
Local authority expenditure

Total Local Authority Expenditure is defined as the contribution of local authorities to TME as measured in national accounts. TME is a consolidated measure in the sense that transactions between parts of the public sector do not add to TME. So, for example, total local authority expenditure defined here excludes capital grants paid to public corporations and interest paid to central government. Total local authority expenditure can also be measured as central government support for local authorities within DEL and Departmental AME, plus locally financed expenditure in AME, plus some accounting adjustments.

Central government support for expenditure by local authorities is provided in three forms: grants, for both capital and current expenditure; non-domestic rate payments; and credit approvals (net capital allocations in Scotland). Support may be non-specific, e.g. Revenue Support Grant, or related to specific services, e.g. police grant.

Local authority current spending can broadly be divided into two categories - main local services, which local authorities have some discretion over and which are partly financed by local taxation, and other spending, financed wholly by central government specific grants.

MAIN LOCAL SERVICES

Local authorities have considerable discretion to determine the level, pattern, and standard of the main services - subject to the financial resources available, including the implications for local taxation, and in some cases subject also to central government regulation and inspection of the service provided.

Government support for expenditure on the main services above is provided through Aggregate External Finance (AEF). This comprises:

- Revenue Support Grant (RSG);
- Non-domestic rate payments: the proceeds for National Non-Domestic Rates (NNDR) are pooled separately in England, Scotland and Wales and distributed to local authorities in the country concerned on a per capita basis;
- specific and special grants, which fund part of the current expenditure on a specific service or activity.

All AEF falls within DEL, with the exception of Scottish NNDR payments, which are in

locally financed expenditure in Other AME.

OTHER SPENDING

This is financed almost wholly by central government through specific grants outside AEF, with little or no impact on local tax levels. The main examples are rent allowances and rebates, and council tax benefit. Grants outside of AEF are a mixture of support falling within DEL and Departmental AME.

CAPITAL EXPENDITURE

Local authorities have several ways of paying for capital expenditure:

- central government support;
- own resources: capital receipts and revenue.

Local authorities in England, Wales and Scotland must set aside part of their housing capital receipts to repay debt but they are free to spend the remainder on capital programmes at any time. The requirement to set aside part of their other receipts was lifted in September 1998.

Note that capital expenditure can be before or after sales of capital assets, and gross or net of depreciation. Capital expenditure as defined in national excludes financial transaction such lending or acquisition of shares, but these are included in some other definitions. The tables state which measure of capital expenditure applies.

SUPPORT FOR LOCAL AUTHORITY CAPITAL PROGRAMMES

Central government support for local authority capital expenditure comprises grants and credit approvals (net capital allocations in Scotland). Credit approvals and net capital allocations authorise local authorities to borrow or use other forms of credit to finance capital expenditure.

Most credit approvals are issued as Basic Credit Approvals (BCAs) and can be used for any local authority service. The remainder - Supplementary Credit Approvals (SCAs) - are for particular projects or services. The distribution of BCAs takes account of local authorities' relative capital spending needs and their ability to finance their capital programmes from their capital receipts.

