



Local Authority Provision of Essential Services Debate on 24 January 2019

Summary

This House of Lords Library Briefing has been prepared in advance of the debate due to take place on 24 January 2019 in the House of Lords on the motion moved by Lord Scriven (Liberal Democrat), “that this House takes note of the ability of local authorities across the United Kingdom to deliver essential services to their communities”.

Local government in the UK is devolved, therefore this briefing focuses on local authorities in England. Links to publications providing information on the structure and finance of local government in the devolved nations can be found in section 4 of this briefing.

Local authorities in England have a statutory duty to provide a range of services to their communities. These include: education services; children’s safeguarding and social care; adult social care; waste collection; planning and housing services; road maintenance; and library services. The main focus of this briefing is on trends in central government funding since 2010 and is followed by summaries of some recent reports that have assessed local authority delivery of services.

Local authorities in England receive the majority of their income from three sources: council tax receipts; the retention of a proportion of business rates raised within the authority area; and central government funding grants. Successive governments over this period have imposed reductions to the central grant funding awarded to local authorities. According to a 2018 report by the National Audit Office, government funding to local authorities in England reduced by 49.1% between 2010–11 and 2017–18 and is projected to have reduced by 56.3% by 2019–20.

On the impact of funding reductions on services, the National Audit Office report found mixed evidence as to whether there had been a reduction in social care provision, as councils tended to protect budgets for these statutory services by making reductions to other services. A recent survey of council leaders by the New Local Government Network think tank found that two-thirds of respondents believed that if funding pressures continued their council may cease offering discretionary services and provide only the legal minimum by 2023. A 2018 survey by the Local Government Association of residents’ satisfaction with eight council-run services found that average satisfaction for all services had declined between 2013 and 2018.

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I. What Are Essential Services?

The Local Government Association (LGA) 2018 guidance, *Guidance for New Councillors*, stated that local authorities in England are subject to “1,300 different statutory duties and responsibilities”, such as social care for the elderly, education, maintenance of green spaces, and road repair.¹ In total, there are 353 local authorities in England.² These are comprised of either two-tier or single-tier authorities. The structure of local government in England determines the statutory duties applicable to particular local authorities. Two-tier authorities are comprised of 27 county councils divided into 201 district councils, with statutory duties split between the two.³ In addition, there are 125 single-tier authorities (eg the 32 London boroughs) responsible for a range of statutory duties.⁴ Some councils are part of combined authorities, in which service provision may be shared with neighbouring councils (eg in London, where services such as policing, transport, and strategic planning are the responsibility of the Greater London Assembly).⁵

Regarding local authority services, the LGA guidance stated that councils provide “over 800 services to their communities”.⁶ There is no authoritative definition of which council services are essential, other than the distinction between mandatory services and discretionary services.⁷ Mandatory services have developed over many years and derive from various pieces of legislation.⁸ Other local authority services are discretionary (eg the provision of leisure facilities or the removal of wasp nests).⁹ Mandatory council services include:

- education services;
- children’s and adults’ social care;
- waste collection;
- public health services;
- planning and housing services;
- road maintenance; and
- library services.

The ability of local authorities to maintain essential services has come under

¹ Local Government Association, [Guidance for New Councillors](#), April 2018, p 4.

² Ministry of Housing, Communities and Local Government, ‘[Local Government Structure and Elections](#)’, 11 January 2016.

³ Local Government Association, [Guidance for New Councillors](#), April 2018, p 10.

⁴ *ibid.*

⁵ *ibid.*, p 11.

⁶ *ibid.*, p 10.

⁷ *ibid.*

⁸ For example, the Public Libraries and Museums Act 1964 imposed a statutory duty on local authorities to provide library services and the Health and Social Care Act 2012 imposed certain public health service duties on local authorities.

⁹ Local Government Association, [Guidance for New Councillors](#), April 2018, p 10.

increased scrutiny in recent years. In July 2018, the House of Commons Public Accounts Committee report, *Financial Sustainability of Local Authorities*, summarised the context of funding pressures faced by local authorities combined with increased demand for their services:

Since 2010–11 successive governments have reduced funding to English local authorities as part of their efforts to reduce the fiscal deficit. By 2017–18 government funding to authorities had fallen by 49.1% in real terms. Over the same period, local authorities have faced growing demand for key services such as adult and children’s social care, and housing services [...] While local authorities have coped well in absorbing these costs, there is now growing evidence of pressure in the system.¹⁰

The following sections of this briefing consider the trends in local authority funding and expenditure since 2010, and the impact it has had on essential service provision.

2. Trends in Local Authority Finance since 2010

To provide some context to discussion in section 3 about local authority service delivery, this section provides a summary of local authority funding statistics, with a focus on the central government funding awarded to local authorities. Local authority finance is a complex subject, with significant variations in the level of funding and spending across different types of authorities and in different geographical areas. These differences reflect variation in the ability of authorities to raise their own revenue and differences in the needs of their residents (eg geographical variations in levels of deprivation and poverty in England).

For further information, detailed local authority funding statistics are provided by the Ministry of Housing, Communities and Local Government or other relevant departments (eg local authority education and health service provision is the responsibility of the Department for Education and the Department of Health and Social Care, respectively). A list of relevant publications and online sources relating to the devolved nations is provided in the further reading section of this briefing.

2.1 Income

Local authorities in England receive most of their income from three sources:

- council tax receipts;
- retention of a proportion of business rates levied in the authority

¹⁰ House of Commons Public Accounts Committee, [Financial Sustainability of Local Authorities](#), 4 July 2018, HC 970 of session 2017–19, p 4.

- area; and
- central government funding grants.¹¹

Council Tax and the Business Rate Retention Scheme

Under provisions of the Localism Act 2011, local authorities cannot unilaterally increase council tax rates above thresholds determined as “excessive” by central government.¹² Proposed increases above these limits are subject to the requirement that they must be approved by residents in a local referendum.¹³ In 2015, in response to concerns over pressure on funding for services such as adult social care, the Government introduced a social care precept.¹⁴ The precept allowed local authorities the flexibility to increase council tax rates by an additional 2% above the threshold limits from 2016/17 onwards. The precept flexibility was increased to a maximum of 3% above the council tax threshold limits in 2017/18 and 2018/19 (with a limit of a 6% increase in total over the three years 2017/18 to 2019/20).¹⁵

Business rates are taxes levied on non-residential properties. Currently, local authorities retain 50% of the business rates levied in their area, administered through the business rate retention scheme. The Government has piloted a 75% retention scheme in several authority areas and has announced plans to implement a 75% retention scheme for all local authorities in England from 2020.¹⁶

Central Government Funding Grants

Central government provides a number of grants to local authorities through the annual [local government funding settlement](#). The primary grant awarded for revenue expenditure (which includes the costs of running council services) is the revenue support grant.¹⁷ The grant is non-ring-fenced and can be used to finance revenue expenditure on any service.¹⁸ In addition, other ring-fenced grants are allocated to local authorities for specific activities (eg funding for schools is paid through the dedicated schools grant).¹⁹ The National Audit Office (NAO) report, *Financial Sustainability of*

¹¹ Ministry of Housing, Communities and Local Government, [Local Government Financial Statistics England No.28 2018](#), July 2018, p 6. Other sources of income include borrowing and investments, capital receipts, sales, fees and charges and council rents.

¹² HM Government, [Referendums Relating to Council Tax Increases \(Principles\) \(England\) Report 2018/19](#), 5 February 2018, HC 792 of session 2017–19, p 1.

¹³ *ibid.*

¹⁴ National Audit Office, [Financial Sustainability of Local Authorities 2018](#), 8 March 2018, HC 834 of session 2017–19, p 18.

¹⁵ *ibid.*

¹⁶ Ministry of Housing, Communities and Local Government, ‘[Provisional Local Government Finance Settlement 2019 to 2020: Statement](#)’, 13 December 2018.

¹⁷ Department for Communities and Local Government, [A Guide to the Local Government Finance Settlement in England](#), December 2013, p 4.

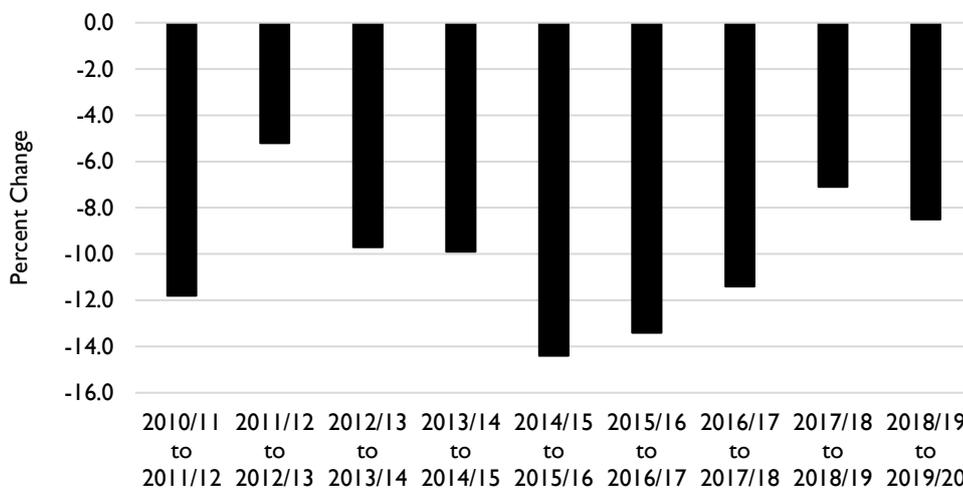
¹⁸ *ibid.*

¹⁹ Department of Health and Social Care, [Public Health Ring-Fenced Grant 2019/20 Circular](#), 20 December 2018, p 1.

Local Authorities 2018, published in March 2018, stated that between 2010/11 and 2017/18, central government funding to local authorities reduced by 49.1% in real terms and is projected to have reduced by 56.3% by 2019/20.²⁰

Figure 1, produced from Ministry of Housing, Communities and Local Government data, shows that, in percentage terms, all local authorities in England received year-on-year reductions to their central government funding settlement between 2010/11 and 2018/19.

Figure 1: Local Authority Central Grant Funding (Percent Change, Year-on-year, England Only), 2010/11–2018/19²¹



In January 2019, the LGA stated that although local authorities had responded to funding pressures by streamlining services and finding efficiency savings, they faced an overall funding shortfall of an estimated £3.1 billion in 2019/20, rising to £8 billion by 2024/25.²²

2.2 Expenditure on Services

Expenditure on services by local authorities in England totalled £89.8 billion in 2017/18. Table 1 shows the breakdown of spending by service. Education services (£32.3 billion) and social care (children’s and adults’ care totalled £24.1 billion) were the two largest expenditure items, followed by policing services (£11.2 billion). The figures in the table represent total spending (ie from non-ring-fenced and ring-fenced funding sources).

²⁰ National Audit Office, [Financial Sustainability of Local Authorities 2018](#), 8 March 2018, HC 834 of session 2017–19, p 15.

²¹ Analysis of Ministry of Housing, Communities and Local Government local government finance settlement data.

²² Local Government Association, [Local Government Association Briefing: Debate on Local Government Funding](#), 15 January 2019, p 1.

Table 1: Expenditure on Services by Local Authorities in England (£ Billions), 2017/18²³

Service	£ Billions
Education Services	32.3
Highways and Transport Services	3.9
Children Social Care	8.8
Adult Social Care	15.3
Public Health	3.4
Housing Services (excluding Housing Revenue Account)	1.5
Cultural and Related Services	2.2
Environmental and Regulatory Services	4.8
Planning and Development Services	1.2
Police Services	11.2
Fire and Rescue Services	1.9
Central Services	3.1
Total	89.8

The figures above represent service expenditure in 2017/18. According to figures from the NAO, between 2010 and 2016 local authorities responded to the overall reduction in their central government funding by making adjustments to their service expenditure that varied widely between services.²⁴ Over that period, the NAO found that funding for children's social care actually increased by 3.2% in real terms.²⁵ Adult social care funding had reduced by 3.3% in real terms.²⁶ To protect their social care budgets, the NAO found that authorities had made significant funding reductions to other services. For example, highways and transport services expenditure reduced by 37.1%, housing services expenditure reduced by 45.6%, and expenditure for planning and development services reduced by 52.8%.²⁷ The full NAO findings for reductions in service expenditure by service between 2010 and 2016 are reproduced in figure 2. The services in figure 2 are those selected by the NAO. The NAO did not provide a definition of which services it considered essential services.

²³ Ministry of Housing, Communities and Local Government, [Local Authority Revenue Expenditure and Financing: 2017–18 Final Outturn, England](#), 15 November 2018, p 4. Figures do not sum due to rounding.

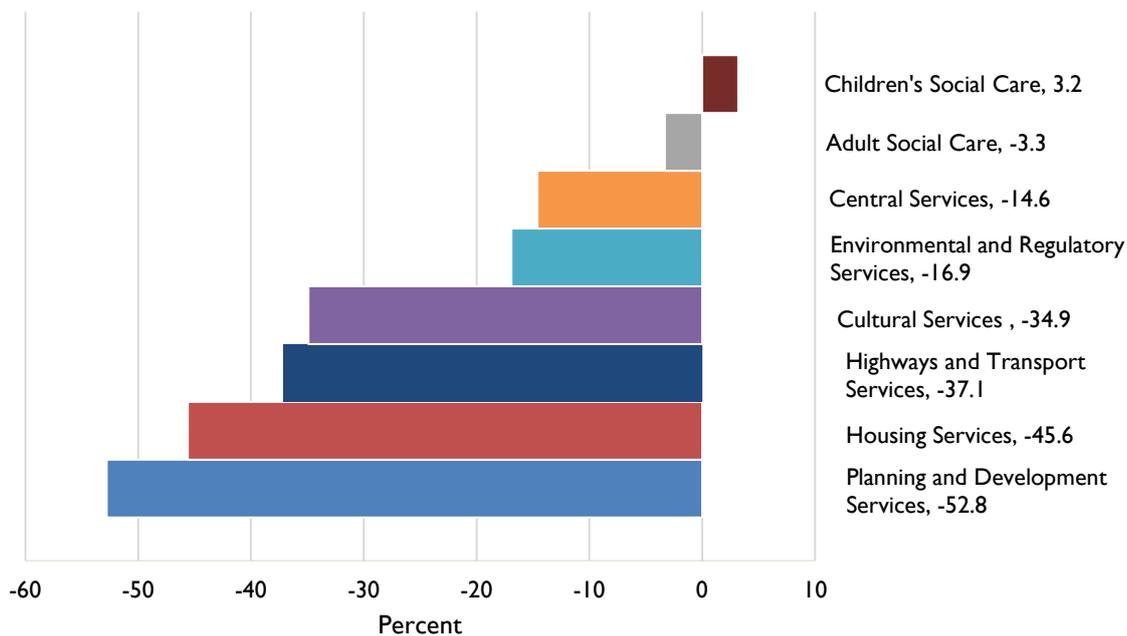
²⁴ National Audit Office, [Financial Sustainability of Local Authorities 2018](#), 8 March 2018, HC 834 of session 2017–19, p 26.

²⁵ *ibid.*

²⁶ *ibid.*

²⁷ *ibid.*

Figure 2: Percent Change in Service Expenditure, 2010–11 to 2016–17 (Real Terms at 2016–17 Prices)²⁸



2.3 Demand and Cost Pressures

The National Audit Office report, *Financial Sustainability of Local Authorities 2018*, stated that over the period 2010 to 2017, local authorities had faced other financial pressures, such as increased demand for services and increased costs.²⁹ The report stated that population and demographic changes over the period, in addition to the potential “long-term effects of austerity on deprived communities”, may have contributed to the following increased demand for services:

- the number of households assessed as homeless and entitled to temporary accommodation increased by 33.9%;
- the number of looked-after children grew by 10.9%; and
- the estimated number of people in need of care aged 65 and over increased by 14.3%.³⁰

In addition, the report stated that local authorities faced other cost pressures as employers, including: the impact of increased employer national insurance contributions; the introduction of the national living wage (which particularly affected the social care sectors); and the introduction of the apprenticeship levy.³¹

²⁸ Figures from: National Audit Office, [Financial Sustainability of Local Authorities 2018](#), 8 March 2018, HC 834 of session 2017–19, p 26.

²⁹ National Audit Office, [Financial Sustainability of Local Authorities 2018](#), 8 March 2018, HC 834 of session 2017–19, p 19

³⁰ *ibid*, p 7.

³¹ *ibid*, p 19.

2.4 Provisional Local Government Finance Settlement, 2019/20

On 13 December 2018, the Government published the [provisional local government finance settlement for 2019–20](#). Announcing the settlement in a statement in the House of Commons, James Brokenshire, Secretary of State for Housing, Communities and Local Government, stated that although the Government acknowledged that funding settlements in past years had been “challenging” for local authorities, the current settlement:

[C]onfirms that core spending power is forecast to increase from £45.1 billion in 2018–19 to £46.4 billion in 2019–20, a cash-increase of 2.8% and a real-terms increase in resources available to local authorities.³²

Mr Brokenshire summarised the extra funding commitments totalling “around £1 billion of extra funding for local services” made in the 2018 budget, which included £650 million for adults’ and children’s social care in 2019/20 and £84 million over five years to expand the children’s social care programme.³³

Other commitments in the local government finance settlement relating to council services included:³⁴

- confirmation that the Government would “soon” publish a green paper on the future of social care;
- a £16 million increase for the rural services delivery grant;
- no changes to the council tax referendum limits; and
- a £24 precept for police and crime commissioners.

Responding to the statement, the Shadow Secretary of State for Housing, Communities and Local Government, Andrew Gwynne, paid tribute to local government workers, who, he stated “keep local public services going at the same time as demand has increased and funding has fallen through the floor”.³⁵ Mr Gwynne claimed that, according to the LGA, local authorities had “lost 60p in every £1 of central government funding”. Referring to the announced cash increase of 2.8% for local authorities, Mr Gwynne asked the Secretary of State:

[C]an the Secretary of State confirm how much of the 2.8% that he has announced [...] is actually being raised through council tax rather than from central government funding? Can he confirm that he is recommending an inflation-busting council tax rise this year to local government to plug his Department’s gaps? How will he therefore

³² [HC Hansard, 13 December 2018, cols 411–13](#).

³³ *ibid.*

³⁴ *ibid.*

³⁵ *ibid.*, col 413.

address the inequality issue whereby [...] the richest parts of this country will be able to raise sufficiently more than the parts of the country with real deprivation and real demand on public services?³⁶

Referring to local authority services, Mr Gwynne asked the Secretary of State if he agreed that:

[T]he sector is sustainable only if it delivers only statutory services? [...] We are talking about Sure Start centres, libraries, parks, museums and investment in youth—all are not included in his assessment of sustainability.³⁷

On social care, Mr Gwynne quoted LGA data that the sector:

[N]eeds £1.3 billion next year and £2 billion for children's services, yet the Secretary of State has re-announced £650 million for both—not only that, but it could be shared with the NHS.³⁸

Responding to the issues raised, Mr Brokenshire stated:

We have recognised [increased demand for services] in the statement and will ensure not only that councils have the tools and flexibilities to deliver efficiently and effectively, but that they will have the additional funding that I set out today. We are equipping councils well [...] The most deprived authority's core spending power is 23% higher than that of the least deprived. We take council tax into account in funding and when we look into issues of equalisation [...] On social care and the £650 million, the hon. Gentleman questioned the need for strong integration—strong working between our councils and our NHS—to deliver quality services. That is profoundly what needs to happen so that we are looking after the most vulnerable in our communities.³⁹

3. Impact on Essential Services

The following section summarises the findings of several reports and surveys measuring the impact that the pattern of funding settlements since 2010 has had on the provision of essential local authority-run services.

3.1 National Audit Office Report, 2018

Part 2 of the NAO report, *Financial Sustainability of Local Authorities 2018*, assessed the impact of the central government funding settlements between 2010/11 and 2016/17 on the provision of local authority services. The report found that where authorities had significant statutory responsibilities, such as

³⁶ [HC Hansard, 13 December 2018, col 414.](#)

³⁷ *ibid.*

³⁸ *ibid.*

³⁹ *ibid*, col 415.

in adults' and children's social care, those services had been "relatively protected" by local authorities' funding decisions.⁴⁰ The report stated that, as a consequence, other service areas had seen "substantial reductions" in spending over the period.⁴¹ However, the report also stated that spending reductions did not necessarily lead directly to reductions in service activity, as authorities may be "providing the same service level more efficiently".⁴²

For adult social care, the NAO stated that its earlier study in 2014 had found evidence that spending reductions had resulted in fewer users accessing different forms of social care.⁴³ The NAO's 2018 report found that this trend had continued after 2014, although "at a slower rate" and that the two sets of data were not directly comparable.⁴⁴ The report stated that "the implications of service reductions for users are not clear", with case study authorities providing "mixed pictures" of how users had been affected.⁴⁵ Where users had accessed services, the report noted that national data on user satisfaction and outcomes had "largely remained stable".⁴⁶ The report did find evidence that pressures on adult social care were being passed on to the health sector. The report stated that the number of days by which transfers of patients were delayed wholly or partly due to social care "more than doubled" between 2013–14 and 2016–17.⁴⁷ However, data from 2017–18 found that delays caused by social care had decreased from their 2016–17 peak, in part due to government funding policies designed to address shortfalls in social care budgets.⁴⁸

For children's social care, the report noted that previous NAO studies had raised concerns about outcomes for children in need of protection and about the Ofsted performance of local authority children's services. However, the 2018 report stated that it found no evidence "that these outcomes are directly linked to pressure on local authorities' budgets".⁴⁹ The report's case study authorities cited factors such as growing demand and issues with the supply of professional staff, rather than budget reductions.⁵⁰ The report noted that, as children's care was an area of significant statutory responsibility for local authorities, pressure in this area tended to result in the use of financial reserves or spending reductions to other services, rather than a reduction in service.⁵¹

⁴⁰ National Audit Office, [Financial Sustainability of Local Authorities 2018](#), 8 March 2018, HC 834 of session 2017–19, p 25.

⁴¹ *ibid.*

⁴² *ibid.*, p 36.

⁴³ *ibid.*

⁴⁴ *ibid.*

⁴⁵ *ibid.*, p 37,

⁴⁶ *ibid.*

⁴⁷ *ibid.*

⁴⁸ *ibid.*

⁴⁹ *ibid.*, p 38.

⁵⁰ *ibid.*

⁵¹ *ibid.*

3.2 New Local Government Network Leadership Survey, 2018

In August 2018, the local government think tank, the New Local Government Network (NLGN), published the results of its latest leadership index survey.⁵² The survey measured the level of confidence of local authority “leaders, chief executives and mayors” in delivering essential services. The NLGN reported that “if funding settlements for councils remain as tight as they have been since 2010”, only one-third of councils surveyed believed they could provide discretionary council services by 2023.⁵³ The NLGN stated that council leaders had reported low levels of confidence in their ability to provide various essential services in future:

NLGN’s research reveals that stripping back to the legal minimum is a real possibility for many, with the unprecedented funding cuts making it impossible for cash-strapped local authorities to deliver core services—including libraries, parks and museums. With councils paring back to the bare minimum, there is a real possibility of either outright closures or charging for these essential services.⁵⁴

The survey also found that confidence in councils’ leaders to be able to provide some statutory services in future, in particular social care services, had declined since the last survey in March 2018.⁵⁵

3.3 Local Government Association Residents’ Satisfaction Survey, 2018

In October 2018, the Local Government Association (LGA) published the results of a survey of residents’ satisfaction with council-run services.⁵⁶ The poll was the 21st round of the survey, which the LGA has undertaken several times a year since 2013. The survey asked residents to report their levels of satisfaction with eight council-run services: waste collection; street cleaning; road maintenance; pavement maintenance; library services; sport and leisure facilities; services for older people; and services for children and young people. The survey found that in 2018, five of the eight services had satisfaction levels of 50% or above.⁵⁷ However, all eight services had seen statistically significant declines in yearly average satisfaction levels between 2013 and 2018.⁵⁸ Average satisfaction with services for children and young people had declined from 52% in 2013 to 43% in 2018. Satisfaction with services for older people had declined from 49% in 2013 to 42% in 2018.⁵⁹

⁵² New Local Government Network, [‘NLGN Leadership Index: Most Local Authorities Will Only Deliver the Bare Minimum in Five Years’ Time](#), 9 August 2018.

⁵³ *ibid.*

⁵⁴ *ibid.*

⁵⁵ *ibid.*

⁵⁶ Local Government Association, [Polling on Resident Satisfaction with Councils: Round 21](#), October 2018.

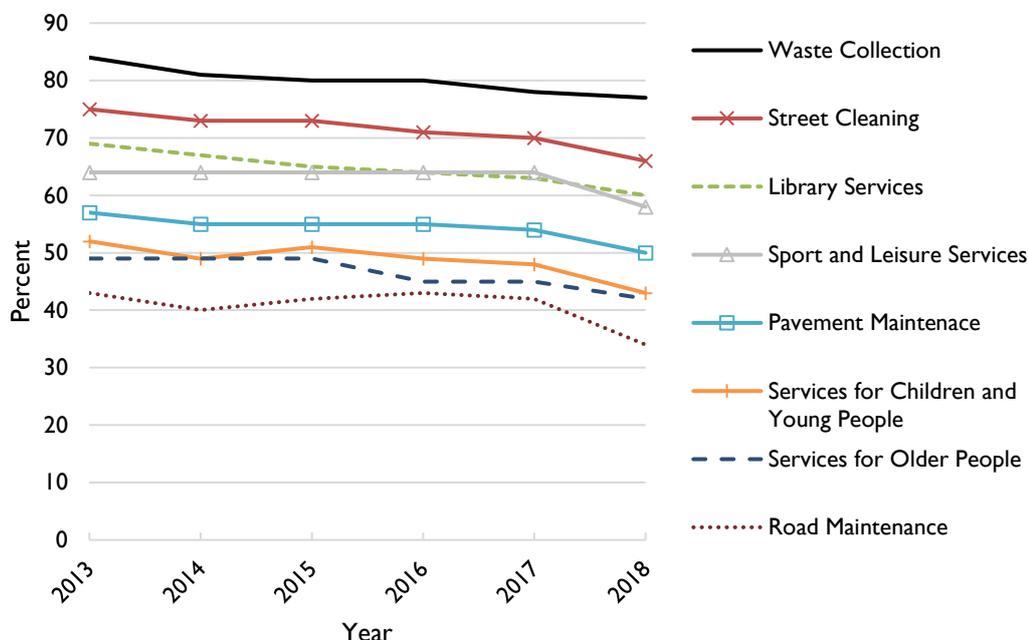
⁵⁷ *ibid.*, p 9.

⁵⁸ *ibid.*, p 8.

⁵⁹ *ibid.*

The results of the service satisfaction findings are reproduced in figure 3.

Figure 3: Yearly Average Satisfaction with Council-run Services (Percent), 2013–2018⁶⁰



4. Local Government in the Devolved Nations

The following publications and online sources provide further information on local government structure and finance in the devolved nations of the UK.

Scotland

- Scottish Government, [‘Provisional Outturn and Budget Estimates 2018’](#), 19 June 2018
- Scottish Government, [‘Scottish Local Government Financial Statistics’](#), accessed 15 January 2019
- Scottish Parliament Information Centre, [Local Government Finance: Facts and Figures 2010–11 to 2017–18](#), 21 June 2017
- Scottish Parliament Information Centre, [Local Government Finance: Draft Budget 2018–19 and Provisional Allocations to Local Authorities](#), 18 December 2017
- Convention of Scottish Local Authorities, [Fair Funding for Essential Services 2019/20](#), 5 November 2018

⁶⁰ Local Government Association, [Polling on Resident Satisfaction with Councils: Round 21](#), October 2018, p 9.

Wales

- Welsh Government, '[Local Government Revenue and Capital Settlement 2019–20](#)', 9 October 2018
- Welsh Government, '[Local Authority Revenue Budget and Capital Forecast](#)', 21 June 2018
- Welsh Government, '[StatsWales: Local Government](#)'; and '[StatsWales: Local Government: Central Government Support](#)', accessed 15 January 2019
- Welsh Local Government Association, '[Fair and Sustainable Funding for Essential Local Services](#)', August 2018

Northern Ireland

- Northern Ireland Direct, '[Local Councils](#)', accessed 15 January 2019
- Northern Ireland Department for Communities, '[Funding](#)', accessed 15 January 2019
- Northern Ireland Audit Office, '[Local Government Auditor's Report— 2018](#)', 4 September 2018

5. Further Reading

- House of Commons Library, '[Local Government Finances](#)', 31 October 2018
- House of Commons Library, '[Local Government in England: Structures](#)', 6 April 2018