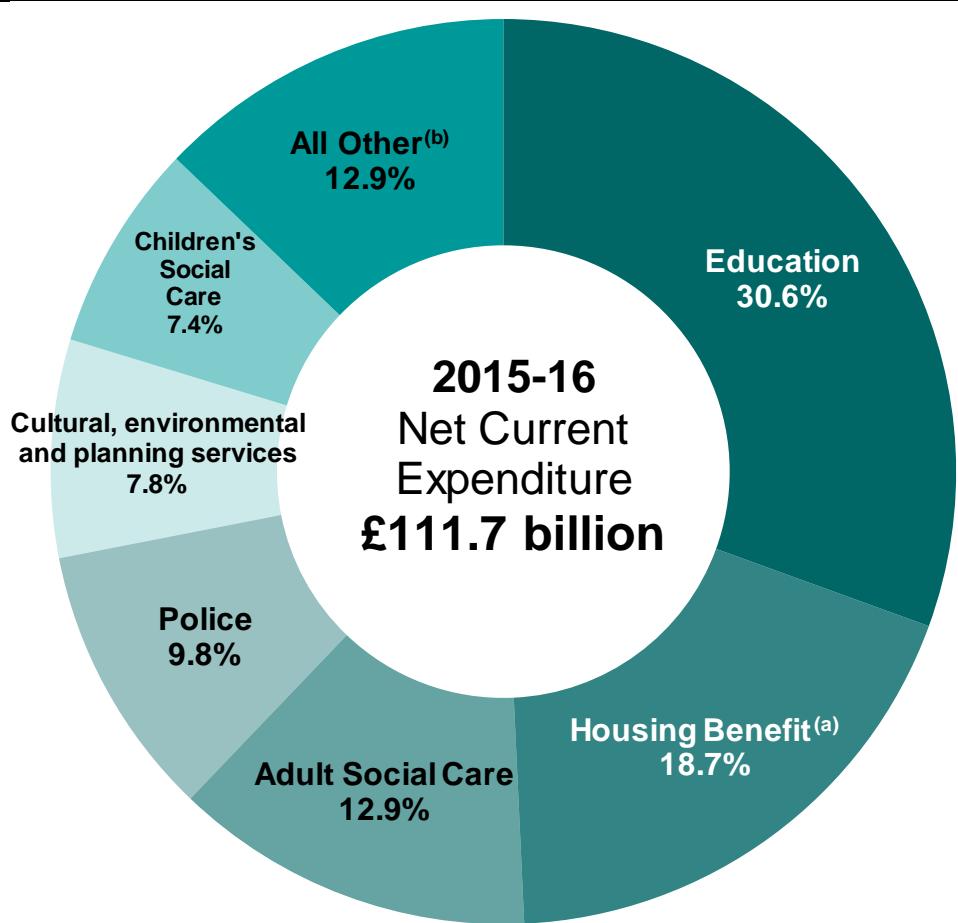
- Overall Service Expenditure decreased from £91.2 billion to £90.6 billion between 2014-15 and 2015-16 a decrease of 0.6%.
- The largest **reduction** in spend to services is to Education services which continued to reduce from £34.5 billion in 2014-15 to £34.1 billion in 2015-16. This 1.0% decrease continues to be driven by local authority schools changing status to centrally funded academies.
- Adult Social Care services have decreased by £97 million compared to 2014-15, down to £14.4 billion. However, the underlying expenditure on running costs and employees increased by £533 million but the income generated by the service area also increased, by £631 million. This resulted in an overall decrease in the net spend in the service area compared to the previous financial year.
- The majority of this income includes funding streams such as the Better Care Fund and charges for using these services. The service area which generates the majority of income for Adult Social Care (24% of all adult social care income) are fees and charges related to physical support for older people (65+)
- The largest **increase** in service spend is for Public Health services, increasing from £2.7 billion in 2014-15 to £3.2 billion in 2015-16. This was the first year authorities had additional responsibility for children aged 0-5, starting in October 2015. The majority of Public Health spend is determined by the public health grant received by 152 authorities in England.
- Children’s Social Care services have increased by £212 million compared to 2014-15. The majority of the increase to spend for this service was through increases to statutory services for ‘Children Looked After’ and ‘Safeguarding children and young people’s services’.
- Although net expenditure for Central services accounts for £3.0 billion, total expenditure is £12.2 billion. The majority of this (£9.2 billion) is financed by income generated within this service area.

## Housing Benefits

Although not included in the Service expenditure totals, Housing Benefits are a large component of local authority spend. These are paid by local councils to help individuals currently on low incomes help pay for rents for both private and social housing. These are largely financed by subsidies from the Department for Work and Pensions (DWP), the authority passing this on to individuals.

- Mandatory Housing Benefits decreased by £195 million to £20.9 billion in 2015-16, a decrease of 0.9%. Despite the decrease Housing benefits continue to be the third largest proportion of all local authority Net Current Expenditure. Chart A shows that Housing Benefits accounted for 18.7% of all net current expenditure for 2015-16
- The largest component of 'Housing Benefits' are rent allowances (within mandatory housing benefits) which are paid to tenants of both private landlords and registered social landlords. This increased by £35 million compared to 2014-15.

Chart A: Proportion of total net current expenditure by service, England, 2015-16



(a) Housing benefit includes mandatory rent allowances and rent rebates and non-mandatory housing benefit payments.

(b) 'Other' includes 'Highways and Transport', 'Public Health', 'Fire and Rescue', 'Central services', 'Cultural, environmental and planning', 'Other Services' and 'precepts, levies trading accounts and adjustments' excluding Housing benefit.

Chart A illustrates proportions of expenditure by Service. Over half of all local authority net current expenditure is on Education and Social Care services combined.

## Non-Current Expenditure

Non-current expenditure and other adjustments and levies are added to Net Current Expenditure to obtain Revenue Expenditure.

This Non-Current spend includes financial payments necessary to balance local authorities budgets and expenditure.

The majority of this expenditure is for capital financing and debt servicing. In 2015-16 this amounted to £4.4 billion, a decrease from £4.5 billion the previous year.

**Table 3: Revenue expenditure, England, 2014-15 and 2015-16**

	£ million	Net current expenditure 2014-15	Net current expenditure 2015-16
<b>Total Net Current Expenditure</b>	<b>112,404</b>	<b>111,686</b>	
<i>plus non-current expenditure</i>			
Capital financing <sup>(a)</sup>	4,528	4,418	
Capital expenditure charged to Revenue Account (CERA) <sup>(b)</sup>	3,010	1,966	
Bad debt provision	131	173	
Flood defence payments to Environment Agency	34	35	
Private Finance Initiative (PFI) schemes - difference from service charge	41	37	
Appropriations to(+) / from(-) financial instruments adjustment account <sup>(c)</sup>	3	19	
Appropriations to(+) / from(-) unequal pay back pay account <sup>(d)</sup>	33	51	
<i>less</i> interest receipts	865	1,047	
<i>less</i> specific grants outside AEF <sup>(e)</sup>	23,045	22,448	
<i>less</i> Business Rates Supplement	221	222	
<i>less</i> Community Infrastructure Levy (CIL)	123	154	
<i>less</i> Carbon Reduction Commitment	-13	-18	
<b>Revenue Expenditure</b>	<b>95,943</b>	<b>94,533</b>	

(a) Includes provision for repayment of principal, leasing payments, external interest payments and HRA item 8 interest payments and receipts

(b) Includes both Capital expenditure charged to the General Fund Revenue account and for Public Health

(c) Adjustments permitted by regulation to the revenue account charges for financial instruments

(d) The deferral of revenue account charges for unequal pay back pay as permitted by regulation and the reversal of the deferral in the year that payment of the back pay is due

(e) Aggregate External Finance; see Definitions

Grants ‘outside AEF’, which are grants authorities essentially pass on financing to a third party to administer a service, are also netted out here to obtain Revenue expenditure. The largest grant is the DWP subsidy to help finance the aforementioned Housing Benefits spend.

- In 2015-16, £2.0 billion has been estimated for capital expenditure charged to the revenue account (CERA), a decrease of around a third compared to £3.0 billion in 2014-15.

This is driven by a decrease in CERA for the Greater London Authority (GLA). In 2014-15 GLA CERA spend was £1.7 billion whereas in 2015-16 this was £678 million. This is primarily due to a reduction in the Transport for London (TfL) Transport Grant for 2015-16.

- Grants outside AEF totalled £22.4 billion in 2015-16. The largest being the DWP subsidy for rent allowances which was £16.0 billion.
- Community Infrastructure Levy totalled £154 million in 2015-16, an increase of £31 million compared to 2014-15.

Over this time period there were also increases in the number of authorities becoming charging authorities, however there is a delay between an authority becoming a charging authority and them receiving money through the levy.

# Revenue Expenditure Financing

Following the determination of the total Revenue Expenditure, this section outlines funding available to local authorities to finance their spending for 2015-16 and how this has changed compared to 2014-15. Income authorities received from sales, fees and charges, levies and interest receipts and grants passed on to a third party have been all accounted for in the previous chapter.

The main sources of funding available to authorities to finance this revenue expenditure are Government Grants, locally retained business rates, use of financial reserves and Council tax.

The Department for Communities and Local Government's annual [Local Government Finance Settlement](#) includes Revenue Support Grant and the local share of business rates.

**Table 4: Revenue expenditure and financing, England, 2014-15 and 2015-16**

	£ million			
	Net current expenditure 2014-15	Net current expenditure 2015-16	£ Change	% Change
<b>Revenue expenditure</b>	<b>95,943</b>	<b>94,533</b>	<b>-1,410</b>	<b>-1.5</b>
<b>Financed by:</b>				
<b>Government Grants</b>	<b>61,312</b>	<b>57,090</b>	<b>-4,221</b>	<b>-6.9</b>
<i>of which:</i>				
Specific grants inside AEF <sup>(a)</sup> <i>including:</i>	40,805	40,119	-686	-1.7
<i>Dedicated Schools Grant (DSG)</i>	28,254	28,065		
<i>Public Health Grant</i>	2,796	3,032		
<i>Pupil Premium Grant</i>	1,753	1,655		
<i>NewHomes Bonus</i>	879	1,108		
Local Services Support Grant (LSSG)	48	29	-19	-39.4
Revenue Support Grant	12,675	9,520	-3,155	-24.9
Police grant	7,784	7,423	-362	-4.6
<b>Council tax requirement</b>	<b>23,964</b>	<b>24,734</b>	<b>770</b>	<b>3.2</b>
<b>Retained income from Business Rate Retention Scheme</b>	<b>11,331</b>	<b>11,855</b>	<b>524</b>	<b>4.6</b>
<b>Appropriations to(-) / from (+) revenue reserves</b>	<b>-949</b>	<b>394</b>	<b>1,343</b>	<b>-</b>
<b>Other items <sup>(b)</sup></b>	<b>284</b>	<b>459</b>	<b>175</b>	<b>61.7</b>

(a) Specific grants inside AEF also includes grants The Private Finance Initiative (PFI), Education Services Grant, GLA Transport Grant, Universal Infants Free School Meals, Housing Benefit Subsidy and Council Tax Support Admin Grant, Adult Social Care Implementation and all Other grants inside AEF. Please see the Specific and Special Revenue Grants (RG) data tables for more detail.

(b) Other items includes 'Inter-authority transfers in respect of reorganisation' and 'Other Items' which is the net collection fund surpluses/deficits from the previous year

## Revenue Expenditure financing

Although the trend has been changing the majority of financing is from central government grants, with around a quarter from council tax and the remainder set to be financed through locally retained business rates and use of (or appropriations) from the reserves.

**Central government grants** financed 60.4% of Revenue Expenditure in 2015-16. This totalled £57.1 billion, a decrease from £61.3 billion in 2014-15. This total comprises Local Services Support Grant (LSSG), Specific grants inside AEF, Revenue Support Grant and Police Grant

- Specific grants inside Aggregate External Finance (AEF) decreased from £40.8 billion in 2014-15 to £40.1 billion in 2015-16.

The downward trend is driven by the Dedicated Schools Grant which decreased from £28.3 billion in 2014-15 to £28.1 billion in 2015-16.

Dedicated Schools Grant accounts for 70.0% of grants inside AEF and 49.2% of all central government grants.

- Local authorities with public health responsibilities received £3.0 billion in Public Health Grant in 2015-2016.

2015-16 includes financing for services for children aged 0 to 5, which transferred to LAs in October 2015.

- GLA grant decreased from £1.8 billion in 2014-15 to £595 million in 2015-16. As this largely affected TfL, which is involved in large capital projects such as Crossrail, this decrease resulted in reduced capital expenditure from the revenue account.
- Revenue Support Grant is set to decrease by £3.2 billion (24.9%) compared to 2014-15. This large change is due to the changes outlined by the Department for Communities and Local Government in the [Local Government Finance Settlement](#).

**Council tax requirement** was £24.7 billion in 2015-16 which is an increase of 3.2% from £24.0 billion in 2014-15. As Chart B shows, Council Tax accounts for just over a quarter of all local authority financing.

**Retained income from Business Rate Retention Scheme** totalled £11.9 billion in 2015-16. This is an increase of 4.6%, or £524 million, from the equivalent figure for 2014-15. This 'retained income' specifically relates to the amount of business rates authorities **used** within the year and is not necessarily the same as rates collected.

Local authorities used £394 million of their financial **Reserves** in 2015-16. During the previous year authorities added £949 million to their reserves. This is the first year where there has been a net use of reserves across England reserves since 2008-09.

## Chart B: Financing of revenue expenditure, England, 2014-15 and 2015-16

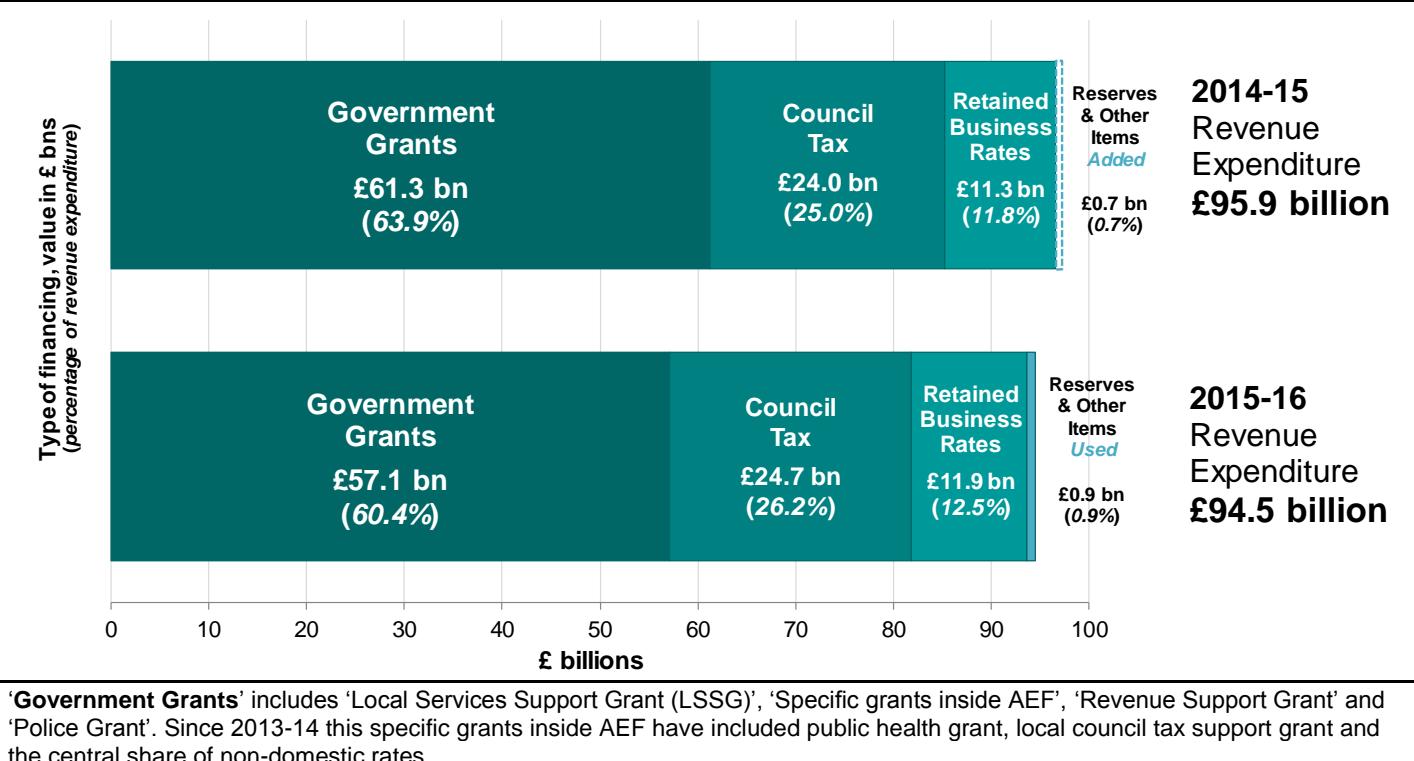


Table 5 shows funding of revenue expenditure in terms of Centrally distributed income (government grants, redistributed non-domestic rates) and Locally retained income (retained income from rate retention scheme and council tax) since 2010-11. Detail is also provided on how Reserves and Other Items contribute to or use this financing.

Changes to the business rates scheme and to council tax policy since 2013-14 local authorities have been more reliant on locally retained income. Business rates moved from being a centrally redistributed function to one where authorities retain a percentage of what they collect. As part of the 2015 Spending Review, this is set to increase to 100% rate retention by 2020.

The proportion of centrally distributed income fell from 75.9% of all authorities revenue expenditure in 2010-11 to 60.4% in 2015-16. There is a corresponding increase in the income retained by local authorities from 25.2% in 2010-11 to 38.7% in 2015-16.

Table 5: Financing of revenue expenditure, England, since 2010-11

Outturn	Revenue Expenditure	£ million				£ million				£ million	
		Centrally distributed income				Locally retained income				Reserves and Other Items <sup>(c)</sup>	% of total
		Government Grants <sup>(a)</sup>	Redistributed non-domestic rates	Centrally distributed income	% of total	Retained income from Business Rate Retention Scheme	Council Tax <sup>(b)</sup>	Locally retained income	% of total		
2010-11	104,256	57,657	21,517	79,173	75.9	...	26,254	26,254	25.2	-1,172	-1.1
2011-12	99,278	56,237	19,017	75,254	75.8	...	26,451	26,451	26.6	-2,427	-2.4
2012-13	94,148	46,765	23,129	69,895	74.2	...	26,715	26,715	28.4	-2,461	-2.6
2013-14	96,419	64,578	...	64,578	67.0	10,719	23,371	34,090	35.4	-2,249	-2.3
2014-15	95,943	61,312	...	61,312	63.9	11,331	23,964	35,295	36.8	-665	-0.7
2015-16	94,533	57,090	...	57,090	60.4	11,855	24,734	36,589	38.7	853	0.9

(a) Includes 'Local Services Support Grant (LSSG)', 'Specific grants inside AEF', 'Revenue Support Grant' and 'Police Grant'. Since 2013-14 the specific grants inside AEF have included 'public health grant', 'local council tax support grant' and the 'central share of non-domestic rates'

(b) Since 2013-14 Council Tax has not included the 'local council tax support grant', this is now included in Government Grants

(c) Reserves and Other items includes all appropriations to (-) and from (+) the reserves, any income from Inter-authority transfers and net collection fund surpluses (+)/deficits (-) from the previous year. This figure is an adds to financing when reserves and surpluses are being used (+) and draws from financing when reserves are being added to and deficits are being financed (-).

## Revenue Expenditure financing by class

Chart C: Financing of revenue expenditure by class of authority, England, 2015-16

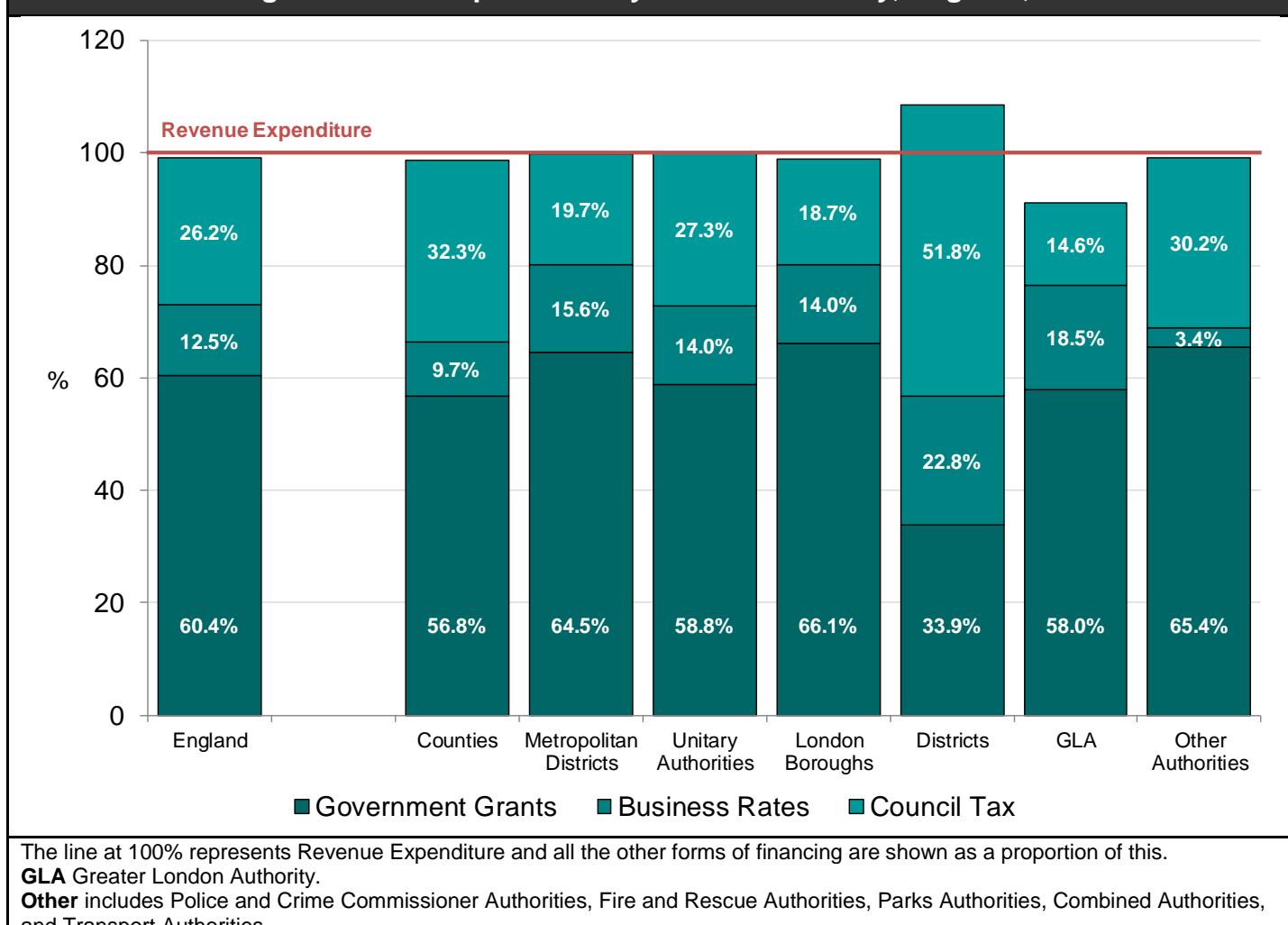


Chart C above shows the relative proportions each type of authority is reliant on the different methods for financing revenue expenditure. The red line at 100% indicates revenue expenditure itself and bars representing the percentage of this spend that is financed by the types available to authorities.

If the financing exceeds the red line (authorities are receiving more income than they are currently spending), the proportion above the 100% line is being added to reserves. In this instance where financing falls below the red line, authorities would be using their reserves.

- Shire districts finance the majority of revenue spend through locally retained income (74.7% of revenue expenditure) rather than centrally distributed income.
- Their financing exceeds revenue expenditure by 8.5%. Shire districts therefore have added this proportion of their revenue expenditure to reserves, however given the scale of spend by these smaller authorities this equates to £248 million across 201 authorities
- All authorities apart from Shire districts finance over 50% of their expenditure from central government grants.

# Local Authority Financial Reserves

Reserves are funds set aside to finance future revenue spend. Movement of money to and from reserves affects and are affected by the financing requirement for the year, these are the 'appropriations' identified in the previous section.

Increases in reserves may be due to a delay or cancellation of a project or an authority saving for future projects. Decreases to the levels therefore indicate when authorities are using these funds set aside in previous years.

Table 6 shows the level of local authority revenue reserves at the beginning of each of the last five financial years and the end position for 2015-16.

The Housing Revenue Account (HRA) also has reserves figures although these are not included in this table because these are not part of the General Fund Revenue Account (GFRA).

Table 6: Level of revenue reserves, England, since 2011-12

At 1 April	Schools reserves	Public Health reserves	Non-ringfenced reserves			£ million
			Other earmarked	Unallocated	Non-ringfenced Total	
2011	2,047	-	10,451	3,862	14,313	16,360
2012	2,413	-	12,534	4,255	16,790	19,203
2013	2,354	7	14,930	4,297	19,227	21,588
2014	2,419	207	17,200	4,454	21,653	24,279
2015	2,436	315	17,862	4,491	22,353	25,104
<b>At 31 March</b>						
	2016	2,316	263	17,673	4,457	22,130
<b>Changes in 2015-16</b>						
Movements to (+) and from (-) reserves	-120	-51	-189	-33	-223	-394
as a percentage of 1 April 2015	-4.9%	-16.3%	-1.1%	-0.7%	-1.0%	-1.6%

## Ring-fenced Reserves

The Schools reserves and Public Health reserves both relate to spend in the Education and Public Health service categories and are associated with the ring-fenced grants for these areas.

Schools reserves represent the amount of unspent schools' budgets and relate to the Dedicated Schools Grant, Education Services Grant and Pupil Premium grant.

- At 31 March 2016 this amounted to £2.3 billion. Overall authorities in England have used £120 million of their schools reserves.
- 51 authorities added to schools reserves and 94 drew from these. The remainder either do not have responsibilities for education services or saw no change.

Public health reserves are unspent money from the public health grant this year that can be used for public health spend in future years.

- The balance of public health reserves at 31 March 2016 was £263 million. During 2015-16 authorities in England used £51 million of their public health reserves. Equivalent to 16% of their 1 April reserves position.
- **46** authorities added to public health reserves overall and **88** drew on these.

### Non-ringfenced Reserves

'Non-ringfenced reserves' include Other Earmarked reserves and Unallocated reserves. Other Earmarked reserves relates to financing set aside for specific projects. Unallocated reserves cover any reserves which have not been earmarked and are usually used to cover authority cash flow or support any future financing issues. Local authorities are required by statute to have regard to the level of reserves needed for meeting estimated future expenditure as part of their financial risk management.

Non-ringfenced reserves make up the majority of the revenue reserves held by local authorities in England.

- Local authorities in England held £22.1 billion in 'Non-ringfenced reserves' at 31 March 2016. Of this £17.7 billion in Other earmarked reserves and £4.5 billion in Unallocated reserves.
- Over the 2015-16 financial year authorities used £223 million of their non-ringfenced reserves. This is equivalent to 1% of their 1 April 2015 start position.
- This included net use of £189 million of Other earmarked reserves and £33 million of Unallocated reserves.
- **257** added to Other Earmarked reserves and **181** drew from these. **190** authorities added to and **141** used their unallocated reserves.

### Total Reserve Levels

Local authorities decreased their total reserves levels from £25.1 billion at 1 April 2015 to £24.7 billion at 31 March 2016. This is a reduction of £0.4 billion, equivalent to 1.6% of the total amount held at 1 April.

The number of individual authorities that are using their revenue reserves has increased in 2015-16 compared to the previous financial year.

- **262** local authorities added to their reserves, a decrease of **55** compared to 2014-15 (the equivalent figure in 2014-15 was **317**).
- **181** authorities used their reserves to finance revenue expenditure and increase of **54** compared to 2014-15 (**127** used reserves in 2014-15)
- **1** authority's reserves balance remained overall over the year. In 2014-15 no authorities kept reserves levels the same.

## Local Authority reserve use by class

Although the overall decrease in local authority revenue reserve levels was £0.4 billion during 2015-16, the situation varied different classes of authority.

Table 7 shows types of authorities by whether they were using or adding to their reserves. In brackets, the number of authorities which are included in each class type are provided to indicate the magnitude of the change relative the number of authorities.

**Table 7: Appropriation to and from reserves by class of authority, England, 2014-15 and 2015-16**

	£ million	
	Appropriations to (+) / from (-) total revenue reserves	
	2014-15	2015-16
<b>England</b>	<b>948</b>	<b>-394</b>
<b>Class of authority (number of authorities)</b>		
Shire Counties (27)	26	-188
Metropolitan Districts (36)	285	3
Unitary Authorities (56)	209	94
London Boroughs (33)	154	-63
Shire Districts (201)	224	263
Greater London Authority (1)	-126	-457
Other Authorities (90) <sup>(a)</sup>	176	-45

(a) Includes Police and Crime Commissioner and Chief Constable Authorities, Fire Authorities, Combined Authorities, Waste Authorities, Transport Authorities and National Park Authorities

- The majority of the overall decrease can be explained by the use of reserves of almost £0.5 billion by the Greater London Authority.

The drop in the GLA grant means there the shortfall in financing is largely replaced by a use of the reserves held by the authority.

- Districts see the largest net increase to reserves with £263 million being added across the year. This is comparable though to previous years and relates to movements for 201 or the 444 authorities reported. The 'per authority' change is comparatively smaller for these authorities.

# Local Government Pay

The table below presents local government pay levels of since 2011-12 for each of the main pay negotiating groups. This is based on data collected, grossed and validated from the Subjective Analysis Return (SAR) which is completed by a sample of authorities in England. This is grossed using the employee expenditure reported by all authorities in England. Information presented here for England are therefore presented as estimates.

**Table 8: Local government pay by pay negotiating group, 2011-12 to 2015-16**

At 1 April	2011-12	2012-13	2013-14	2014-15	£ million 2015-16
Teachers <sup>(a)</sup>	15,003	13,246	11,821	11,496	10,929
Police and Police Support Staff	7,532	7,309	7,117	6,957	6,917
Firefighters	1,130	1,077	987	988	946
Other Local Government Staff	22,534	21,677	21,445	21,788	20,912
<b>Total Pay <sup>(b)</sup></b>	<b>46,198</b>	<b>43,309</b>	<b>41,369</b>	<b>41,229</b>	<b>39,704</b>
Total non-pay for all groups <sup>(c)</sup>	11,397	10,657	9,726	9,900	10,244
Other pay-related costs	2,599	2,171	2,805	2,085	1,854
<b>Total employee expenditure <sup>(d)</sup></b>	<b>60,195</b>	<b>56,136</b>	<b>53,899</b>	<b>53,214</b>	<b>51,802</b>

(a) teachers pay each year is not comparable to previous years due to a number of schools changing their status to become academies, which are centrally funded rather than funded by local authorities.  
 (b) includes overtime, bonuses, etc.  
 (c) includes employers' National Insurance, pensions contributions and location allowances.  
 (d) Includes pay, non-pay and other pay related costs such as recruitment, retention and training, which are not included elsewhere above.

- Overall employee expenditure has continued to decrease each year. Decreasing from £53.9 billion in 2014-15 to £51.8 billion in 2015-16, a reduction of 2.7 per cent. Teachers pay costs continue to decrease as local authority schools shifting to academies status. However the largest decrease is to Other Local Government Staff which has decreased by £0.8 billion or 3.8% compared to 2014-15.
- Despite reductions in overall total pay this remains the majority of this local authority employee expenditure, with 76.8 per cent on pay or £41.2 billion in 2015-16. This proportion has continued to remain stable over the time series.
- Employer contributions to pension and retirement benefits (within the total non-pay for all group) makes up approximately £4.2 billion or 8.0% of total employee expenditure for local authorities in England.

# Definitions

A list of terms relating to local government finance is given in *Local Government Finance Statistics England* (LGFS). The most recent edition is LGFS No. 26 2016. This is accessible at:

<https://www.gov.uk/government/statistics/local-government-financial-statistics-england-2016>. 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.

## Central Government Grants

the biggest source of funding that local authorities receive is from central government. This is made up from 'specific' grants and a general grant (also called the Revenue Support Grant). Central government grant money pays for capital projects, such as roads or school buildings, as well as revenue spending, such as the cost of maintaining council housing and running services, including employee wages.

## Central Services

these are services organised on a corporate basis that support the delivery of services to the public. Central services include building costs, administration and IT

## Community Infrastructure Levy

a levy available to registered local authorities allowing them to choose to charge on new developments in their area to pay for new infrastructure developments

## Council Tax Requirement

The amount of revenue a local authority needs to raise through council tax, (its council tax requirement) is calculated by deducting from its planned spending any funding from reserves, income it expects to raise, and funding it will receive from the Government.

## 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**. 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.

## Funding through the Settlement Grant

the main channel of government funding. This includes **Retained Income from the Rate**

**Retention Scheme, 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.

### **Greater London Authority (GLA) Group**

this includes GLA and its constituent bodies, Metropolitan Police Authority, London Fire and Emergency Planning Authority, Transport for London (TfL) and London Development Agency (LDA). Transactions in their General Fund Revenue Account are reported by the GLA and the four functional bodies as a group.

### **Housing Revenue Account**

is a local authority statutory account, it contains all the spending and income related to the housing stock owned by the council.

### **Local Services Support Grant**

is a non-ringfenced grant paid under section 31 of the Local Government Act 2003 to support local government functions.

### **Mandatory Housing Benefit**

financial help given to local authority or private tenants whose income falls below prescribed amounts as required by law. This usually consists of mandatory Rent Allowances and mandatory Rent Rebates, to HRA and non-HRA tenants.

### **Net Current Expenditure**

see **Current Expenditure**

### **Other items**

are Council Tax and Business Rates collection fund surpluses / deficits from previous financial years

### **Public Health Grant**

is a ringfenced grant for providing public health services. The grant is provided to give local authorities the funding needed to carry out their public health responsibilities.

The conditions of the grant are funds are only spent on activities whose main or primary purpose is to improve the public health of local populations.

### **Reserves**

sums set aside to finance future spending for purposes falling outside the definition of a provision. Reserves set aside for stated purposes are known as earmarked reserves. Local authorities are required by statute to have regard to the level of reserves needed for meeting estimated future expenditure as part of their financial risk management.

### **Retained income from the Rate Retention Scheme**

expected retained non-domestic rate income after payment of central share, major precepting shares and any tariff, top up, levy or safety net payments.

## **Revenue expenditure**

is equal to total net current expenditure (line 849), 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 now distributed as part of **Funding through the Settlement Grant**.

## **Ringfenced Grant**

these grants have specific conditions on how they are spent. Financing received from the grant must only be spent on the services it is provided for.

## **Specific Grants inside AEF**

These are revenue grants which are paid to local authorities by individual government departments, for which the local authority has sole responsibility for decisions on how the grant is allocated. The main purpose for the provision of these grants is to deliver core local authority services.

## **Specific Grants outside AEF**

These are revenue grants, which are paid to local authorities by individual government departments. However, the local authority usually only acts as the 'middle person', as the grants are passed over to a third party who administers the service. The local authority does not normally have any control over the service for which the grant was intended for. This responsibility rests solely with the third party that receives the grant.

# Accompanying tables

Accompanying dropdown tables, presenting detailed revenue expenditure and financing figures for 2015-16 for all local authorities are available to download alongside this release.

These tables present all revenue outturn information, by local authority, in a similar format as returned to Department for Communities and Local Government. This data forms the basis of the tables in this release. These are available here:

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2015-to-2016-individual-local-authority-data-outturn>

Information for the Subjective Analysis Return (SAR) which is completed by a sample of authorities in England, is not currently presented as a dropdown table as this information is grossed to the England level, this information is available in Annex A.

Description	Form
Revenue Outturn Summary	RS
Service Expenditure Summary	RSX
Specific and Special Revenue Grants	RG
Education Services	RO1
Highways and Transport Services	RO2
Social Care and Public Health	RO3
Housing Services	RO4
Cultural, Environmental, Regulatory and Planning Services	RO5
Protective, Central and Other Services	RO6
Trading Services Revenue Account	TSR
<b>England level data in Annex A</b>	
Subjective Analysis Return	SAR

# Technical notes

## Data collection

### Survey design for collecting Revenue Outturn data in 2015-16

From May until July 2016, all 444 local authorities in England were requested to complete the Revenue Outturn (RO) suite of forms to show all transactions for the 2015-16 financial year related to the general fund revenue account. This includes net current expenditure, capital charges and also elements that finance net current expenditure, which includes; levy payments, interest receipts, central government grants, use of reserves, council tax and other non-current expenditure items.

The figures requested cover local authority revenue expenditure and financing for the financial year 1 April 2015 to 31 March 2016. These estimates are on a non-International Accounting Standard 19 (IAS19) and PFI “Off Balance Sheet” basis except where stated otherwise.

## Data quality

This Statistical Release contains National Statistics and as such has been produced to the high professional standards set out in the Code of Practice for Official Statistics. National Statistics products undergo regular quality assurance reviews to ensure that they meet customer demands.

The information for 2015-16 in this release is derived from Department for Communities and Local Government (DCLG) Revenue Account (RO) forms and is based on returns from 442 of the 444 local authorities in England. Reading and Copeland were unable to submit in time for release and we are currently working with these authorities to return this.

When authorities are unable to submit information is grossed using a combination of information available for the current year, data provided at budget stage through the Revenue Account (RA) collection and previous years data.

For missing returns information on spend is taken from Revenue Account budget information from the previous year and apportioned to the detailed total expenditure and income levels from the previous years' RO data. This is then adjusted to known grant, council tax and business rates information for 2015-16. This year service expenditure was adjusted for Reading using the proportions provided.

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 by Department for Communities and Local Government as the data are received and stored.

## Revisions policy

The DCLG revisions policy has been developed in accordance with the UK Statistics Authority Code of Practice for Official statistics and the Department for Communities and Local Government Revisions Policy (found at <https://www.gov.uk/government/publications/statistical-notice-dclg-revisions-policy>). There are two types of revisions that the policy covers:

## **Non-Scheduled Revisions**

Where a substantial error has occurred as a result of the compilation, imputation or dissemination process, the statistical release, live tables and other accompanying releases will be updated with a correction notice as soon as is practical.

## **Scheduled Revisions**

At time of publication there are no scheduled revisions for this series

## **User engagement**

Users are encouraged to provide feedback on how these statistics are used and how well they meet user needs. Comments on any issues relating to this statistical release are welcomed and encouraged. Responses should be addressed to the "Public enquiries" contact given in the "Enquiries" section below. The Department's engagement strategy to meet the needs of statistics users is published here: <https://www.gov.uk/government/publications/engagement-strategy-to-meet-the-needs-of-statistics-users>

Comments and feedback from end users for further improvement or about your experiences with this product will be welcomed. Please send all views to: [lgf1.revenue@communities.gsi.gov.uk](mailto:lgf1.revenue@communities.gsi.gov.uk)

We are currently running a survey to understand more about how local government finance statistics and data are used. Please see the link to the short survey below:

<https://www.surveymonkey.co.uk/r/LGFuserengagement>

## **Notes**

Timings of future releases are regularly placed on the Department's website:

<http://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics#forthcoming-publications>

and on the National Statistics website: <https://www.gov.uk/government/statistics/announcements>

The Chartered Institute of Public Finances and Accounting (CIPFA) produce the 'Finance and General Statistics' publication which also contains detailed information on local government finance.

CLIP Finance (CLIP-F) is a consultative group which considers the collection, presentation and analysis of data on local government finance. To ensure users are made aware of significant changes and adjustments to Local Government Finance forms papers are tabled, discussed and published. Please visit the website for details of likely changes for future Revenue/Capital statistical releases.

<https://knowledgehub.local.gov.uk/web/clip>

## Devolved administration statistics

The Scottish, Welsh Assembly and Northern Ireland Government also collect revenue budget data. Their information can be found at the following websites:

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

**Wales** <https://statswales.wales.gov.uk/Catalogue/Local-Government/Finance/Revenue>

**Northern Ireland** [http://www.doeni.gov.uk/index/local\\_government/local\\_government\\_funding.htm](http://www.doeni.gov.uk/index/local_government/local_government_funding.htm)

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Information on Official Statistics is available via the UK Statistics Authority website:

[www.statisticsauthority.gov.uk/national-statistician/types-of-official-statistics/index.html](http://www.statisticsauthority.gov.uk/national-statistician/types-of-official-statistics/index.html)

Timings of future releases are placed on the Department's website at:

<https://www.gov.uk/government/statistics/announcements>

Information about statistics at DCLG is available via the Department's website:

[www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics](http://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics)

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