



# *Statistical Release*

9th March 2012

## QUARTERLY REVENUE OUTTURN FOR LOCAL AUTHORITIES IN ENGLAND: QUARTER 3 2011-12

- Total net current expenditure for quarter 3 was estimated to be £28.6bn.
- The forecast net current expenditure figure for 2011-12 is £118.6bn.
- This is an increase of 0.4 per cent on the initial reported budget of £118.06bn.

This statistical release provides quarterly revenue outturn data for local authorities in England, for quarter 3 of the financial year 2011-12, and compares it to revenue account data for the same financial year. The data are drawn from Quarterly Revenue Outturn (QRO) forms and Revenue Account (RA) forms for all of the 444 authorities in England which complete the form. To conform to National Accounts principles, these figures are provided on a non International Accounting Standard 19 (IAS19) and a PFI “off balance sheet” basis, unless otherwise stated.

The release has been compiled by the Local Government Finance: Data Collection, Analysis and Accountancy division of the Department for Communities and Local Government.

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## Additional table (available online)

Estimated Quarterly Revenue Outturn data, Q1, Q2 and Q3 2011-12 by local authority, region and class of authority

## Introduction

1. Authorities in England submit budget data to the Department before the start of each financial year on the Revenue Account (RA) form, and Revenue Outturn (RO) data after the end of the year.
2. The Quarterly Revenue Outturn (QRO) data, which are collected following quarters 1, 2 and 3 of the financial year, provide an early indication of local authority revenue outturn. Historically, outturn on revenue spending has differed from initial (RA) budget, and these quarterly returns allow data to be improved as spending patterns become clearer throughout the year.
3. The quarter 3 figures in this release are based on valid returns from 439 authorities. The Q2 figures are based on valid returns from 437 authorities and the Q1 figures from 440. Authorities whose data are missing or invalid are listed in paragraph 20.f. Where authority information is missing or invalid, figures have been imputed for the purpose of calculating aggregate figures, as described in the methodology section of this release.
4. This release provides the first estimate of quarter 3 revenue outturn data. Authorities have had the opportunity to revise their Q1 and Q2 figures at the same time as they submitted Q3 data.
5. Throughout this release, comparisons are made between the RA (budget) figures submitted by authorities and their QRO outturn figures. It is important to note that the RA figures are a snapshot produced by authorities at a single point prior to the financial year. The purpose of the

comparison is to update the expected expenditure data with actual expenditure data and give a clearer picture of what authorities are spending over the year. A difference between the budget figure and the outturn figure does not necessarily represent an over- or under-spend.

6. The figures show that outturn expenditure in quarters 1 to 3 was less than three-quarters of that reported in the RA form; this is also true of the education service line and is likely to reflect a difference in the number of academies present in a local authority's area during the year and the number that were budgeted for. Academy schools are funded directly from the Department for Education and their expenditure is not part of the Local Government data reported in this release.
7. This release completes the quarterly revenue data collection for 2011/12 and provides three-quarters of outturn data plus a revised forecast for the year. It is clear that taking these figures at face value would suggest that expenditure in the final quarter of the year would need to be significantly higher than in outturn quarters in order to meet the revised forecast. A final figure for 2011/12 expenditure will not be available until full-year revenue outturn are published in the Autumn but it is likely that the forecasts submitted by authorities have not fully taken into account the effect of in-year changes such as the changes to academy schools described above. In this case, the forecasts would be overstated. **Assuming a small increase in outturn in the final quarter of 2011/12, a full-year outturn figure £1bn to £2bn lower than the reported forecasts of service expenditure and net current expenditure in table 2 might be expected.** 2011/12 is the first year of quarterly revenue collection. Once further data are available, it will be possible to provide more accurately adjusted forecast figures if necessary in future years.

#### Quarterly revenue outturn data

8. Table 1 shows the QRO data for quarter 3 of 2011-12 at a national level, subject to grossing as outlined in sections 14 and 15.

- Nationally, net current expenditure for the quarter was £28.6bn.
- One quarter of the comparable budgeted (RA) figure was £29.51bn. Quarter 3 outturn expenditure was 3.0 per cent lower than this RA figure.

Table 1: Estimated Quarterly Revenue Outturn data for England Q3 2011-12				
Net current expenditure (£m)		Q1 Outturn (R)	Q2 Outturn (R)	Q3 Outturn
QRO line				
1, 2	<b>General Public Services</b>	813	667	634
3	<b>Defence</b>	11	10	11
4,5	<b>Public order and Safety</b>	3,468	3,492	3,460
6, 7, 8	<b>Economic Affairs</b>	1,351	1,374	1,394

9	<b>Environmental Protection</b>	<b>1,024</b>	<b>1,108</b>	<b>1,112</b>
10, 11, 12	<b>Housing and Community Amenities</b>	<b>394</b>	<b>436</b>	<b>443</b>
13	<b>Health<sup>(a)</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>
14	<b>Recreation, Culture and Religion</b>	<b>659</b>	<b>713</b>	<b>705</b>
15	<b>Education</b>	<b>8,375</b>	<b>8,077</b>	<b>7,975</b>
	Non-pay element of schools expenditure	2,170	2,232	2,149
16, 17	<b>Social Protection</b>	<b>5,484</b>	<b>5,646</b>	<b>5,672</b>
18	<b>Non-distributed costs: retirement benefits</b>	126	133	147
19	<b>Other Services</b>	128	71	77
20	<b>TOTAL SERVICE EXPENDITURE (TOTAL OF LINES 1 TO 19)<sup>(b)</sup></b>	<b>24,003</b>	<b>23,960</b>	<b>23,781</b>
22	<b>Housing benefits: rent allowances - mandatory payments</b>	3,582	3,673	3,732
23	<b>Housing benefits: non-HRA rent rebates - mandatory payments</b>	123	121	107
24	<b>Housing benefits: rent rebates to HRA tenants - mandatory payments</b>	997	1,027	1,026
25	<b>Housing benefits: subsidy limitation transfers from HRA</b>	0	1	1
27	<b>Contribution to the HRA re items shared by the whole community</b>	2	2	2
28	Parish precepts	140	100	66
29	Passenger Transport Authority levy <sup>(c)</sup>	-13	-2	-14
30	Waste Disposal Authority levy <sup>(c)</sup>	0	2	-1
31	London Pensions Fund Authority levy	7	6	6
32	Other levies	13	8	8
33	<b>External Trading Accounts net surplus(-)/ deficit(+)</b>	-81	-57	-67
37	<i>Capital charges included in External Trading Accounts (Line 33)</i>	-3	-2	-3
34	<b>Internal Trading Accounts net surplus(-)/ deficit(+)</b>	53	-12	6
38	<i>Capital charges included in Internal Trading Accounts (Line 34)</i>	-2	-8	-8
35	Adjustments to net current expenditure	11	2	-3
36	<b>NET CURRENT EXPENDITURE (TOTAL OF LINES 20 TO 35)<sup>(b)</sup></b>	<b>28,836</b>	<b>28,831</b>	<b>28,652</b>
39	Interest payable and similar charges	649	777	860
(a)	Under the definition of health expenditure in COFOG-1 (see glossary) this figure is currently zero for all authorities.			
(b)	Includes non-pay element of schools expenditure imputed from RA returns.			
(c)	This levy should net out to zero across the year. The fact that it does not do so for the outturn figure(s) is likely to be due to timing differences and estimation on the part of authorities. Authorities have the opportunity to revise their Q1 and Q2 figures on their Q3 form, or to submit missing figures. These figures include those revisions, and therefore differ from the figures published in the Q1 and Q2 releases.			
(R)	This levy should net out to zero across the year. The fact that it does not do so for the outturn figure(s) is likely to be due to timing differences and estimation on the part of authorities. Authorities have the opportunity to revise their Q1 and Q2 figures on their Q3 form, or to submit missing figures. These figures include those revisions, and therefore differ from the figures published in the Q1 and Q2 releases.			

9. In-year forecasts (predicted outturn for the whole year) are provided for a number of lines on the QRO. Table 2 shows these figures at a national level for total service expenditure and net current expenditure and compares them to the RA figures provided before the start of the financial year.

- The in-year forecast for total service expenditure is 100.4 per cent of the RA figure for the year.
- The in-year forecast for net current expenditure is 100.4 per cent of the RA figure.

**Table 2: Forecast Revenue Outturn data for England at Q3 2011-12**

	2011-12 Forecast Outturn (QRO) <sup>(a)</sup>	2011-12 Budgeted (RA) figure	Percentage change from RA
20 <b>TOTAL SERVICE EXPENDITURE</b>	<b>99,938</b>	<b>99,504</b>	<b>0.4%</b>
36 <b>NET CURRENT EXPENDITURE</b>	<b>118,565</b>	<b>118,059</b>	<b>0.4%</b>
39 Interest payable and similar charges	2,964	3,098	

(a) Forecast includes non-pay element of schools expenditure imputed from RA returns.

10. Table 3 shows total net current expenditure (including the imputed non-pay element of schools expenditure) for quarter 3, the in-year forecast, and the comparable RA figure, by region and by class of authority.

- Nationally, total net current expenditure for quarter three made up 24.2 per cent of the in-year forecast figure.
- The in-year forecast outturn ranges from 95.6 per cent of the RA figure for Other Authorities to 102.0 per cent for Unitary Authorities.
- Quarter three outturn ranges from 22.3 per cent of the in-year forecast for Other Authorities to 24.9 per cent for Shire Districts.

**Table 3: Total net current expenditure by region and class of authority**

Total net current expenditure (£m)	Quarter 3 outturn	2011-12 Forecast Outturn (QRO)	2011-12 Budgeted (RA) figure	Q3 outturn as percentage of in-year forecast	In-year forecast as percentage of RA
ENGLAND	28,652	118,580	118,059	24.2	100.4
<u>Region</u>					
North East	1,476	6,038	6,002	24.5	100.6
North West	3,843	16,288	16,056	23.6	101.4
Yorkshire and the Humber	2,779	11,083	11,066	25.1	100.2
East Midlands	2,074	8,836	8,778	23.5	100.7
West Midlands	2,949	12,083	12,022	24.4	100.5
East of England	2,834	11,633	11,446	24.4	101.6
London	6,233	25,666	25,769	24.3	99.6
South East	4,030	16,738	16,791	24.1	99.7

South West	2,433	10,215	10,130	23.8	100.8
<u>Class of authority</u>					
London Boroughs	4,922	20,139	19,998	24.4	100.7
Greater London Authority	1,311	5,522	5,756	23.7	95.9
Metropolitan Districts	5,773	23,602	23,649	24.5	99.8
Unitary Authorities	5,397	22,732	22,289	23.7	102.0
Shire Counties	6,717	28,199	27,745	23.8	101.6
Shire Districts	2,095	8,418	8,261	24.9	101.9
Police Authorities	2,043	8,276	8,643	24.7	95.8
Fire Authorities	342	1,461	1,477	23.4	98.9
Other Authorities	51	231	241	22.3	95.6

### Additional table

11. An additional table has been produced at local authority level, for authorities which submitted valid data. This is not included in the printed version of this release. It is available on the Department's website at <http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/revenue201112/> and shows quarter 1, quarter 2 and quarter 3 outturn data and in-year forecast data at local authority, region and class of authority level. The quarter 1 and quarter 2 data in this release are the most up-to-date figures received from authorities, who had the opportunity to update their figures on their Q3 return. The aggregate figures may, therefore, differ from the figures reported in the Q1 or Q2 releases. Underlying local authority level data for the Q1 and 2 releases remain available online, accompanying the relevant releases, at the link above.

### Methodology

12. This release compares QRO data with RA data in a number of cases. The forms are not directly comparable and so, in order to make the comparison, relevant RA lines have had to be aggregated to provide a comparison to each QRO line. A mapping document which shows the relationship between lines on the RA, RO and QRO forms is available online at <http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/revenue201112/>.

13. The non-pay element of schools expenditure is not a mandatory part of the QRO collection. Where an education authority does not provide this figure, it is imputed from the 2011-12 RA figure and the 2010-11 RO figure. This non-pay element is taken to be the proportion of RA line 190 (total schools expenditure) for each authority which is deemed likely to apply to schools' non-pay (see paragraph 17), multiplied by the percentage in paragraph 15 which converts it to a quarterly figure.

14. Aggregate national, regional and class of authority figures are produced by using imputed figures for any authority which failed to submit its form by the deadline for inclusion in this release, or for which the form was received but contained significant data quality issues which could not be resolved with the authority in time for publication.
15. The imputed figures for such authorities are taken to be a percentage of the comparable Revenue Account (RA) figures submitted for the financial year. This is the Q3 outturn figure as a percentage of the comparable RA figure for valid authorities. For this release, this percentage was calculated to be 24.3 per cent. This methodology assumes that the missing authority's outturn is in keeping with its budgeted expenditure and that its expenditure in the current quarter, as a percentage of its budgeted expenditure for the year, is the same as that for authorities for which validated QRO data are available. As the RA and QRO lines are not identical, RA lines have been aggregated to form a comparison with the relevant QRO line.
16. In order to estimate the education line (line 15) for authorities with missing or invalid data, both RA and RO (Revenue Outturn) figures are used. The 2010-11 RO for each authority<sup>1</sup> is used to determine the percentage of its total net current expenditure on schools which is made up of employee costs. This percentage is applied to the RA figure for total net current expenditure on schools to estimate the employee element of this expenditure, and is added to RA lines 150 and 160 (services to young people, and other school related education functions) to produce an estimate of the annual QRO education figure for the authority. The quarterly figure is then estimated by applying to this annual figure the percentage described in paragraph 15.
17. Similarly, the non-pay element of schools' expenditure is calculated by taking the remaining portion of the RA figure and estimating the quarterly figure as in paragraph 16. This calculation is carried out for all education authorities who did not explicitly supply a non-pay figure on the Q3 return, and the figures are reported separately in Table 1. **This methodology has changed since the quarter 1 release** when the total education expenditure for an authority was assumed to remain at the level reported on the RA form.
18. Where imputation methodology has been applied to an authority for the purpose of producing aggregate figures, no data are published for that authority in the online LA-level table (available at <http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/revenue201112/>).

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<sup>1</sup> At quarter 1 the 2010-11 RO data were not available and 2009-10 data were used instead.

## Strengths and limitations of the data

19. The QRO data provide a timely indication of revenue expenditure at local authority level, giving an earlier indication than was previously possible using only the RO data collected after year-end.
20. The data are limited by certain factors, as outlined below.
  - a. Local authorities are asked to work to a level of materiality of £1m for all lines except 33, 34, 37 and 38 (trading account lines), for which the materiality level is £5m.
  - b. For the purposes of the QRO return, authorities are asked to estimate the apportionment of central service charges to the appropriate service lines on an accrued basis. However, the majority of authorities do not undertake this apportionment formally until year end. There is a large difference, therefore, between the RA and QRO for line 2 within General Public Services, as authorities have either had to estimate the apportionment or have not undertaken any apportionment of recharges in their return (instead including all costs in line 2 of the return).
  - c. The non-pay element of schools expenditure is not a mandatory element of the QRO collection, and is imputed from the RA form as outlined in paragraph 17 where not provided by the authority. This methodology assumes that the spending pattern for this type of expenditure is the same as the average spending pattern of valid authorities across all lines on the form.
  - d. The definition of total service expenditure used for RA and QRO differs slightly. Total service expenditure for RA includes non-distributed costs relating to carbon reduction transactions and to unused shares of IT facilities and other assets, which are excluded from the QRO definition. In 2011-12, the net effect of these transactions was to increase the RA total service expenditure figure for England by £44.2m. This inconsistency will be corrected for the next financial year.
  - e. Where authorities fail to submit a return, or where, at the point of publication, significant data quality issues remain, figures for the authority are imputed for the purpose of calculating aggregate figures (see paragraphs 15 and 16). This imputation relies on a number of assumptions, including that the authority's expenditure remains in line with its budget and that the proportion of its expenditure occurring in the current quarter is equal to the same proportion for validated authorities. **0.3 per cent of the net current expenditure reported for England is comprised of imputed values.**
  - f. Authorities for whom valid data were not available at the point at which this release was finalised were: Brentwood, Cleveland Combined Fire, St Albans, Thurrock and West London Waste for Q3,



Brentwood, Cleveland Combined Fire, Havant, Isles of Scilly, Thurrock, Uttlesford and West London Waste for Q2 and Brentwood, Harlow, Thurrock and West London Waste for Q1.

### **Data quality**

21. The information in this Statistical Release is derived from Department for Communities and Local Government Quarterly Revenue Outturn (QRO) returns submitted by local authorities in England. All local authorities are required to complete all relevant parts of the QRO return.
22. Figures are subjected to rigorous pre-defined validation tests as the data are received and stored, and queries are followed up with authorities prior to publication.
23. The release document, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.
24. It should be recognised that this is the first year in which QRO data have been collected from authorities on a statutory basis. Data quality can be expected to improve as local authorities become more familiar with the form, and as an increase in the amount of data available provides more options for validation checks.

### **Uses made of the data**

25. The purpose of the QRO collection is to improve the economic data used for fiscal monitoring by HM Treasury and the data used to monitor changes in the wider economy which are maintained by the Office for National Statistics. This in turn supports the Government's aims of maintaining sound public finances and macroeconomic stability. Improving the local authority data provided to central government is a key part of this.
26. Comments and feedback from the end user for further improvement or about your experiences with this product will be welcomed. Please send all views to [gro@communities.qsi.gov.uk](mailto:gro@communities.qsi.gov.uk).

### **Terminology used in this release**

27. A list of terms relating to local government finance is given in the glossary at Annex G of Local Government Finance Statistics England No. 21 2011. This is accessible at <http://www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011>. The terms most relevant to this release are explained below.
28. **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.

29. **Classification of the Functions of Government (COFOG) codes** provide a standard means of referring to services provided by government. Further detail on what is covered by each COFOG code is available from the UN Statistics Division (link below). COFOG-1 codes (the highest level of the hierarchy) are used on the QRO form. Line 13 of the form (Health) is included so that a full picture of expenditure under all COFOG codes can be provided. However, at present, no local authorities are responsible for services which fall under the COFOG definition of Health. (<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>).
30. **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**.
31. **International Accounting Standard 19 (IAS 19)**. Local authorities' final accounts are required to comply in full with International Accounting Standard 19 on employment benefits. This requires future liabilities for retirement benefits to be recognised in the accounts for all the main categories of local government employees, with the exception of teachers. However, for National Accounts purposes, the cost of retirements is taken to be the benefits and contributions actually payable in the year.
32. **PFI schemes in accordance with the International Financial Reporting Standards (IFRS)**. Under the International Financial Reporting Standards (IFRS), assets provided under PFI schemes are normally shown on the authority's balance sheet. Local authorities are required to account for their PFI schemes on the IFRS basis. For National Accounts purposes, however, PFI schemes are accounted for on an "on balance sheet" basis only where economic ownership of the asset rests with the authority. **Economic ownership** for national accounts purposes is determined by whether the local authority or the contractor has an asset of the property used to provide the contracted services. A party has an asset of the property where that party has access to the benefits of the property and exposure to the risks inherent in those benefits.

### **Background notes**

33. This Statistical Release can be found at the following web address:  
<http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/revenue201112/>
34. For press enquiries about this Statistical Release, please contact the Local Government press desk on 0303 444 0444 or email

[press.office@communities.gsi.gov.uk](mailto:press.office@communities.gsi.gov.uk). For other enquiries please contact David Lacey on 0303 444 1745 or email [gro@communities.gsi.gov.uk](mailto:gro@communities.gsi.gov.uk).

35. Timings of future releases are regularly placed on the Department's website,  
<http://www.communities.gov.uk/corporate/researchandstatistics/statistics/publicationschedule/> and on the National Statistics website,  
[www.statistics.gov.uk/press\\_release/currentreleases.asp](http://www.statistics.gov.uk/press_release/currentreleases.asp)
36. Guidance notes, which accompany each form sent to local authorities, can be found at:  
<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/quarterlyrevenue/>
37. For a fuller picture of recent trends in local government finance, readers are directed to Local Government Finance Statistics England No. 21 2011, which is available electronically from the Department for Communities and Local Government website:  
<http://www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011>
38. The Scottish Government, Welsh Assembly Government and Northern Ireland Government collect annual revenue outturn data. Their information can be found at the following websites:
  - a. Scotland:  
<http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance>
  - b. Wales:  
<http://wales.gov.uk/topics/statistics/headlines/localgov2010/100623/?lang=en>
  - c. 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)
39. Quarterly capital statistics are published for England and are available at the following weblink:  
<http://www.communities.gov.uk/documents/statistics/xls/1984124.xls>
40. Revenue Account (RA) and Revenue Outturn (RO) data for England are available at the following weblink:  
<http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/revenueexpenditure/>
41. A draft statistics plan describing our proposals for collecting and publishing official statistics over the period April 2011 to March 2012 can be found at:  
<http://www.communities.gov.uk/publications/corporate/statistics/plan201112consultation>

## Symbols and conventions

### Symbols

... Not available

0 Zero or negligible

n/a Not applicable

|| Discontinuity

(P) Provisional

(R) Revised since the last statistical release

### Rounding

Where figures have been rounded there may be a discrepancy between the published total and the sum of the constituent items.

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