

UNITED KINGDOM

UNITARY COUNTRY

EUROPE

BASIC SOCIO-ECONOMIC INDICATORS

Income group - HIGH INCOME: OECD Local currency - Pound Sterling (GBP)

POPULATION AND GEOGRAPHY

AREA: **242 509** km²

POPULATION: **64.597** million inhabitants (2014), an increase of 0.7% per year (2010-14)

DENSITY: **266** inhabitants/km²

URBAN POPULATION: **82.3%** of national population

CAPITAL CITY: **London** (16% of national population)

Sources: OECD, Eurostat, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **2 597.4** billion (current PPP international dollars) i.e. 40 210 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.9%** (2014 vs 2013)

UNEMPLOYMENT RATE: **6.1%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **45 457** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **17%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.907** (very high), rank 14

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSABILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
389	27	3	419
LOCAL AUTHORITIES AVERAGE MUNICIPAL SIZE: 166 060 INHABITANTS	COUNTY COUNCILS AND GREATER LONDON AUTHORITY	DEVOLVED NATIONS	

MAIN FEATURES OF TERRITORIAL ORGANISATION. The United Kingdom is a unitary state composed of four constituent countries (England, Northern Ireland, Scotland and Wales) and three devolved administrations (Northern Ireland, Scotland and Wales), having their own elected assembly and government since the devolution process in 1998. The project of devolution of limited political powers to elected regional assemblies in England has been suspended indefinitely following the rejection of the first referendum held in the North-East of England in 2004. The territorial organisation is highly complex and differs greatly between the different countries. England is composed of 324 district councils (including metropolitan boroughs, London boroughs, non-metropolitan districts, unitary authorities) and 27 county councils and Greater London Authority (GLA) at the intermediary level. Wales has 22 unitary councils, Scotland, 32 unitary councils and Northern Ireland, 11 local councils (26 until Local Government Reform, effective as of April 2015). In addition, there is a structured sub-municipal level of approximately: 9 500 parish councils in England, 730 community councils in Wales, and 1 200 in Scotland.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. At regional level, the system of devolution is sound but asymmetric, the three devolved nations enjoying different levels of legislative, administrative and budgetary autonomy. At local level, responsibilities vary from one constituent country to another but they typically include education, local economic development, housing, social services, local roads and public transport, culture and recreation, waste management, environmental protection and parks, health and public safety, etc. Several decentralisation processes are underway in Northern Ireland (Local Government Reform) and in England where the Localism Act 2011 gave local authorities a general power of competence and transferred new responsibilities (housing, public health and social protection). In addition, the Cities and Local Government Devolution Act 2016 allowed greater devolution of powers (housing, transport, planning and policing powers) to "combined authorities" and the introduction of directly-elected mayors.

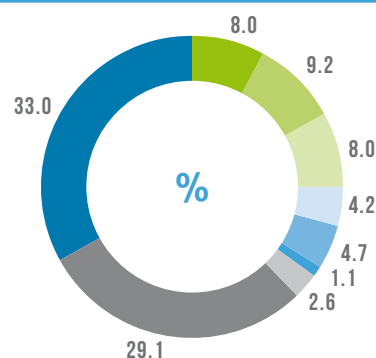
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	11.6%	25.5%	100%
CURRENT EXPENDITURE	10.4%	-	90.1%
STAFF EXPENDITURE	4.0%	40.5%	34.2%
INVESTMENT	0.9%	35.6%	8.0%

Spending decentralisation in the UK is lower than in the OECD on average. However, it is worth noting that UK figures are under-estimated as fiscal data regarding the devolved administrations in Scotland, Wales and Northern Ireland are not included in SNG but in central government sector. Therefore, data presented in the tables relate to local councils only. These latter are key public employers in significant sectors (education, social care, police force). However, their role as public investor is significantly lower than in the OECD on average where SNG investment represented 58.5% of public investment and 1.9% of GDP in 2013.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



The two main local government categories of spending are by far social protection and education. They are followed by three areas that weigh similarly: security and public order (police and fire services), general public services and economic affairs/transport. In addition, SNGs are responsible for the large majority of overall public spending in the area of housing and community amenities (over 80% of public spending).

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	11.3%	28.5%	100%
TAX REVENUE	1.6%	5.9%	14.3%
GRANTS AND SUBSIDIES	7.8%	-	69.1%
OTHER REVENUES	1.9%	-	16.6%

As for expenditure, revenue data do not include devolved nations of Scotland, Northern Ireland and Wales. Greater devolution of taxing power is, however, taking place in devolved nations, such as in Scotland where 2012 Scotland Act gave additional fiscal powers, including a Scottish rate of income tax (10% of income tax from April 2016 onwards). Local government fiscal framework varies from one country to another but, in general, local governments are highly dependent on central/devolved government transfers.

TAX REVENUE. In England, Scotland and Wales, tax revenue comes from the council tax and a share of the business rates, which are both property taxes on immovable property, representing 1.6% of GDP. The council tax is based on the rental value of individual property and is paid by the resident, based on the residence value, the situation of the resident and income levels. The business rates are levied on non-domestic lands and buildings. The receipts of business rates are pooled and then redistributed by the UK government in England or the devolved nations on a per capita basis. In England, the 2011 financial reform increased local government taxing power through the localisation of the council tax and the business rates retention scheme as of 2013. In Northern Ireland, local tax revenue comes from district rates that include taxes on domestic and non-domestic properties.

GRANTS AND SUBSIDIES. In England, the main grants (excluding housing grant) are referred to collectively as Aggregate External Finance (AEF). AEF includes Revenue Support Grant (distributed according to formula), redistributed business rates and certain specific grants (distributed by individual government departments such as dedicated Schools Grant and Public Health Grant). From 2011-12 a new unringfenced general grant called Local Services Support Grant was set up to regroup previous earmarked grants. From 2013-14 the Business Rates Retention scheme replaced the Formula Grant which was used to redistribute business rates. In Wales, the Revenue Support Grant – non-earmarked - is allocated by the Welsh Government according to a population-based formula. The Scottish Government provides a block grant which is broken down into three constituent parts (Revenue Support Grant, Non Domestic Rates Income and Specific Grants). In Northern Ireland, transfers include the “de-rating” grant (compensating for the loss of income from de-rated properties), the rates support grant (for councils with greater expenditure needs than revenues), and specific earmarked grants.

OTHER REVENUES. Other revenues include fees and charges, especially in the education, transport, social care and cultural sectors (12.8% of local government revenue) and revenue from property (rents and sales).

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	9.8%	9.4%

In England, Scotland and Wales, local governments are able to issue long-term debt to finance capital investments only (golden rule). Local government must follow the CIFPA Prudential Code, which sets indicators to be respected regarding affordability, sustainability and prudence. In Northern Ireland, borrowing is subject to an approval by the Ministry of the Environment, and must aim at financing capital projects only. Overall, local government debt is well below the OECD average. It is made up of financial debt (52%, including mainly loans), pension liabilities (37%) and other accounts payable (11%).

A joint- study of:



Sources: OECD National Accounts Statistics • OECD (2015 and 2016), Subnational Governments in OECD Countries: Key data • Chatri I., Hulbert C. (2016), “Multi-level governance reforms: Overview of OECD country experiences” OECD Publishing • European Committee of the Regions (2014) Division of Powers Between the European Union, Member States, Candidate and some Potential Candidate Countries, and Local and Regional Authorities: Fiscal Decentralisation or Federalism • Congress of Local and Regional Authorities (2014) Local and regional democracy in the United Kingdom”, CG(26)10FINAL • Center for Cities (2014) “Devolution and decentralisation in the UK • Department for Communities and Local Government: (2014) Local Government Financial Statistics England.