

A Short Guide to

Local authorities



About this guide and contacts

This Short Guide gives an overview of how **local government** is funded, the pressures local authorities face, staffing, major recent developments and what to look out for in the main local authority services.

A separate National Audit Office (NAO) Short Guide to the Department for Communities and Local Government complements this guide.



If you would like to know more about the NAO's work on Local Government, please contact:

Aileen Murphie

Director, Value for Money Audit

✉ Aileen.Murphie@nao.gsi.gov.uk

☎ 020 7798 7700

Sid Sidhu

Director, Financial Audit

✉ Sid.Sidhu@nao.gsi.gov.uk

☎ 020 7798 7489

If you are interested in the NAO's work and support for Parliament more widely, please contact:

✉ parliament@nao.gsi.gov.uk

☎ 020 7798 7665

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £734 million in 2016.

Design & Production by NAO External Relations
DP Ref: 11581-001

© National Audit Office 2017

Overview



Key facts



About local government



Local government stakeholders



Accountability to Parliament



Where local authorities get their money



Funding reductions



Spend and spending reductions



Key trends



Major programmes and developments



Key themes from NAO reports

Key facts



353

local authorities in England, comprising counties, districts, London boroughs, and unitary authorities (ie merged counties and districts).



23.5%

decrease in local authority spending power between 2010-11 and 2015-16.



39%

of the 2015-16 local authorities budgeted non-schools expenditure (£16.8 billion) was allocated to adult social care.



£108 billion

top estimated value of informal care, which is usually provided by families and partners and is unpaid.



38

Local Enterprise Partnerships covering all of England. These are business-led partnerships with local authorities, and are charged with improving economic growth.



50

separate initiatives have been introduced to stimulate local growth over the past 40 years. Of these, 17 are still active.



£1.15 billion

local authority spending on homelessness services during 2015-16, a rise of 22% in real terms since 2010-11.



20%

of the 103 local authority children's services inspected by Ofsted since 2013 were rated as 'Inadequate', 23% were rated as 'Good' from November 2013 to August 2016.

About local government



The principal local authorities provide a wide range of services to people in their areas. For most services, local authorities may choose whether to deliver them themselves, or commission from other public bodies, the voluntary sector or the private sector. Among other functions, local authorities:

- provide services such as planning and housing, sports and leisure facilities and provision of social care.
- support many people in vulnerable circumstances, such as adults in receipt of local authority social care and children in need of help and protection.
- aim to enable local economic growth, including through Local Enterprise Partnerships.

Function

Adults' 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, eg 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, with more proposed, 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 parks.

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

Local government stakeholders

Local authorities

Regulators

Regulators help ensure that rules and legislation are being observed and include:

- Office for Standards in Education, Children's Services and Skills
- Planning Inspectorate
- Care Quality Commission
- Electoral Commission
- Local Government Boundary Commission for England
- Health and Safety Executive
- Local Government and Social Care Ombudsman.

The electorate

Local authorities are separately and locally accountable to their electorate who vote for council members in local elections.

Think tanks and commentators including:

- Local Government Information Unit
- Localis
- Institute of Local Government Studies
- New Local Government Network.

Departments

Local authorities receive funding from and are accountable to several government departments including:

- Department for Communities and Local Government
- Department of Health
- Department for Work & Pensions
- Department for Education
- Home Office
- Department for Transport.

Professional bodies including:

- Chartered Institute of Public Finance and Accountancy
- Society of Local Authority Chief Executives
- Association of Directors of Adult Social Services
- Association of Directors of Children's Services
- Association of Directors of Environment, Economy, Planning and Transport
- Chartered Institute of Housing.

Representative bodies

Local authorities are supported by a number of representative bodies including:

- Local Government Association
- London Councils
- Special Interest Group of Municipal Authorities
- Sparsity Partnership for Local Authorities Delivering Rural Services
- County Councils Network
- District Council Network
- Core Cities
- Key Cities Group
- Rural Services Network.





Accountability to Parliament

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

Local councils are made up of councillors who are voted for by the public in local elections. They are supported by permanent council staff.

Councillors are elected to represent people in a defined geographical area for a fixed term of four years, unless elected at a by-election in which case the time will be shorter. Councillors have to balance the needs and interests of residents, voters, political parties and their council. They decide on the overall direction of policy which is implemented by council officers to deliver services on a daily basis.

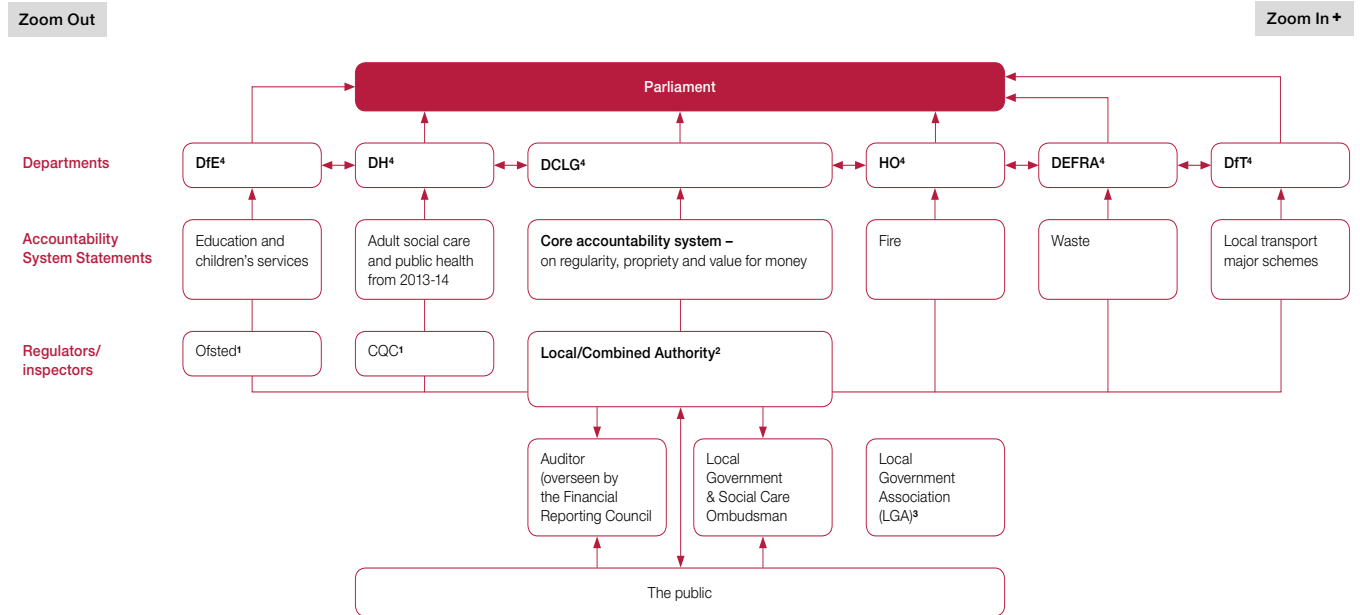
Challenges to accountability across local government

	Requirement for clear accountability	Example of challenge to this requirement
	A clear expression of spending commitments and objectives	Local government chief finance officers appointed under section 151 of the Local Government Act 1972 have clear statutory duties to report to the full council and external auditors if expenditure is unlawful or if future spending is likely to breach financial reserves.
	A mechanism or forum to hold to account	Central government – and the Department – rely on the system of local accountability for assurance over the value for money of funding to local authorities. Devolution deals will rely more on local accountability, and the specific powers devolved or delegated to local institutions, including mayors, combined authorities and other local bodies, will vary across different parts of the country.
	Clear roles and someone to hold to account	Public funding comes increasingly through multi-agency, cross-border organisations, which do not fit easily with government relying on the local accountability system. Overlapping roles and responsibilities mean there is a need to make sure responsibilities are clear.
	Robust performance and cost data	All ring-fenced grants to local authorities have clear reporting mechanisms, where local authorities must show that they have met grant conditions. In contrast, local authorities do not have to show how they spend unringfenced general grants.

Accountability to Parliament *continued*

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.

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 publishes two statements, covering local government and the Local Growth Fund.



- Notes**
- 1 The roles of the Regulators/inspectors 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.
 - 4 DfE = Department for Education, DH = Department of Health, DCLG = Department for Communities and Local Government, HO = Home Office, DEFRA = Department for Environment, Food & Rural Affairs, DfT = Department for Transport.

Source: Department for Communities and Local Government

Where local authorities get their money

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 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 **£9.7 billion**.

Trading and investment income: in 2016-17 local authorities generated **£1.1 billion**.

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

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

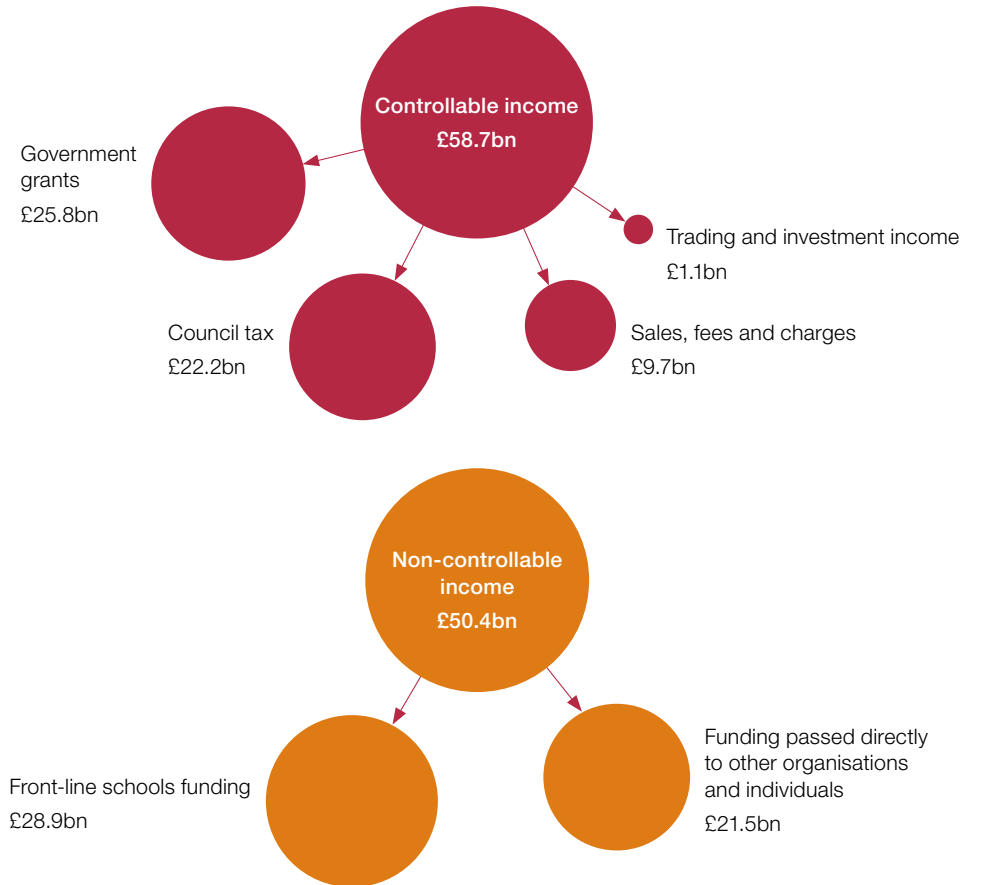
Other income and reserves

Local authorities may build up **reserves**. Local authorities had £16.4 billion of revenue reserves as of 31 March 2017 (including earmarked and unallocated reserves, excluding schools and public health reserves).

Local authorities also receive **other income** in the form of transfers and payments from other public bodies including other local authorities (we do not show data on this income in this document).

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)** (we do not show any data relating to authorities' HRAs in this document).

Local authority income 2016-17



Note

1 Totals may not sum due to rounding.

Source: National Audit Office analysis of departmental data

Funding reductions

Funding for local authorities has fallen substantially between 2010-11 and 2015-16:

- over the same period **spending power** (government grant plus council tax) fell by 23.5%.
- by 2015-16 local authorities had experienced a real-terms decline in **government funding** of 36%; and

Following the 2015 Spending Review, the Department changed arrangements for council tax, allowing authorities with adult social care responsibilities to add a 2% annual precept (on top of the standard 2% referendum limit), and district councils to increase their council tax by up to the greater of £5 and 2%, should they choose.

Government has also introduced additional funding for adult social care, including the Improved Better Care Fund.

The reduction in spending power will ease:

- Overall **spending power** will fall by 5.7% in real terms from 2015-16 to 2019-20 – equivalent to an average of 1.4% per year. From 2010-11 to 2015-16 spending power fell at 4.7% per year.
- The easing in spending power reductions has been driven to a large extent by anticipated **increases in council tax income**. Council tax income has been largely flat, from 2010-11 to 2015-16. However, from 2015-16 council tax income is expected to grow by 4.5% per year.

The **rate of decline in government grants is relatively stable**, falling by 7.2% per year in real terms from 2010-11 to 2015-16, and then 7.3% per year from 2015-16 to 2019-20.

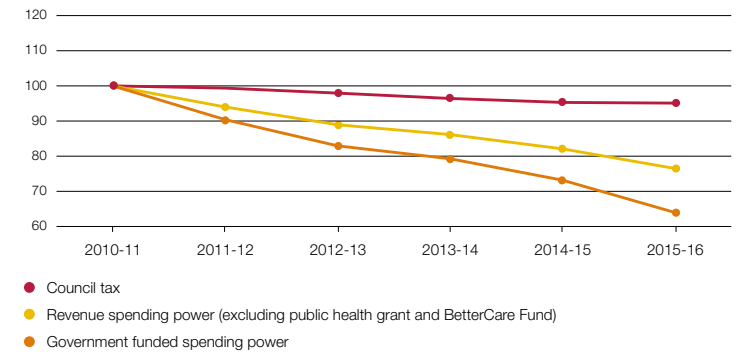
Zoom Out

Zoom In +

Change in local authority funding by funding stream, 2010-11 to 2015-16

Over 5 years government funding to local authorities fell by 36%, with local authority spending power falling by 23.5% overall

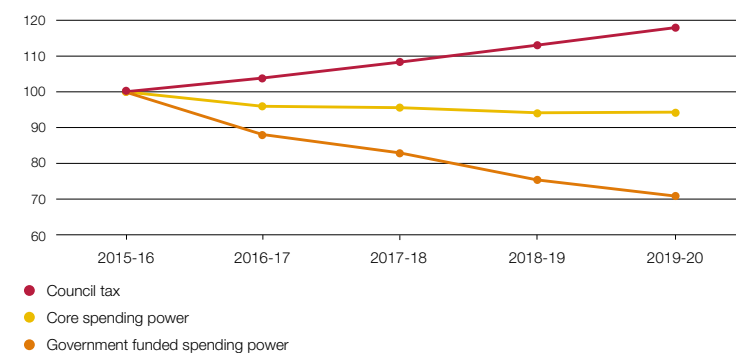
Change (%) (indexed: 2010-11=100) (real terms at 2015-16 prices)



Change in planned local authority funding by funding stream, 2015-16 to 2019-20

Overall local authority spending power will fall by 5.7% over 4 years. With council tax funding increasing by 18% and government funding decreasing by 29.2%

Change (%) (indexed: 2015-16=100) (real terms at 2015-16 prices)



Source: National Audit Office

Spend and spending reductions



Once funding passed directly to schools is stripped out, it is clear that local authority expenditure is dominated by social care. In 2016-17, authorities spent (excluding sales, fees and charges income and other income):

- 39% (£16.8 billion) of their non-education expenditure on **adult social care** (this includes an estimate of the Better Care Fund transfer spent on adult social care); and
- 19.7% (£8.5 billion) on **children's social care**.

This is a combined total of 58.8% (£25.3 billion) of total non-schools service spend.

Other service areas that do not have as many statutory responsibilities have seen much larger real-terms planned reductions over the same period, with falls of:

- 34.7% for cultural services;
- 45.7% for housing services (excluding housing revenue account spend); and
- 53.5% for planning and development.

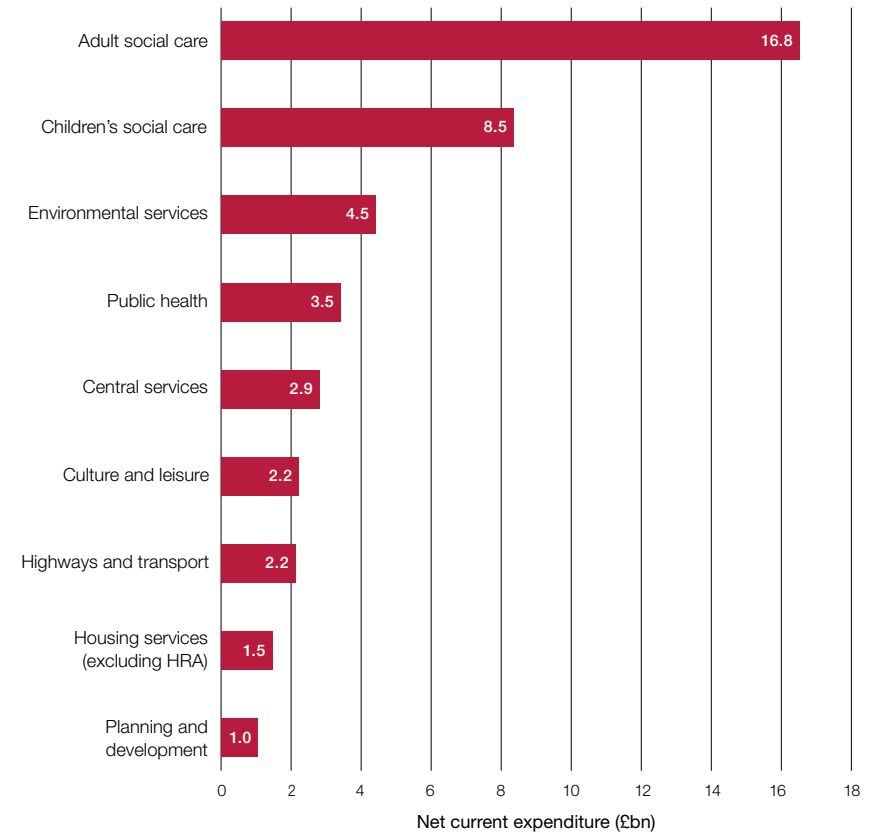
Zoom Out

Zoom In +

Local authority spending by service area

Adult social care is the largest area of local authority spending

Spend by service area, 2016-17 (outturn)



Source: National Audit Office

Spend and spending reductions *continued*



Public health was a new responsibility passed to local authorities from the health sector in 2013-14. Spending on public health by local authorities increased in real terms by 25.9% from 2013-14 to 2016-17. This growth in spend is likely to reflect the broadening of local authorities' role to include public health for 0-5 year olds in 2015-16 for which they received additional funding.

Local authorities have sought to protect spending on social care. From 2010-11 to 2016-17 real-terms spend:

- increased by 10.1% for children's social care; and
- decreased by 2.6% for adult social care (this includes an estimate of the Better Care Fund transfer spent on adult social care).

Note

1 Our figure for change in children's social care spend includes an adjustment to reflect the transfer of spending on services for young people from education to children's social care in 2014-15. The precise figure for spend on services for young people 2016-17 has yet to be published. We have therefore used the 2015-16 figure to make the adjustment.

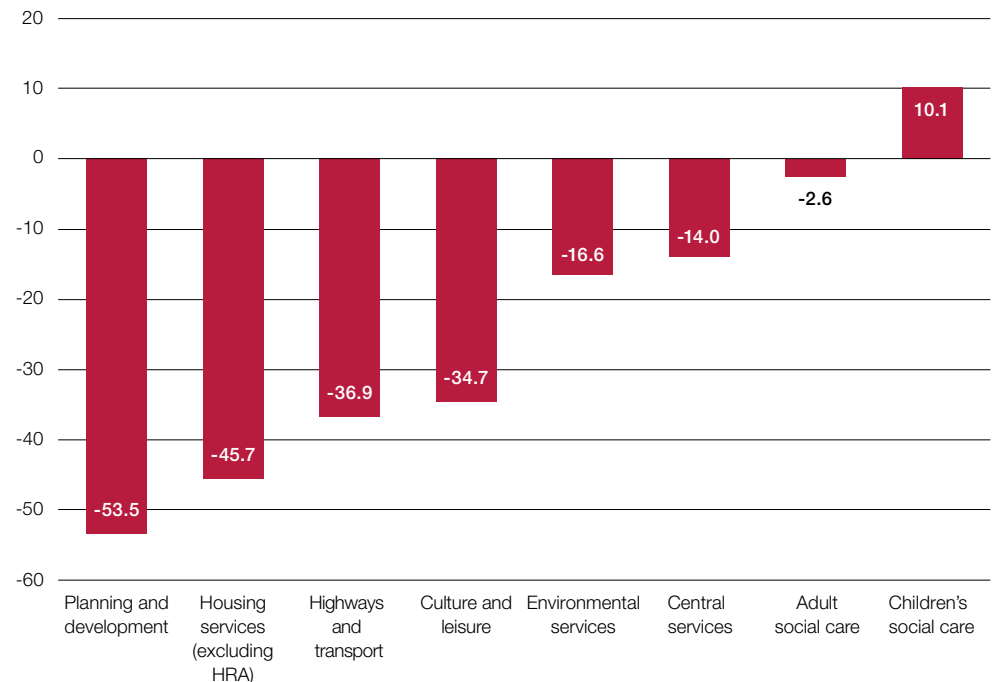
Zoom Out

Zoom In +

Changes in local authority spend, 2011-12 to 2016-17 (Outturn)

Social care spending has been largely protected

Changes in spend (%) (net current expenditure) (real terms in 2015-16 prices)



Source: National Audit Office

Key trends

Need, provision and expenditure in social care

There will be an increasing need for social care, partly due to an ageing population, and better survival rates for medical conditions such as strokes, which lead to higher care needs.

The number of people receiving care has fallen. Changes in the way this is recorded make it difficult to see whether this trend is continuing. The cost of providing care has not fallen in line with the numbers receiving care. This means that local authorities have focused their resources on a smaller number of people with more complex, and therefore more costly, needs.

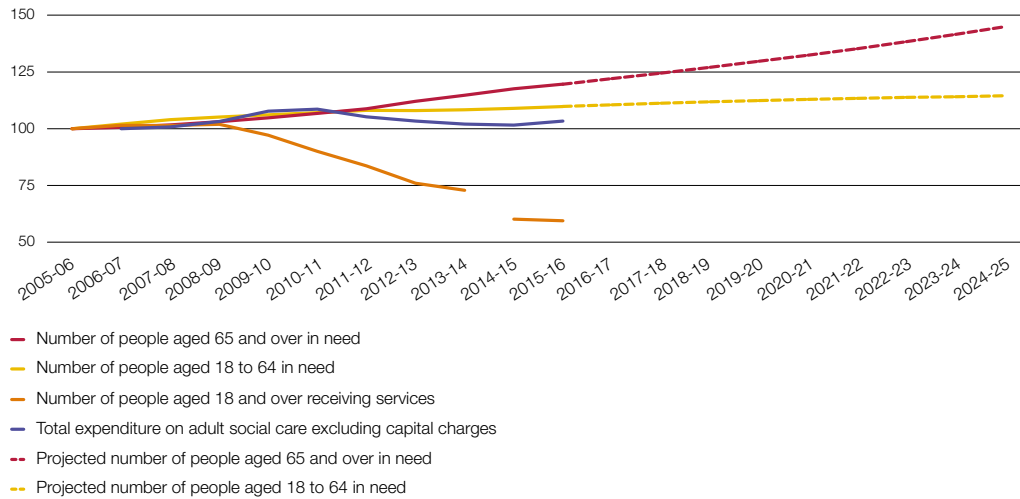
Zoom Out

Zoom In +

Change in spend on local authority arranged care, people receiving services and forecast change in need in England

Need is increasing while numbers of people receiving support is falling

Indexed 100 = 2005-06 (%)



Source: National Audit Office

The Department's expenditure on decentralisation and local growth in recent years has increased, ranging from £0.2 billion in 2012-13 to £1.9 billion in 2016-17.

This increase in spending is due to an increase in devolution deals, which will provide more funding and more powers for local areas. After 2016-17, spending is budgeted to decrease, but will still remain significantly higher than 2012-13.

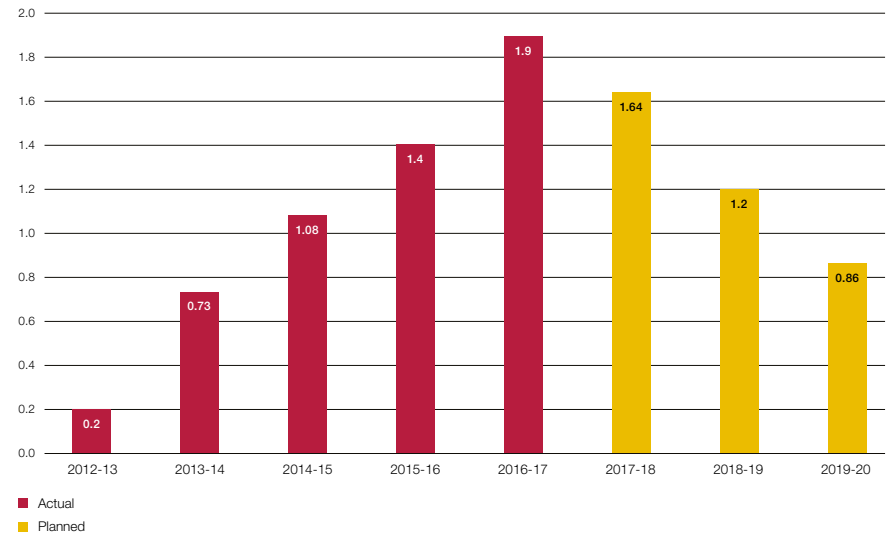
Zoom Out

Zoom In +

The Department for Communities and Local Government's actual and planned expenditure on decentralisation and local growth, 2012-13 to 2019-20

The Department increased spending on decentralisation and local growth up to 2016-17

Billion



Source: National Audit Office analysis of departmental data

Major programmes and developments



Moves to integrate health and social care – announced in the 2014 Care Act, followed by the creation of 44 sustainability and transformation plan areas. These areas are required to produce joint sustainability and transformation plans in 2016 with local authorities, clinical commissioning groups and NHS Trusts for health and health service transformation up to 2020-21. Overall engagement to date has been variable, and the process of integration is widely regarded as NHS-led and NHS-focused. The government has stated its intention to produce a green paper on adult social care later in 2017.



Business rates – these are a charge on most non-domestic properties in England. There are moves to increase the amount of business rates local authorities can retain – from 50% to 100%. As this measure was not included in the 2017 Queen's Speech, its future is currently unclear.



Growth – creation of new bodies to which powers, functions, and budgets can or have already been devolved, including Local Enterprise Partnerships and Combined Authorities have a key role in promoting economic growth.

2014

The Care Act 2014 set out new duties for local authorities with regards to adult social care, including assessing carers for support, provision of information and advice, and a duty to promote integration.

2015

The Spending Review and Autumn Statement announced £3.5 billion for social care by 2019-20 through a 2% council tax precept, and a Sustainability and Transformation Fund of £2.1 billion. It introduced a commitment to integrate health and social care services across England by 2020 and required local areas to submit plans by April 2017 on how they will achieve this.

2016

The Cities and Local Government Devolution Act 2016 provided for combined authority mayors and extended the functions of combined authorities.

The government announced a new Adult Social Care Support Grant, worth £240 million in 2017-18.

2017

The Local Government Finance Bill was not mentioned in the Queen's Speech, which threw some doubt over whether the 100% Business Rates retention scheme will be in place by 2019-20.

The Department directly intervened in the Royal Borough of Kensington and Chelsea, aiding in both the immediate and long-term recovery efforts after the Grenfell Tower disaster.

In March 2017 the Budget announced a further £2 billion for social care between 2017-18 and 2019-20.

Key themes from NAO reports during the last Parliament



Financial sustainability and local economic growth

We have reported that local authorities are under **financial strain** – there has been a 23.5% real-terms reduction in income between 2010-11 and 2015-16, and there will be a further 5.7% reduction between 2016-17 and 2019-20. Our report on **personalised commissioning** found that local authorities are limiting the extent to which some users' services are personalised because of financial pressures. Our report on local support for people with a learning disability found that, since 2010-11, local authorities had decreased their spending on adult social care, while increasing their spending on services for people with a learning disability.

We concluded that local authorities' **capital programmes** (ie long-term building projects) since 2010-11 have not been under the same pressure as their revenue income. Authorities have maintained their overall capital spending levels and have acted prudently, seeking to minimise or reduce the cost of debt servicing wherever possible.

Local Enterprise Partnerships are key to plans for local economic growth. However, our report found that they are highly dependent on local authority partners for staff and expertise, and that private sector contributions had not yet materialised to the extent expected. Cuts in central government funding mean that local authorities are reducing spending in areas such as economic development in favour of protecting statutory services, such as adult social care.

NAO report references

[Personalised commissioning in adult social care](#)

[Local support for people with a learning disability](#)

[Local enterprise partnerships](#)

[Financial sustainability of local authorities: capital expenditure and resourcing](#)

Key themes from NAO reports during the last Parliament *continued*



Accountability and devolution

We concluded on **devolution deals** that, between the Department and local or regional bodies, lines of accountability are unclear and the overall accountability environment is very complex. There are significant accountability implications arising from the agreement of devolution deals that central government and local areas will need to develop and clarify, for example, on the transfer of powers to mayors.

Regarding **combined authorities**, there is a clear purpose to their creation, but they introduce inherently complex structures into England's already complicated local government arrangements. They will need to demonstrate in an accountable and transparent way that they are able to drive economic growth, contribute to public sector reform, and help to deliver improved outcomes in their areas.

NAO report references

[English devolution deals](#)

[Progress in setting up combined authorities](#)

[Local enterprise partnerships](#)



Use of evidence

A theme in our reports is poor use of evidence. Our report on health and social care integration found that the departments have not yet established a robust evidence base to show that integration leads to better outcomes for patients. Furthermore, there is no compelling evidence to show that integration in England will lead to sustainable financial savings or reduced hospital activity.

In *Planning for 100% local retention of business rates*, we concluded that the Department has not made a formal assessment of whether the business rates scheme has promoted local economic growth.

NAO report references

[Health and social care integration](#)

[Local government new burdens](#)

[Personalised commissioning in adult social care](#)

[English devolution deals](#)

[Planning for 100% local retention of business rates](#)

Adult social care



How is it delivered?



Local variations



Recent and planned developments?



What are the things to look out for?

How is it delivered?

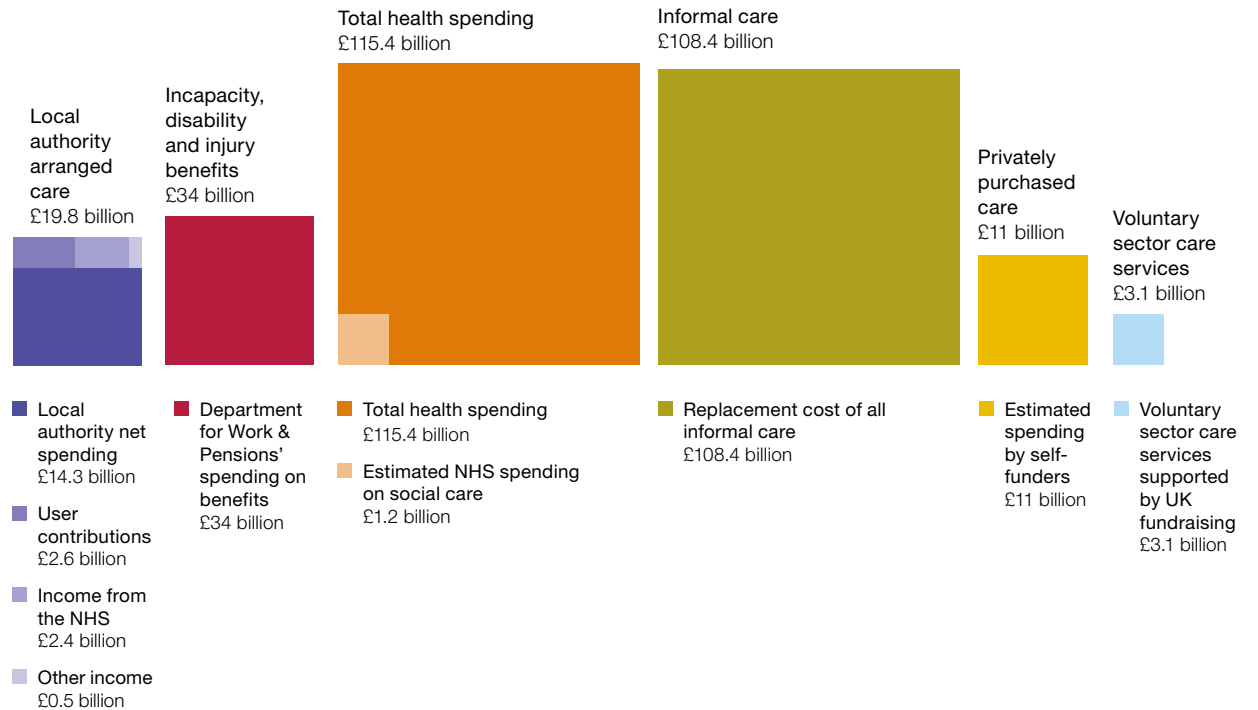


Adult social care comprises personal care and practical support for adults with a physical disability, a learning disability, or physical or mental illness, as well as support for their carers.

Adults with care needs are supported in two main ways: formally through services they or their local authority pay for; or informally by family, friends, or neighbours without payment. Some adults may meet their care needs through a combination of these two, and some voluntary organisations provide free formal services.

Social care paid for by local authorities makes up a minority of the total amount of care.

Estimates of the value of care for adults 2015-16

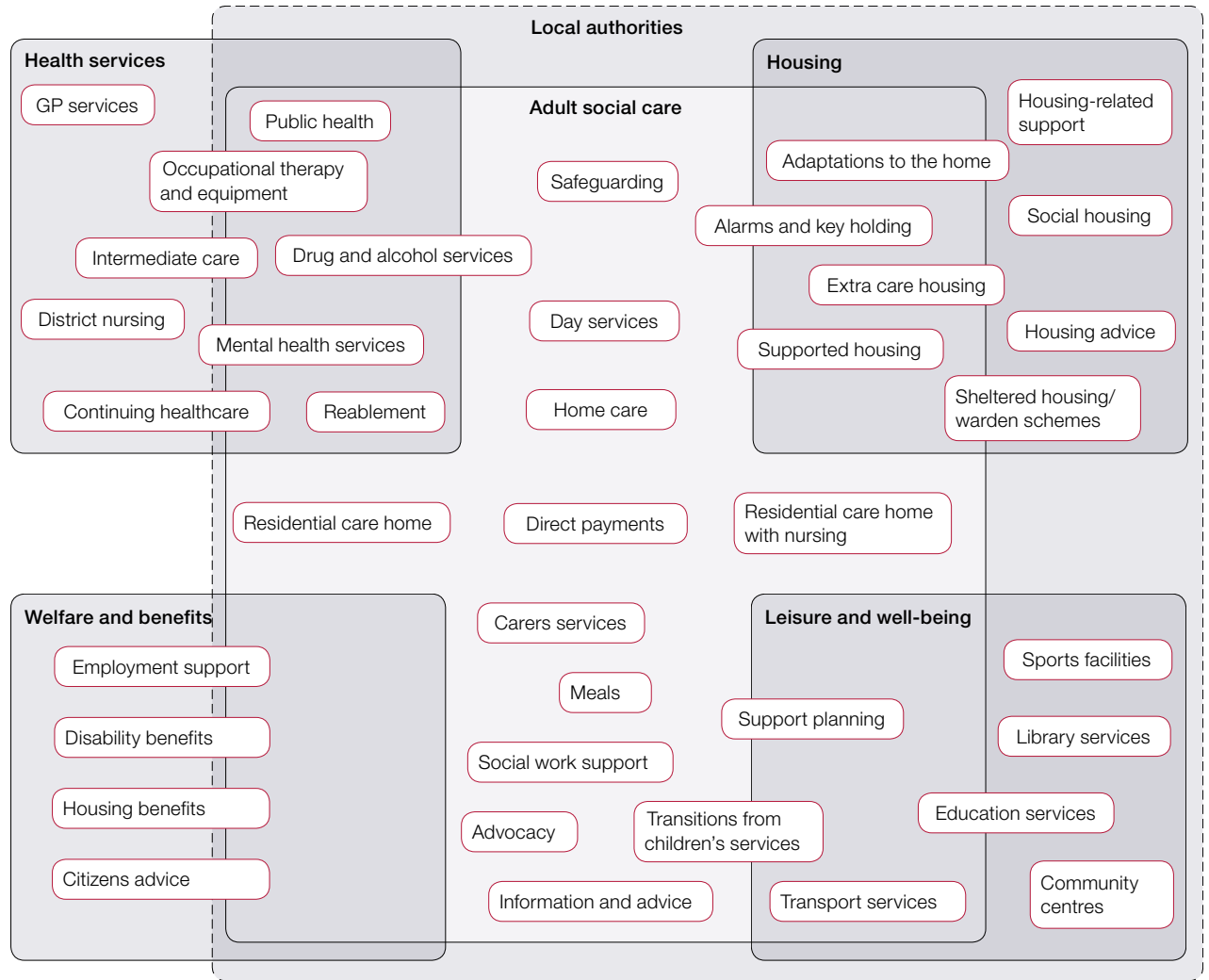


Source: National Audit Office

How is it delivered? *continued*



Adults with care needs cannot perform some activities of daily living. Their needs are often multiple and interrelated with other needs. Adult social care is therefore part of a complex system of related public services and forms of support, for example health services, welfare services and housing.



Source: National Audit Office

Local variations

The Better Care Fund (2015)

The Fund requires local health bodies and local authorities in each health and well-being board area to pool funding, a minimum of £3.8 billion in 2015-16 and £3.9 billion in 2016-17 across England made up of the NHS Contribution, the Disabled Facilities Grant, and the one-off in 2015 Social Care Capital Grant. Local bodies had to produce joint plans for integrating services and meeting six national conditions.

Progress with the fund

September 2016, the departments and partners reported on the first year of the Fund. They reported generally positive responses on local views of the effectiveness of the Fund.

In February 2015, the departments and their partners estimated that the Fund would achieve savings of £511 million in 2015-16, based on local plans. Our analysis of Fund metrics reported for 2015-16 shows that the savings target was not achieved due to significant increases in emergency admissions and days lost to delayed transfers of care.

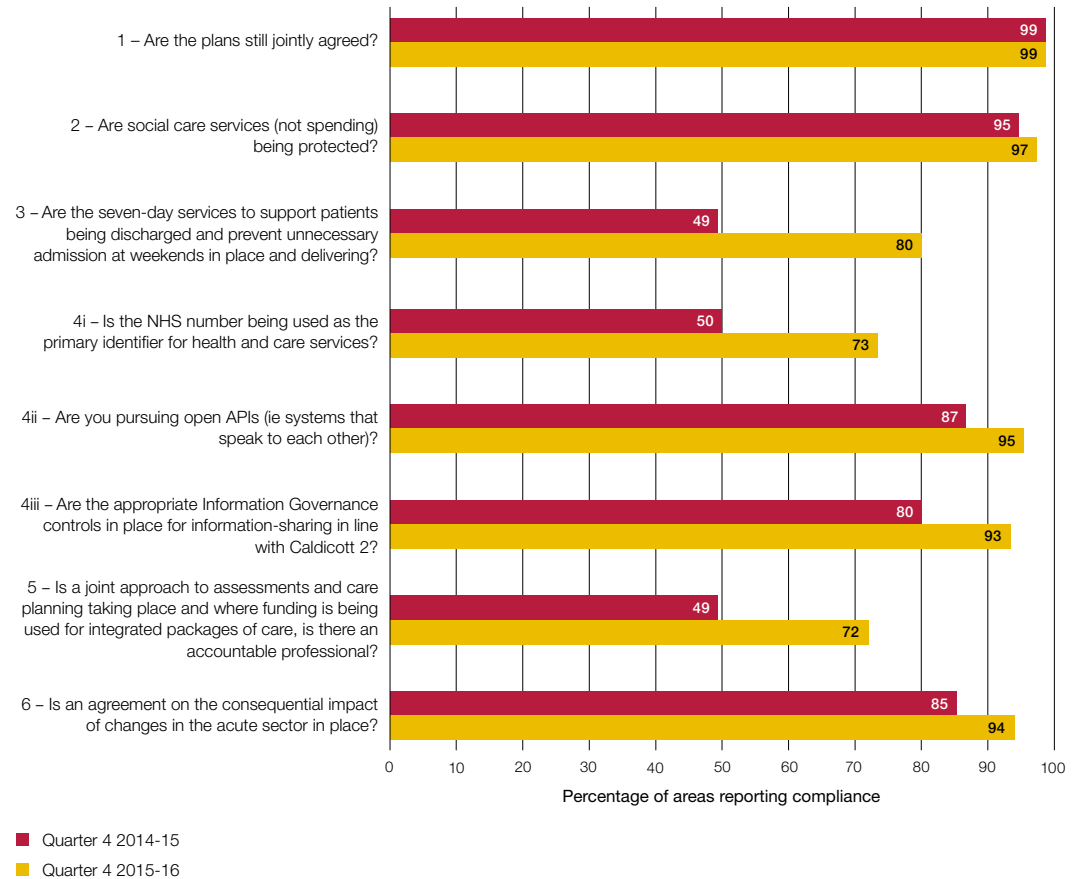
There was an improvement in local areas meeting the national conditions – the requirements and enablers of effective integrated care – that applied in 2015-16. Progress against five of the six conditions improved, while the condition about joint agreement of plans remained constant.

Zoom Out

Zoom In +

Local areas' performance against Better Care Fund 2015-16 national conditions

Between Quarter 4 2014-15 and Quarter 4 2015-16 local areas made improvements in five out of six conditions



Source: National Audit Office analysis of NHS England Quarter 4 2014-15 – Quarter 4 2015-16 Better Care Fund data

Recent and planned developments

Zoom Out

Zoom In +

Recent and planned developments

Care Act 2014 Phase 1: this set out new duties for local authorities, including:

- a new national eligibility threshold;
- an entitlement to assessment for all carers;
- to provide information and advice on care and support services to all; and
- a duty to promote integration where this would promote well-being, quality, or fewer care needs.

Spending Review and Autumn Statement 2015: introduced a commitment to integrate health and social care services across England by 2020. Local areas were required to submit plans by April 2017 demonstrating how they will achieve this.

Cities and Local Government Devolution Act 2016:
Allows combined authorities to take on any functions of a local authority or other public authorities if it is likely to improve the exercise of statutory functions.

Spring Budget 2017:

- A further £2 billion for social care between 2017-18 and 2019-20 through the improved Better Care Fund and adult social care support grant.
- £1 billion of the funding provided in 2017-18 is to be used to meet social care need, relieve pressure on the NHS caused by delayed transfers of care, support the social care market.

Spending Review and Autumn Statement 2015: Announced:

- additional £3.5 billion for social care by 2019-20 through both more money for the Better Care Fund, and allowing local authorities to add a 2% precept on to their council tax to fund adult social care; and
- Sustainability and Transformation Fund worth £2.1 billion in 2016-17 to fund sustainable transformation in patient experience and outcomes.

Integration and Better Care Fund, Policy Framework 2017-2019:
Health and care integration by 2020 will be supported by:

- the opportunity for 6 to 10 local areas with well-integrated health and care services to graduate from the Better Care Fund's programme management arrangements during 2017-18;
- an integration standard consisting of the characteristics important for integration;
- plans to produce an integration scorecard to assess progress towards government's integration 2020 objective; and
- detailed guidance for 2017-19 was published in July 2017.

2014

NHS England's new models of care programme:

- Seven new models of care integration.
- Fifty 'vanguard' pilot sites.

NHS England's Five Year Forward View called for a 'radical upgrade' and a shift towards prevention, integration, and care outside of hospitals.

2015

Care Act 2014 Phase 2: Department of Health announced it will delay implementation until April 2020. Phase 2 included:

- a cap on contribution to care costs of £72k for those aged 65 and over;
- an increase in the threshold, for contributions to residential care costs, to £118,000; and
- a revised process for the right to appeal against local authority decisions about care.

NHS planning guidance 2016-17 to 2020-21: Introduced 44 sustainability and transformation plan 'footprints' requiring local health bodies to draw up plans to improve services and finances over the five years to March 2021.

2016

Provisional Local Government Finance Settlement 2017-18:

- Local authorities given the freedom to increase the social care precept to 3% in 2017-18 and 2018-19, up to a limit of 6% over the three-year period to 2019-20.
- The Department announced a new Adult Social Care Support Grant, worth £240 million in 2017-18.

2017

NHS Five Year Forward View: Next Steps published by NHS England:

- Set the national priorities as improving A&E performance, access to GP services, cancer services and mental health. It also provided more detail on intentions to integrate care locally through, for example, accountable care systems.

- New powers and legislative duties
- Policy commitment
- Pilot programmes
- Funding transfers and mechanisms

Source: National Audit Office

What are the things to look out for?

The number of people aged 65 and over and in need is set to rise five times faster than people aged 18–64

People are living longer because of improvements in living standards and clinical treatments. The number of people aged 65 and over in England is projected to increase by 19% between 2015 and 2025.

The number of people 65 and over and in need is predicted to increase by 24% between 2015 and 2025, compared with 5% for those aged 18–64.

More people are living with multiple long-term conditions

The Department of Health estimates that:

- around 70% of health and social care spending is attributed to the care of people with long-term conditions, and the cost per individual increases with the number of conditions the person has. On average, someone with three or more long-term conditions in England costs £8,000 per year compared with £3,000 per year for a person with one long-term condition; and
- there will be 2.9 million people with multiple long-term conditions in England by 2018, an increase from 1.9 million in 2008. The Department of Health estimates that this will have added £5 billion to the annual costs of the health and care systems between 2011 and 2018.

As spending on adult social care has fallen, local authorities have focused their resources on a smaller number of people

Over the period 2006-07 to 2015-16, the total value of local-authority-arranged care rose by 3%. The number of people receiving social care arranged by their local authority has fallen much faster, decreasing by 27% between 2006-07 and 2013-14.

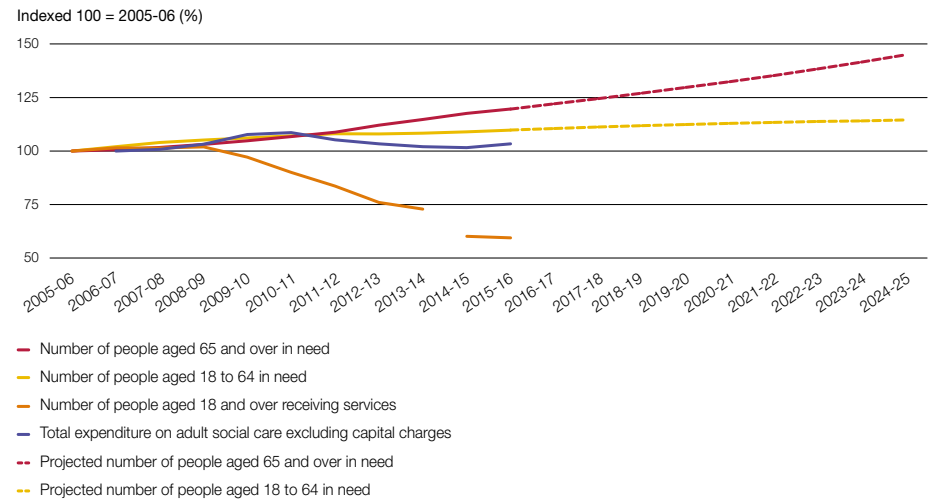
Changes to the way this information is recorded make it difficult to see if this downward trend is continuing. Based on new information, the number of people supported decreased slightly, by 1%, between 2014-15 and 2015-16.

Zoom Out

Zoom In +

Change in spend on local authority arranged care, people receiving services and forecast change in need in England

Need is increasing while numbers of people receiving support is falling



Source: National Audit Office

Children's services



How is it delivered?



In your area



Recent and planned developments



What are the things to look out for?

How is it delivered?



Children in need of help or protection

Spending: £1.9 billion in 2015-16 on children's social work including on local authority functions relating to child protection.

Who pays: Local authorities fund services from their revenue support grant from the Department for Communities and Local Government (the Department) and their own resources.

Scope:

- 394,400 children under the age of 18 in England needed help or protection from local authorities as at 31 March 2016.
- 621,470 referrals for children to receive help or protection during 2015-16.



Looked-after children

Spending: £2.6 billion in 2015-16.

Who pays: Local authorities fund services from their revenue support grant from the Department and their own resources.

Scope: 70,440 looked-after children as at 31 March 2016.



Care leavers

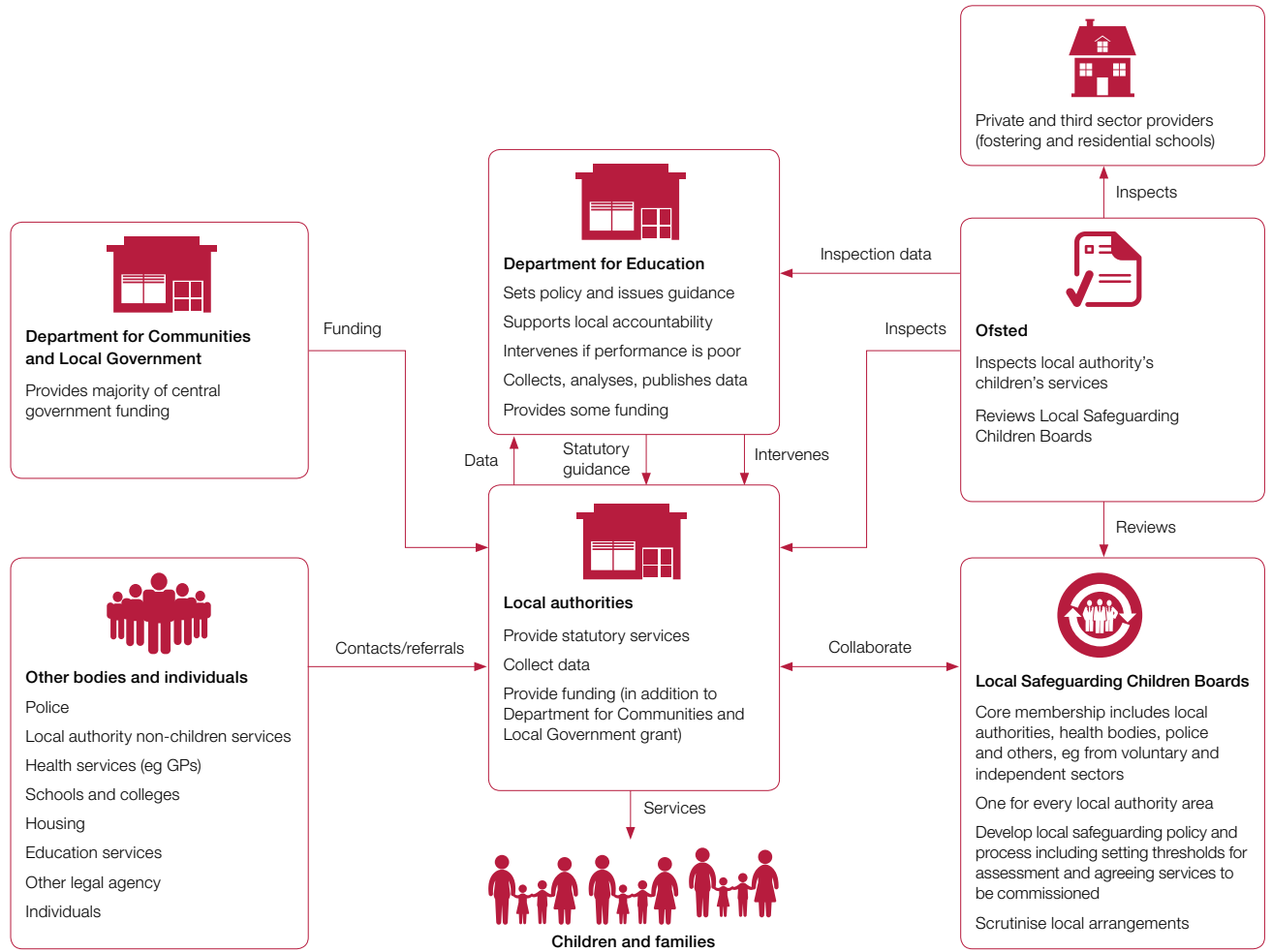
Spending: £282 million in 2015-16.

Who pays: Local authorities fund services from their revenue support grant from the Department, funding from other government departments and their own resources.

Scope: 11,440 young people aged 16+ ceased to be looked after in 2015-16.

How is it delivered? *continued*

The system for children's services



Source: National Audit Office

In your area

Nationally the quality of help and protection for children is unsatisfactory and inconsistent, suggesting systemic rather than just local failure.

- Ofsted judged as good only 23% of the 103 local authorities it inspected between November 2013 and 25 August 2016. It judged 20% of local authorities as inadequate.
- When Ofsted judges that a local authority is inadequate, the Department intervenes. As at September 2016, it was intervening in 26 local authorities.
- Children in different parts of the country do not get the same access to help or protection. Local thresholds should ensure that all children get access to the right help or protection at the right time. In its report on children in need of help or protection in October 2016, the NAO noted that thresholds were not always well understood or applied by local partners. In Ofsted's view some local thresholds were set too high or too low, leading to inappropriate referrals or children left at risk.
- In the year ending 31 March 2015, there was wide variation in the effectiveness of work between local authorities as illustrated by two proxy measures. The rates of:
 - re-referrals to children's social care during the year ranged from 6% to 46%; and
 - children with repeat child protection plans ranged from 3% to 44%.

There is also a wide range of reported spending on children's social work.

- In 2014-15 average spending ranged from around £340 per child in need in one authority to £4,970 per child in need in another.
- There is no relationship between spending per child in need and the quality of service offered by the local authority.

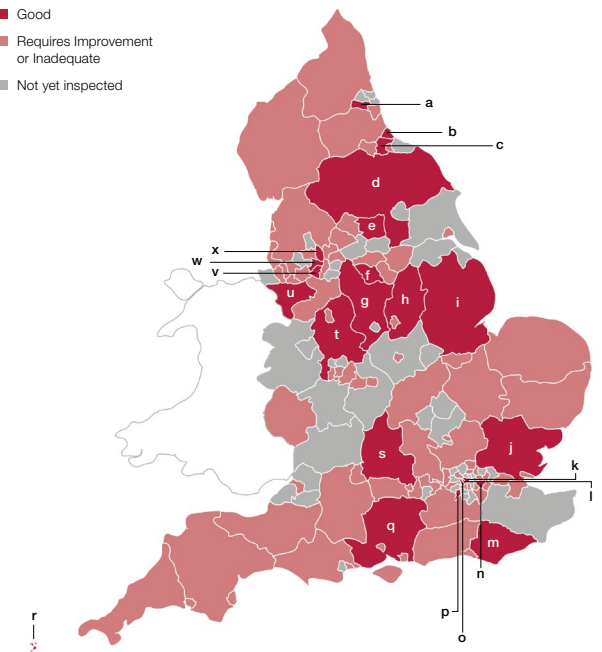
Zoom Out

Zoom In +

The location of local authorities judged 'Good for help and protection' by Ofsted as at August 2016

Ofsted judgement for 'children who need help and protection'

- Good
- Requires Improvement or Inadequate
- Not yet inspected



a Gateshead	h Nottinghamshire	n Greenwich	s Oxfordshire
b Hartlepool	i Lincolnshire	o Hammersmith and Fulham	t Staffordshire
c Stockton-on-Tees	j Essex	p Kingston upon Thames	u Cheshire West and Chester
d North Yorkshire	k Westminster	q Hampshire	v Trafford
e Leeds	l Kensington and Chelsea	r Isles of Scilly	w Salford
f Sheffield	m East Sussex		x Bury
g Derbyshire			

Source: National Audit Office analysis of 103 Ofsted reviews of local authorities as at 25 August 2016

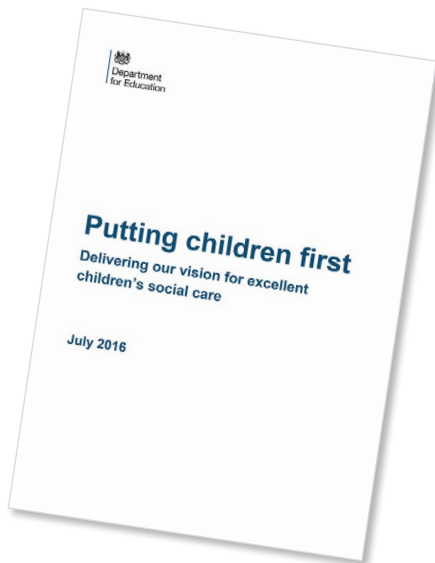
Recent and planned developments

Reforming children's social care

The Department for Education published its policy paper Putting children first in July 2016. This outlined plans for reforming children's social care, focusing on people and leadership, practice and systems, and governance and accountability.

What to look out for:

As part of its reforms, the Department for Education will launch a new 'What Works Centre' for children's social care to identify best practice in supporting children suffering from, or at risk of, abuse and/or neglect.



Improving children's services

In 2010 the Department for Education recognised that child protection services were not good enough and commissioned The Munro Review of Child Protection to establish how to improve the system for child protection.

In 2012 the Department for Education began to publish and collect more information to help local authorities assess the performance of their children's services. It also launched a programme to reform social work, revised statutory guidance, established the first two children's social care trusts and provided over £100 million funding for an innovation programme.

What to look out for:

The Department for Education knows the quality of work with children and families is still inconsistent despite its efforts. In 2016 it set a goal that all vulnerable children, no matter where they live, should receive the same high-quality care and support by 2020.

Children and Social Work Act 2017 (April 2017)

This includes:

- setting up a new organisation, Social Work England, to take over from the Health and Care Professions Council (HCPC) as the regulator of social workers. It will require the Secretary of State for Education's approval for professional social work standards;
- introducing an assessment and accreditation system to improve social workers' skills and knowledge;
- a requirement for local authorities to offer personal support to all care leavers up to the age of 25; and
- a requirement for each local authority to publish a "local offer for care leavers".

What are the things to look out for?

Increasing demand

The demand for help or protection for children is rising. At 31 March 2016, 394,400 children in England were assessed as being in need of help or protection. In 2013-14 there were 2.3 million initial contacts (an increase of 65% since 2007-08).

In the 10 years to 2014-15 there was a marked rise in serious cases requiring children to be protected from harm. For example the rate of enquiries made by local authorities when they believe a child may be suffering, or likely to suffer, significant harm increased by 124%.

What to look out for:

The impact of rising demand on local authorities, at a time when they are facing increasing difficulty in absorbing reductions in central government funding without reducing services.

Supporting young people leaving care

A cross-government strategy, *Keep on Caring*, was published in July 2016, to transform support for young people leaving care. The strategy focuses on three key areas: developing new ways of supporting care leavers; making corporate parenting everyone's responsibility; and driving system improvement.

What to look out for:

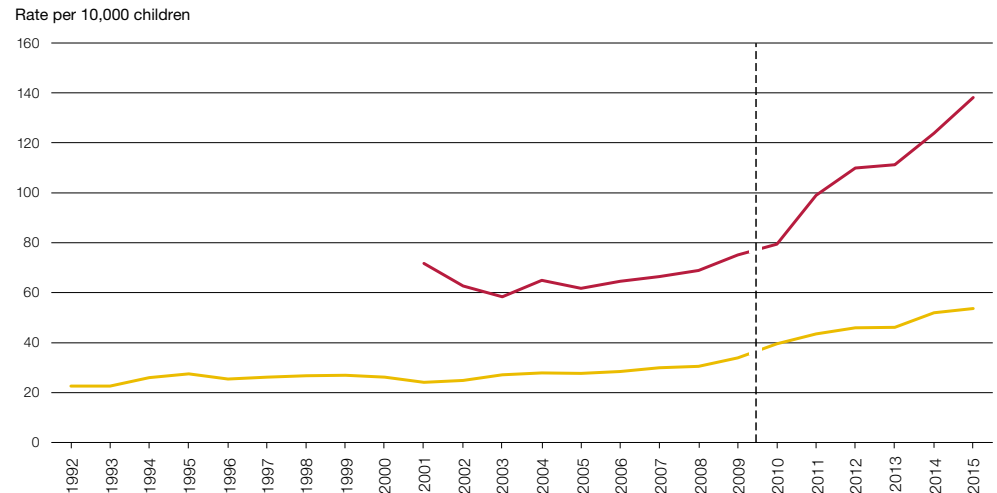
A group of senior officials oversees progress in implementing the strategy. In particular, the gap between outcomes for care leavers and their counterparts in the general population needs to be monitored.

Zoom Out

Zoom In +

Enquiries where the local authority has reasonable cause to suspect a child is suffering, or is likely to suffer significant harm (Section 47 enquiries) and child protection plans, England, 1991-02 to 2014-15

Over 10 years, Section 47 enquiries per 10,000 children rose by 124%, and rates of children starting on child protection plans rose by 94%



- Children subject to Section 47 enquiries that started during the year ending 31 March
- Children who became the subject of a child protection plan during the year ending 31 March
- Child protection data changed from aggregate level to child level in 2009-10. Data may not be directly comparable.

Source: National Audit Office analysis of Department for Education's statistical first releases on children in need and child protection, and Office for National Statistics' mid-year population estimates

Economic growth, housing and transport



How is it delivered?



In your area



Recent and planned developments



What are the things to look out for?

How is it delivered?

How is it delivered?

Transport

Local authorities have a statutory responsibility to maintain and develop transport and highways at a local level. In some areas, combined authorities have been created, and all of these authorities have specific transport funding and responsibilities.

Housing

Local authorities have a statutory duty to house those who are unintentionally homeless and are in priority need, and a duty to have a plan to meet local housing need. The Department for Communities and Local Government (the Department) has published a white paper on housing – *Fixing our broken housing market*.

Economic growth

To promote economic growth, 39 Local Enterprise Partnerships (LEPs) were created after the abolition of Regional Development Agencies. These are strategic partnerships between businesses and local authorities, with responsibility for steering growth in local communities.

In July 2014, the government announced a series of Growth Deals with each of the 39 LEPs through which it allocated £6.3 billion of the Local Growth Fund. The government later allocated an additional £1 billion of the Local Growth Fund in January 2015 and a further £1.8 billion in 2017. Growth Deals are the single largest funding allocation to LEPs to date, worth £12 billion between 2015-16 and 2020-21. LEPs estimated the first two Growth Deals could create up to 419,500 jobs and 224,300 homes built.

In addition to receiving Growth Deal funding, LEPs have strategic direction for £5.3 billion of European structural and investment funding between 2014–2020.

There are now 38 LEPs after the merger between the Northamptonshire LEP and the South East Midlands LEP.

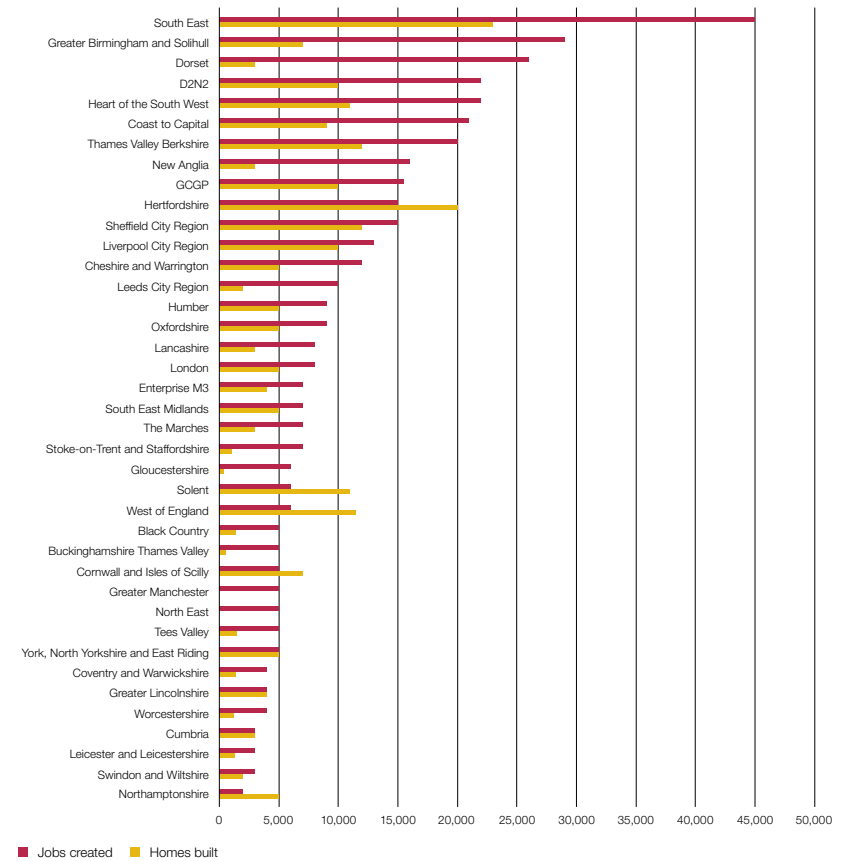
Combined authorities and devolution deals also play a role in promoting local growth.

Zoom Out

Zoom In +

Lifetime impact of Growth Deals: LEP estimates

LEPs estimate that Growth Deals could create up to 419,500 jobs and build 224,300 homes



Notes

- 1 D2N2 refers to Derby, Derbyshire, Nottingham and Nottinghamshire LEP.
- 2 GCGP refers to Greater Cambridge Greater Peterborough LEP.

Source: National Audit Office analysis of Growth Deals

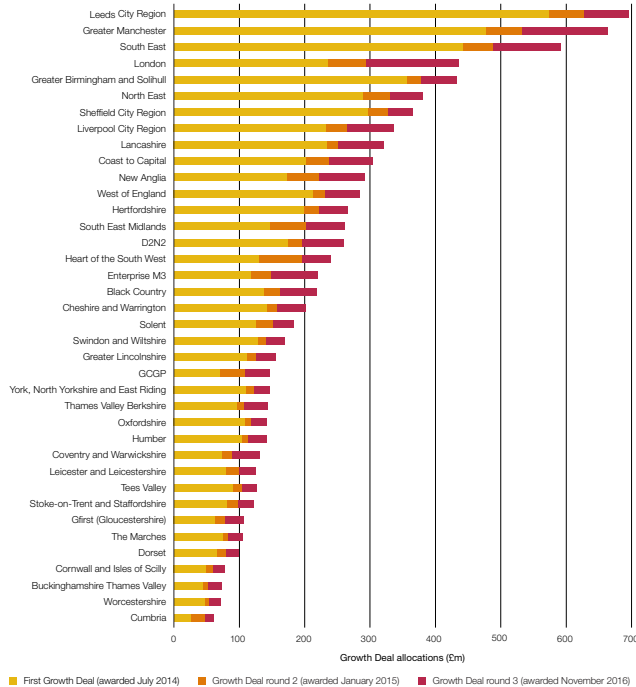
In your area – economic growth

Zoom Out

Zoom In +

Funding awarded to LEPs through Growth Deals

The Department has allocated £7.3 billion of the Local Growth Fund through Growth Deals



Notes
 1 DZN2 refers to Derby, Derbyshire, Nottingham and Nottinghamshire LEP.
 2 GCGP refers to Greater Cambridge Greater Peterborough LEP.

Source: National Audit Office analysis of departmental data

LEPs, which vary in geographic and population size, have control over large amounts of public money, which is intended to stimulate economic growth in their areas. As the chart to the left shows, there is a wide variation in funding allocated to LEPs. Leeds City Region LEP received the largest funding allocation of £695 million, followed by Greater Manchester LEP (£663.4 million). Cumbria LEP received the smallest allocation at £60.4 million.

At the same time, local authorities have been cutting their expenditure in all areas of their activity, including economic development (right), as a way of absorbing funding cuts. Local authorities have cut more than half of their spending in this area, with further cuts expected.

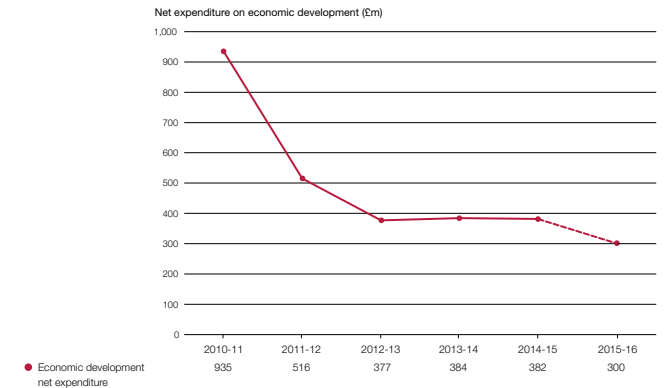
When we interviewed LEPs in 2015, we found they depend on local authority partners for staff and expertise and, at the time of our report in March 2016, private-sector contributions to LEPs had not materialised to the extent expected. Subsequent to our report, Government has provided a range of support to build LEP capacity. This includes £20 million of core funding from Government in this current financial year.

Zoom Out

Zoom In +

Local authority spend on economic development and planning, 2010-11 to 2015-16

Local authorities have reduced net spending on economic development by an average of 68%



Notes
 1 Figures expressed in real terms using 2012-13 prices.
 2 Dotted line represents budgeted figures.

Source: National Audit Office analysis of Department for Communities and Local Government data

Recent and planned developments

Transport:

- The Cycling and Walking Investment Strategy identifies £1.2 billion funding which may be invested in cycling and walking from 2016–21, including over £300 million of dedicated funding during this Parliament, and other funding drawn from Cycling Ambition Cities, Highways England, schemes already committed in the Local Growth Fund and a portion of the Integrated Transport Block based on previous trends. Many of the decisions on the allocation of these funds will be made by the relevant local body.
- The July 2017 Transport Investment Strategy noted a further £1.1 billion of funding for local roads and public transport networks to 2020-21 in addition to the £2.39 billion block grant funding to local authorities to help upkeep and enhance local transport networks.

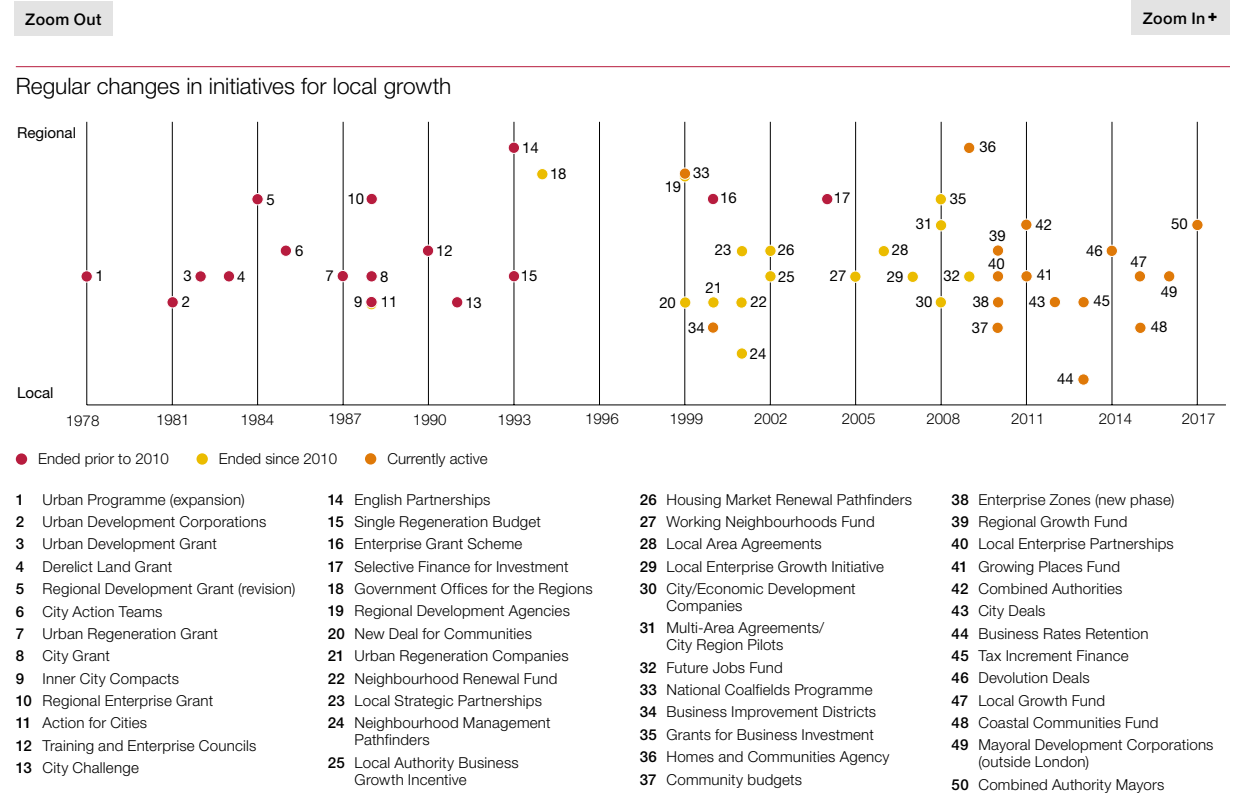
Housing:

- The new £2.3 billion Housing Infrastructure Fund will fund the building of infrastructure, with the aim of unlocking sites for development. The fund provides infrastructure funding to local authorities targeted at unlocking new private housing in areas where housing need is greatest to deliver up to 100,000 new homes.
- The £1.7 billion Accelerated Construction programme aims to increase the number of homes that are completed by encouraging medium-size builders, new developers, and those using innovative methods of construction into the housebuilding market, and making the most of public land assets.

Economic growth

One of the Department's stated aims is to grow local economies; its main method for doing so is to devolve more power and funding to local and regional areas.

As the graph below shows, there have been 50 initiatives for local growth for the past 40 years, with 17 currently active.



What are the things to look out for?



The NAO published a report about homelessness in September 2017.



Homeless households in temporary accommodation in England at March 2017, up from 48,240 in March 2011.



Local authority spending on homelessness services during 2015-16, a rise of 22% in real terms since 2010-11.



The Department has not set specific quantifiable objectives for what it hopes to achieve through Growth Deals, meaning it will be difficult to assess their contribution to economic growth. The Department now requires LEPs to report on a number of metrics to assess the impact of Growth Deals. Following the Growth Deal 3 awards the Department is re-negotiating forecasts with LEPs.

The Department expects LEPs to deliver Growth Deals effectively and sustainably. However, when the Growth Deals were agreed, the Department did not have enough assurance that they had the resources, capacity and capability to do this, and LEPs do not yet have an established track record of delivery. The Department has provided £20 million a year to build capacity, but our work showed that LEPs themselves have serious reservations about their capacity to deliver and in the increasing complexity of the local landscape, and there is a risk that projects being pursued will not necessarily optimise value for money.



Devolution, combined authorities and directly elected mayors



Setting the scene



Local variation



Complications



Recent and planned developments



Setting the scene

Devolution deals

Agreements which move funding, powers and responsibilities from central to local government in return for governance reform at the local level, typically through the creation of combined authorities and the institution of directly elected mayors.

Objectives in broad terms are around economic growth and rebalancing, public service reform, and enhanced local accountability. Aim is for local authorities to have more freedom to work together to drive economic growth.

All deals include powers over:

- transport;
- business support; and
- further education.

Deals can also include:

- housing;
- social care; and
- employment support.

Local Economic Partnerships (LEPs)

Business-led partnerships between the private sector and local authorities. Initially 39 established – now 38 after the merger between the Northamptonshire LEP and the South East Midlands LEP.

Determine and influence local growth priorities.

Combined authorities

Corporate bodies formed of two or more local government areas mostly chaired by an elected Mayor with one or more devolution deals. Like local authorities, mayoral combined authorities are held to account by local overview and scrutiny committees and audit committees. Mayors are also accountable to their local electorates.

All but two combined authorities are the accountable bodies for LEPs, and are responsible for overseeing their funding.

Regarded by government as central to its efforts to stimulate economic growth outside the economically higher-performing regions of London and the South East.

Are the main vehicle for devolution deals and seen as the 'next step' in devolution. As of July 2017, seven of the nine combined authorities have devolution deals.

Setting the scene *continued*

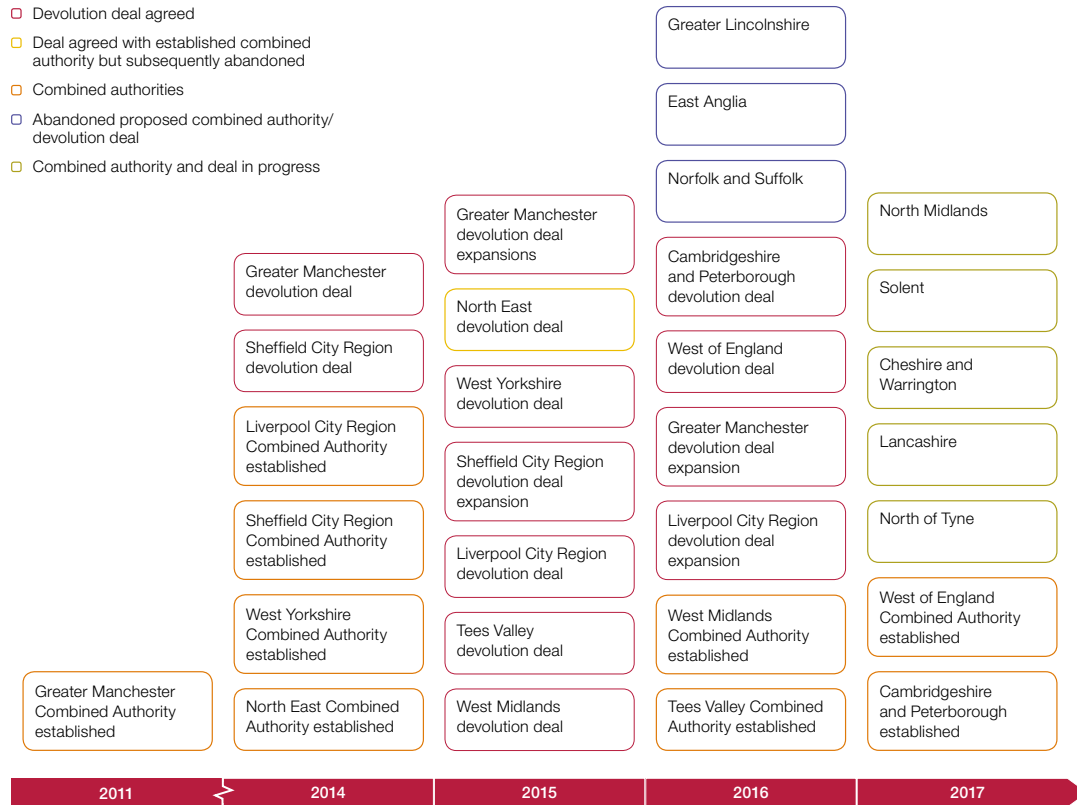
Zoom Out

Zoom In +

Timeline of proposed, formed, abandoned and potential combined authorities and devolution deals

Many of the areas that proposed combined authorities and devolution deals have been unsuccessful

- Devolution deal agreed
- Deal agreed with established combined authority but subsequently abandoned
- Combined authorities
- Abandoned proposed combined authority/ devolution deal
- Combined authority and deal in progress



Source: National Audit Office

Local variation

Combined authorities

The agreements for combined authorities contain some common powers; however, there is some variation between the deals negotiated by different areas.

Many of the powers and responsibilities of the mayoral combined authorities are concurrent with, or require the agreement of, other bodies. All the mayoral combined authorities have plans for economic regeneration through land and development. Execution of such shared powers requires agreement and coordination with a number of other bodies.

The West Midlands Combined Authority has several overlapping LEPs and some non-constituent members (i.e. outside the boundaries and with fewer rights, but who are still represented in the combined authority).

Local Enterprise Partnerships (LEPs)

Our 2016 report on LEPs found variation in the availability and transparency of financial information across LEPs. Financial information was unavailable for 5% of LEPs and we were unable to find information on senior staff salaries for 87% of LEPs. Where financial information was available, we found that the format and level of detail varied considerably across LEPs, making it difficult to draw meaningful comparisons.

The Department revised its assurance framework in November 2016, requiring LEPs' local assurance frameworks to state how and when the annual accounts covering the Local Growth Fund and other funding sources received from Government are published.

Responsibilities of the combined authorities

There is variation in the types of powers devolved to combined authorities

	Transport	Employment and business support	Economic growth	Housing, planning and land disposal	Further education and skills	Policing and fire services	Criminal justice	Health and social care
Cambridgeshire and Peterborough	✓	✓	✓	✓	✓			
Greater Manchester	✓	✓	✓	✓	✓	✓	✓	✓
Liverpool City Region	✓	✓	✓	✓	✓			
Sheffield City Region	✓	✓	✓	✓	✓			
Tees Valley	✓	✓	✓	✓	✓			
West Midlands	✓	✓	✓	✓	✓			
West of England	✓	✓	✓	✓	✓			

Source: National Audit Office

Complications

All combined authorities have been established by the government, and there are differences in terms of their powers, functions, and budgets. Many of the powers and responsibilities of the mayoral combined authorities are concurrent with, or require the agreement of, other bodies. The table below illustrates the range of responsibilities given to combined authorities, and the different bodies with whom they share these responsibilities.

Combined authority mayors are directly accountable to their electorate for actions taken by the combined authority. The concurrent powers illustrated here may mean that mayors are held accountable for activities over which they have little control.

Zoom Out

Zoom In +

Responsibilities that combined authorities share with other bodies

There is overlap between combined authorities' and other bodies' responsibilities

	Transport	Employment and business support	Further education and skills	Housing, planning and land disposal	Policing and fire services	Criminal justice	Health and social care	Economic growth
Central government	✓	✓	✓	✓	✓	✓	✓	✓
Combined authority	✓	✓	✓*	✓	✓*	✓*	✓*	✓
Upper tier local authorities	✓		✓				✓	✓
Tier 2 councils				✓				✓
Local Enterprise Partnership	✓	✓		✓				✓
Police and Crime Commissioner					✓	✓		
Clinical Commissioning Group							✓	
Homes and Communities Agency				✓				

Note
1 Ticks with stars indicate that not all combined authorities have these powers.

Source: National Audit Office

Funding through devolved bodies makes up a small proportion of the Department's total funding to local government. In 2016-17 the Department budgeted expenditure of £1,630 million on the Local Growth Fund, £288 million on devolution deals and £20 million on LEPs.

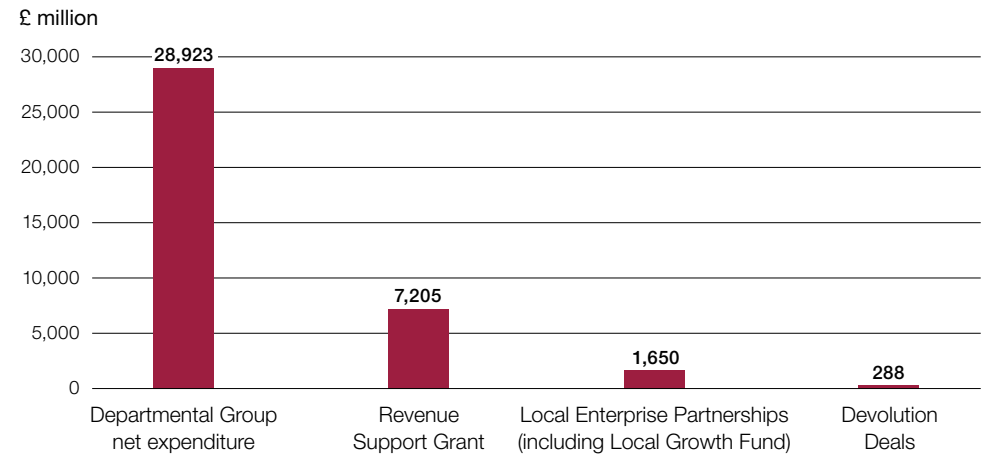
Combined, this is less than 7% of the overall budgeted Departmental net spend of £28,923 million and is also considerably less than the budgeted spend on Revenue Support Grant (£7,205 million), one of the Department's largest funding sources to local authorities.

Zoom Out

Zoom In +

Budgeted funding through devolved bodies 2016-17

Funding through devolved bodies is a small proportion of total departmental net expenditure and is significantly smaller than the key funding mechanisms to local authorities



Source: National Audit Office analysis of DCLG data

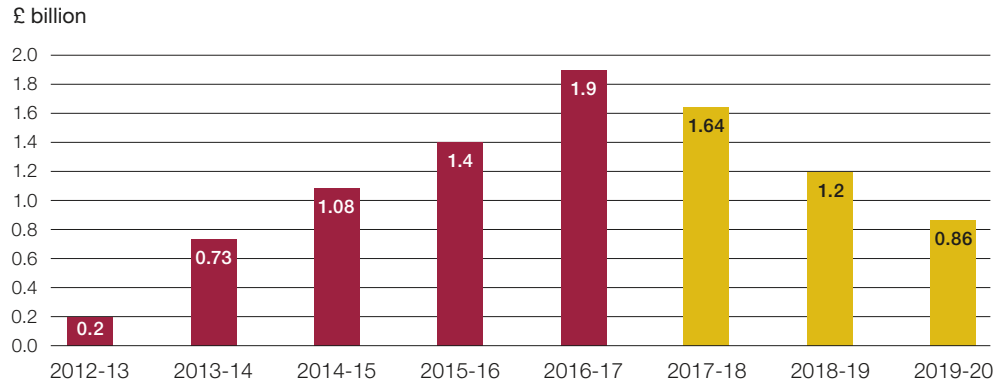
Recent and planned developments

Zoom Out

Zoom In +

The Department for Communities and Local Government's actual and planned expenditure on decentralisation and Local Growth, 2012-13 to 2019-20

The Department increased spending on decentralisation and local growth up to 2016-17



Source: National Audit Office analysis of DCLG data

Of the nine combined authorities, seven are mayoral, and six have recently held mayoral elections. Four of the six mayors elected are Conservative, and two are Labour. Sheffield is due to have its mayoral election in 2018.

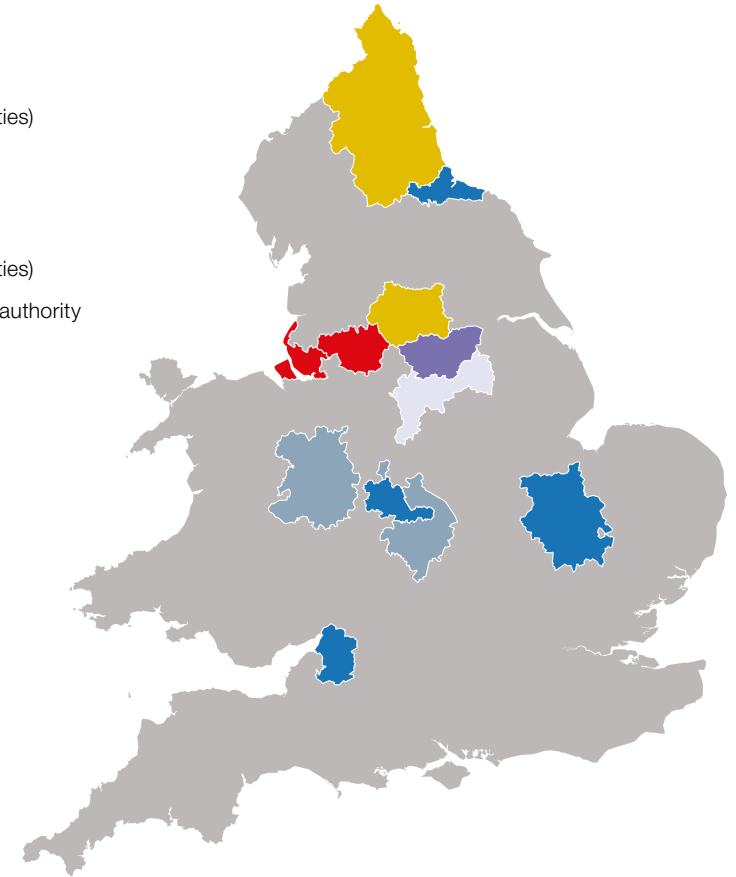
The Department's preferred model for negotiating devolution deals has been the formation of a combined authority with an elected mayor. The two areas without mayors have limited "first stage" deals.

The Department increased expenditure in 2016-17 and has budgeted to spend a large amount again in 2017-18 on decentralisation and local growth. This is due to an increase in devolution deals.

Mayoral make up of combined authorities

Combined authorities

- Conservative mayor
- Conservative mayor (non-constituent authorities)
- Labour mayor
- Elections in 2018
- Elections in 2018 (non-constituent authorities)
- Non-mayoral combined authority



Note

1 Legislation establishing mayoral combined authorities only applies to England.

Source: National Audit Office

Appendices



Appendix One – Recent NAO reports



Appendix Two – Exiting the European Union



Appendix Three – Local government staffing

Appendix One – Recent NAO reports

NAO report	Date published	PAC report	Treasury Minute
Progress in setting up combined authorities	6 June 2017		
Planning for 100% local retention of business rates	29 March 2017		
Local support for people with a learning disability	3 March 2017	Local support for people with a learning disability	
Health and social care integration	8 February 2017	Integrating health and social care	
Housing in England: overview	19 January 2017	Housing: State of the Nation	
Departmental overview 2015-16: Department for Communities and Local Government	9 November 2016		
The Troubled Families programme: update	18 October 2016		
Children in need of help or protection	12 October 2016		
Disposal of public land for new homes: a progress report	12 July 2016	Progress with the disposal of public land for new homes	Treasury Minute
Financial sustainability of local authorities: capital expenditure and resourcing	15 June 2016	Financial sustainability of local authorities	Treasury Minute
Discharging older people from hospital	26 May 2016	Discharging older people from acute hospitals	Treasury Minute
English devolution deals	20 April 2016	Devolution in England: governance, financial accountability and following the taxpayer pound	Treasury Minute
Local Enterprise Partnerships	23 March 2016	Cities and local growth	Treasury Minute
Personalised commissioning in adult social care	3 March 2016	Personal budgets in social care	Treasury Minute
Accountability to Parliament for taxpayers' money	23 February 2016	Accountability to Parliament for taxpayers' money	Treasury Minute
Local welfare provision	12 January 2016		
Devolving responsibilities to cities in England: Wave 1 City Deals	9 July 2015	Devolving responsibilities to cities in England: Wave 1 City Deals	Treasury Minute
Disposal of public land for new homes	24 June 2015		
Care Act first-phase reforms	11 June 2015		
Local government new burdens	11 June 2015		

Appendix Two – Exiting the European Union

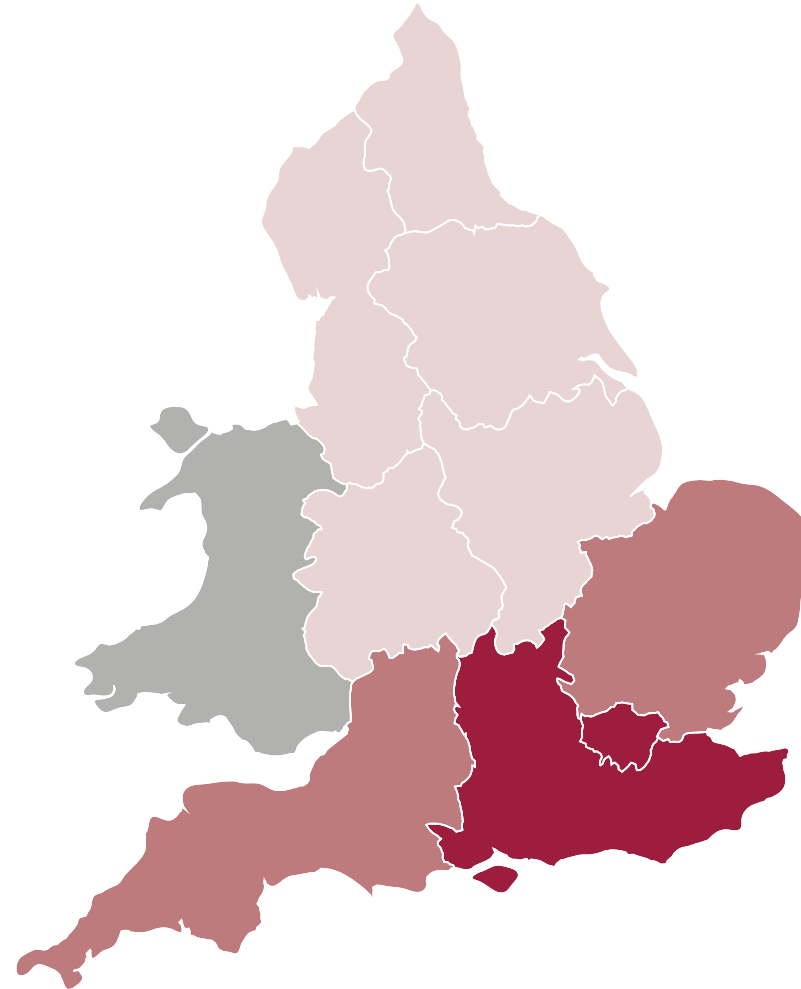


Impact on social care workforce

The adult social care workforce as a whole is made up of around 82% British nationals, 7% EU nationals, and 11% non-EU nationals. Migration from both within and outside of the EU plays an important role in workforce supply.

London and the South East have higher proportions of EU workers than other regions, so their pipeline of workers is at greater risk from the UK's exit from the EU.

- 0% – 4%
- 5% – 9%
- 10+%
- No data



Source: Skills for Care, National Minimum Data Set for Social Care

Appendix Two – Exiting the European Union *continued*



Impact on EU Funding

The European Regional Development Fund 2014-20 programme in England has €3,628 million (approx. £2,830 million) of EU funding budgeted, to be complemented by €2,916 million (approx. £2,275 million).

If departure from the EU results in reductions in regional funding, the economic regeneration role of combined authorities would become more pressing.

The removal of these funding streams has the potential to increase the challenge that combined authorities have in helping to deliver economic growth in their areas. There are plans for a shared prosperity fund to replace EU structural funds from 2020, based on the industrial strategy green paper published before the General Election in June 2017.

In October 2016, government guaranteed that all EU structural and investment fund projects signed before the Autumn Statement will be fully funded, even when these projects continue beyond the UK's departure from the EU.

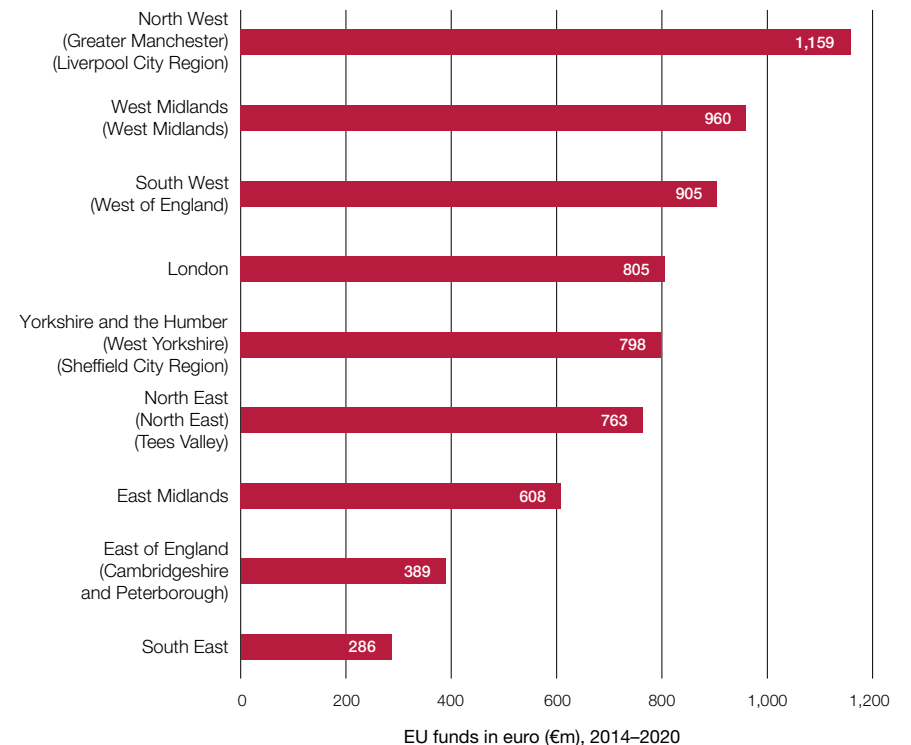
Zoom Out

Zoom In +

European Regional Development Fund, European Social Fund and Youth Employment allocations in England, 2014–2020

Combined authorities are in regions of the country that are disproportionate beneficiaries of EU funds

English regions



Note

1 Of the South West total, around €600 million is allocated to Cornwall, which is not part of West of England Combined Authority.

Source: National Audit Office

Appendix Three – Local government staffing



Estimating staff numbers in local authorities is complicated as many authorities include their school workforces in their staffing numbers – but these school workforce numbers have been falling due to the transfer of schools from local authority to academy control.

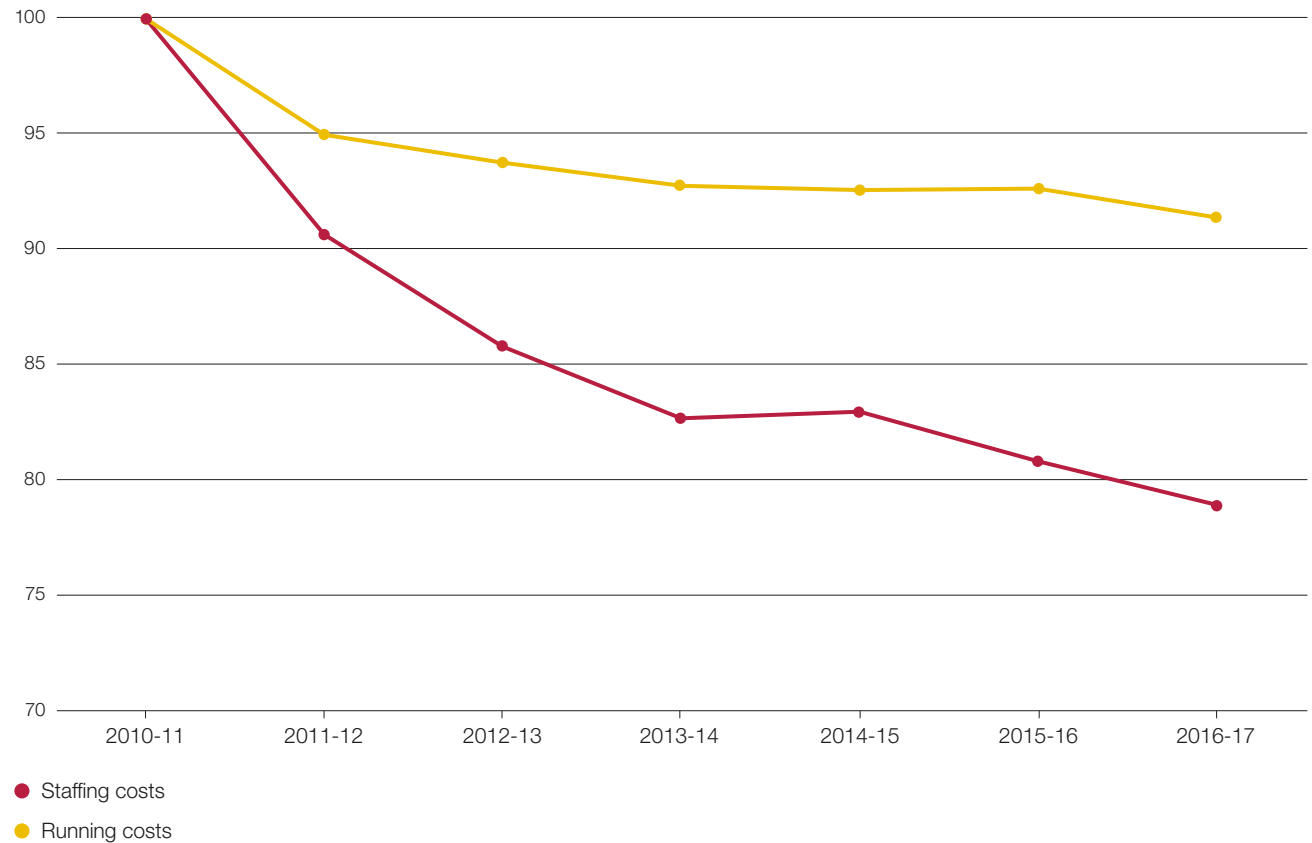
Data for **spend on staffing** (excluding education) by local authorities show that:

- there has been a **real terms reduction of 21% in staffing spend** from 2010-11 to 2016-17;
- local authorities have reduced spending on staffing costs more rapidly than **running costs (9% real-terms reduction)**, which include spending on areas such as transport, premises and payments to third parties such as private contractors; and
- one factor that might (partially) explain why staffing costs have fallen more rapidly, is that local authorities may be transferring spending from in-house provision (staffing costs), to out-sourced (running costs).

Change in staffing and running costs – 2010-11 to 2016-17 (excluding education and public health)

Over 5 years local authorities have reduced spending on staffing costs more rapidly than running costs

Change in local authority spend 2010-11 to 2016-17 (indexed: 2010-11=100) (real terms at 2015-16 prices)



Source: National Audit Office