







Departmental Overview, October 2018

# Local authorities

# Local authorities

This overview summarises the work of local authorities including what they do, the system of accountability, where they get their funding and spend their money, recent and planned changes, and what to look out for across their main business areas and services.

## Overview

 <p>Local authorities in England</p>	 <p>The local accountability system</p>	 <p>How local authorities are funded</p>
 <p>Where local authorities spend their money</p>	 <p>Major programmes and developments</p>	 <p>Exiting the European Union</p>

**PART ONE**

### Financial sustainability




**PART TWO**

### Housing and homelessness




**PART THREE**

### Adult social care



**PART FOUR**

### What are the things to look out for?



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## OVERVIEW

# Local authorities in England

There are a number of different types of local authority. This overview concentrates on principal local authorities – London borough councils, unitary authorities, metropolitan borough councils, county councils and district councils.<sup>1</sup> These authorities provide a wide range of services, either by delivering them themselves or by commissioning other providers. Among other functions, these authorities:

- provide services such as planning, housing, waste collection, and sports and leisure facilities;
- support many people in vulnerable circumstances, such as adults in receipt of local authority social care and children in need of help and protection; and
- aim to enable local economic growth.

There are a range of other types of local authority:



**Combined authorities** are corporate bodies formed of two or more

local government areas, established with or without an elected mayor. They enable groups of councils to take decisions across boundaries on issues which extend beyond the interests of any one local authority.



**Fire and rescue authorities** carry out a range of duties including responding

to fires, road traffic accidents, and other emergencies; and undertaking preventative activities to reduce the risks of fire.



**Police and crime commissioners**, in consultation with their chief constables:

set objectives for their police force; allocate the funds needed to achieve them; and hold police forces to account on behalf of the public.

Fire and police bodies are covered under our *Home Office Departmental Overview*.

## Function

Adult and children's social care, transport, planning, highways, public health

Local tax, housing, planning, leisure, waste collection and environment

Joint working across geographical areas

Fire and rescue

Policing

Conservation and the promotion of scenic areas

Local facilities, for example management of town and village centres

## Organisation

33 London borough councils

56 unitary councils

36 metropolitan borough councils

27 county councils

201 district councils

Nine combined authorities such as Greater Manchester, seven joint waste authorities – all made up of representatives from the principal authorities. Local authorities are key partners in the 38 Local Enterprise Partnerships.

45 fire and rescue authorities, made up of councillors from principal authorities. Includes 29 stand-alone fire authorities, 15 within counties and one as a functional body of the Greater London Authority.

37 areas headed by an elected police and crime commissioner, 39 police forces.

10 national park authorities.

There are around 10,000 parish and town councils, although these do not exist in all areas.

Source: National Audit Office

<sup>1</sup> We also include the council of the Isles of Scilly and the Corporation of London.

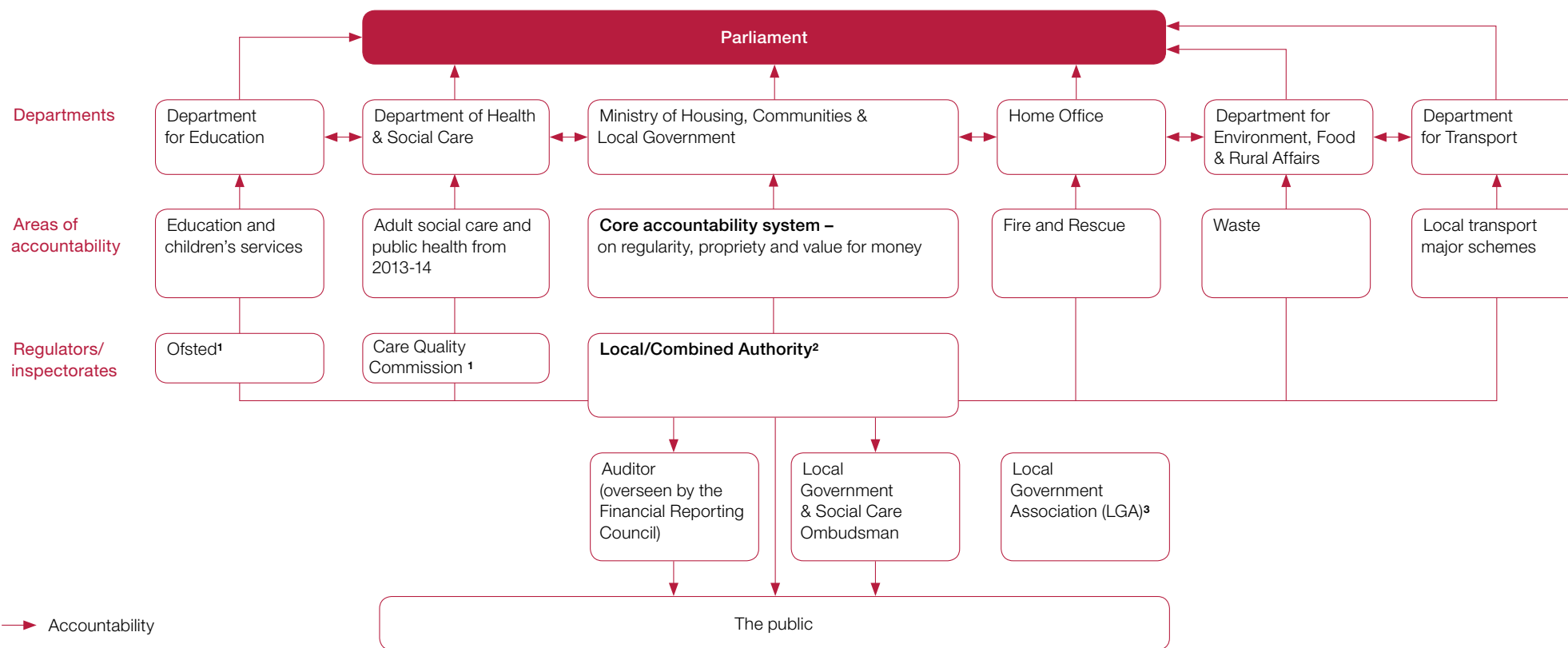
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# The local accountability system

Local authorities are accountable to the public as they are democratically elected bodies. In addition, Parliament votes funding to the Ministry of Housing, Communities and Local Government (the Department), who pass this to local authorities in the form of grants. As a result, local authorities are also part of the accountability system under which the Department is accountable to Parliament.

This complex terrain means it can be difficult to identify who is accountable for what. To aid understanding, each department must publish an Accounting Officer System Statement, which sets out its accountability relationships and processes, and is part of the Accounting Officer's personal responsibility to Parliament. The Department's Accounting Officer System Statement contains two annexes, covering the accountability systems for local government and for the Local Growth Fund.

The accountability system between local and central government is complex. This diagram shows how accountability flows between local authorities and the Department, as well as illustrating the other bodies involved in holding local authorities to account.



**Notes**

- 1 The roles of the regulators/inspectorates differ in scope.
- 2 Ultimate accountability lies with the full council, elected Mayor or governing body.
- 3 The LGA provides peer challenge and support to local authorities but local authorities are not accountable to the LGA.

Source: Ministry for Housing, Communities & Local Government

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# How local authorities are funded

Local authorities receive funding from a range of sources. Some of this income is controllable, that is, authorities have some say over how the funding is used locally. Some other income streams are non-controllable, however, and are passed through authorities to other bodies and individuals such as schools and benefits claimants.

## Controllable income – £58.7 billion<sup>2</sup> in 2016-17

- **Government grant:** in 2016-17, local authorities received £25.8 billion (including locally retained business rates income).
- **Council tax:** in 2016-17, local authorities generated £22.2 billion.
- **Sales, fees and charges:** in 2016-17, local authorities generated £9.8 billion.
- **Trading and investment income:** in 2016-17 local authorities generated £1.1 billion.

## Non-controllable income – £50.4 billion in 2016-17

- **Front-line schools funding –** £28.9 billion.
- **Funding passed to other bodies and individuals –** £21.5 billion.

**Other income and reserves:** (we do not show data on this income in this diagram).

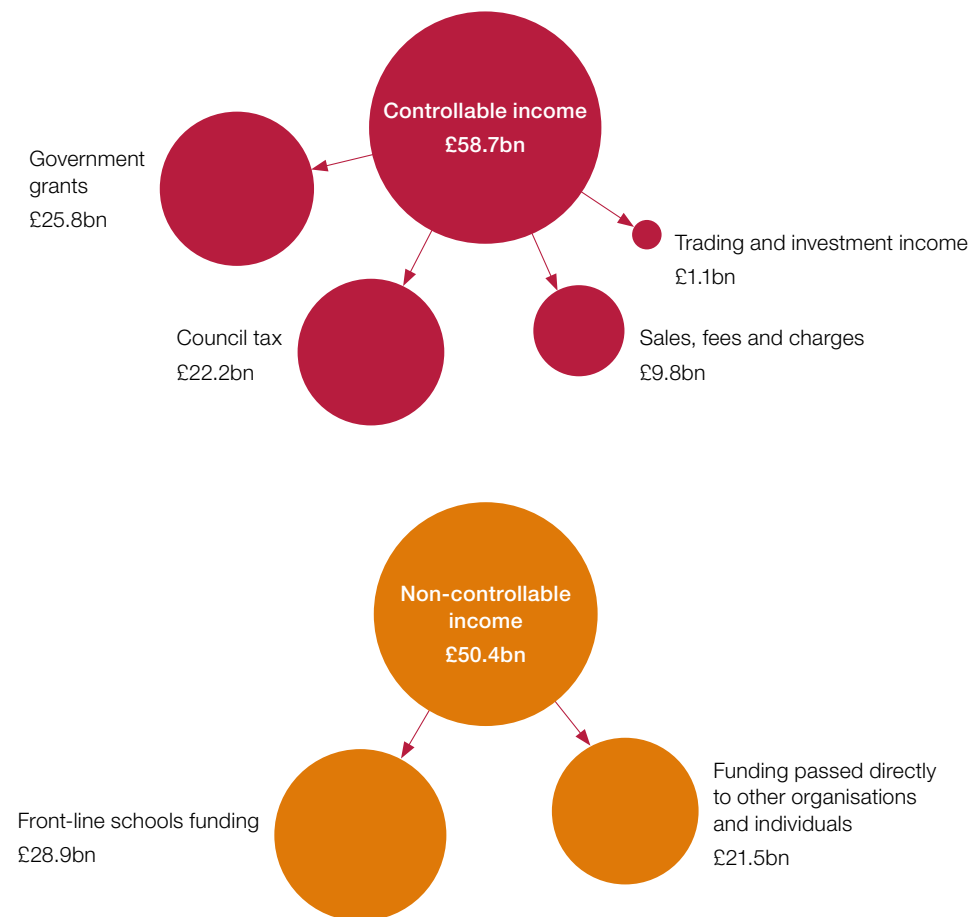
Local authorities may also receive **other income** in the form of transfers and payments from other public bodies including other local authorities.

Local authorities may build up **reserves**. Reserves support authorities in meeting the legal requirement to balance their budgets by providing a resource to cushion the impact of unexpected events or emergencies. Local authorities had £16.4 billion of revenue reserves as of 31 March 2017 (including earmarked and unallocated reserves, but excluding schools and public health reserves).

Local authorities that have retained their social housing stock also generate rental income. This in turn is used to maintain their housing stock. This income is managed primarily through their **housing revenue accounts (HRAs)**.

## Local authority income 2016-17

Local authority funding can be either controllable or non-controllable



### Notes

- 1 Totals may not sum due to rounding.
- 2 Figures are for all 353 principal councils.
- 3 Government grants includes local services support grant, revenue support grant, locally retained business rates and all grants inside aggregate external finance other than those passed directly to schools.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

<sup>2</sup> Totals may not sum due to rounding.

# Where local authorities spend their money



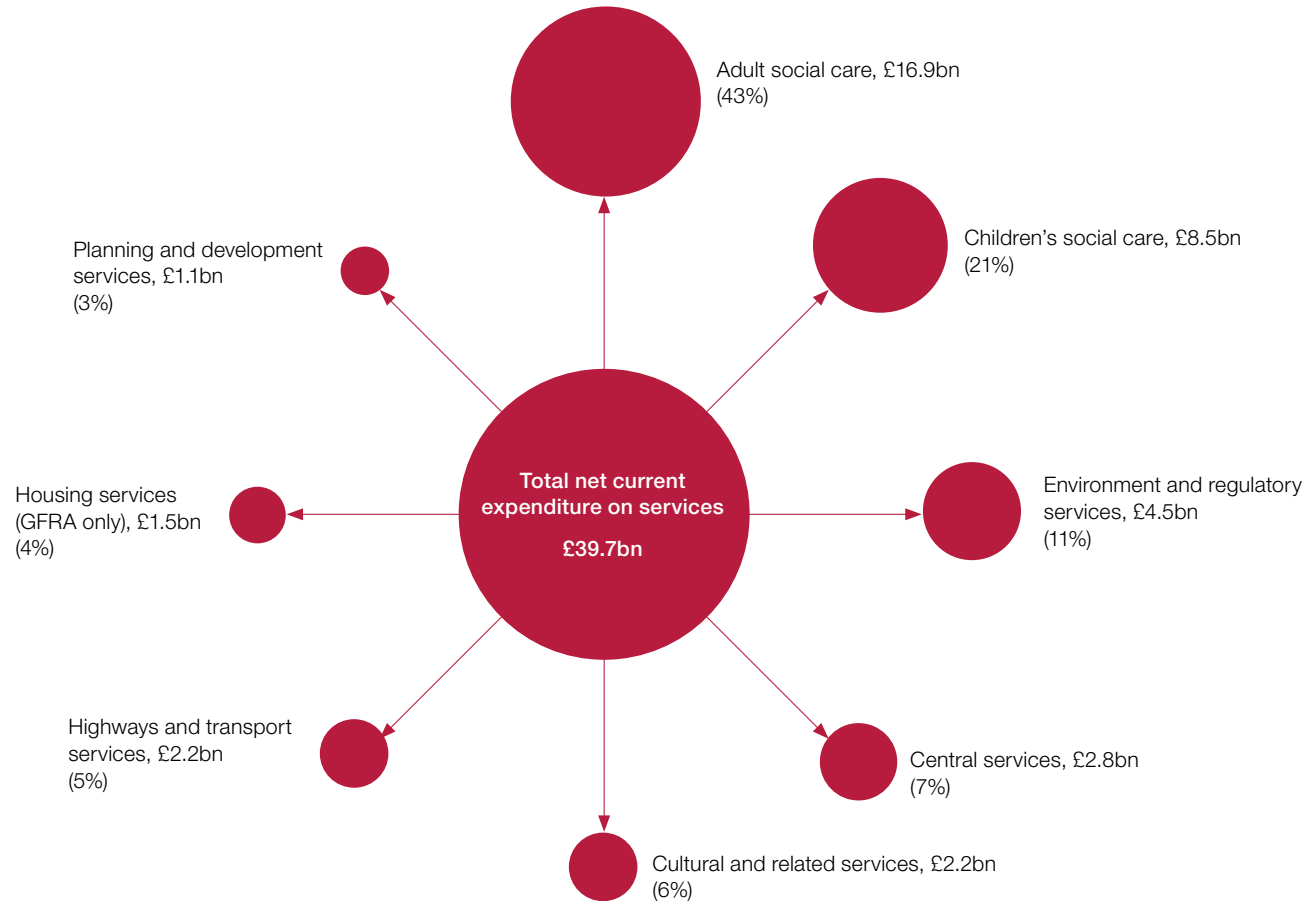
## Adult social care is the largest area of spend for local authorities

In 2016-17, 43% of local authority spend on services (excluding education) was used to fund adult social care. Children's social care accounted for 21% of service spending.

Other service areas such as planning and development (3%), housing services (4%) and highways and transport (5%) account for much smaller shares of net revenue spending on services.

Local authority spend by main service area, England 2016-17

Adult social care is the largest area of spend



**Notes**

- 1 Data shown are net current expenditure. However, for adult social care we also include transfers from health bodies. This includes elements of the Better Care Fund received and used by local authorities.
- 2 Spend on education services, fire and rescue services, police services, and 'other services' is excluded.
- 3 GFRA is the General Fund Revenue Account. This provides revenue funding for the bulk of local authority services and is funded primarily by government grants, business rates and council tax. It is separate to the Housing Revenue Account, which is used to maintain local authority housing stock and is funded primarily through rental income.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

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# Where local authorities spend their money

## Local authorities have sought to protect spend on statutory responsibilities

Our report *Financial sustainability of local authorities 2018* found that local authorities have sought to protect service areas, such as adult and children's social care, where they have significant statutory responsibilities.

Between 2010-11 and 2016-17 adult and children's social care services have seen a reduction of 3.3% and an increase of 3.2% in real terms, respectively.

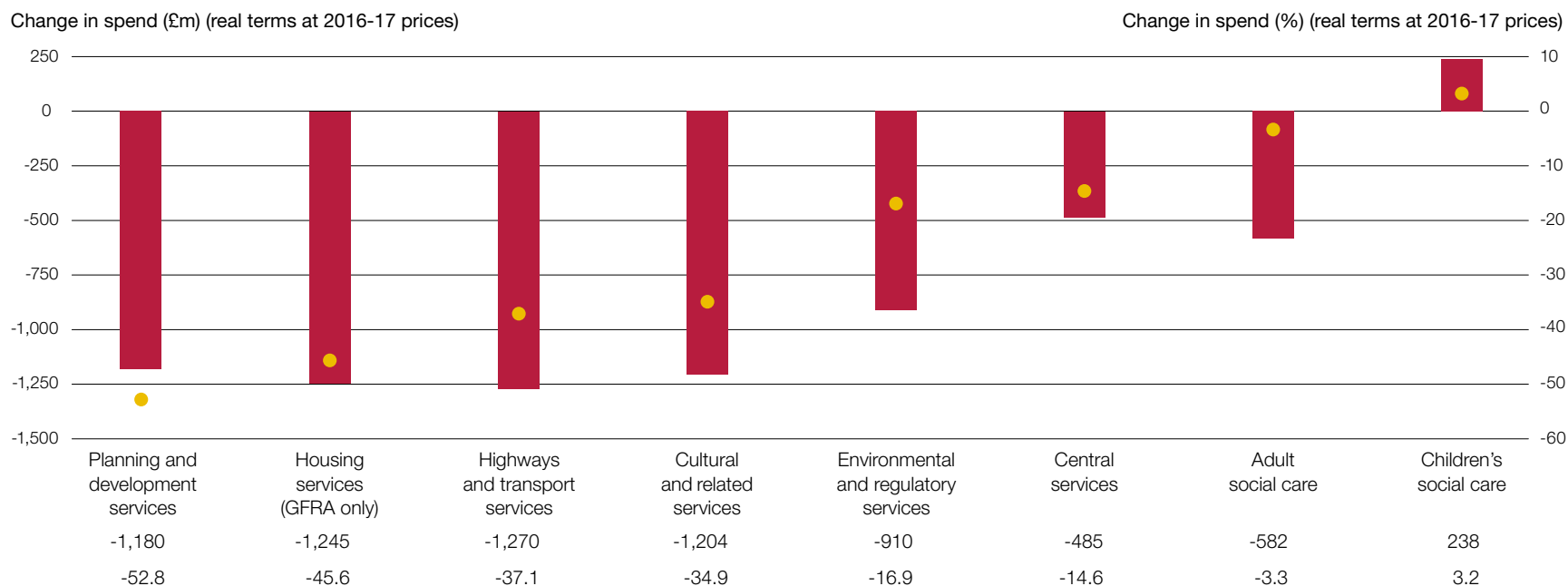
Spending on environmental services, which include statutory duties to collect and dispose of waste, has also seen smaller spending reductions than other services.

Some other service areas have seen substantial reductions in spending over the same period, however, with real-terms reductions of:

- 52.8% for planning and development;
- 45.6% for housing services;
- 37.1% for highways and transport; and
- 34.9% for cultural and related services.

Change in spend by service area, 2010-11 to 2016-17 – all local authorities in England

Spend on social care has been relatively protected, but several other service areas have seen large reductions since 2010-11



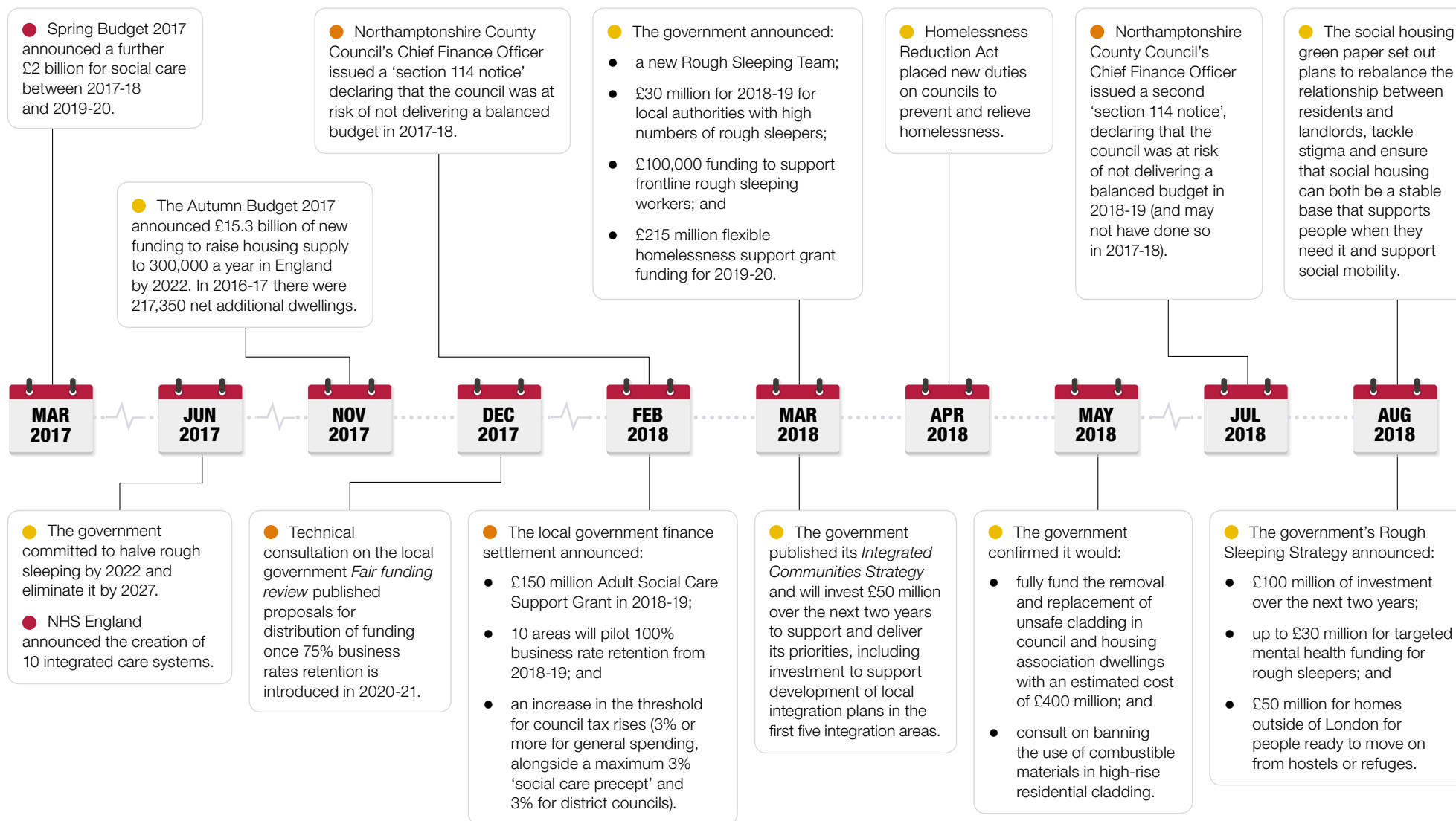
## Notes

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Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

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## Major programmes and developments



● Adult social care    ● Housing and homelessness    ● Local government finance

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government programmes



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# Exiting the European Union

## The Department's objectives

The Department's single departmental plan sets out how it is supporting EU Exit by delivering programmes to:

- manage the UK's exit from European funding programmes, in line with the UK's EU Exit objectives and negotiation plan;
- understand and manage the implications on local government; and
- understand and manage the implications on housing delivery objectives.



## Implementation

The Department has recognised the need for more involvement and engagement with local government around Brexit delivery implications. In July 2018 the Department established a ministerial local government delivery board with representatives from the Local Government Association, County Councils Network, District Council Network and the Core and Key Cities Groups. In a joint communique, the Department and the Local Government Association reported that the inaugural meeting of the board heard from the Home Office on the development of the EU Citizens Settlement Scheme, discussed the white paper on the future relationship between the UK and the EU and agreed to prepare a future work programme for the Board to provide oversight of EU Exit preparedness, including the future for EU funding and the opportunities to review EU law post EU Exit. Council leaders expressed concerns relating to the timely replacement for EU funding, the potential to review EU laws and stressed the need for joined-up engagement.



## UK Shared Prosperity Fund



The government has said that it will establish a UK Shared Prosperity Fund to reduce

inequalities between communities across the UK once it has left the EU and no longer has access to the EU Structural Funds. The Fund aims to achieve this by strengthening the foundations of productivity as set out in the government's Industrial Strategy. The government is inviting mayoral combined authorities and local enterprise partnerships to develop Local Industrial Strategies which it aims to have agreed with all places by early 2020. The government intends to consult on the Fund in 2018 and decisions about the Fund's operation and priorities are due to be taken as part of the 2019 Spending Review.

## Government guarantee

The government confirmed it would extend its guarantee to underwrite the UK's allocation for structural and investment fund projects under this EU Budget to 2020 in the event of a no-deal.

## Recent findings from our work



### Progress in setting up combined authorities

The European Regional Development Fund 2014 to 2020 programme in England has €3.6 billion of EU funding. Our 2017 report *Progress in setting up combined authorities* found that if EU Exit resulted in funding reductions, the economic regeneration role of combined authorities would become more pressing because they are generally in regions which receive the most EU funding.

### Adult social care workforce in England

Our 2018 report on the *Adult social care workforce in England* found that nursing had the highest proportion of non-British European Economic Area workers within adult social care (16%); however, the number of joiners from the EU has dropped from 1,260 in July 2016 to 61 in October 2017.

## Local authority spending power has fallen, but the rate of decrease is slowing



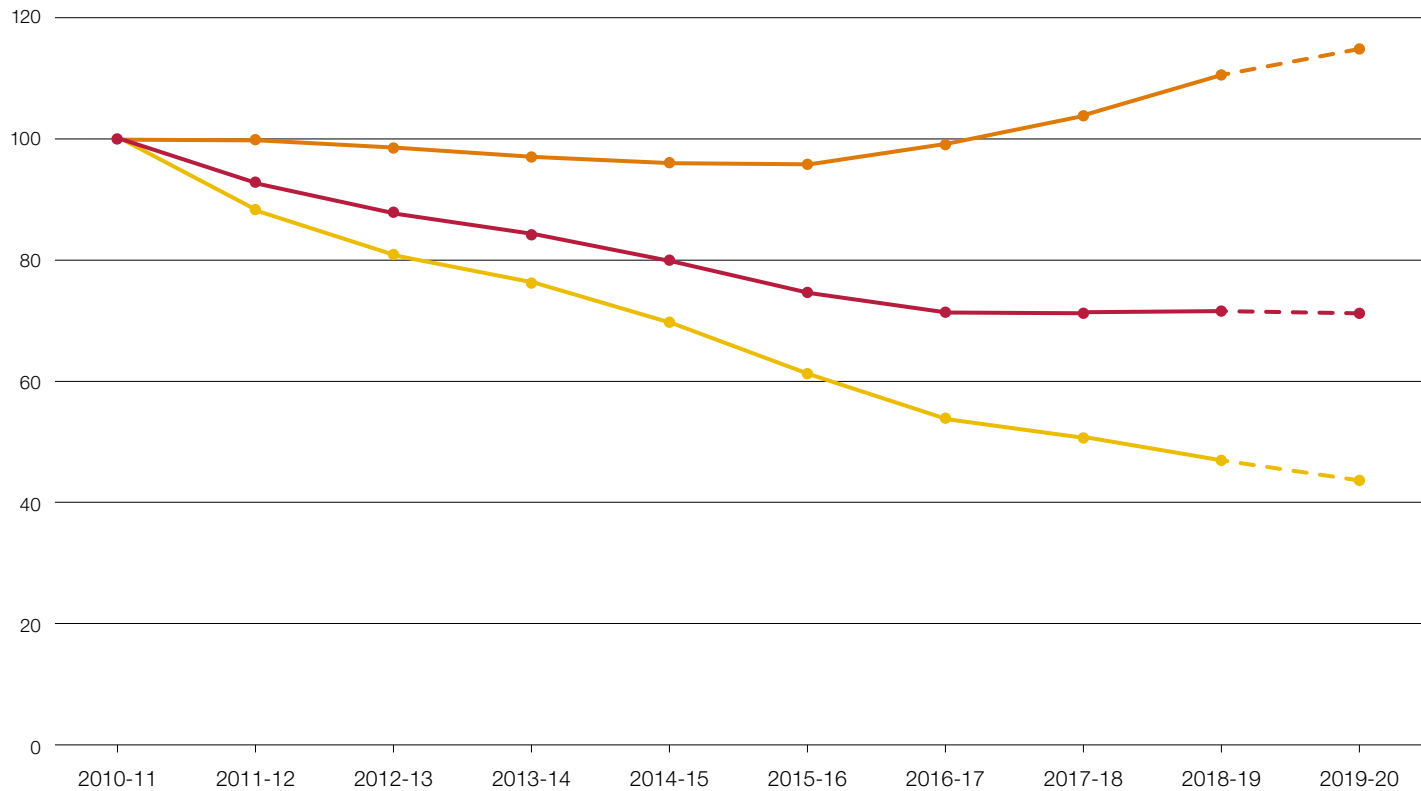
Our report *Financial sustainability of local authorities 2018* found that government funding for local authorities has fallen by an estimated 49.1% in real terms from 2010-11 to 2017-18. This equated to a 28.6% real-terms reduction in 'spending power' (government funding<sup>3</sup> and council tax). The rate of reduction has levelled off since 2016-17, driven to a large extent by social care authorities being provided with new council tax flexibilities. Spending power for the sector as a whole is predicted to remain relatively flat to 2019-20.



Estimated change in spending power of local authorities in England, 2010-11 to 2019-20

Previous reductions in spending power have largely levelled off but this is a combination of ongoing reductions in government funding and anticipated increases in council tax

Spending power (real terms in 2016-17 prices) (indexed: 2010-11=100)



- Spending power
- Government-funded spending power
- Council tax

**Notes**

- 1 Dotted lines indicate Departmental predictions.
- 2 Spending power is an indicator that captures the main streams of government funding to local authorities alongside council tax. Excludes public health grant and the Better Care Fund.
- 3 The values of the three data series are indexed against their 2010-11 values to enable comparison from a common starting point.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

3 Excluding the public health grant and Better Care Fund.

**The current pattern of growing overspends on services and dwindling reserves is not sustainable over the medium term**

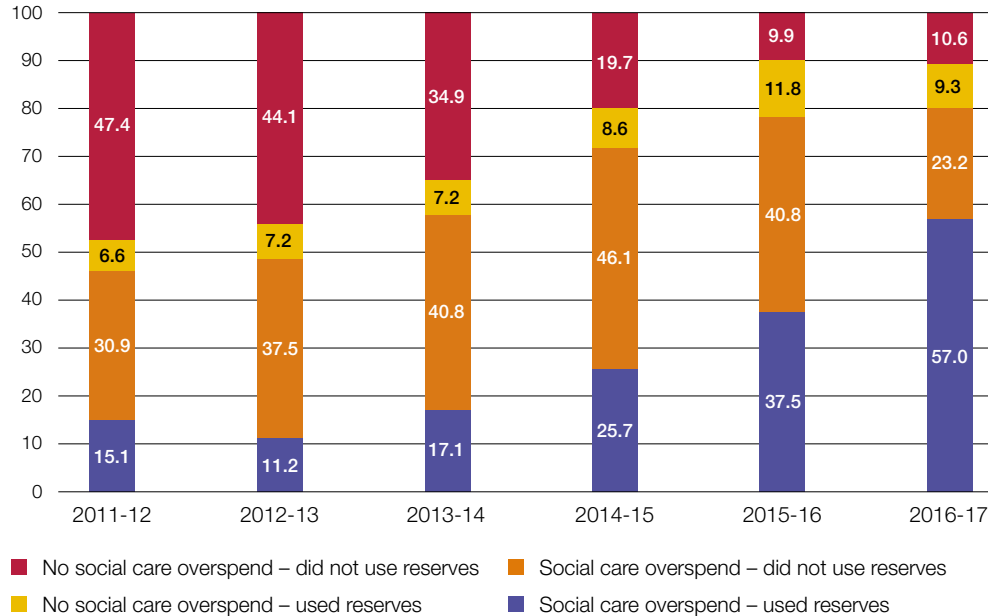
By 2016-17 local authorities had faced funding reductions for six years. From 2010-11 to 2013-14, local authorities as a whole delivered underspends on their service budgets and reduced spending at a rate in excess of their income reductions, allowing them to build up reserves. From 2014-15 to 2016-17, local authorities consistently overspent on their service budgets and the sector has switched from building up to drawing down their reserves. Service overspending amounted to £901 million in 2016-17. A financial model based on dwindling reserves and service overspends is not financially sustainable over the medium term.

Financial pressures appeared to be most marked in authorities with social care responsibilities – single tier and county councils. There was a marked increase in the number of these authorities that both experienced social care overspends and also drew on their reserves.

Social care overspends and use of total reserves: single-tier and county councils in England, 2011-12 to 2016-17

**A growing number of authorities have both used their reserves and had an overspend in social care**

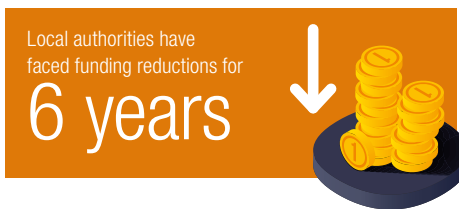
Number of single-tier and county councils (%)



**Notes**

- 1 Single-tier and county councils include unitary authorities, metropolitan borough councils, London boroughs and county councils.
- 2 The figure shows that there has been growth in the number of single-tier and county councils that have used their total reserves and had a social care overspend. Separate analysis shows that this trend holds true in relation to the use of both earmarked and unallocated reserves.
- 3 A similar trend over time is apparent if the analysis is based on use of total reserves against overspends or underspends on all services rather than just social care. Again, this holds true in relation to the use of both earmarked and unallocated reserves.
- 4 Totals may not sum to 100% due to rounding.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data



**Homelessness in all its forms has significantly increased in recent years**

The number of households in temporary accommodation was 79,880 in March 2018, an increase of 66% on March 2011. Analysis by Shelter has shown 55% of families (33,000) living in temporary accommodation were also working in 2017 – up 73% on 2013.<sup>4</sup> The number of homeless people in the annual autumn snapshot of rough sleeping was 4,751 in 2017, up by 15% from the previous year.

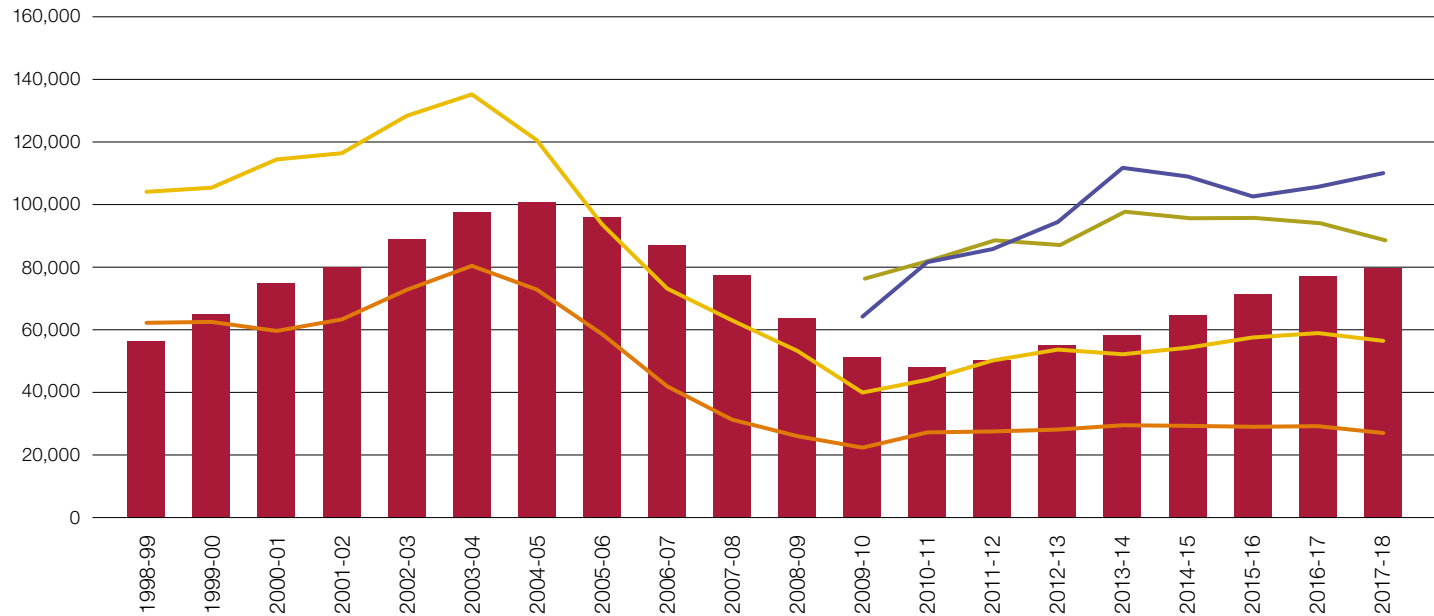
**The ending of private sector tenancies has become one of the biggest drivers of homelessness**

The proportion of households accepted as homeless by local authorities due to the end of an assured shorthold tenancy increased from 11% during 2009-10 to 31% during 2016-17 before falling to 27% in 2017-18.

## Measures of homelessness 1998-99 to 2017-18

All measures of homelessness have increased in recent years

Number of households



- Households in temporary accommodation at the year end
- Households assessed as homeless and entitled to temporary accommodation
- Households assessed as homeless and not entitled to temporary accommodation
- Households where homelessness was prevented and were able to remain in own home
- Households where homelessness was prevented by providing assistance to obtain alternative accommodation

**Notes**

- 1 Data on prevention are not available before 2009-10.
- 2 Households in temporary accommodation are measured in March in each year. All other measures are totals for the period.
- 3 The prevention measures introduced in the Homelessness Act 2002 contributed to a reduction in the number of households assessed under the Housing Act 1996 and to the decrease in measures of homelessness in the late 2000s.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government P1E data

<sup>4</sup> Shelter, *Over half of homeless families in England are in work, shock new figures show*, July 2018, available at: [http://media.shelter.org.uk/press\\_releases/articles/over\\_half\\_of\\_homeless\\_families\\_in\\_england\\_are\\_in\\_work,\\_shock\\_new\\_figures\\_show](http://media.shelter.org.uk/press_releases/articles/over_half_of_homeless_families_in_england_are_in_work,_shock_new_figures_show)

### Homelessness makes up an increasing proportion of local authority spending on housing services

Local authority spending on homelessness services increased in real terms from £0.94 billion in 2010-11 to £1.25 billion in 2016-17. During the same period, annual local authority spending on housing services, of which homelessness services are a part, fell from £3.73 billion to £2.83 billion. Homelessness services now make up 44% of housing services spending, up from 25% in 2010-11.

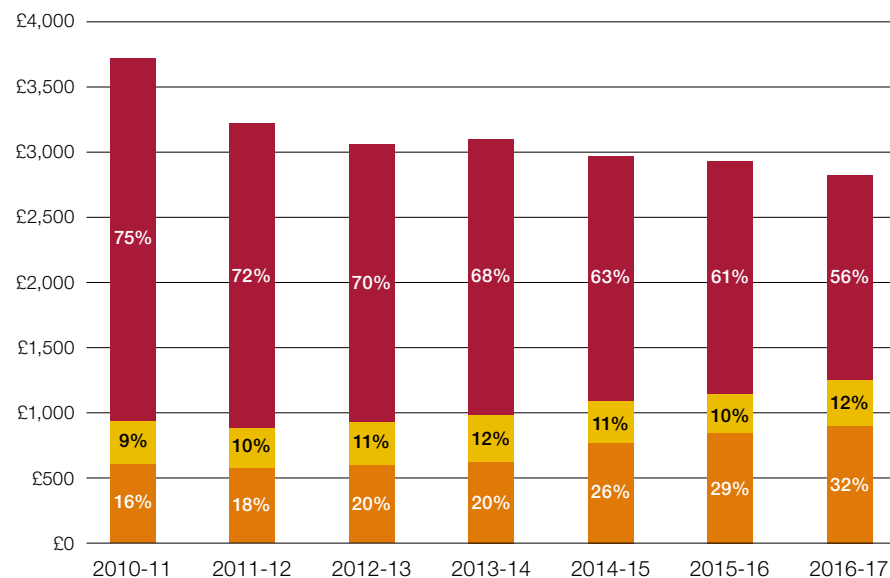
### Homelessness Reduction Act

In April 2018 the Homelessness Reduction Act placed new duties on councils to prevent and relieve homelessness. The Ministry of Housing, Communities & Local Government (the Department) set up the Homelessness Advice and Support Team to work directly with local authorities to support the implementation of the act and has committed to reviewing how the act is working within two years. As part of its 2018 Rough Sleeping Strategy the Department is providing £100 million of investment over the next two years and has also said it will launch a wider review of homelessness and rough sleeping legislation to report by March 2020.

### Local authority spending on housing services 2010-11 to 2016-17

Local authority spending on homelessness services has increased while overall spending on housing services has decreased

£ million/percentage (real-terms in 2015-16 prices)



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Other housing services (£m)	2,787	2,339	2,137	2,117	1,880	1,789	1,575
Homelessness: prevention, support, and administration (£m)	334	310	323	365	323	303	352
Homelessness: temporary accommodation (£m)	606	578	606	622	768	845	901
<b>Total spending on homelessness (£m)</b>	<b>940</b>	<b>888</b>	<b>930</b>	<b>988</b>	<b>1,091</b>	<b>1,148</b>	<b>1,252</b>
<b>Total spending on housing services (£m)</b>	<b>3,727</b>	<b>3,227</b>	<b>3,067</b>	<b>3,105</b>	<b>2,971</b>	<b>2,937</b>	<b>2,827</b>

#### Notes

- Nominal spending has been converted into real terms using GDP deflators published by HM Treasury in April 2017.
- Local authority spending is the total expenditure across all types of local authority in England. It includes some spending on homelessness services by the Greater London Authority and county councils.
- Figures may not sum due to rounding.
- Excludes Housing Revenue Account expenditure.
- All data are final with the exception of 2015-16, which is provisional to ensure continuity with our published report.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government local authority revenue expenditure and financing data

## The value of care for adults

Our July 2018 report, *Adult social care at a glance* found most care is provided informally by unpaid family, friends and neighbours, who provide personal care and practical help, and coordinate formal services. Estimates of the value of informal care are as high as nearly £100 billion per year.

The total value of care arranged by local authorities in 2016-17 was £20.4 billion.

In 2016-17, we estimated that privately bought care by self-funders without local authority involvement amounted to £10.9 billion.

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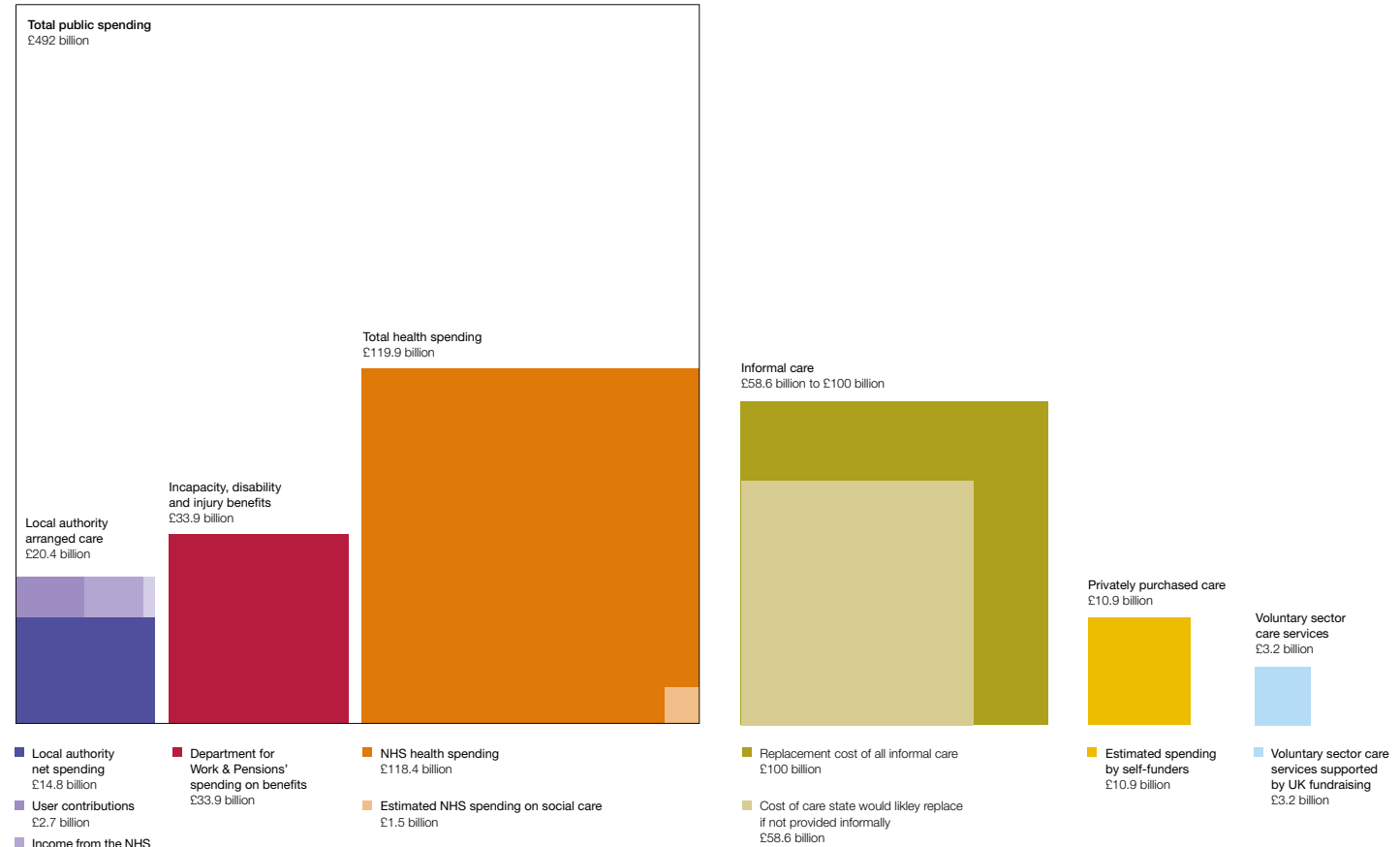
### Adult social care at a glance



July 2018

## Estimates of the value of care for adults 2016-17

### Most care is provided informally



### Notes

- 1 NHS Digital, *Adult Social Care Activity and Finance Report 2016-17* local authority net spending on adult social care (£14.8 billion) differs slightly from Department for Communities and Local Government, Revenue Outturn Summary 2016-17 (£14.9 billion).
- 2 Figures may not sum due to rounding.

Source: 1) HM Treasury, *Country and Regional Analysis*; November 2017; 2) NHS Digital, *Adult Social Care Activity and Finance Report 2016-17*; 3) Office for National Statistics, *Household satellite accounts: 2005 to 2014*, April 2016; 4) National Audit Office estimate based on Carers UK, *Valuing Carers 2015*, November 2015; 5) Skills for Care, *The economic value of the adult social care sector in England*, February 2013; 6) National Council for Voluntary Organisations, *2013-14 UK estimate for adult and children's social services combined*, UK Civil Society Almanac 2016; 7) NHS England, *Better Care Fund: 2016-17 Planning Data, Submission 4*, unpublished

Not enough progress has been made to join up health and care services

Our July 2018 report *The health and social care interface* found further and faster progress was needed towards a service that centres on the needs of individuals, meets growing demands for care and delivers value to the taxpayer. Key issues included:

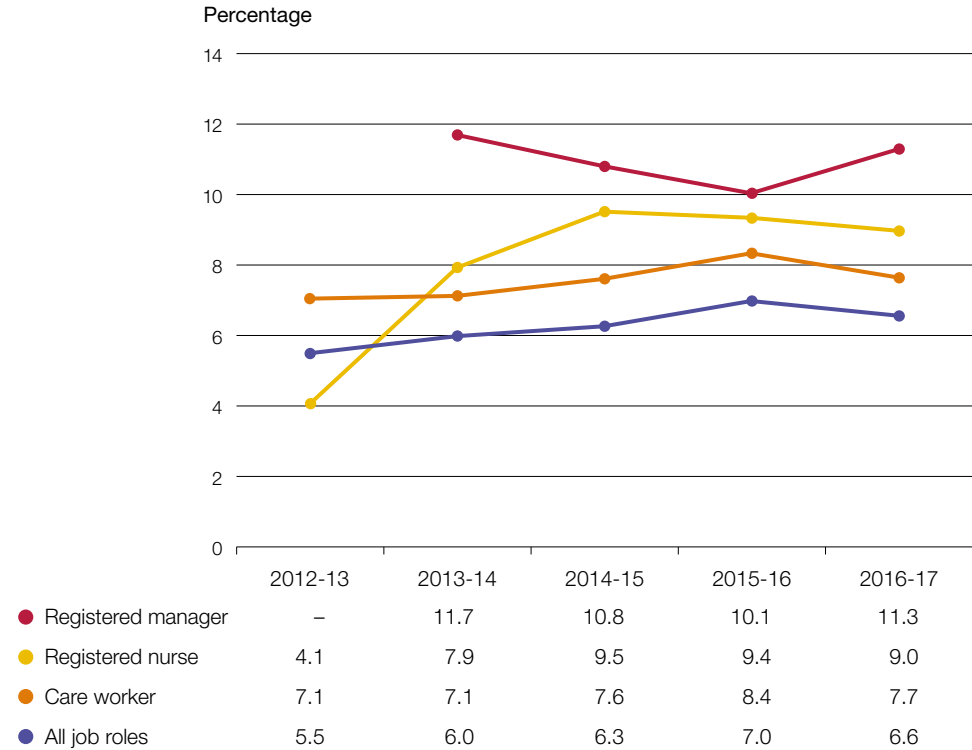
- **financial pressures** that the NHS and local government are under makes closer working between them difficult and can divert them from focusing on transformation;
- **the NHS and local authorities operate in very different ways**, and both sides can have a poor understanding of how decisions are made;
- **problems with sharing data** across health and social care can prevent an individual's care from being coordinated smoothly; and
- **new job roles and new ways of working** could help to support person-centred care, but it is difficult to develop these because of the divide between health and social care workforces.

Providers are having increasing difficulty recruiting and retaining workers despite rising demand

Our February 2018 study, *The adult social care workforce in England* found that in 2016-17 the annual turnover of all care staff was 27.8%. The proportion of vacancies in care rose from 5.5% in 2012-13 to a peak of 7.0% in 2015-16, falling slightly to 6.6% in 2016-17. In February 2015, the Department of Health & Social Care hosted a symposium to look at the issues around recruitment and retention of nurses in care. Attendees noted the lack of prestige of working in care compared with working for the NHS and the poorer options for career and pay progression.

Adult social care vacancy rates by role 2012-13 to 2016-17

Overall the vacancy rate for all care jobs has increased from 5.5% to 6.6%



Notes

- 1 Vacancy rates are calculated by dividing the number of vacancies by the sum of employed staff and vacancies.
- 2 Data are not available for the vacancy rate for the role of registered manager for 2012-13.
- 3 'All job roles' includes senior management, registered manager, other managerial, social worker, occupational therapist, registered nurse, other regulated profession, senior care worker, care worker, support and outreach and other direct care.
- 4 In this diagram we have only compared all job roles with care workers, registered managers and registered nurses, as these are the three job roles with the highest turnover and vacancy rates where there are more than 20,000 jobs.

Source: National Audit Office analysis of Skills for Care, National Minimum Data Set for Social Care (NMDS-SC), 2016-17 workforce estimates

# What are the things to look out for?

	Issues	Future developments, risks and challenges
<b>01</b> Financial sustainability 	<b>Fair funding review</b>	Transition arrangements and baseline allocations are due to be confirmed in autumn 2019 and the new needs assessment methodology implemented in April 2020.
	<b>Business rates</b>	The government intends to launch a further round of business rates retention pilots in 2019-20. From 2020-21 the share that councils collectively keep will be raised to 75% and the main government grants will be phased out.
	<b>2019 Spending Review</b>	The Chancellor has confirmed the government will undertake a full review of departmental funding in 2019.
<b>02</b> Housing and homelessness 	<b>Social housing green paper</b>	The Department has launched a consultation on proposals for the future of social housing which will run until November 2018.
	<b>Empty homes</b>	Proposals to increase the empty homes premium on council tax bills are expected to be approved for the financial years beginning in 2019, 2020 and 2021.
	<b>Homelessness</b>	<p>In the Rough Sleeping Strategy the government confirmed that it would develop a strategy to address wider homelessness.</p> <p>In December 2018, the Department plans to report on its findings from its feasibility study into researching the wider causes of homelessness and rough sleeping. In addition, the Department also plans to release the first set of homelessness statistics since the implementation of the Homelessness Reduction Act and the introduction of a new homelessness data-collection system.</p>
	<b>Longer tenancies</b>	The government will consult on a proposed three-year minimum tenancy term to provide renters in the private rented sector with more security.
<b>03</b> Social care 	<b>Social care green paper</b>	Planned to be published in autumn 2018 the government has said the green paper will look at proposals to reform social care, better integrate services and put social care on a long-term, sustainable footing.
	<b>NHS funding</b>	The government has announced the NHS will receive increased funding of £20.5bn per year by 2023-24, representing an average annual increase of 3.4% in real terms. NHS England has been asked to come up with a 10-year plan to ensure this money is well spent.