

# *Statistical Release*

21 June 2007

## **LOCAL AUTHORITY CAPITAL EXPENDITURE AND RECEIPTS**

### **England: 2006-07 Provisional Outturn & 2007-08 Forecast**

- **Capital expenditure by local authorities in England in 2006-07 was little changed from 2005-06 but is forecast to rise to £18.8 billion in 2007-8, a year-on-year increase of 13%.**
- **Capital receipts fell by 3% in 2006-07 but are forecast to increase by 17% in 2007-08.**

This release provides provisional outturn estimates of local authority capital expenditure and receipts in the financial year April 2006 to March 2007 and forecasts of local authority capital expenditure and receipts in the financial year April 2007 to March 2008.

The information for 2006-07 is derived from Capital Payments and Receipts Returns (CPR4) submitted by local authorities in England and is based on returns from 476 of the 478 authorities that complete the return. Estimates have been made for missing returns. The authorities that did not submit completed forms in time for this release are Ashfield DC and Uttlesford DC.

The information for 2007-08 is derived from Capital Estimates Returns (CER) submitted by all 478 local authorities in England. In Tables 1 to 6 the figures have been adjusted by increasing local authorities' own estimates of expenditure and receipts to reflect the historic difference between provisional and final estimates.

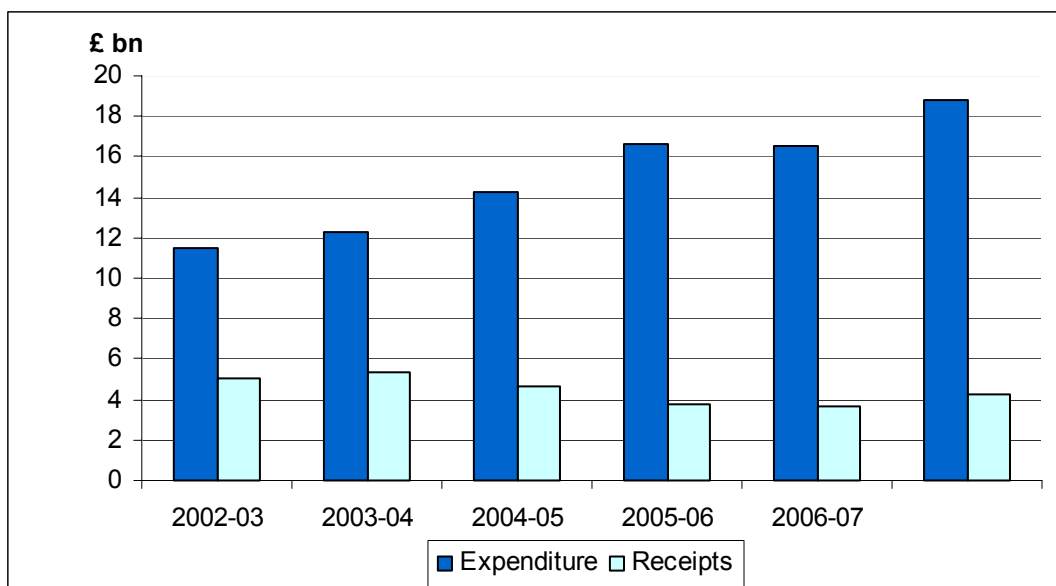
The release has been compiled by Local Government Finance – Capital Finance and Analysis division of Communities and Local Government.

## Capital expenditure and receipts 2002-03 to 2007-08

1. **Chart A** and **Table 1** illustrate the change in capital expenditure and receipts from 2002-03 to 2007-08.

- Capital expenditure by local authorities in England was little changed in 2006-07 but is forecast to rise to £18.8 billion in 2007-08, a year-on-year increase of 13%.
- While new construction and conversion expenditure increased between 2005-06 and 2006-07, this was offset by falls in the other economic categories of capital expenditure.
- Capital receipts fell by 3% in 2006-07 but are forecast to increase by 17% in 2007-08. The 2007-08 forecast includes £104 million from the sale of Kingston-upon-Hull Council's shareholding in Kingston Communications and £196million for the City of London, the bulk of which is a planned disposal of the authority's interest in a joint venture office development.

**Chart A: Expenditure and receipts from 2002-03 to 2007-08**



**Table 1: Local authority capital expenditure and receipts : England**

	2002-03	2003-04	2004-05	2005-06	2006-07 (P)	2007-08 (F)
<b>£ million</b>						
<b>Expenditure:</b>						
New construction & conversion	8,768	9,615	10,543	12,078	12,422	14,344
Other fixed assets	1,519	1,653	2,432	2,694	2,465	2,501
Other capital expenditure	1,220	1,014	1,301	1,869	1,658	1,931
<b>Total capital expenditure</b>	<b>11,508</b>	<b>12,282</b>	<b>14,276</b>	<b>16,641</b>	<b>16,545</b>	<b>18,776</b>
<b>Capital receipts</b>	<b>5,040</b>	<b>5,322</b>	<b>4,661</b>	<b>3,777</b>	<b>3,646</b>	<b>4,279</b>

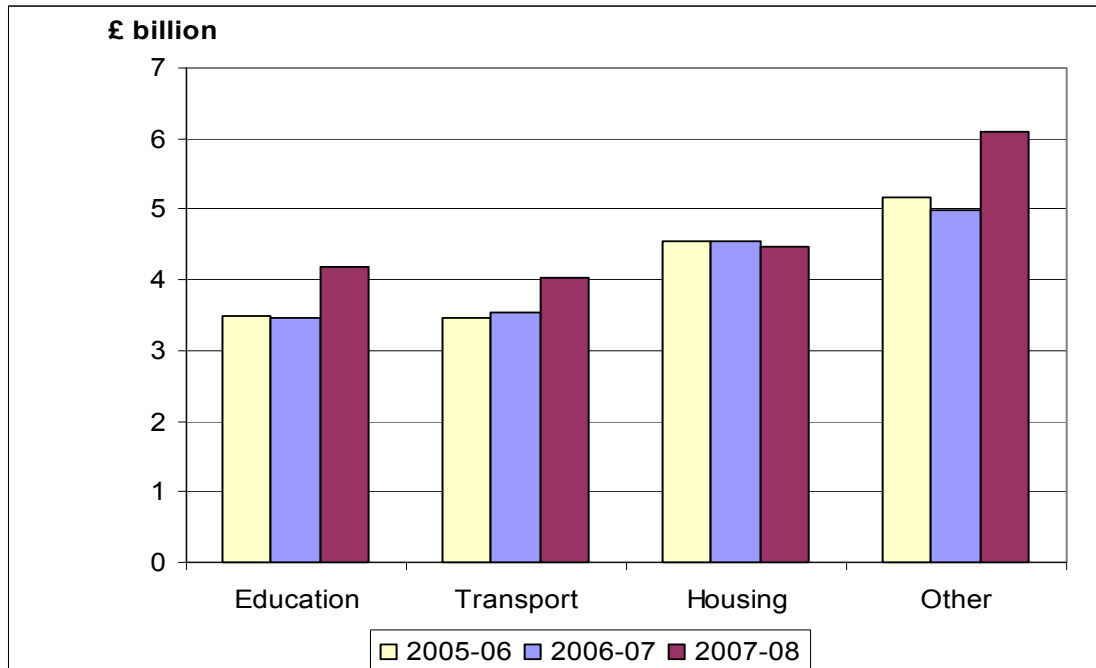
(P) = Provisional (F) = Forecast

## Capital expenditure by service

2. **Chart B** and **Table 2** below illustrate the change in the pattern of expenditure for the major services between 2005-06 and 2007-08.

- Expenditure in all services changed little between 2005-06 and 2006-07.
- Capital expenditure in police, education and transport services are each forecast to rise by just over 20% in 2007-08, the increase in transport being due to a £535 million increase in transport expenditure by Transport for London. Spending on sport and recreation is forecast to increase by nearly 50%, from £495 million to £731 million.

**Chart B: Capital expenditure in 2005-06 to 2007-08 by service**



**Table 2: Local authority capital expenditure by service : England**

	2002-03	2003-04	2004-05	2005-06	2006-07 (P)	2007-08 (F)
						£ million
Education	2,287	2,780	3,087	3,492	3,456	4,187
Transport	2,461	2,552	2,905	3,461	3,544	4,034
Housing	3,828	3,485	3,987	4,534	4,555	4,468
Other	2,932	3,465	4,297	5,154	4,991	6,087
<i>Of which:</i>						
<i>Social Services</i>	199	260	284	387	390	442
<i>Sport &amp; recreation</i>	307	263	306	424	495	731
<i>Police</i>	408	513	561	606	549	664
<i>Other</i>	2,018	2,429	3,146	3,737	3,557	4,249
<b>Total capital expenditure</b>	<b>11,508</b>	<b>12,282</b>	<b>14,276</b>	<b>16,641</b>	<b>16,545</b>	<b>18,776</b>

(P) = Provisional      (F) = Forecast

3. **Tables 3 (a and b) and 4** provide a service breakdown of estimated provisional expenditure and receipts for 2006-07. These figures (and those in Tables 1 and 2) are based on local authorities' own estimates of spending and receipts, further adjusted by increasing local authorities' own estimates of expenditure and receipts to reflect the historic difference between provisional and final estimates.

<b>Table 3a : Local authority capital expenditure on fixed assets : England 2006-07 : provisional outturn by economic category and service</b>					
	<b>Acquisitions of land &amp; existing buildings</b>	<b>New construction, conversion &amp; renovation</b>	<b>Vehicles, plant, equipment &amp; machinery</b>	<b>Intangible assets</b>	<b>£ million Total expenditure on fixed assets</b>
Education	62	3,163	166	7	3,398
Transport	45	2,750	105	7	2,907
Social services	19	287	45	8	358
Housing	360	3,411	94	8	3,874
Agriculture & fisheries	0	27	0	0	28
Libraries, culture & heritage	7	289	20	4	319
Sport & recreation	16	423	28	1	468
Police	21	215	297	15	548
Fire	6	59	58	1	125
Other	442	1,797	505	117	2,862
<b>Total</b>	<b>979</b>	<b>12,422</b>	<b>1,318</b>	<b>168</b>	<b>14,887</b>

<b>Table 3b : Local authority capital expenditure : England 2006-07 : provisional outturn by economic category and service</b>					
	<b>Total expenditure on fixed assets</b>	<b>Grants</b>	<b>Loans &amp; other financial assistance</b>	<b>Acquisition of share &amp; loan capital</b>	<b>£ million Total capital expenditure</b>
Education	3,398	53	4	0	3,456
Transport	2,907	282	355	0	3,544
Social services	358	32	0	0	390
Housing	3,874	647	33	0	4,555
Agriculture & fisheries	28	1	0	0	28
Libraries, culture & heritage	319	8	2	0	329
Sport & recreation	468	22	5	0	495
Police	548	0	1	0	549
Fire	125	0	0	0	125
Other	2,862	186	8	19	3,075
<b>Total</b>	<b>14,887</b>	<b>1,231</b>	<b>408</b>	<b>19</b>	<b>16,545</b>

**Table 4: Local authority capital receipts : England 2006-07 : provisional outturn by economic category and service**

	Receipts from sale of fixed assets	Intangible assets	Repayments of grants and advances	Disposal of investments inc. share & loan capital	£ million Total capital receipts
Education	264	0	0	0	264
Transport	57	1	1	4	62
Social services	85	0	0	0	85
Housing	1,640	4	26	0	1,670
Agriculture & fisheries	46	0	0	0	46
Libraries, culture & heritage	18	0	0	0	18
Sport & recreation	62	0	1	0	63
Police	133	1	0	0	134
Fire	9	0	0	0	9
Other	1,194	4	44	54	1,295
<b>Total</b>	<b>3,507</b>	<b>9</b>	<b>73</b>	<b>58</b>	<b>3,646</b>

4. Tables 5 and 6 provide a service breakdown of forecast expenditure and receipts for 2007-08. These figures (and those in Tables 1 and 2) are based on local authorities' own estimates of planned spending and receipts, but further adjusted by:

- reducing local authorities' forecast expenditure to reflect the historic pattern of capital programme slippage;
- increasing local authorities' forecasts of receipts to reflect the historic pattern of under recording receipts at the forecast stage.

**Table 5: Local authority capital expenditure & receipts : England 2007-08 : forecast by service**

	Expenditure	£ million Receipts
Education	4,187	433
Transport	4,034	101
Social services	442	121
Housing	4,468	1,499
Sport & recreation	731	83
Police	664	164
Other	4,249	1,877
<b>Total</b>	<b>18,776</b>	<b>4,279</b>

**Table 6 : Local authority capital expenditure & receipts : England 2007-08 : forecast by economic category**

	£ million
Acquisitions of land and existing buildings	1,115
New construction, conversion and renovation	14,344
Vehicles, plant, equipment, and machinery	1,177
Intangible fixed assets	209
<b>Total expenditure on fixed assets</b>	<b>16,845</b>
Expenditure for capital purposes on grants	1,326
Expenditure for capital purposes on loans & other financial assistance	601
Acquisition of share and loan capital	4
<b>Total capital expenditure</b>	<b>18,776</b>
Sales of fixed assets	4,115
Sales of intangible assets	6
Repayments of grants and advances	30
Disposal of investments including share and loan capital	128
<b>Total capital receipts</b>	<b>4,279</b>

#### **Local authorities' own reported estimates for 2006-07 and 2007-08**

5. **Table 7** provides a summary of local authorities' own provisional estimates of what they spent in 2006-07 and a breakdown of how they financed that expenditure and corresponding information about the forecasts for 2007-08. None of the figures in Table 7 have been adjusted for likely differences between provisional and final outturn spending. Estimates have however been made for missing CPR4 returns.

#### **Local authorities' own reported information on prudential system: 2006-07**

6. **Table 8** provides provisional outturn information about the prudential system in 2006-07.
7. The Prudential Code for Capital Finance in Local Authorities was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities in taking their decisions. Its key objectives are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. As part of this framework the Prudential Code sets out the indicators that must be used.
8. These indicators include forecasts of, and actual figures for:
- capital expenditure;
  - capital financing requirement - a measure that reflects an authority's underlying need to borrow;
  - external debt - gross borrowing and other long-term liabilities;
  - operational boundary for external debt - based on an authority's working estimate of most likely (i.e. prudent), but not worst case scenario;
  - authorised limit for external debt - the intended absolute limit that has to be set by the full Council.

**Table 7 - Local authority capital expenditure : England : provisional outturn 2006-07 & forecast 2007-08**

<b>Reported by local authorities</b>	<b>£ million</b>	
	<b>2006-07</b>	<b>2007-08</b>
Acquisitions of land and existing buildings	951	1,212
New construction and conversion	12,060	15,591
Vehicles, plant and machinery	1,279	1,279
Intangible fixed assets	163	227
Total expenditure on fixed assets	14,454	18,310
Expenditure for capital purposes on grants	1,195	1,442
Expenditure for capital purposes on loans & other financial assistance	396	653
Acquisition of share and loan capital	19	4
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>16,064</b>	<b>20,408</b>
Expenditure treated as capital expenditure under s16(2)(b) direction	122	57
Payment of Large Scale Voluntary Transfer levy	5	14
<b>TOTAL EXPENDITURE AND OTHER TRANSACTIONS</b>	<b>16,191</b>	<b>20,480</b>
Sales of fixed assets	3,405	4,074
Sale of intangible assets	9	6
Repayments of grants, loans & other financial assistance	70	30
Disposal of investments incl. share and loan capital	56	126
<b>TOTAL CAPITAL RECEIPTS</b>	<b>3,540</b>	<b>4,236</b>
Capital grants from central government departments	3,877	5,264
Capital grants from European Union Structural Funds (including ERDF)	179	190
Grants and contributions from private developers and from leaseholders, etc	558	578
Grants and contributions from non-departmental public bodies	546	727
Capital grants from the National Lottery	153	120
Use of capital receipts	2,631	3,626
Capital expenditure financed from the Housing Revenue Account	222	277
Capital expenditure financed by the Major Repairs Reserve (MRR)	1,346	1,356
Capital expenditure financed from the General Fund Revenue Account	964	1,560
SCE(R) Single Capital Pot	2,541	2,524
SCE(R) Separate Programme Element	738	663
Other borrowing and credit arrangements not supported by central government	2,436	3,593
<b>TOTAL RESOURCES USED TO FINANCE CAPITAL EXPENDITURE</b>	<b>16,191</b>	<b>20,480</b>

**Table 8 - Local authority capital expenditure : prudential information : England : provisional outturn 2006-07**

Reported by local authorities	£ million		
	as at 1 April 2006	in 2006-07	as at 31 March 2007
<b>Capital Financing Requirement as at 1 April 2006</b>	45,207		
Capital expenditure to be resourced by means of credit (+)		5,715	
Minimum Revenue Provision & voluntary contributions (-)		1,601	
Change in Capital Financing Requirement		4,114	
<b>Capital Financing Requirement as at 31 March 2007</b>			49,321
Gross borrowing	45,496		48,218
Other long-term liabilities	914		858
<b>Total external debt</b>	<b>46,409</b>		<b>49,076</b>
Operational boundary for external debt	55,581		57,016
Authorised limit for external debt	63,364		64,804
Investments	21,718		22,358

## **Background Notes**

1. National Statistics are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer demands.
2. The information for 2006-07 in this Statistical Release is derived from Capital Payments and Receipts Returns (CPR4) submitted by local authorities in England and is based this time on a response from 476 of the 478 authorities. The authorities that did not submit completed forms in time for this Release are Ashfield DC and Uttlesford DC. The information for 2007-08 is derived from Capital Estimates Returns (CER) submitted by all 478 local authorities in England.
3. The adjustments made to local authorities' own estimates in order to calculate the main estimates (see paras 3 and 4) include an assessment of the difference between CPR4 estimates and CER estimates respectively and final outturn information for recent years where outturn data are available. The adjustment made for underestimation of capital expenditure and receipts in the CPR4 returns was 1.03. Corresponding adjustments for CER were made for the overestimation of expenditure and underestimation of receipts of 0.92 and 1.01 respectively.
4. Further adjustments have been made to avoid double counting the GLA grants to other London authorities.
5. Enquiries about this Statistical Release should be addressed to John Wallis at [capital.receipts@communities.gsi.gov.uk](mailto:capital.receipts@communities.gsi.gov.uk) (Tel. 020 7944 4075).
6. Timings of future Releases are regularly placed on the Department's website, [www.local.communities.gov.uk](http://www.local.communities.gov.uk) and on the ONS National Statistics website, [www.statistics.gov.uk](http://www.statistics.gov.uk)
7. For a fuller picture of recent trends in local government finance readers are directed to *Local Government Financial Statistics England No. 17 2007* which is available in hard copy from Wetherby Publications Centre at [communities@twoten.com](mailto:communities@twoten.com) (Tel. 0870 1226236) and electronically in PDF format via the Department's web site:  
  
<http://www.local.communities.gov.uk/finance/stats/lgfs/2007/index.htm>
8. Final outturn estimates of capital expenditure and receipts in 2006-07 will be published in a National Statistics Release later this year.