



Department for  
Communities and  
Local Government

# Local Authority Revenue Expenditure and Financing: 2016-17 Final Outturn, England



Local Government Finance  
*Statistical Release*

16 November 2017

## Expenditure

- Revenue Expenditure is the cost for local authorities to provide services and operate within a financial year.  
In 2016-17, Revenue Expenditure for all local authorities in England totalled £93.6 billion. This was 1% lower than £94.5 billion spent over the 2015-16 financial year.

- The majority of local authority Revenue Expenditure is on providing services to the public. This is defined as Service Expenditure. This totalled £90.5 billion in 2016-17, 0.2% lower than in 2015-16.

- Spend by local authorities on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16 and the largest increase of all the categories of Service Expenditure.

The 2016-17 financial year was the first where the 152 local authorities with responsibilities for providing Social Care services could raise additional funding through the council tax precept for Adult Social Care.

- The largest decrease in local authority expenditure was to Education services. Education spend was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of the decrease is due to the continued conversion of local authority funded schools to centrally funded academies.

## Financing

- Local authorities continued to finance more of their expenditure from income raised and retained locally; 40.4% of revenue expenditure was funded this way. 57.5% was financed by government grants and 2.1% from reserves and collection surpluses.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17. Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Of the £1.5 billion, £0.5 billion was use of schools reserves and £0.4 billion was by the Greater London Authority.

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# Introduction

The Local Authority Revenue Expenditure and Financing release and the associated tables show how local authorities in England have spent their money over the financial year. This edition covers 2016-17 and the tables in this report make comparisons to spend in the previous financial year. Local government expenditure accounts for almost 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.

All the data in the release are 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 including Combined Authorities, Police and Crime Commissioners and Fire authorities.

This publication is based on complete and finalised returns from 444 of the 446 local authorities in England. We did not receive a return from either the Isles of Scilly nor from Dorset Police.

Local authorities were sent the forms on 5 May 2017. 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)

Comparable England level figures are derived by grossing outturn data for 2016-17 and also using other available data for 2016-17 such as [council tax requirement](#), [grants data](#) and [estimated business rates](#)) for the missing authorities.

## 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 17. 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 2016-17

These figures are an update of the provisional figures published on 24 August 2017. These figures are the final estimates and use the final audited financial accounts for local authorities where possible.

There is little change between the total expenditure figures reported at provisional stage and the final outturn figures in this report.

Since 1 April 2016 local authorities have been able to use capital receipts to finance revenue costs for reform projects and improving service delivery. The amount for 2016-17 can be found in Table 2 and in the associated RS tables. The guidance issued to authorities outlining which projects qualify for this can be found here:

<https://www.gov.uk/government/publications/guidance-on-flexible-use-of-capital-receipts>

Local authorities were able to raise up to an additional 2% precept on the current council tax referendum threshold to spend on Adult Social Care in 2016-17. More detail can be found in the Net Current Expenditure by Service section and the policy background can be found here:

<https://www.gov.uk/government/publications/council-tax-in-2016-to-2017>

## Uses of the data

Data in this Statistical Release are essential for providing the Secretary of State for Communities and Local Government, other ministers, and HM Treasury 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 2016-17 for all local authorities are available to download alongside this release. See

**Accompanying tables** on page 20 for more details.

## 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 summarises the key areas of expenditure for all local authorities in England for 2016-17 compared to equivalent 2015-16 outturn figures. Detail is presented how this expenditure is financed, presented under the broad categories of financing available to authorities

The majority of local authority spend is on providing services, the sum of spend in all these areas is '**Total Service Expenditure**'. Housing Benefits payments and any charges, levies and adjustments are added to this total to obtain '**Total Net Current Expenditure**'. This measures the costs involved in running local authority services within the current financial year.

'**Revenue Expenditure**' also includes costs such as for the repayment and management of debt, financing capital, and grants authorities receive on behalf of a third party.

For 2016-17, total revenue expenditure by local authorities in England was £93.6 billion. This was £1.0 billion (1.0%) lower than in 2015-16.

Table 1: Revenue Expenditure and Financing Summary, England, 2015-16 and 2016-17				
	Net current expenditure 2015-16	Net current expenditure 2016-17	£ million	
			£ Change	% Change
Education services	34,133	33,382	-751	-2.2
Highways and transport services	4,331	4,024	-307	-7.1
Children's Social Care services	8,303	8,476	174	2.1
Adult Social Care services	14,398	14,914	516	3.6
Public Health services	3,152	3,480	328	10.4
Housing services (excluding Housing Revenue Account)	1,603	1,508	-95	-5.9
Cultural, environmental and planning services	8,703	8,445	-258	-3.0
Police services	10,932	11,050	117	1.1
Fire and rescue services	1,984	1,961	-22	-1.1
Central services	3,024	3,159	135	4.5
Other Services	70	56	-14	-20.4
<b>Total Service Expenditure</b>	<b>90,633</b>	<b>90,455</b>	<b>-178</b>	<b>-0.2</b>
Housing Benefits	20,918	20,228	-690	-3.3
Precepts, levies, trading account movements and adjustments	135	52	-84	-61.8
<b>Total Net Current Expenditure</b>	<b>111,686</b>	<b>110,735</b>	<b>-952</b>	<b>-0.9</b>
Non Current Expenditure and External Receipts	-21,572	-21,396		
Capital financing and debt servicing	4,418	4,239		
<b>Revenue Expenditure</b>	<b>94,533</b>	<b>93,578</b>	<b>-955</b>	<b>-1.0</b>
<i>Financed by:</i>				
Government Grants	57,090	53,812	-3,279	-5.7
Locally Retained Business Rates	11,855	11,735	-120	-1.0
Council Tax	24,734	26,083	1,348	5.5
Movements to(-) / from (+) financial reserves	394	1,534	1,141	-
Collection fund surpluses (+) and deficits (-)	459	419	-41	-8.9

# Local Authority Expenditure

## Total Net Current Expenditure

Table 2 expands on the previous table and provides a more detailed breakdown and comparison of the components of Total Service and Total Net Current Expenditure. **Total net current expenditure** was £110.7 billion in 2016-17, 0.9% lower than in 2015-16.

**Table 2: Net current expenditure by service, England, 2015-16 and 2016-17**

	Net current expenditure 2015-16	Net current expenditure 2016-17	£ million	
			£ Change	% Change
<b>Education services</b>	<b>34,133</b>	<b>33,382</b>	<b>-751</b>	<b>-2.2</b>
<b>Highways and transport services</b>	<b>4,331</b>	<b>4,024</b>	<b>-307</b>	<b>-7.1</b>
<b>Social care services</b>	<b>22,701</b>	<b>23,390</b>	<b>689</b>	<b>3.0</b>
<i>of which:</i>				
<i>Children's Social Care services</i>	8,303	8,476	174	2.1
<i>Adult Social Care services</i>	14,398	14,914	516	3.6
<b>Public Health services</b>	<b>3,152</b>	<b>3,480</b>	<b>328</b>	<b>10.4</b>
<b>Housing services (excluding Housing Revenue Account)</b>	<b>1,603</b>	<b>1,508</b>	<b>-95</b>	<b>-5.9</b>
<b>Cultural, environmental and planning services</b>	<b>8,703</b>	<b>8,445</b>	<b>-258</b>	<b>-3.0</b>
<i>of which:</i>				
<i>Cultural services</i>	2,504	2,346	-158	-6.3
<i>Environmental services</i>	4,980	4,923	-57	-1.1
<i>Planning and development services</i>	1,219	1,176	-43	-3.6
<b>Police services</b>	<b>10,932</b>	<b>11,050</b>	<b>117</b>	<b>1.1</b>
<b>Fire and rescue services</b>	<b>1,984</b>	<b>1,961</b>	<b>-22</b>	<b>-1.1</b>
<b>Central services</b>	<b>3,024</b>	<b>3,159</b>	<b>135</b>	<b>4.5</b>
<b>Other Services</b>	<b>70</b>	<b>56</b>	<b>-14</b>	<b>-20.4</b>
<b>Total Service Expenditure</b>	<b>90,633</b>	<b>90,455</b>	<b>-178</b>	<b>-0.2</b>
<i>plus precepts, levies, trading accounts and adjustments</i>				
Housing Benefits	20,918	20,228	-690	-3.3
Parish Precepts	409	445	36	8.8
Levies <sup>(a)</sup>	51	62	10	20.3
Trading Account Adjustments and Other Adjustments <sup>(b)</sup>	-325	-455	-130	39.9
<b>Total Net Current Expenditure</b>	<b>111,686</b>	<b>110,735</b>	<b>-952</b>	<b>-0.9</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'

Service expenditure is made up of twelve distinct service areas of spend (such as Education, Adult Social Care and Public Health) and an 'Other services' category catching all the spend authorities are unable to allocate to specific areas.

## Expenditure by service

- Overall Service Expenditure decreased to £90.5 billion from £90.6 billion in 2015-16, a decrease of 0.2%.
- The largest **reduction** to any service area continues to be to Education which decreased by 2.2% to £33.4 billion in 2016-17. The £0.8 billion decrease is largely due to the ongoing change in status of local authority schools to centrally funded academies.
- The decrease affects the overall trend in service expenditure. If education was excluded from total service expenditure, service expenditure would total £57.1 billion for 2016-17 which would be 1.0% higher than the equivalent figure for 2015-16 (£56.5 billion).
- The largest overall **increase** was to Adult Social Care which increased by £0.5 billion to £14.9 billion in 2016-17. This figure is also £0.5 billion higher than the amount reported in local authority [budget estimates](#) provided at the start of the financial year.
- This is the first year of the adult social care precept. This allowed the 152 local authorities that deliver social care to increase council tax by an additional 2% in 2016-17; this raised a total of £382 million in its first financial year.
- There are also increases to the Children's Social Care figures and to Public Health. The majority of Public Health spend is determined by the public health grant received by 152 upper-tier authorities in England.

This increase is due in part to this being the first full year authorities had to finance additional responsibility for children aged 0-5. This started in October 2015, so the previous year's figure only included about one half of a year's worth of this funding

Expenditure lines in the summary tables, such as in '**Total Service Expenditure**' and each of the individual service areas, are net current expenditure i.e. expenditure minus relevant income as follows:

- '**Total expenditure**', collected as the amounts spent on running expenses and employees costs, minus
- '**Total income**' for each area, comprising of income from Sales, Fees and Charges and Other Income (including lottery funding, joint arrangements and additional applied for grants not part of central government funding).

Detail on these can be found in the Service Expenditure Summary (RSX) table associated with this release. Table 2 below shows the Total Expenditure and Total Income figures for each service year and the difference compared to the previous year.

Breaking down the differences presented in the service totals table into these components can show whether a net decrease in spend in a specific service area is largely due to a decrease in expenditure or an increase in income.

**Table 3: Expenditure, income and total service expenditure, England, 2015-16 and 2016-17**

	£ million				£ million	
	2015-16		2016-17		Change	
	Total Expenditure	Total Income	Total Expenditure	Total Income	Total Expenditure	Total Income
Education	38,494	4,361	37,243	3,860	-1,252	-501
Highways and transport	7,394	3,064	7,330	3,306	-64	243
Childrens Social Care	9,015	712	9,155	679	140	-34
Adult Social Care	20,150	5,751	20,887	5,972	737	221
Public Health	3,336	184	3,671	191	334	7
Housing (excluding HRA <sup>(a)</sup> )	2,937	1,333	2,883	1,375	-54	42
Cultural	3,763	1,260	3,586	1,240	-177	-19
Environmental	6,799	1,819	6,859	1,936	60	117
Planning and development	2,460	1,241	2,479	1,303	19	62
Police	11,955	1,023	12,144	1,094	189	71
Fire and rescue	2,086	102	2,071	109	-15	7
Central	12,239	9,215	11,732	8,573	-507	-642
Other	427	357	397	342	-29	-15
<b>Total Service Expenditure</b>	<b>121,055</b>	<b>30,422</b>	<b>120,436</b>	<b>29,981</b>	<b>-619</b>	<b>-441</b>

(a) Housing Revenue Account

- Adult Social care has the second largest total income figure after Central services. This is due mainly to income from the [Better Care Fund](#). This money is not treated as a grant in our returns as it is not paid direct to the authority from central government but distributed to local authorities through National Health Service Clinical Commissioning Groups (CCGs).
- Net spend on Highways and Transport services decreased by £307 million compared to 2015-16. But total expenditure in the area fell by £64 million. The majority of the decrease is accounted for by an increase of income by £243 million.

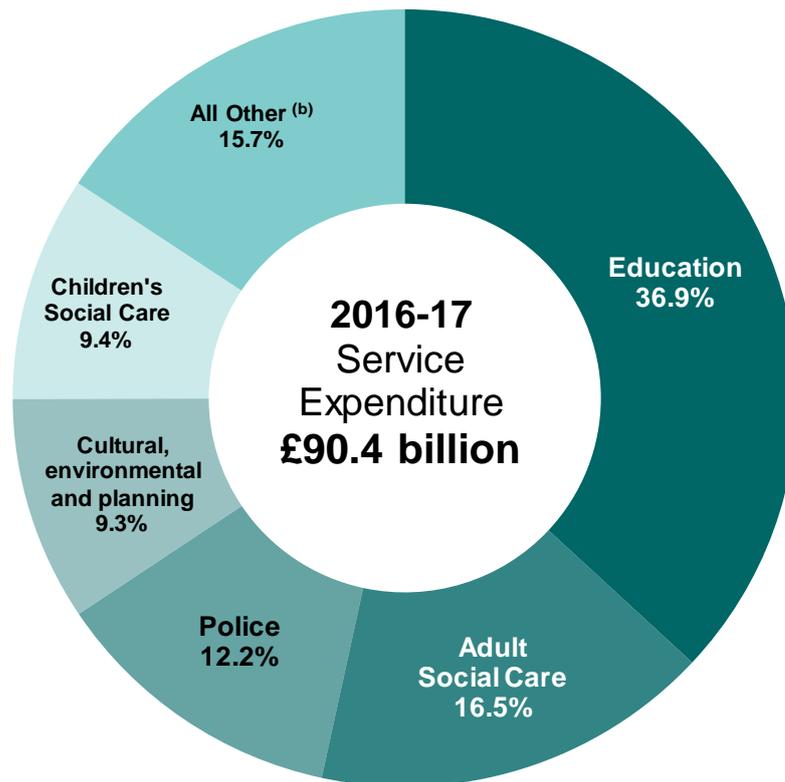
The increases in income in this service area are due to a variety of increases in the income received across Highways and Transport services. Gross income from parking services over 2016-17 was £1.58bn, up by five per cent on 2015-16. Net of expenditure, parking provided an income of £822m in 2016-17.

- Although net expenditure for Central services accounts for just £3.1 billion, the total overall expenditure is £11.7 billion; the majority of this (£8.5 billion) is financed by income within this service area. However this is due to majority of spend in the Central Services category being affected by recharges; largely those within the authority itself.

## Housing benefits

Housing Benefits are not part of service expenditure but they are a large component of total local authority spending. Paid by local councils to help individuals currently on low incomes help pay for rents for both private and social housing, these are financed through subsidies from the Department for Work and Pensions (DWP) with the authority passing this onto individuals.

**Chart A: Proportion of Total Service Expenditure by service, England, 2016-17**



(a) 'Other' includes 'Highways and Transport', 'Public Health', 'Fire and Rescue', 'Central services' and 'Other Services'

Chart A illustrates proportions of expenditure by Service. Education and Social Care services combined continue to represent over half of all local authority net current expenditure.

### **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. In 2016-17 this amounted to £4.2 billion, a decrease from £4.4 billion in the previous year.

Grants 'outside AEF', which are grants that authorities essentially pass on to a third party to administer a service, are also netted out here to obtain Revenue expenditure, the majority of this is the DWP subsidy to help finance the aforementioned Housing Benefits spend.

**Table 4: Revenue expenditure, England, 2015-16 and 2016-17**

	£ million	
	Net current expenditure 2015-16	Net current expenditure 2016-17
<b>Total Net Current Expenditure</b>	<b>111,686</b>	<b>110,735</b>
<i>plus non-current expenditure</i>		
Capital financing <sup>(a)</sup>	4,418	4,239
Capital expenditure charged to Revenue Account (CERA) <sup>(b)</sup>	1,966	1,536
Flexible use of Capital Receipts	-	-85
Bad debt provision	173	160
Flood defence payments to Environment Agency	35	35
Private Finance Initiative (PFI) schemes - difference from service charge	37	78
Appropriations to(+)/ from(-) financial instruments adjustment account <sup>(c)</sup>	19	37
Appropriations to(+)/ from(-) unequal pay back pay account <sup>(d)</sup>	51	60
<i>less interest receipts</i>	1,047	1,088
<i>less specific grants outside AEF <sup>(e)</sup></i>	22,448	21,608
<i>less Business Rates Supplement</i>	222	235
<i>less Community Infrastructure Levy (CIL)</i>	154	302
<i>less Carbon Reduction Commitment</i>	-18	-17
<b>Revenue Expenditure</b>	<b>94,533</b>	<b>93,578</b>
<p>(a) Includes provision for repayment of principal, leasing payments, external interest payments and HRA item 8 interest payments and receipts</p> <p>(b) Includes both Capital expenditure charged to the General Fund Revenue account and for Public Health</p> <p>(c) Adjustments permitted by regulation to the revenue account charges for financial instruments</p> <p>(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</p> <p>(e) Aggregate External Finance; see Definitions</p>		

- In 2016-17, £1.5 billion of capital expenditure was charged to the revenue account (CERA), a decrease of around a quarter compared to the £2.0 billion charged in 2015-16. The Greater London Authority group has been managing several large scale capital programmes (such as Crossrail) which are approaching completion. The amount of financing that these programmes require has been reducing year on year for the authority, impacting the England total and trend due to the scale of the programmes.
- Grants outside AEF totalled £21.6 billion for 2016-17. The majority of this was the DWP housing benefit subsidies.
- Community Infrastructure Levy totalled £302 million in 2016-17. Since 2015-16 there were also increases in the number of authorities becoming charging authorities.

# Revenue Expenditure Financing

This section outlines the key sources of funding available to local authorities to finance their spending over 2016-17 and in comparison to 2015-16. Any 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 and netted out in the expenditure figures presented in the previous chapters.

The main sources of funding available to finance revenue expenditure are locally retained business rates, Council tax, government grants and the use of held financial reserves.

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

**Table 5: Revenue expenditure financing, England, 2015-16 and 2016-17**

	£ million			
	Net current expenditure 2015-16	Net current expenditure 2016-17	£ Change	% Change
<b>Revenue expenditure</b>	<b>94,533</b>	<b>93,578</b>	<b>-955</b>	<b>-1.0</b>
<b>Financed by:</b>				
<b>Government Grants</b>	<b>57,090</b>	<b>53,812</b>	<b>-3,279</b>	<b>-5.7</b>
<i>of which:</i>				
Specific grants inside AEF <sup>(a)</sup>	40,119	39,218	-901	-2.2
<i>including:</i>				
<i>Dedicated Schools Grant (DSG)</i>	<i>28,065</i>	<i>26,904</i>		
<i>Public Health Grant</i>	<i>3,032</i>	<i>3,388</i>		
<i>Pupil Premium Grant</i>	<i>1,655</i>	<i>1,527</i>		
<i>NewHomes Bonus</i>	<i>1,108</i>	<i>1,438</i>		
Local Services Support Grant (LSSG)	29	19	-10	-35.8
Revenue Support Grant	9,520	7,188	-2,331	-24.5
Police grant	7,423	7,387	-36	-0.5
<b>Council tax requirement</b>	<b>24,734</b>	<b>26,083</b>	<b>1,348</b>	<b>5.5</b>
<b>Retained income from Business Rate Retention Scheme</b>	<b>11,855</b>	<b>11,735</b>	<b>-120</b>	<b>-1.0</b>
<b>Appropriations to(-) / from (+) revenue reserves</b>	<b>394</b>	<b>1,534</b>	<b>1,141</b>	<b>289.7</b>
<b>Other items <sup>(b)</sup></b>	<b>459</b>	<b>419</b>	<b>-41</b>	<b>-8.9</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

Authorities are financing more of their expenditure from locally retained income, although the majority of spend is still financed from Central Government Grants.

40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central Government grants. The remaining 2.1% was funded from use of reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.

**Central government grants** financed 57.5% of Revenue Expenditure in 2016-17. The grants comprise all direct grants from local government (or 'Specific grants inside AEF'), Revenue Support Grant, Local Services Support Grant (LSSG) and Police Grant.

- Specific grants inside aggregate external finance decreased from £40.1 billion in 2015-16 to £39.2 billion in 2016-17. The downward trend driven by continued reduction in Dedicated Schools Grant allocations which decreased £1.2 billion. Dedicated Schools Grant still accounts for 68.7% of these types of grants and 50.0% of all central government grants.
- Local authorities with public health responsibilities received £3.4 billion in Public Health Grant in 2016-17 including the first full year of financing for children aged 0 to 5.
- Compared to 2015-16, Revenue Support Grant decreased by £2.3 billion (24.5%). This grant is in effect funded through redistributed business rates. For further details on Revenue Support Grant see the [Local Government Finance Settlement](#).

**Council tax requirement** was £26.1 billion in 2016-17 which is 5.4% higher than the £24.7 billion in 2015-16. This increase is the result of the combination of growth in tax base and in levels of council tax. 2016-17 was the first year authorities have been able to use the Adult Social Care Precept. The amount of expenditure to be financed from the precept totalled £382 million.

**Retained income from Business Rate Retention Scheme** totalled £11.7 billion in 2016-17. This is £115 million lower than in 2015-16. This is notably affected by provisions that local authorities make for appeals against business rates valuations. The net additions to these provisions were expected to be £330 million higher in 2016-17 than in 2015-16<sup>1</sup>.

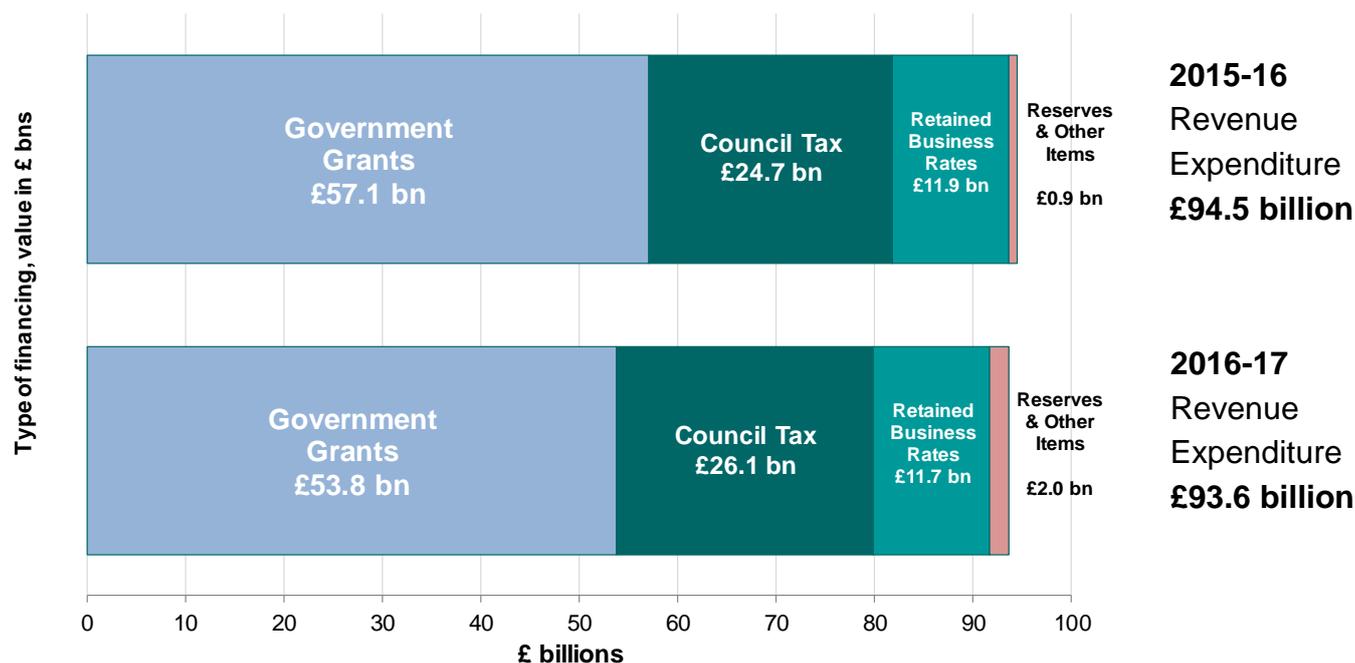
The national total net use of local authorities' **reserves** was £1.5 billion (or 6.2%) of their £24.6 billion reserves balance at the start of the year (1 April 2016). This is less than the £1.9 billion estimated in the Revenue Account (RA) budget data release.

The Greater London Authority's use of reserves was significant in both 2016-17 (£396m) and in 2015-16 (£457m).

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<sup>1</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/596907/NNDR1\\_2017-18\\_Stats\\_release\\_revised\\_March.pdf#page=5](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/596907/NNDR1_2017-18_Stats_release_revised_March.pdf#page=5)

**Chart B: Financing of revenue expenditure, England, 2015-16 and 2016-17**



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

Table 6 shows funding of revenue expenditure in terms of government grants and locally retained income (retained income from rate retention scheme and council tax) since 2013-14. The table also shows how reserves and other items contribute to or use this financing.

From 2013-14 onwards local authorities have been more reliant on locally retained income because business rates moved from being a centrally redistributed function to one where authorities retain a percentage of what they collect.

The proportion of centrally distributed income has reduced from 67% of all local authority revenue expenditure in 2010-11 to 57.5% in 2016-17. There is a corresponding increase in the income retained by local authorities from 35.4% in 2010-11 to 40.4% in 2016-17.

**Table 6: Financing of revenue expenditure, England, since 2013-14**

Outturn	£ million				£ million				£ million	
	Revenue Expenditure	Centrally distributed income		Locally retained income		Locally retained income	% of total	Reserves and Other Items (c)	% of total	
		Government Grants (a)	Centrally distributed income	% of total	Retained income from Business Rate Retention Scheme					Council Tax (b)
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
2016-17	93,567	53,812	53,812	57.5	11,735	26,083	37,817	40.4	1,942	2.1

(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 (-).

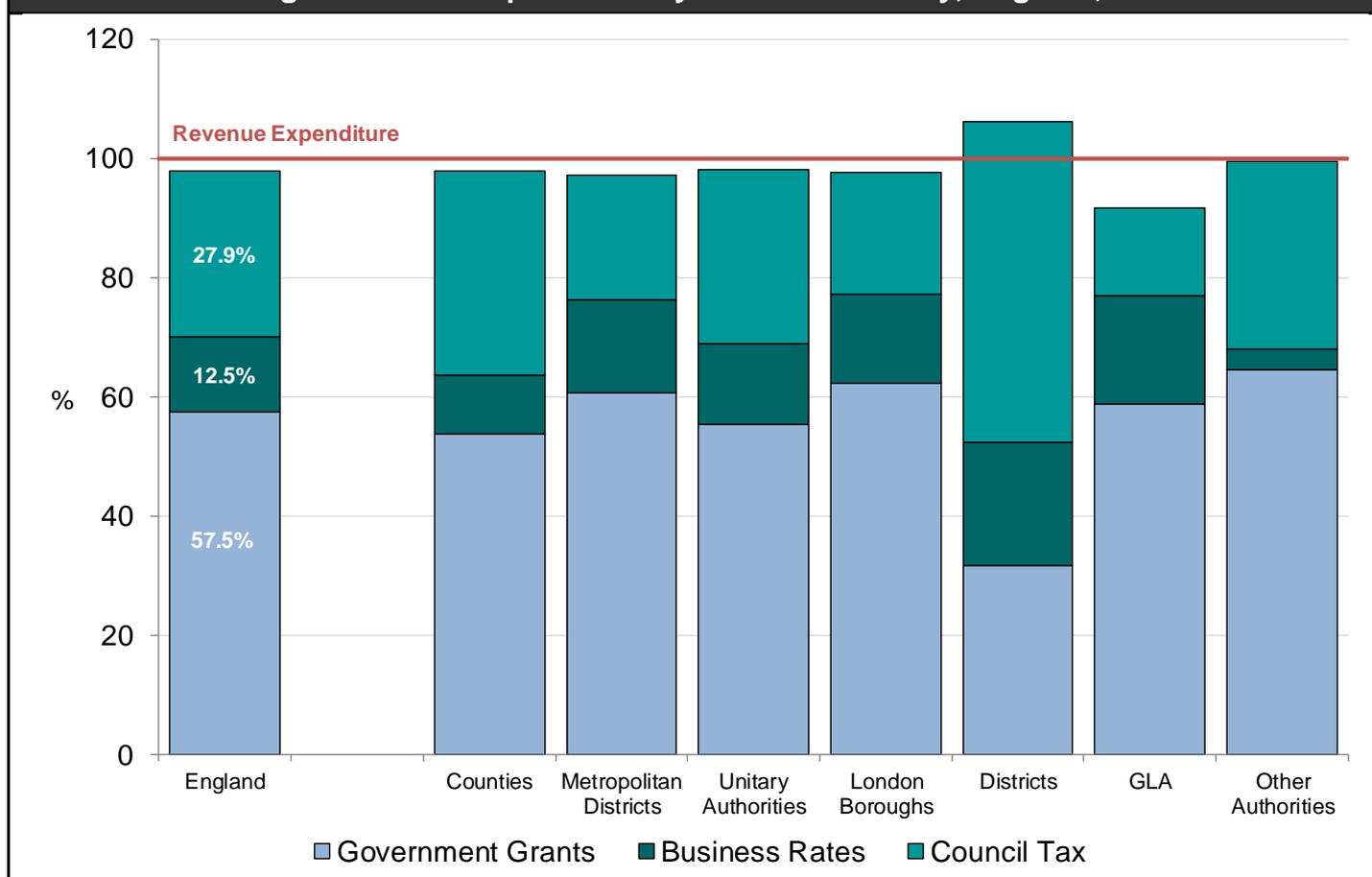
## Revenue Expenditure financing by class

Chart C 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 that they are currently spending), the proportion above the 100% line reflects net additions to reserves. Where financing falls below the red line; there is a net use of reserves.

- Shire districts finance the majority of revenue expenditure through locally retained income (74.3% of revenue expenditure).
- Their financing exceeds revenue expenditure by 6.2%. Shire districts therefore have added this proportion of their revenue expenditure to reserves. This equates to a total addition to reserves of £203million across 201 authorities.
- All authorities apart from Shire districts finance over 50% of their expenditure from centrally distributed income.

**Chart C: Financing of revenue expenditure by class of authority, England, 2016-17**



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

# Local Authority Financial Reserves

Reserves are funds set aside to finance future revenue spend. Movement of funds to and from reserves 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 2016-17.

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 7: Level of revenue reserves, England, since 2010-11							£ million
	Schools reserves	Public Health reserves	Non-ringfenced reserves			Total Reserves	
			Other earmarked	Unallocated	Non-ringfenced Total		
<b>At 1 April</b>							
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	
2016	2,344	260	17,626	4,390	22,016	24,620	
<b>At 31 March</b>							
2017	1,839	246	16,818	4,183	21,001	23,086	
<b>Changes in 2016-17</b>							
Movements to (+) and from (-) reserves	-505	-15	-808	-207	-1,015	-1,534	
as a percentage of 1 April 2015	-21.6%	-5.6%	-4.6%	-4.7%	-4.6%	-6.2%	

The total of all local authorities' general fund (revenue account) reserves decreased from £24.6 billion at 1 April 2016 to £23.1 billion at 31 March 2017. This is £1.5 billion lower (6.2%) than the total amount of held at 1 April 2016.

Within this overall net use of £1.5 billion of reserves, there are two large components of note:

- i) £0.4 billion of this use of reserves was due to the Greater London Authority
- ii) £0.5 billion of schools reserves were used during 2016-17.

Analysis of the use of general fund reserves by individual authorities shows that the level of reserves of almost half of all local authorities reduced during 2016-17.

## Use of reserves by class of authority

Although local authorities net use of reserves continues to increase overall, there are variations in how different types of local authorities are managing their financial reserves.

**Table 8: Appropriation to and from reserves by class of authority, England, 2015-16 and 2016-17**

	£ million			
	2015-16		2016-17	
	Proportion of authorities making net use of reserves	Appropriations to (+)/from (-) total revenue reserves	Proportion of authorities making net use of reserves	Appropriations to (+)/from (-) total revenue reserves
<b>England</b>	<b>41%</b>	<b>-394</b>	<b>50%</b>	<b>-1,523</b>
<b>Class of authority (number of authorities)</b>				
Shire Counties (27)	67%	-188	81%	-378
Metropolitan Districts (36)	53%	3	81%	-388
Unitary Authorities (56)	48%	94	64%	-254
London Boroughs (33)	61%	-63	79%	-359
Shire Districts (201)	23%	263	32%	203
Greater London Authority (1)	100%	-457	100%	-396
Other Authorities (92) <sup>(a)</sup>	53%	-45	47%	48

(a) Includes Police and Crime Commissioner and Chief Constable Authorities, Fire Authorities, Combined Authorities, Waste Authorities, Transport Authorities and National Park Authorities. Due to the creation of new combined authorities in 2016-17 there were 90 'Other Authorities' in 2015-16.

Table 8 above shows the upper tier and single tier authorities are continuing to use considerably more of their reserves than other classes of authorities. The net use for Shire Counties has doubled from £188 million in 2015-16 to £378 million in 2016-17. London boroughs using £307 million more than the previous year and Unitary authorities having previously had a net addition of reserves of £94 million, now have a net use of £254 million

It is also noticeable that Shire Districts made a net addition to their reserves totalling £203 million in 2016-17. However, this is £54 million less than the net addition last year across all district councils.

The proportion of the 152 authorities which have responsibility for providing social care which making a net use of their revenue reserves has increased in 2016-17 compared to 2015-16. These authorities, Unitary Authorities, London Boroughs, Shire Counties and Metropolitan Districts all saw an increased proportion of authorities using reserves compared to those which do not, such as Shire Districts.

# 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. 27 2017. This is accessible at:

<https://www.gov.uk/government/statistics/local-government-financial-statistics-england-2017>. 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 Local Government Settlement**

the main channel of government funding. This includes **Retained Income from the Rate Retention Scheme**, **Revenue Support Grant**, and Police grant which take in to account of authorities' relative ability to raise council tax. Generally, 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 an 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 broadly the cost for local authorities to operate and provide services within a financial year and compared with Capital Expenditure general covers ongoing, recurring expenses.

In the dataset, it is calculated by taking 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.

## **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 2016-17 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-2016-to-2017-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.

<b>Description</b>	<b>Form</b>
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 2016-17

From May until July 2017, all 446 local authorities in England were requested to complete the Revenue Outturn (RO) suite of forms to show all transactions for the 2016-17 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 2016 to 31 March 2017. 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 2016-17 in this release is derived from Department for Communities and Local Government (DCLG) Revenue Account (RO) forms and is based on returns from 444 of the 446 local authorities in England.

Isles of Scilly and Dorset Police were unable to submit in time for release.

When authorities are unable to submit information is grossed using a combination of information available for the current year and previous year’s data. Where a local authority does not provide data, information on spend is taken from the previous year’s figures which is then adjusted to known grant, council tax and business rates information for 2016-17.

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:

[lqf1.revenue@communities.gsi.gov.uk](mailto:lqf1.revenue@communities.gsi.gov.uk)

## 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 Government, Welsh Assembly and Northern Ireland also collect local government finance data. Their information can be found at the following websites:

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

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

**Northern Ireland** <https://www.communities-ni.gov.uk/topics/local-government>

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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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This document/publication is also available on our website at [www.gov.uk/dclg](http://www.gov.uk/dclg)

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