

# A Short Guide to the **NAO's work on local authorities**

July 2015



National Audit Office



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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, which employs some 810 people. 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 £1.15 billion in 2014.

**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 [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**

Value for Money Director for DCLG and Local Government

 [aileen.murphie@nao.gsi.gov.uk](mailto:aileen.murphie@nao.gsi.gov.uk)


 020 7798 7700

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

**Adrian Jenner**

Director of Parliamentary Relations


 [adrian.jenner@nao.gsi.gov.uk](mailto:adrian.jenner@nao.gsi.gov.uk)

 020 7798 7461



Interactive

For full iPad interactivity, please view this PDF in iBooks or GoodReader

Key facts 

Local public services and responsible bodies



**353**  
**principal local authorities** with statutory responsibility for public services



**Half a million**  
**people work in local government**, excluding school, police and fire staff

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**37%**  
**fall in central government funding** to local authorities in real terms, and on a like-for-like basis, between 2010-11 and 2015-16



**£15.5 billion**  
**budgeted revenue spending** on adult social care in 2014-15, the largest local authority service area (excluding education)

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**3.1%**  
**fall in council tax income** in real terms for single tier and county councils between 2010-11 and 2013-14



**68,840**  
**children in care** in March 2014

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**25%**  
**fall in local authorities' income** in real terms once council tax is included between 2010-11 and 2015-16



**£2 billion**  
**of Growth Deals signed off** by central government for Local Enterprise Partnerships to spend in 2015-16, on housing, infrastructure and other economic development

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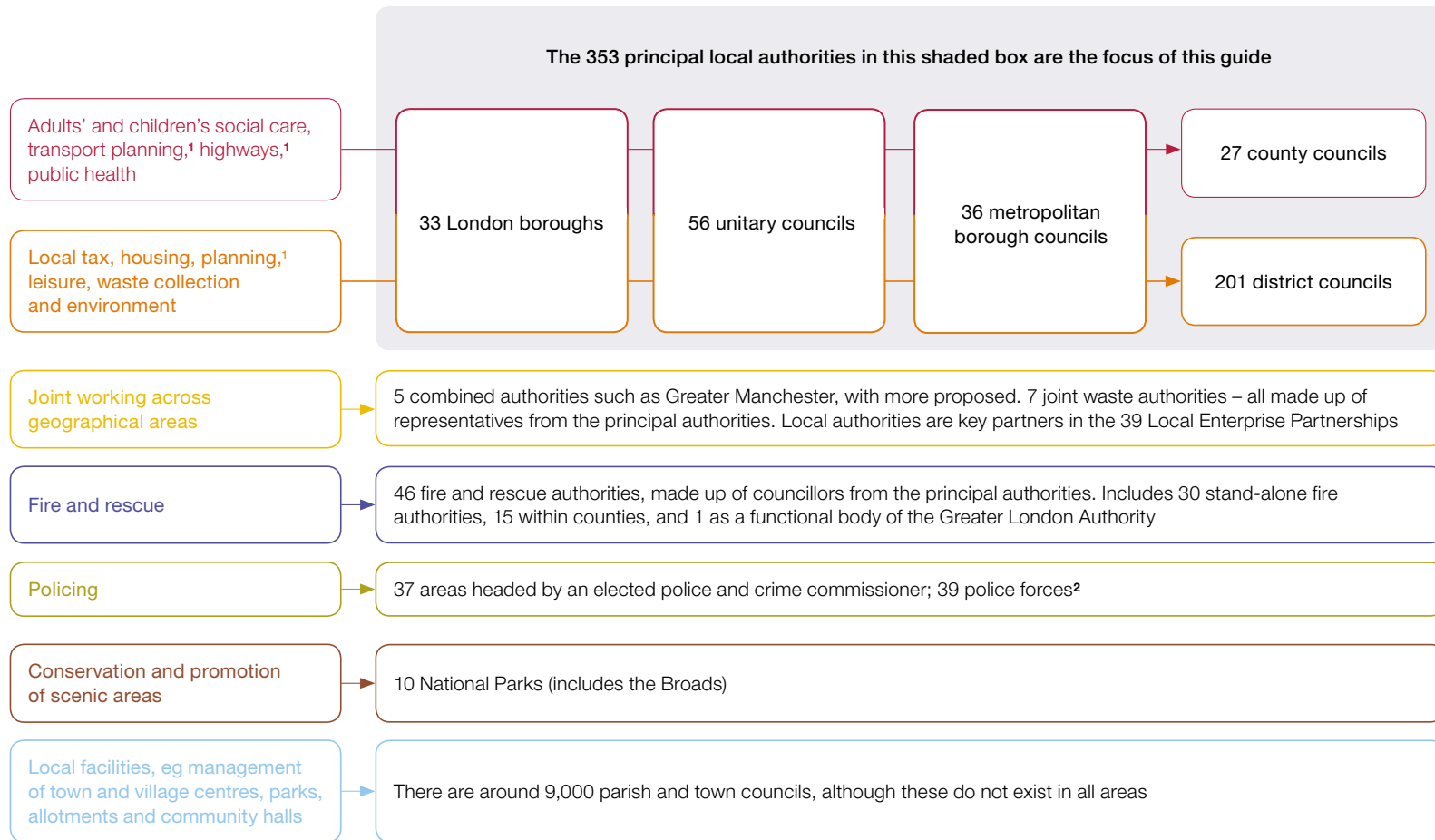
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## Local public services and responsible bodies in England

There are roughly 18,100 locally elected councillors and 16 local authorities have directly elected mayors, excluding the Mayor of London and the Greater London Authority. Local authorities are accountable to their electorates.



Notes

- <sup>1</sup> In London, the Greater London Authority also has responsibility in these areas.
- <sup>2</sup> The number of police and crime commissioners differs from the number of police forces because the Metropolitan Police Service and City of London Police have different arrangements compared to other areas.

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## Where local authorities get their funding from

### Central government money

Central government grants form the majority of local authorities' income and were budgeted to be £82 billion in 2014-15.

These funding streams are not covered in this Short Guide. We set them out here to show what other money flows through local authorities.

- Of this, £31 billion was for front-line funding for schools from the Department for Education. This funding is ring-fenced and local authorities transfer it directly to schools.
- £23 billion was for grants that local authorities pass directly to individuals, such as Housing Benefit.
- £29 billion was for grants that local authorities spend themselves to support the delivery of their statutory functions and duties.

### Locally raised money

Local authorities also generate income locally including:

- £20.3 billion from council tax (budget for 2014-15)
- £10.9 billion from sales, fees and charges (outturn for 2013-14).

Local authorities can also generate income through their investment activities but these sums are relatively minor in terms of income for the sector as a whole.

Business rates are generated locally and a proportion is retained locally. However, owing to the national framework in place for this funding, all business rates income falls within the Department's accounts, and is therefore classified as central funding.

Additionally, local authorities may build up reserves and use these to fund services or deliver local priorities such as capital projects. Local authorities had £12.6 billion of revenue reserves on 1 April 2014.<sup>1</sup>

#### Note

<sup>1</sup> This includes earmarked and unallocated reserves but excludes schools reserves and public health reserves. It also excludes reserves held by other local authorities such as the Greater London Authority.

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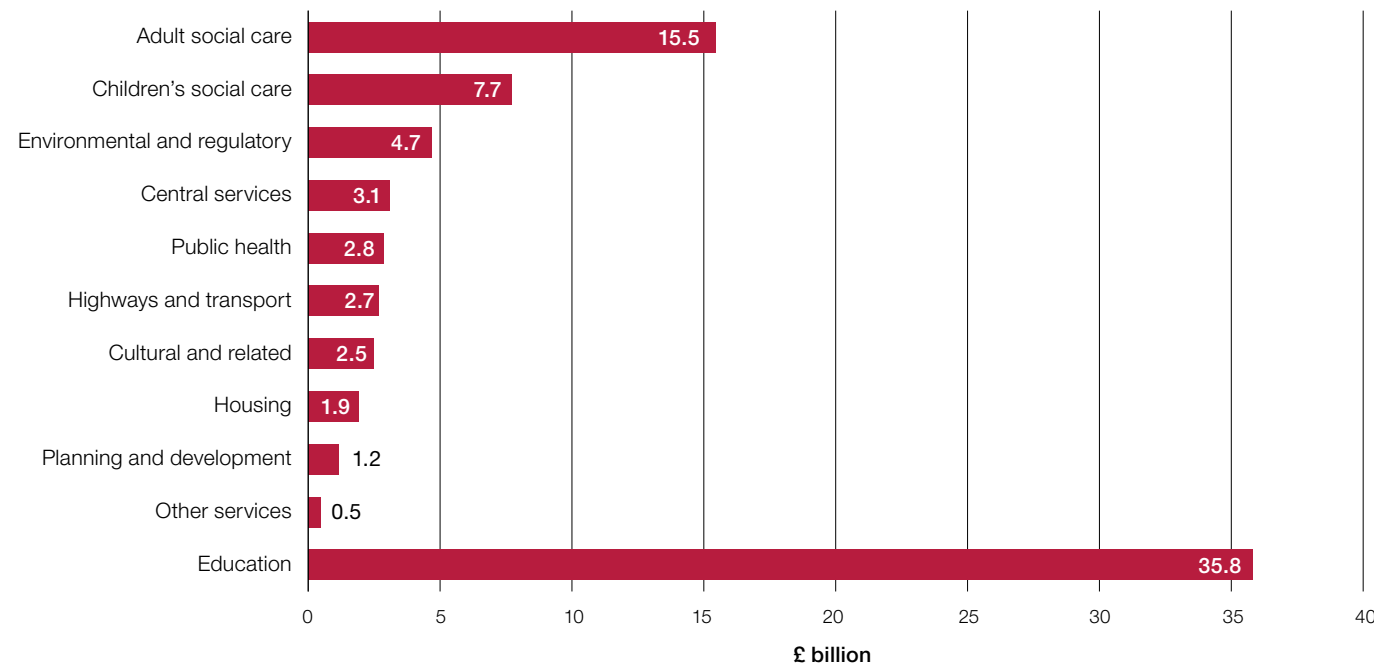
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Local authorities' budgets in 2014-15

Revenue budget estimates for 2014-15 – principal local authorities



This guide focuses on the revenue spending that local authorities control.

Education spending is covered in detail in our [Short Guide to the Department for Education](#).

Note

1 The chart shows net current expenditure. We have excluded spending by the Greater London Authority, police organisations and fire authorities, which (apart from Appendix Two on fire and rescue) are outside the scope of this guide. Revenue spending of £0.5 billion on police and fire and rescue services by principal local authorities is not shown above. Housing figures exclude revenue spending through the Housing Revenue Account. The adult social care budget includes a £1.1 billion transfer from the NHS to social care. The figures on transport differ from those in our [Short Guide to the Department for Transport](#) because they have been calculated on a different basis.

Source: Department for Communities and Local Government Revenue Account budget data and Capital Estimate Returns

Additionally, local authorities budgeted for around £17 billion of capital spending in 2014-15, across all service areas excluding education. The largest areas of capital spending were housing (£6 billion) and highways and transport (£4 billion).

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### About local authorities

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. For example they:

- provide services such as planning and housing, sports and leisure facilities and provision of social care;
- support many people in vulnerable circumstances, such as the 1.3 million adults who received local authority social care in 2013-14 and the 68,840 children who were looked after on 31 March 2014; and
- aim to enable local economic growth through Local Enterprise Partnerships and through schemes such as City Deals and Enterprise Zones.

Local authorities are under distinctive financial constraints:

- Unlike many other public bodies, such as clinical commissioning groups or NHS foundation trusts, local authorities must, by law, balance their budgets. They cannot go into deficit or borrow for revenue purposes.
- They have a statutory duty to provide certain services, such as adult social care and waste collection. They also provide discretionary services according to local priorities.
- The requirement for local authorities to balance their budgets means they are likely to reduce spending on services in line with reductions to their income. This has the potential to create pressure on services, although savings have been made through local authorities delivering services more efficiently. Local authorities have generally coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. (More details [here](#).)

#### Note

- 1 Excluding education funding which is ring-fenced and allocated to schools by the Department for Education. Local authorities have limited input into how this money is spent, so, except where otherwise stated, this guide excludes it.

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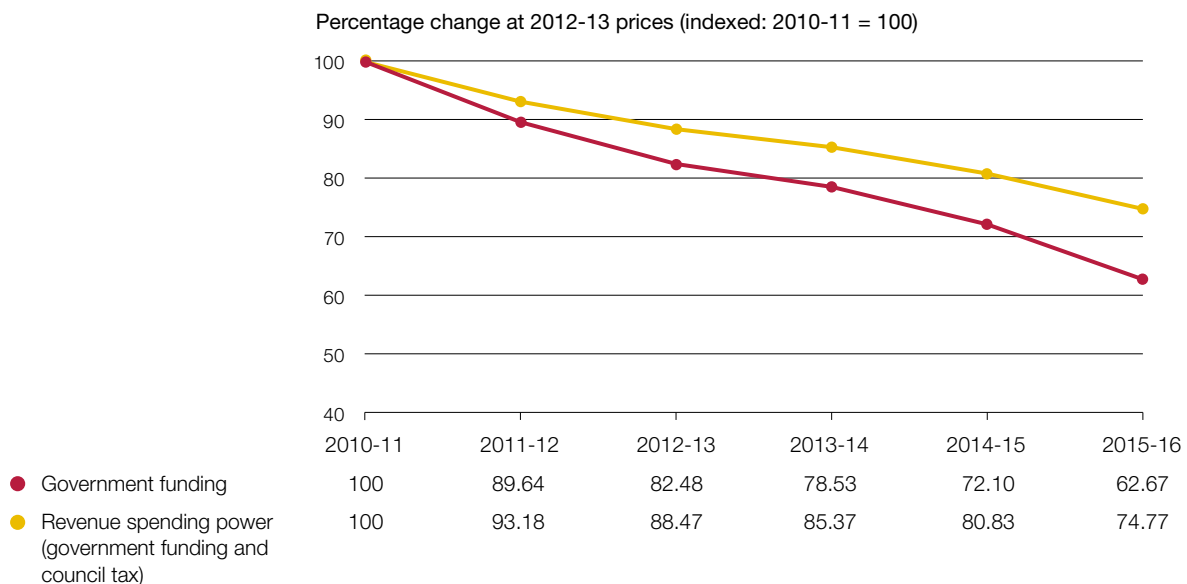
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### Spending reductions

The government has reduced its funding to local authorities by 37% in real terms, and on a like-for-like basis, between 2010-11 and 2015-16. Once council tax is included, local authorities' total income fell by 25% in that period (see figure below).

#### Change in spending power and government funding, 2010-11 to 2015-16

Government funding has been cut more steeply than local authority income once council tax is taken into account



**Note**

1 Spending power includes both the core funding local authorities receive from central government and the council tax income they raise themselves.

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



Local authorities that traditionally received a larger share of income from government grants rather than council tax have seen a greater reduction in their spending power. This is reflected in the fact that spending power has reduced most in metropolitan districts, and least in county councils (see figure opposite).

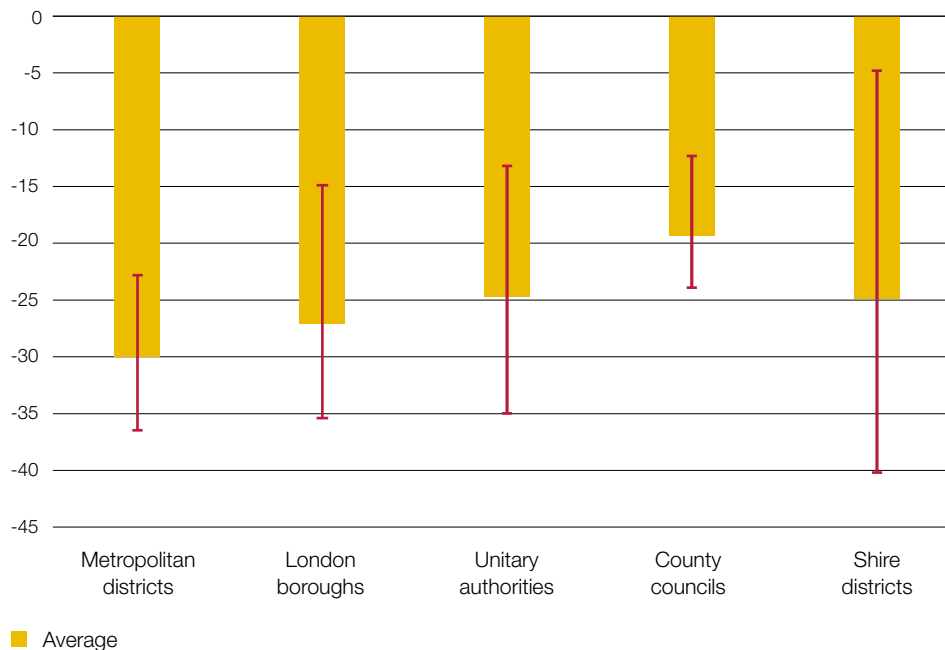
The government wanted to give local authorities freedom to be innovative and efficient, for example in economic growth: see [later slides](#).

The government linked its policy to increase local spending flexibility with its reduction in funding to local authorities after the Spending Review 2010.

**Change in spending power by local authority type, 2010-11 to 2015-16**

Metropolitan districts had the biggest average reductions

Percentage of change in revenue spending power 2010-11 to 2015-16 (2012-13 prices)



**Note**

1 The vertical lines illustrate the range of reductions within each class of authority. The bars represent the average reduction for each class.

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

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**Staff and pay**

Around 500,000 people work in the principal local authorities. This does not include the schools workforce, police, police support staff, or firefighters.

There was a 16.6% reduction in full-time equivalent posts in local authorities between 2010 and 2013. Staffing costs were 32% of local authority costs in 2010-11, and have fallen more sharply than the remaining running costs between then and 2013-14 (see figure, and [The impact of funding reductions on local authorities](#), 2014).

The Local Government Pension Scheme provides pensions for local government staff. [DCLG figures](#) show just under 1.7 million employees are members of the scheme.

There are 81 funds in England which make up the scheme, and these are locally administered. The market value of the funds at end of March 2014 was £178 billion ([DCLG, 2014](#)). Actuarial valuations in 2013 found that the local funds were on average 79% funded, although the level varied for different local areas, from 56% to 101% (figures published by the [Local Government Pension Scheme Advisory Board](#)).

**Change in employment in local authorities, 2010 to 2013**

Change in full-time equivalent employment (%)



**Note**

1 Data excludes total school workforce.

Source: National Audit Office analysis of Office for National Statistics Quarterly Public Sector Employment Survey and Department for Education data on school workforce in England

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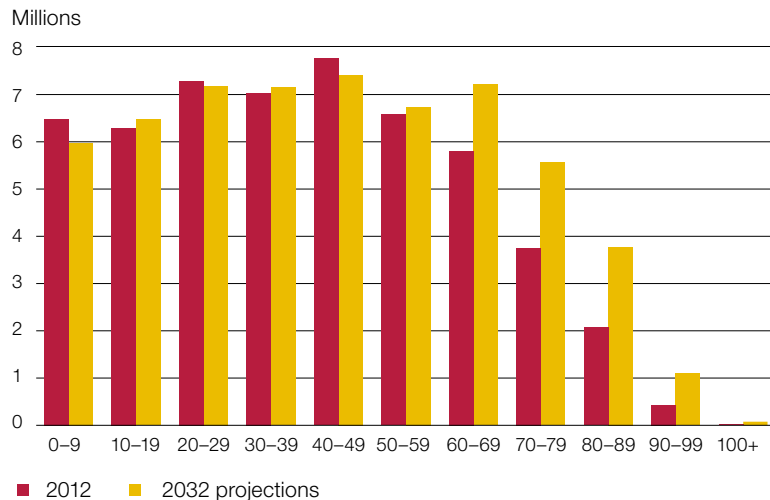
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**Population projections**

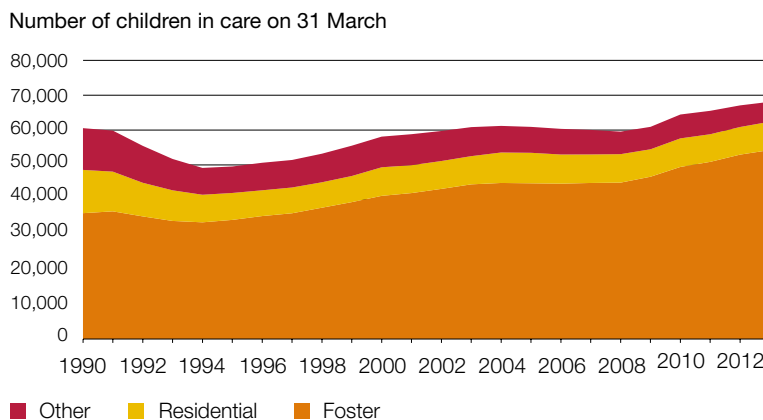
The population is ageing, putting pressure on local authorities' social care services



Source: Office for National Statistics 2012-based population projections for England

**The number of children in care, 1990 to 2013**

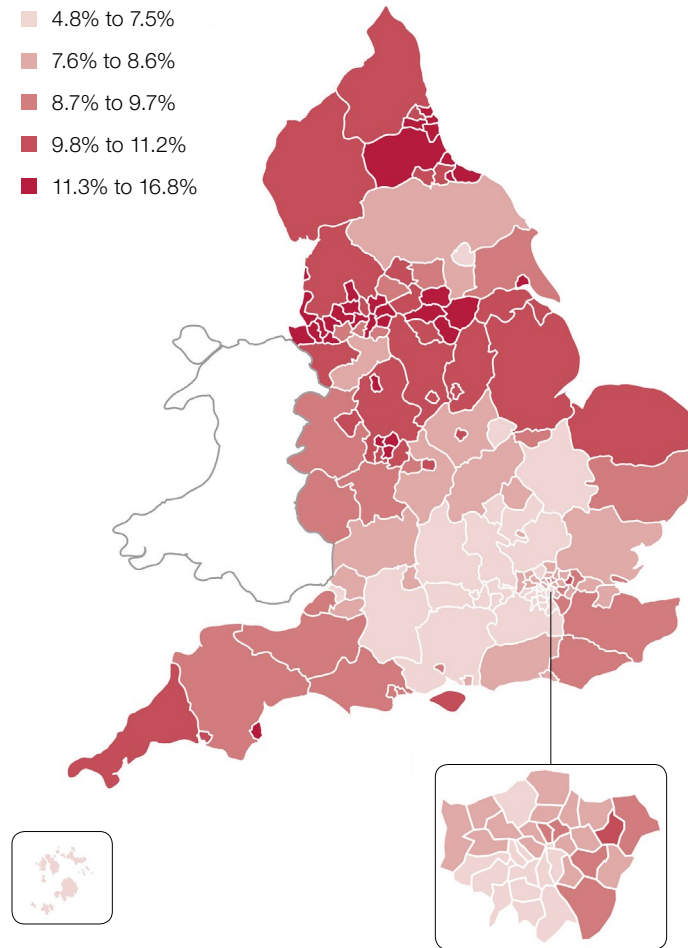
The number of children in care is at its highest level since 1994



Source: Department for Education

**The proportion of adults with major limitations on their day-to-day activities varies by region**

Need is highest in the North East and North West



**Note**

1 Adults aged 16 or over.

Source: National Audit Office analysis of Office for National Statistics 2011 census data

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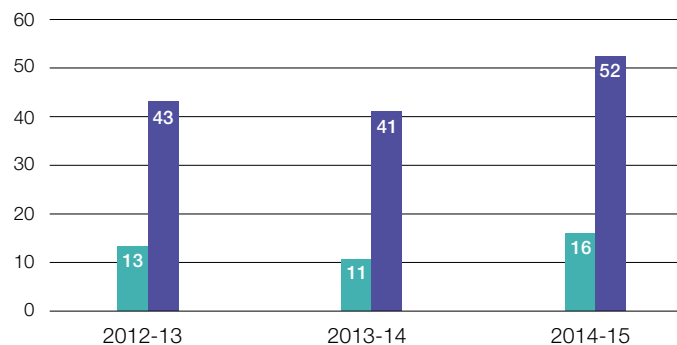
Our 2014 report, The impact of funding reductions on local authorities, found local authorities had so far managed their finances successfully through a prolonged period of funding reductions. However:

- Local auditors had expressed concern about more than half of all metropolitan districts and unitary authorities, in terms of their capacity to deliver medium-term savings targets (see figure opposite).
- Over the three financial years prior to publication of the report, external auditors of metropolitan and unitary authorities had been more likely than auditors of other councils to say their authority was having difficulty delivering its budget (see figure overleaf).
- Some local authorities – particularly among metropolitan districts – were showing persistent signs of financial stress, such as unplanned in-year reductions in service spend.
- While local authorities were planning for continued savings, they were increasingly relying on untested service transformation programmes to achieve them.

Auditors' views on the financial health of local authorities

Auditors have increased concerns about financial health in 2014-15 and beyond

Percentage of single tier and county councils



- Auditor does not agree that the council is well placed to deliver its budget for the coming financial year
- Auditor does not agree that the council is well placed to deliver its medium-term financial strategy

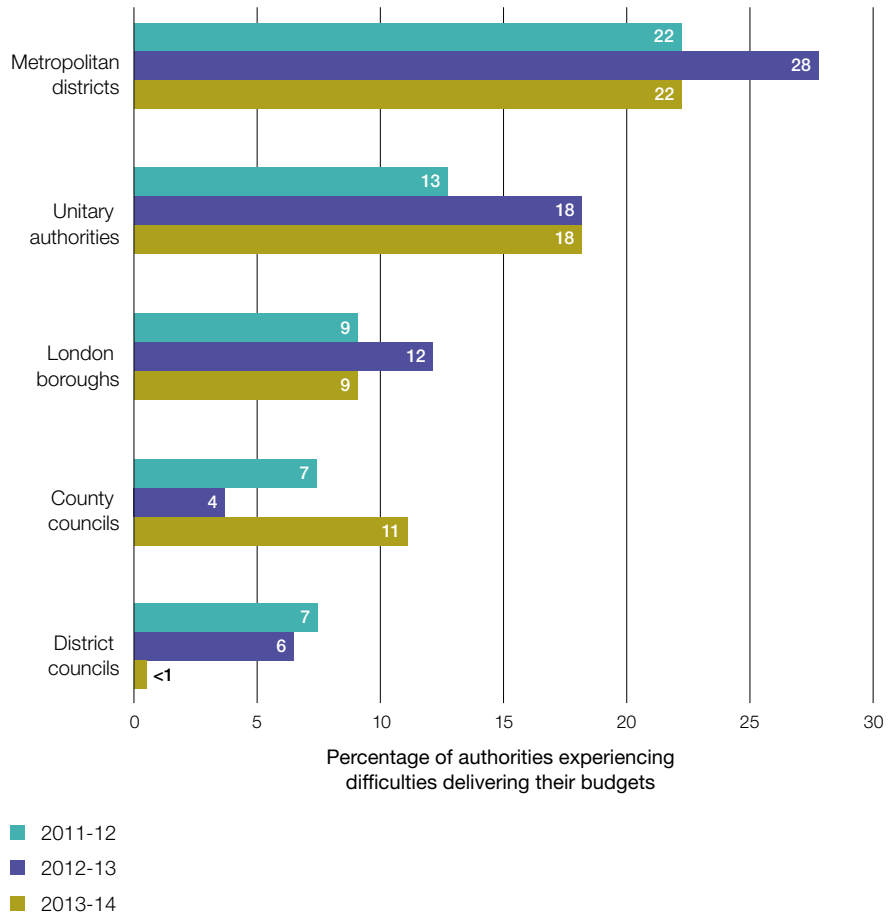
Note

1 Data are for single tier and county councils only.

Source: National Audit Office analysis of Audit Commission data

Local authorities experiencing difficulties in delivering their budgets in the view of their auditor

Metropolitan districts and Unitary authorities are more likely to have difficulty delivering their budgets



**Note**  
1 Figures have been rounded.

Source: National Audit Office analysis of Audit Commission data



## Prospects for local government financial sustainability

Some changes to policy have introduced financial uncertainties.

The funding system has been changed to allow local authorities to keep a share of locally raised business rates. Government intended these changes to provide local authorities greater flexibility and incentives to increase their income. However, future income from business rates is uncertain. So far, local authorities have used reductions in spending, rather than increases in locally raised income, as the main way of addressing falls in government funding (See our report [The impact of funding reductions on local authorities, 2014](#)).

Since 2011-12, local authorities have received extra funding for every new residential property, conversion or property brought back into use in their area – the New Homes Bonus. The Bonus is mostly funded by reallocating revenue support grant between local authorities, meaning that while some authorities will gain, others will lose ([The New Homes Bonus, 2013](#)).

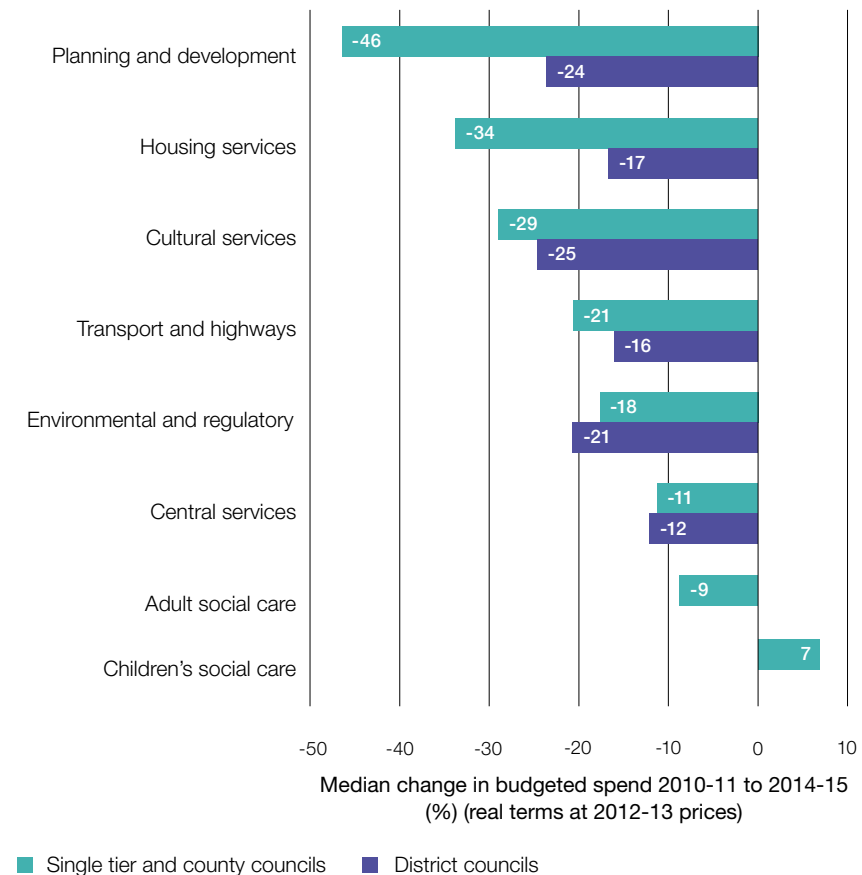
Since April 2013, local authorities have been responsible for providing financial support to people on low incomes to help them pay their Council Tax bills. Central government pays local authorities a fixed amount to support this, but local authorities now bear the financial risk of fluctuations in the amount of support they need to provide ([Council Tax Support, 2013](#)).

The Care Act 2014 introduces new duties for local authorities, and the actual costs of implementing these duties are not yet known ([Adult social care in England: an overview, 2014](#)).

The figure opposite shows how service budgets have been affected so far. Authorities have tried to protect spending on statutory services in areas such as adult and children's social care. But there is significant variation between authorities. Those with large funding reductions are less likely to have protected this spending.

Change in budgeted spend by service, 2010-11 to 2014-15

Spending on adult and children's social care has been relatively protected



**Note**

1 Data for adult social care and children's social care is for single tier and county councils only.

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



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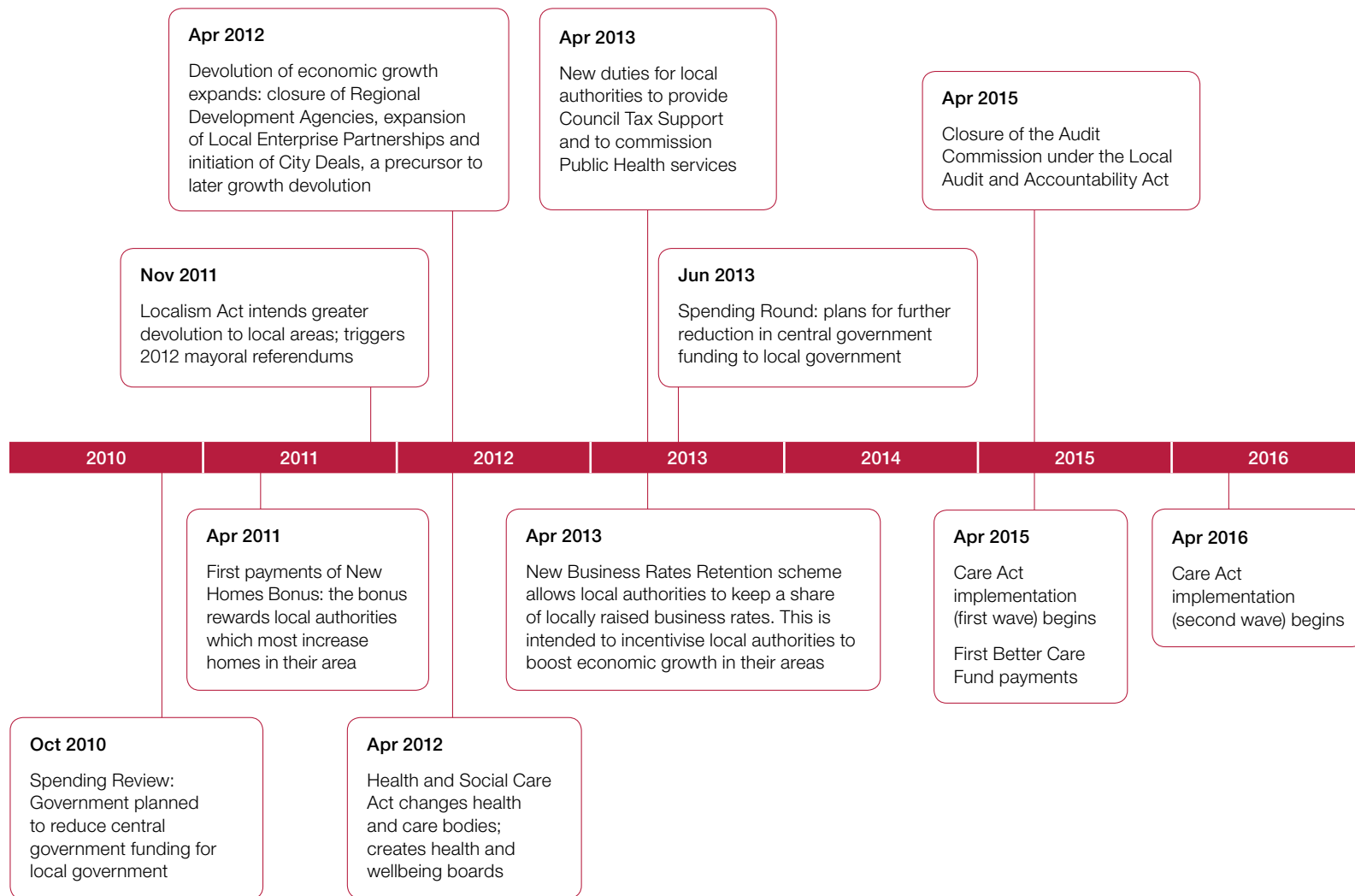
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### Finding

#### Accountability

Central departments were increasingly relying on local accountability systems to gain assurance on spending.

Some local mechanisms which central government relies on for assurance, such as sector-led improvement and partnership arrangements like local enterprise partnerships, were not yet proven.

Local accountability for major programmes was not always clearly set out, particularly where many bodies were involved.

Information was not always sufficient for service users and scrutinisers to make judgements. However, transparency in public health had improved in recent years. Despite this, central body Public Health England lacked powers to enforce change.

The government's Wave 1 City Deals were an important catalyst for cities to develop their capacity to manage devolved funding and increased responsibility for economic growth. However, it is too early to tell whether the deals will have any overall impact on growth.

#### Financial sustainability

Local authorities had coped well with reductions in government funding, but some groups of authorities were showing signs of financial stress. Local authorities traditionally reliant on central government funding were particularly at risk.

For some local authorities, changes such as the New Homes Bonus and the new duty for local authorities to provide Council Tax support brought additional financial risks at a time of financial pressure.

The Department for Communities and Local Government has taken steps since November 2014 to improve its understanding of new burdens on local authorities.

There is growing demand for adults' and children's social care.

The first phase of the Care Act 2014 has been implemented well, but this places new responsibilities on local authorities where core funding is being significantly reduced.

#### Transformation

Local authorities were expected to save money and improve services, or generate economic growth, through mechanisms which had not been proven to be effective for their stated goals. Evaluation was lacking.

Local authorities had been introducing efficiencies in some areas, but there was also some evidence of reduction in service levels, for example in adult social care.

### NAO report

[Local government funding: assurance to parliament \(2014\)](#)

[Adult social care in England: overview \(2014\)](#)  
[Funding and structures for local economic growth \(2013\)](#)

[Planning for the Better Care Fund \(2014\)](#)

[Implementing transparency \(2012\)](#)  
[Public Health England's grant to local authorities \(2014\)](#)  
[Disposal of public land for new homes \(2015\)](#)

[Devolving responsibilities to cities in England: Wave 1 City Deals \(2015\)](#)

[The impact of funding reductions on local authorities \(2014\)](#)

[New Homes Bonus \(2013\)](#)  
[Council Tax Support \(2013\)](#)

[Local government new burdens \(2015\)](#)

[Adult social care in England: overview \(2014\)](#)  
[Children in care \(2014\)](#)

[Care Act first-phase reforms \(2015\)](#)

[Planning for the Better Care Fund \(2014\)](#)  
[Funding and structures for local economic growth \(2013\)](#)

[The impact of funding reductions on local authorities \(2014\)](#)



Adult social care

# What does local government do?



## Services

The 152 single tier and county councils directly provide or commission a range of adult social care services, including day care, meals, residential care and home care.

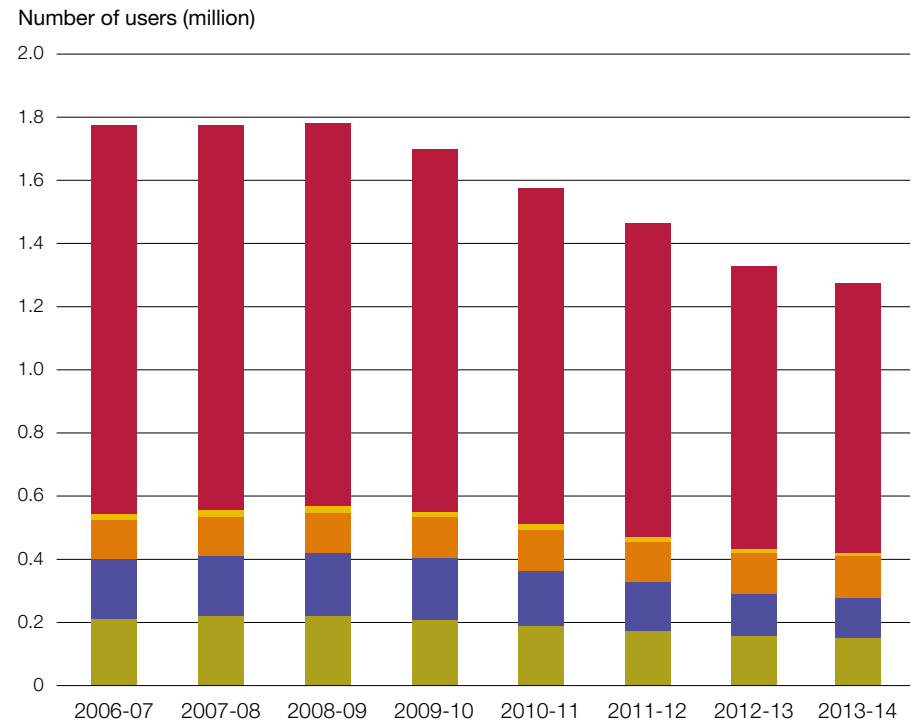
The main users of publicly funded adult social care are people with learning disabilities, those with mental health conditions, those with physical or sensory disabilities, and older people.

Local authorities typically only pay for individual packages of care for adults assessed as having high needs and limited means. Support has been more restricted recently due to financial pressures (see figure).

Local authorities commission most care from the private and voluntary sectors, with home care and care homes the most common services.

Adults receiving local authority social care services, 2006-07 to 2013-14

The number of adults receiving state-funded care fell from around 1.8 million in 2008-09 to around 1.3 million in 2013-14



Number of adults aged:

65 and over	1.23	1.22	1.22	1.15	1.06	0.99	0.90	0.85
18 to 64 other	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01
18 to 64 with a learning disability	0.12	0.13	0.13	0.13	0.13	0.13	0.13	0.13
18 to 64 with a mental health problem	0.19	0.19	0.20	0.20	0.17	0.15	0.13	0.13
18 to 64 with a physical or sensory disability	0.21	0.22	0.22	0.21	0.19	0.17	0.16	0.15

Source: National Audit Office analysis of Health and Social Care Information Centre data, Referrals, Assessments and Packages of Care (RAP) 2006-07 to 2013-14

Adult social care

# What does local government do?

## Staff

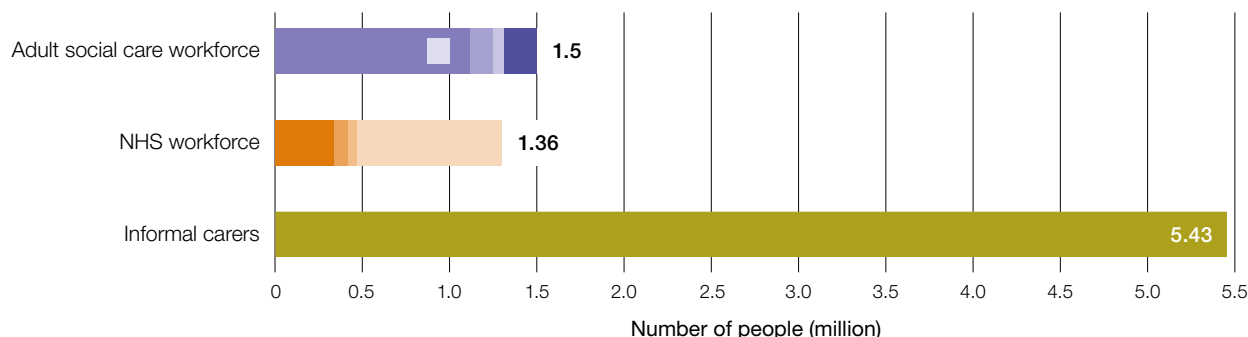
There are around 1.5 million paid adult social care workers, with employers including local authorities and private or voluntary sector organisations (see figure opposite, from the NAO's 2014 report, [Adult social care in England: overview](#)). Additionally, there are around 5.4 million informal carers (friends and family).

Within local authorities, Directors of Adult Social Services have statutory responsibility for ensuring the delivery of adult social care.

The Department of Health has policy oversight.

### Scale of the adult social care workforce

The workforce includes a majority of people giving direct care, and a small number of professionals



- 1,110,000 provide direct care
- 346,000 hospital and community-based nurses
- Of which 146,000 employed as personal assistants
- 106,000 doctors
- 120,000 in management or supervisory roles
- 63,000 GPs and general practice staff
- 90,000 professional staff, including social workers and occupational therapists
- Other staff, including 17,000 occupational therapists, 8,000 speech therapists, and 4,000 chiropodists and podiatrists
- 180,000 employed in other roles

Source: Skills for Care, *The size and structure of the adult social care sector and workforce in England in 2013*, September 2013; Health and Social Care Information Centre, *NHS Hospital and Community Health Service Workforce Statistics in England, as at September 2012*, March 2013; Office for National Statistics, *2011 Census: Local Characteristics on Health and Unpaid Care for Output Areas in England and Wales*, August 2013

Adult social care

# How much does it cost?

Adult social care is the largest area of local authority spending, excluding education. Local authorities budgeted to spend £15.5 billion on adult social care in 2014-15.

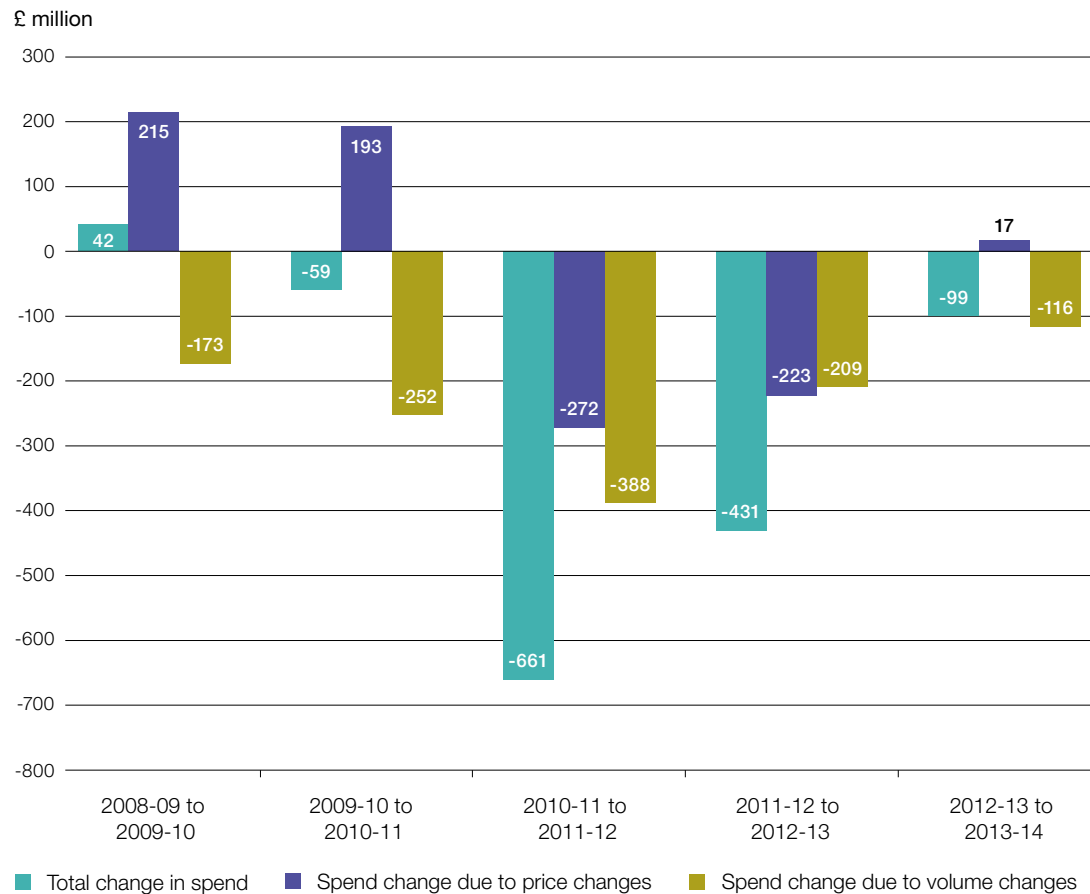
Within adult social care, care homes for people over 65 is the biggest single category of spending.

The median local authority reduced its spending on adult social care by 9% between 2010-11 and 2014-15. Local authorities have made savings by providing services to fewer people and to some extent through reducing unit costs. The figure to the right, from our 2014 report [The impact of funding reductions on local authorities](#), shows that:

- In the two years before 2010-11, local authorities saw little real-terms change in the total cost of adult social care services. Although local authorities were decreasing the number of people they provided care for, prices were increasing.
- This changed significantly in the two years after 2010-11, when local authorities saw large savings in adult social care services. These savings resulted from local authorities providing services to fewer people, which also cost them less to provide.
- This pattern ended in 2013-14, with savings resulting only from providing services to fewer people, rather than reducing the price of services.

Components of total savings in adult social care – price and volume

Change in spend (real terms at 2012-13 prices)



Note

1 Chart includes spend and activity data for day care, home care, residential care and nursing care for all user groups.

Source: National Audit Office analysis of Personal Social Services Expenditure data

## Adult social care

# Recent and future developments

The **Care Act 2014** was originally intended to come into force in two phases:

- Since April 2015, local authorities have had several new duties, including duties to assess informal carers, regardless of how much care they provide, and to give informal carers access to services on a similar basis to that for the people they care for. Local authorities must also provide information and advice (including financial advice) on care and support services to everyone, regardless of care needs.
- Some changes originally planned to come into force from April 2016 have been delayed. The delayed measures include a cap on the costs which any individual is required to pay towards eligible care and support, and a requirement on local authorities to meet the eligible needs of self-funders in care homes. The government now anticipates that these changes will be introduced in April 2020. [This letter from Alistair Burt, Minister of State for Community and Social Care, to the Local Government Association contains the announcement about the delay.](#)

The **Health and Social Care Act 2012** established health and wellbeing boards, which have a duty to encourage integrated working between commissioners of health, social care, public health and children's services. Each of the 152 local authorities with adult social care responsibilities has a health and wellbeing board.<sup>1</sup> The Act also determined that local authorities now have a statutory duty to improve the health of their populations – a responsibility for public health. Local authorities received a £2.8 billion ring-fenced grant for this in 2014-15.

The health and wellbeing boards' first major role was in providing local approval for **Better Care Fund** planning. The Better Care Fund is a £5.3 billion budget for 2015-16 formed of existing funding streams, pooled between local authorities and clinical commissioning groups to integrate care. Government intends the Fund to improve outcomes for service users and reduce emergency admissions to hospital by making the NHS and local authorities cooperate better. Some areas have pooled significantly more than the minimum required by central government.

Other schemes to promote **integration between health and social care** include Integrated Personal Commissioning, which is being trialled in some areas over a three-year period from April 2015. NHS England has also agreed to devolve £6 billion of health and social care spending to Greater Manchester, one objective of which is "to deliver effective integrated health and social care" in the area. ([Memorandum of Understanding](#)).

### Note

- <sup>1</sup> Bournemouth and Poole, two separate local authorities, share a single health and wellbeing board, which means there are 151 boards.



Adult social care

## What are the things to look out for?

### Can local authorities meet increasing demands on their adult social care services?

Adult social care is a growing proportion of local authorities' budgets, and increasing demographic pressures, together with new responsibilities, will put further strain on the system.

Levels of demand for the new services that local authorities are required to deliver under the Care Act are uncertain.

The Care Act aims to improve adult social care by focusing on fairness, individual wellbeing and independence, putting individuals in control of their care, and preventing or reducing the need for intensive care and support. Although local authorities support these aims, it remains to be seen whether and how they can be achieved during austerity. Current use of personal budgets and direct payments, which are part of the move to improve user control, is shown in the chart on the right.

### Will integration of health and social care improve outcomes?

The Better Care Fund aims to make local authorities and the NHS work together better. However, there is limited evidence that it will save money or improve services, in line with its objectives.

### Will the Greater Manchester model of devolution run smoothly?

Devolution and integration of health and social care budgets, as recently agreed in Greater Manchester, is an innovative move. Progress will need to be monitored carefully to ensure that other areas learn from this new arrangement and its successes, and that adequate accountability arrangements for the use of public money are in place.

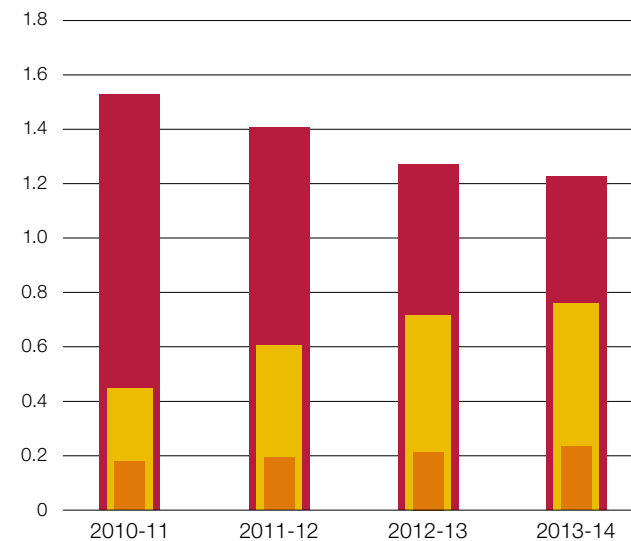
The NAO has a programme of work on adult social care, with recent reports on:

- [Adult social care in England: overview \(2014\)](#)
- [Planning for the Better Care Fund \(2014\)](#)
- [Care services for people with learning disabilities and challenging behaviour \(2015\)](#)

### The use of personal budgets and direct payments

More users and carers have personal budgets

User and carers (million)



- Users and carers receiving services in the community
- Users and carers with a personal budget
- Users and carers with a direct payment

Source: Health and Social Care Information Centre, *Community Care Statistics: Social Services Activity, England, 2010-11 to 2013-14*



## Children's services

# What does local government do?

The 152 single tier and county councils have legal duties to:

- Oversee the safeguarding of children in all schools in their area.
- Provide care services for children. For example, local authorities have a statutory responsibility to take children at risk of harm into care, and to maintain adoption services.
- They must also secure, as far as reasonably practicable, enough accommodation for children in care within their local area, either by providing it themselves or by commissioning services from contractors.

Our 2014 report [Children in care](#) reported that the number of children in care has reached the highest level in the last 20 years, with 0.6% of all children in England in care. Our report found that:

- Of these children, 68% had special educational needs.
- For 62% of these children, the primary reason for being looked-after was abuse or neglect. Other reasons included family dysfunction and families in acute stress.
- The proportion of children in care within a local authority area ranged from 0.2% to 1.7%. In more deprived areas, there was a tendency for a higher proportion of children to be in care.

## Staff and oversight

Local authorities spent £2.6 billion on employees working in children's social care in 2012-13 ([DCLG, 2014](#)).

Within local authorities, Directors of Children's Social Services have statutory responsibility for ensuring the delivery of children's social care.

The Department for Education has policy oversight.

## Education

In addition to the social care functions described in this guide, local authorities have legal duties with regard to:

- early years education;
- children with special educational needs;
- oversight of schools' spending of the Department for Education's allocations to local authority maintained schools; and
- supporting local authority maintained schools.

Please see our [Short Guide to the Department for Education](#) for more information

Children's services

# How much does it cost?

Local authorities budgeted to spend £7.7 billion on children's social care in 2014-15.

The median average change in spending on children's social care services was a 7% real terms increase between 2010-11 and 2014-15 (budgeted figures).

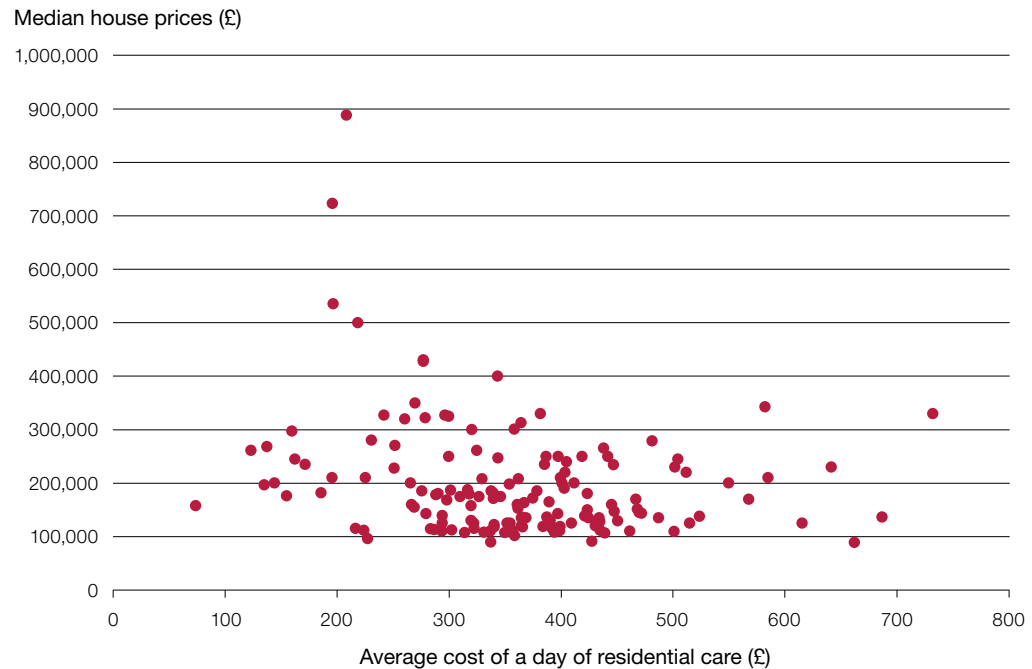
However, among authorities with the greatest funding reductions, spending on this service fell by 4%.

Our 2014 report, Children in care, found that the costs of residential care varied by local authority, but simple economic factors did not explain this. For example, there was a weak correlation between the cost of residential care and average house prices. Indeed, residential care tended to be cheaper in areas where average house prices were higher (see figure opposite).

Our report also found that, unless their needs are correctly assessed and met effectively, there are significant long-term costs of children not getting the right care. In 2013, 34% of all care leavers were not in education, employment or training (NEET) at age 19 compared to 15.5% of 18-year-olds in the general population.

The average daily cost of residential care compared with the cost of housing (by local authority)

House prices are not a key driver of the costs of residential care



Note

1 The correlation coefficient is -0.25, and statistically significant.

Source: Department for Education, Section 251 outturn data and median house prices based on Land Registry data 2012 Q4



**£29,000–£33,000**

Average annual spend on a foster place for a child



**£131,000–£135,000**

Average annual spend on a residential place for a child



## Children's services

# Recent and future developments

In 2013, the Department for Education introduced **reforms to reduce the number of children placed at a distance from their home**. It defines this as children not placed in their local authority area or a neighbouring authority area. A local authority's Director of Children's Services must now approve any decision to place a child at a distance.

The **Children and Families Act 2014** introduced a range of changes to existing laws. The main ones relevant to local government are:

- giving children in care the choice to stay with their foster families until they turn 21;
- setting out rights to support from local authorities for children who are carers, and for parents who provide care for children with social care needs; and
- reforms to allow the government to develop new regulations and inspections of children's homes, in an attempt to improve the safety and quality of care vulnerable children receive.

In 2014, the Department for Education launched an **Innovation Programme** to provide £100 million of funding in 2014-15 and 2015-16 to support innovation and learn what works best in commissioning to improve outcomes for children in care. The Department has set aside funds to evaluate its impact, and aims to learn and share what works.

In November 2014, Ofsted reported on a thematic inspection about the **effectiveness of local authorities' responses to the sexual exploitation of children**. It found that "leadership to tackle child sexual exploitation [was] not sufficiently well developed in all eight local authority areas inspected". A 2014 inquiry by Alexis Jay into child sexual exploitation in Rotherham between 1997 and 2013 reported on a 2013 review by the Local Safeguarding Children Board. The latter review team "found confusion about the roles and responsibilities of... several bodies... within the system."





## Children's services

# What are the things to look out for?

## Can local authorities manage rising demand, either by increasing spending or by identifying efficiencies?

Local authorities' spending on children's services has to date been maintained, despite the overall fall in local authority spending and the rise in the numbers of children in care. It remains to be seen whether this can be maintained in future years.

Local authorities we spoke to for our 2014 study, Children in Care, expect or are already experiencing a rise in referrals linked to child sexual exploitation, following the abuse reported in Rotherham and other towns. Such exploitation is becoming better identified and the children concerned often have complex and demanding needs. Local authorities also told us that a particular pressure is emerging for secure residential places for girls at risk of exploitation.

The Department for Education is working with the Department for Communities and Local Government and local authorities to explore cost variations and identify efficiencies in the children's services sector. The Department for Education acknowledges that it needs to know more about what determines the costs of looking after children in care. It has begun to explore whether there is a link between spending and improved outcomes for children.

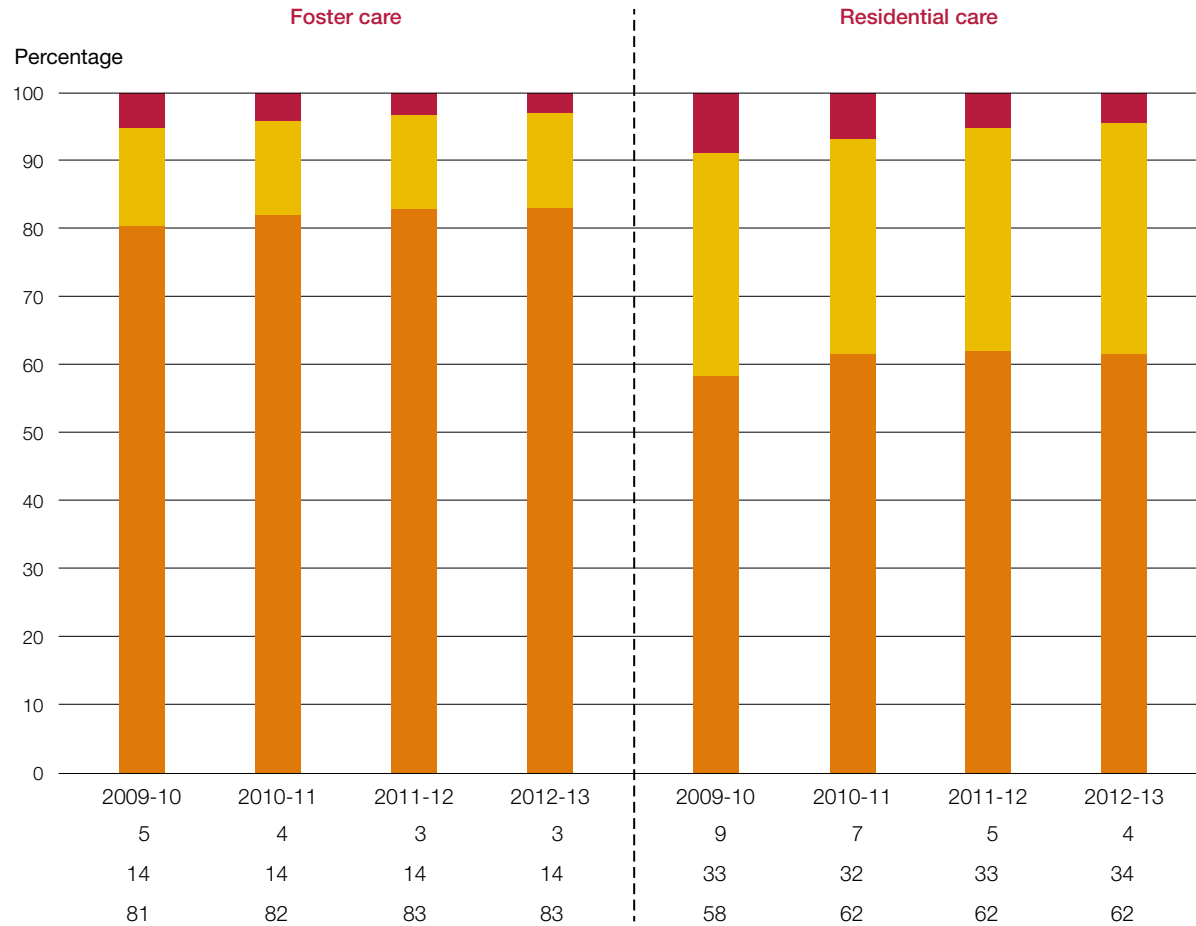
## Can local authorities meet targets intended to improve children's services?

It remains to be seen how successful local authorities are in meeting central targets such as reducing the number of children placed far from their homes. (See figure overleaf for the position between 2009-10 and 2012-13.)



Children in care by care type and distance from home, 31 March 2009-10 to 2012-13

The proportion of children being placed 20 miles or more from home is not falling



Notes

- 1 Foster care includes only: foster placements, excluding placed for adoption.
- 2 Residential care includes only: secure units; children's homes and hostels, excluding other residential settings; residential schools.

Source: Department for Education, Statistical First Releases 36/2013, 20/2012, 21/2011, 27/2010, Tables A6

Economic growth, housing and transport

# What does local government do?

Local authorities are key partners in Local Enterprise Partnerships, Growth Deals and in schemes such as Enterprise Zones, the Growing Places Fund, the Regional Growth Fund and City Deals, all of which are designed to promote local economic growth.

Other key spending on economic growth includes EU Structural Funds, overseen by central government, and spending by central government departments and local authorities on skills, business support and infrastructures such as transport and housing.

Local authorities have around 300 statutory responsibilities for transport. Collectively, local authorities are responsible for around 98% of the road network. Their objectives for transport are often tied in with wider strategies for economic development or improving the local environment. The Department for Transport provides funding, and approves private finance initiative funding for major projects such as highways maintenance and street lighting.

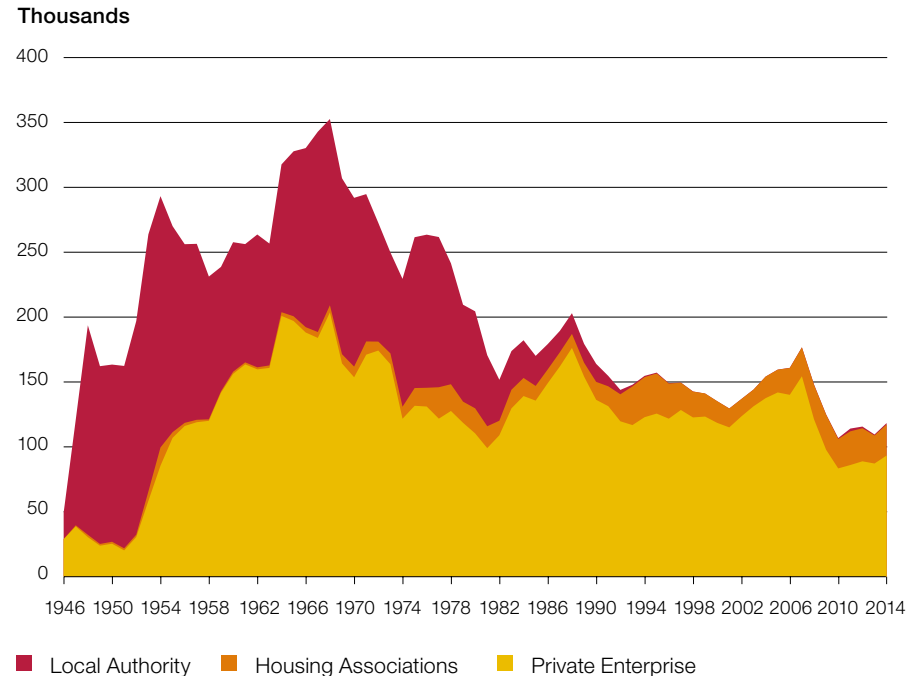
Local authorities' responsibilities for housing and planning tie into economic growth and employment objectives. Their housing planning will generally take into account business needs as well as social and environmental considerations. They have a duty to house people who meet certain criteria, such as those legally classed as homeless, and people in 'priority need' such as pregnant women.

Economic growth policy is overseen jointly by the Department for Business, Innovation & Skills and the Department for Communities and Local Government.

The Department for Communities and Local Government oversees housing policy.

The Department for Transport oversees transport policy.

Housebuilding – permanent dwellings completed, by tenure



Source: Department for Communities and Local Government statistics, Table 244

## Economic growth, housing and transport

# How much does it cost?

Our 2013 report Funding and structures for local economic growth estimated that central government spent £1.2 billion on the most significant schemes to promote economic growth in 2011-12: Enterprise Zones, the Growing Places Fund, the Regional Growth Fund and City Deals.

The Regional Development Agencies, which had overseen economic development in nine regions, were closed in March 2012. New growth schemes, including the Regional Growth Fund, had a slow start and government did not allocate funding as quickly as originally planned, leading to a significant reduction in spending in 2012-13, as shown in the figure overleaf. More recently, the government has signed growth deals with the 39 Local Enterprise Partnerships worth £2 billion in 2015-16.

Our 2012 report Funding for local transport found that around one-third of the money spent by local authorities on transport is capital expenditure, used to build and enhance transport infrastructure, such as roads. The remainder is spent on day-to-day items, such as reimbursing bus operators for concessionary fares, or routine road maintenance.

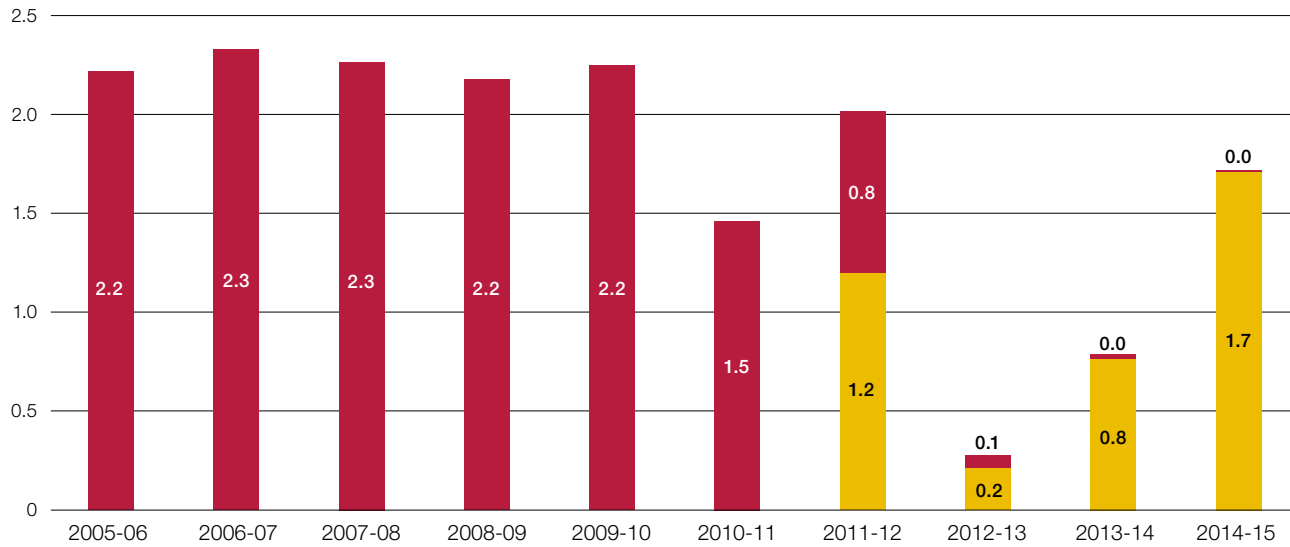
In 2014-15, the Department for Transport spent £4.4 billion on grants for local transport, which was 8% lower than in 2013-14. The transport grant to the Greater London Authority made up 41% of the Department's expenditure on local delivery, a total of £1.8 billion. Another £2.3 billion was provided through a variety of grants to local authorities for building or improving transport infrastructure, easing congestion, improving public transport and improving accessibility.



Government spending on Regional Development Agencies and new local growth funds and structures, 2005-06 to 2014-15 – payments by departments

There has been a marked dip in government funding

Spend (£bn)



- Regional Development Agency spend (including legacy)
- New schemes

Notes

- 1 Spending by Regional Development Agencies is from their annual reports and accounts and excludes closure costs.
- 2 Data for 2013-14 onwards is budget data. Earlier data is outturn.
- 3 Figures have been rounded.

Source: National Audit Office analysis of departmental data



## Economic growth, housing and transport

# Recent and future developments

Central government has **redesigned local authority financing** in an attempt to incentivise local authorities to boost economic growth and give them more autonomy:

- Since 2011-12, local authorities have received extra funding for every new residential property, conversion or property brought back into use in their area – the New Homes Bonus. The Bonus is mostly funded by reallocating a portion of revenue support grant, meaning that while some authorities will gain, others will lose.
- Housing Revenue Account reforms meant that, in April 2012, the local authorities which owned housing stock at that time took on responsibility for the housing debt in their area; in return those authorities gained full control over their housing stock. Local authorities now use the income they get from local authority tenants to service debts and manage their housing stock. Local authorities may borrow a limited amount of money to increase housing supply, and there is £300 million additional borrowing capacity for 2015-16 and 2016-17 as part of the Local Growth Fund's Housing Revenue Account Borrowing Programme.
- From April 2013, local authorities have retained around half of any local growth in business rates.
- In April 2013, the Department for Communities and Local Government transferred responsibility for Council Tax support to local authorities, transferring risk to them and giving them a further stake in local growth.

Central government has **devolved powers to boost economic growth:**

- Schemes such as City Deals and Growth Deals have been introduced to give local areas more autonomy, for example over funding for major local transport projects and capital funding to support skills development.
- The government has announced its intention to devolve more responsibility to cities and city regions outside London. For example, there are plans for an elected mayor to oversee some public spending in Greater Manchester.

Local authorities are also involved with **national housing schemes:** Right to Buy, the Affordable Homes Programme, Help to Buy and others.

[The Short Guide to the Department for Communities and Local Government](#) contains more detail on housing.

[The Short Guide to the Department for Transport](#) contains more detail on developments in the transport system.



## Economic growth, housing and transport

# What are the things to look out for?

### What impact will we see from new structures and policies?

The accountability of Local Enterprise Partnerships, which will be responsible for £2 billion in 2015-16 through growth deals, has been set out in a [national assurance framework](#). The effectiveness of Local Enterprise Partnerships, and of the new assurance arrangements, will be tested as local areas spend their money.

The impact of economic policies will play out over several years. For example, the effects of reforms to local authority financing, such as business rates retention, including the impact on output measures such as Gross Domestic Product and Gross Value Added, may not be fully seen for several years. It will be difficult to define and measure impact, and assess what works, due to the multiple factors and programmes influencing economic growth.

Devolution to cities in England could move further and faster over the coming months and years. Greater Manchester has already announced that an interim mayor is due to take power in mid-2015 before the first election takes place in 2017. Transferring powers and budgets from central government to local politicians could have implications for accountability for value for money.

### Will local authorities successfully boost housing supply?

In 2014, local authorities placed 58,400 individuals in temporary accommodation in another local authority district – the highest level of out-of-district placements since DCLG statistics on this became available in 1998 ([DCLG statistics](#)). However, a recent [judgment](#) tightened the rules on this, reducing local authorities' flexibility.

The [January 2015 Elphicke Review](#) examined how councils might boost the supply of new homes. It recommended that councils become 'housing delivery enablers', through setting a clear strategy; making full use of their powers and leverage to incentivise building; working in partnership with construction and other businesses; identifying and making available land for construction; and exploring new ways of finding financial support for housing.

As is the case for broader economic growth, assessing impact of individual schemes and what has worked in boosting housing supply is challenging.

# Appendix One

## Oversight of local authorities' spending

Local authorities' auditors:

- provide an opinion on whether local authorities' financial statements give a true and fair view of their financial position;
- provide an opinion on whether financial statements have been properly prepared in accordance with the relevant accounting and reporting framework; and
- satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Each local authority must by law appoint a section 151 officer. This is the legal name for the chief finance officer, as set out in section 151 of the Local Government Act 1972. It is usually the Director of Finance or Resources.

The Local Audit and Accountability Act 2014 provided for the abolition of the Audit Commission, and gave local bodies the right to appoint their own auditor once current audit contracts have run their course. The Act introduced a new audit framework, under which the National Audit Office now prepares the Code of Audit Practice which sets out the work auditors should do to meet their statutory duties set out above. A transitional body, Public Sector Audit Appointments Ltd, took over management of the current audit contracts.

There are three major types of grants from central government to local authorities.

- Ring-fenced grants: local authorities must spend these on specified activities, and report to central government departments on the spending.
- Non-ring-fenced targeted grants: departments provide these for local authorities to fund specific activities, but as they are not ring-fenced, local authorities can reallocate the grants to other areas of work to meet local priorities.
- Non-ring-fenced general grants: there is no expectation about how local authorities spend this funding, other than that they should spend it lawfully.



# Appendix Two

## Fire and rescue

### Funding and responsibility

There are 46 fire and rescue authorities in England, responsible for the delivery of a wide range of fire and rescue services. Fire and rescue authorities are locally accountable bodies made up of elected members from the councils within their areas.

The Fire and Rescue National Framework for England (2012) sets out the priorities and objectives for English fire and rescue authorities, including resilience and prevention, protection and response.

The Department for Communities and Local Government is responsible for policy and funding for fire and rescue authorities in England and has strategic responsibility for national resilience.

Fire and rescue authorities receive their funding from several sources: central government grants; a share of business rates from local authorities in their area; a small levy on council tax; and locally generated income, eg fees from training.

### Fire prevention

The rate of fire casualties fell 13% to 2.6 per 100,000 population in the third quarter of 2013 from 3.0 in the third quarter of 2012. The decrease reflects continuing success in fire prevention and the significant level of smoke alarm ownership and testing, the impact of the Fire Kills campaign and collaboration across fire and rescue authorities in delivering domestic fire safety messages.

### Efficiency

In December 2012, the Department for Communities and Local Government commissioned Sir Ken Knight, the outgoing Chief Fire and Rescue Adviser (2007 to 2013) to conduct an independent review of efficiency in the provision of fire and rescue in England. His March 2013 report, [Facing the Future](#), found that deaths from fires have reduced by 40% over the previous ten years and are at an all-time low, yet expenditure and numbers of firefighters remain broadly the same. He concluded there were significant opportunities for savings and efficiencies through transforming fire and rescue services to meet the changing needs of communities and the risks they face.

### Conditions of service

The Fire Brigades Union is currently disputing changes introduced in April 2015 to firefighters' pensions. It regards the increase in retirement age from 55 to 60 as unrealistic, and the increase in member contributions as unacceptable. More detail can be found in [House of Commons Library Standard Note SN 6585](#).

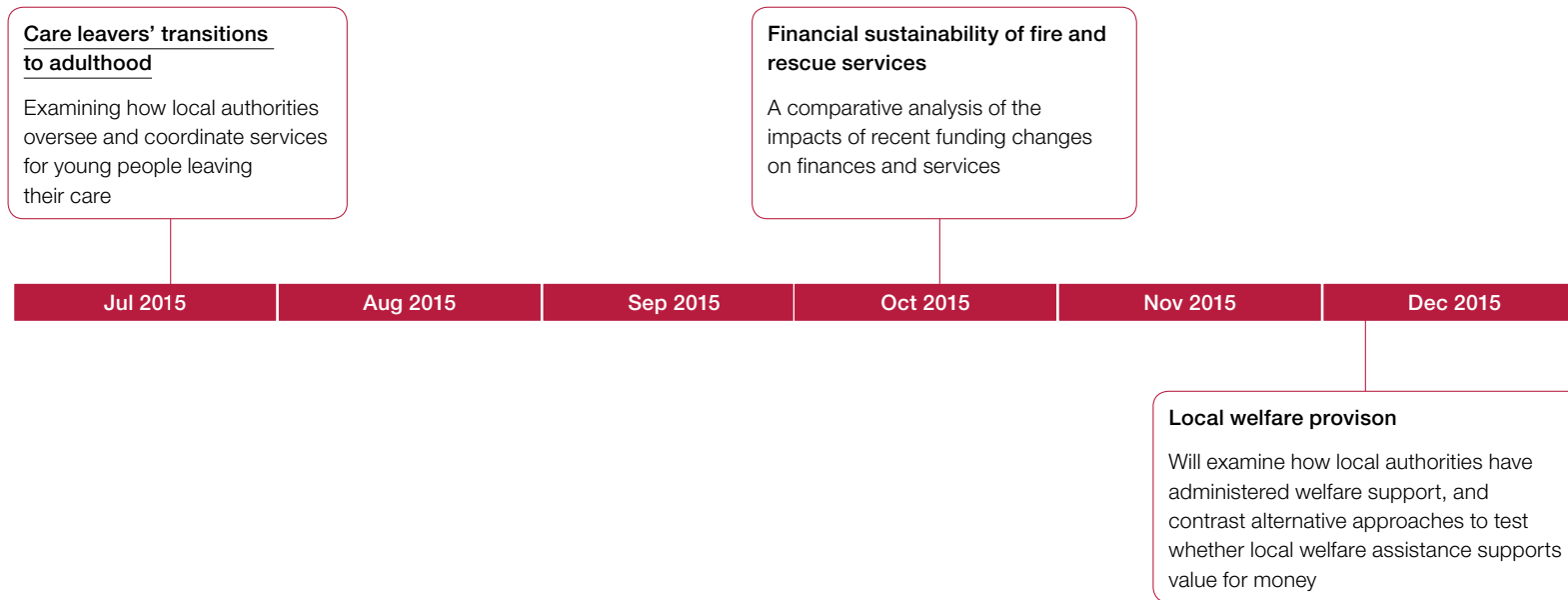
A [review by Adrian Thomas on firefighters' conditions of service](#) was initiated by the previous government.

The NAO is planning to publish a value-for-money report on fire and rescue services later in 2015.

# Appendix Three



## Upcoming NAO reports relevant to DCLG and local government – 2015

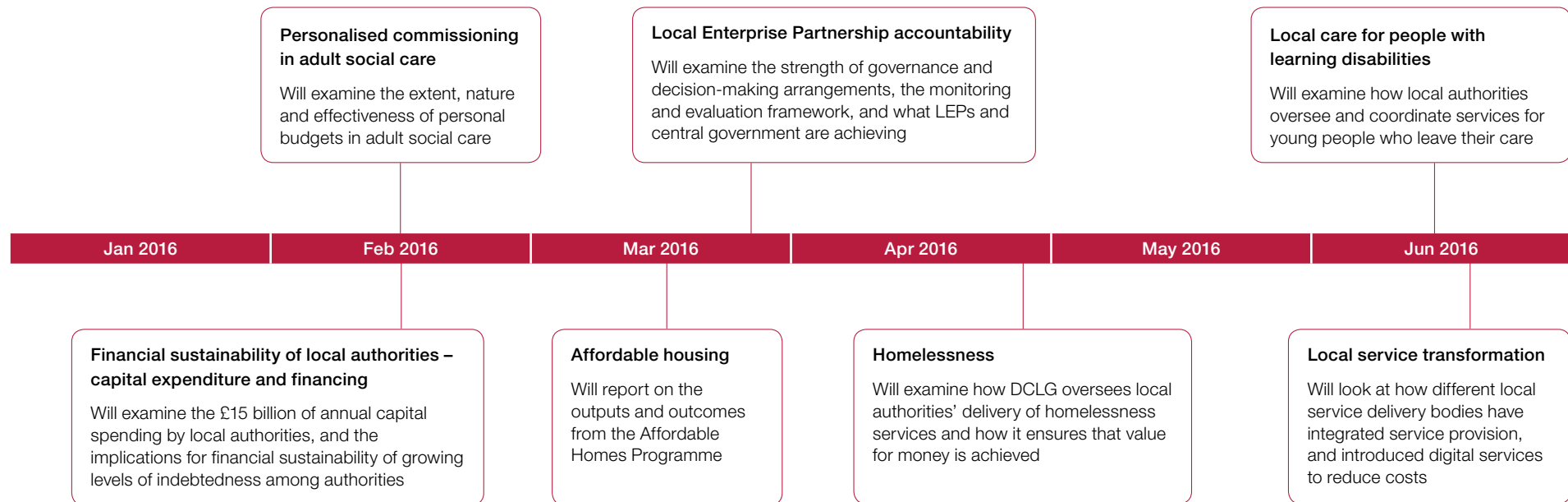


**Note**

1 The timing of publications, particularly further into the future, is uncertain and subject to change.

# Appendix Four

## Upcoming NAO reports relevant to DCLG and local government – 2016



**Note**

1 The timing of publications, particularly further into the future, is uncertain and subject to change.