



House of Commons  
Committee of Public Accounts

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**Local government  
spending**

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**Seventy-Sixth Report of Session  
2017–19**

*Report, together with formal minutes  
relating to the report*

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## The Committee of Public Accounts

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## Summary

Local authorities face enormous pressure: their financial position is continuing to deteriorate as demand for vital services increases. Over the last eight years, the government has cut the funding it gives to English local authorities by nearly half, while, at the same time, demand for critical council services has risen: housing is under strain with over a third more people homeless and adult and children social care are confronted with growing demand. The rate of looked-after children, for example, is at a 25-year high. The cost of adult and children's social care has forced many local authorities to reduce spending on services in other areas. Some councils are now in an extremely worrying position: overspending their budgets for social care, reducing key services, falling back on financial reserves and increasingly relying on generating other sources of income, which comes with greater risks.

The Ministry of Housing, Communities and Local Government (the Department) are relying on short-term approach to a long-term problem. Overall spending by local authorities on services fell by 19.2% in real terms between 2010-11 and 2016-17. The government has had to inject large amounts of additional funding to ensure that the local authority sector can keep going in the short-term: £1.4 billion in the 2018 budget. Yet disturbingly, there is still no sign that the Department has a clear plan to secure the financial sustainability of local authorities in the long-term. The Department continues to insist that the sector is sustainable but refuses to provide the evidence that Parliament and the public need to be assured that this is actually the case. The Department has rejected a number of the Committee's previous recommendations on these subjects. We are deeply frustrated to have to repeat the same concerns about the sustainability of the sector and the ability of local authorities to provide the vital services that taxpayers need.

## Introduction

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Local authorities provide a wide range of services; for example, parks, libraries, waste collection and temporary accommodation for homeless people. English local authorities spent £39.7 billion on providing services in 2016-17. Spending on social care is taking up an increasing proportion of this spend, leaving less for other services. Spending on services other than social care fell by 32.6% between 2010-11 and 2016-17. The overall levels of funding available to local authorities and the methodology for distributing funding is set by government. The Ministry of Housing, Communities and Local Government (the Department) has overall responsibility within central government for local authorities' funding. This includes bringing together information about the impact of funding reductions on financial and service sustainability, assessing the funding requirements of local authorities as part of Spending Reviews and supporting the financial sustainability of the sector by changing the overall funding framework if required. The Department supports HM Treasury on decisions about funding for local government, both long-term decisions at spending reviews and shorter-term decisions in between. We and previous Committees have scrutinised how the Department has fulfilled this role on several occasions since 2010, seeking assurance about service levels, service quality and financial sustainability. While the Department asserts that it has improved its understanding of the sector and its insight into the pressures it is under, it has not been open enough to demonstrate to us that this is the case and has rejected some of our recommendations for improvement.

## Conclusions and recommendations

1. **Central government financial support for local government continues to be characterised by one-off, short-term initiatives, which do not provide value for money, rather than a meaningful long-term financial plan for the sector.** As we concluded in our most recent report on local authority financial sustainability in July 2018, the lack of a long-term funding plan for local authorities is a risk to value for taxpayers' money. Since our last report, the government has announced more funding measures, including £1.4 billion of additional funding for councils in 2018-19 and 2019-20. The government intends over £700 million of new funding to be spent in 2018-19, despite only being announced five months before the end of the financial year. The Department is unable to provide a convincing answer as to how it can be confident that funding provided so late in the year will be spent efficiently and on the services it was intended for.

**Recommendation:** *The Department should work with local authorities to collect and analyse evidence on the impacts on value for money and the implications for service users of providing funding through one-off funding streams announced late in the budgetary cycle rather than through long-term funding arrangements.*

*The Department should, within 12 months, write to the Committee detailing the findings from this work and how it will use this evidence base to ensure that both its own funding schemes and those of other departments are structured and announced in a way that delivers maximum value for money.*

2. **The Department has an unacceptable lack of ambition for the sector, with no aspiration for improving local finances beyond merely 'coping'.** The Department asserts that, having put additional money into the local authority sector in response to government and local authorities' concerns, that the sector is now stable for 2019-20. However, it admits that there is still a high level of risk inherent in the sector and that it does not expect the overall financial sustainability of local authorities to ever be rated as less than amber. We are concerned that the Department responsible for fighting the corner of local government within central government does not have any ambition to improve the financial sustainability of the sector in order to reach a green rating. Despite the additional funding, the Department's assurance about the sustainability of the local authorities relates solely to the current spending review period. The Department cannot give assurance about the long-term sustainability of the sector and accepts that some local authorities are very worried about what comes after. We have previously said that alternative means of supporting local authorities to remain financially sustainable will be needed to prevent them being solely reliant on the outcome of the next Spending Review. The Department's plans in relation to this point are not ambitious enough to give us confidence that this will be achieved.

**Recommendation:** *The Department should write to the Committee by May 2019 setting out the steps it will take over the medium-term to move the sector to a stronger financial position. This should reflect its consideration of a full range of options to support the sector financially rather than simply a reliance on the forthcoming Spending Review and a move to greater local retention of business rates.*

3. **It is worrying that the Department does not know what its minimum expectations are of the full range of services that local authorities are expected to provide.** As part of Spending Reviews, the Department helps the government as a whole to decide how much it should cost to deliver the statutory services local authorities are expected to provide. The Department also provides a central point where other government departments can raise concerns about any statutory services they are responsible for. Such concerns have led to decisions to provide additional funding for social care in part to ensure that local authority spending is not diverted from other important services. However, the Department does not have a comprehensive or detailed list of the costs of providing statutory services to a minimum service expectation. Instead, the Department uses existing spend on services to project future spending needs based on anticipated changes in service demand. Overall, the Department does not have a structured, clear set of expectations about statutory services to inform its funding models and has not said what non-social care services the government considered to have sufficient importance to justify additional social care funding to protect them.

**Recommendation:** *The Department should, by May 2019, publish the minimum service levels it has used to calculate service costs for the statutory services included in its modelling.*

4. **We are deeply dismayed that the Department views the financial sustainability of local authorities solely in terms of a small set of statutory services rather than the full range of services local people need.** The Department determines whether the local government sector as a whole is sustainable if the amount of resources available to it can deliver the statutory services that it is required to deliver. These statutory services primarily relate to adult and children's social care. Demand for these services means that local authorities are spending a greater proportion of their funding on social care services, which limits how much they can spend on other areas. There are a range of other services, such as libraries and youth services, which local people can reasonably expect their council to provide, but which the Department does not consider rigorously when determining whether local authorities are financially sustainable. We are concerned that the Department's narrow view of service provision risks giving a misleading picture of the sustainability of services as a whole.

**Recommendation:** *The Department should write to the Committee by May 2019 setting out how services where the level of provision can be determined locally feature in its assessment of financial sustainability, how they should be funded, and how it takes account of the fact that the loss of such services may have longer term cost implications for required statutory services.*

5. **It is not acceptable that the Department repeatedly states that the local authority sector as a whole is sustainable but refuses to provide evidence about how it has reached these conclusions.** The Department has repeatedly asserted that the sector is on a sustainable footing for the remainder of this spending review, and that no council is close to the edge. The Department admits that there is a great deal of risk underpinning the financial sustainability of the sector but claims to have stabilised the risks for 2019-20 significantly. The Department is unable to provide a satisfactory explanation for the basis of this conclusion or the evidence underpinning it. It

refused to provide a numerical answer or risks rating to describe what margin of sustainability it believes the sector to possess, and continues to use the complexity of the methodology, Ministerial advice and Ministerial decisions as excuses for its failure to answer our questions.

**Recommendation:** *The Department should write to the committee by May 2019 setting out a step-by-step model of how it assures itself that the sector is sustainable:*

- *In relation to the Department's 'top-down' analysis for the remainder of this Spending Review period, this should include a detailed account of how adequate funding need has been defined and calculated including assumptions over service levels (including both statutory and discretionary) and demand projections.*
- *In relation to the Department's 'bottom-up' analysis looking at the sustainability of individual authorities, it should set out what quantitative and qualitative evidence is used in its analysis, the framework in which this information is used, and the process by which this information is combined to produce a conclusion.*
- *Where conclusions are reached based on judgements in either the top-down or bottom-up methods, the Department should detail how they are made, what the criteria are and to what extent these judgements are subject to independent scrutiny to ensure quality and consistency.*

*We also call on the Department to revisit its refusal to publish a shared definition of financial sustainability.*

6. **We are concerned that the Department uses similar data and methods to other stakeholders to assess the financial sustainability of the local authority sector yet reaches different conclusions.** In its written evidence, the Local Government Association estimated that local authorities faced a funding gap of £3.2 billion by 2019-20. The methodology used by the LGA is very similar to that used by the Department and relies on similar datasets. The Department attributes the differences in the conclusions drawn from their respective calculations to a difference in the assumptions used, and different views on expected service levels and differences in the time period covered. We do not consider the Department has given a clear enough justification of why its conclusions and those of the LGA, local authorities and other representative bodies are different.

**Recommendation:** *The Department should write to the Committee by May 2019 setting out how its estimates for local authorities' funding needs compare to the LGA's forecast of a £3.2 billion funding gap in the sector by 2019-20 and explain any differences.*

# 1 Financial sustainability

1. On the basis of our previous report on the financial sustainability of local authorities, which followed reports by previous Committees, and Government responses to those reports, we took evidence from the Ministry of Housing, Communities and Local Government (the Department) about local government spending in England.<sup>1</sup>

2. Local authorities provide a range of services such as maintaining highways and local transport, culture and leisure, and housing. Some services, such as adult social care and waste collection, are statutory duties set by government. Local authorities can also provide discretionary services in line with local priorities, such as economic development or support for tourism. Different types of local authority have different responsibilities. For instance, London borough councils, metropolitan borough councils, county councils and unitary authorities have responsibility for adult and children's social care, whereas district councils do not.<sup>2</sup> The Department is responsible for distributing the majority of government funding for local authorities, who received £25.8 billion in government grants in 2016-17. Local authorities also generated £22.2 billion in council tax in 2016-17.<sup>3</sup> Departmental ministers set the limits on the extent to which local authorities can increase their council tax rates without holding a local referendum. The Department is also responsible for taking the lead across government in supporting HM Treasury on decisions about local government funding at major fiscal events. The Department maintains a system of local accountability that assures Parliament about how local authorities use their resources, including preventing and responding to financial and service failure.<sup>4</sup>

3. In July 2018, we reported that the financial position of the local authority sector had deteriorated. We found that seven years of funding reductions totalling nearly 50% of local authorities' funding from government, and increasing demand for key services, had led to the breadth of service spending by local authorities narrowing and becoming focused on a core offer centred on social care. We were concerned about the financial future of local government, and the future of the services it provides to local people.<sup>5</sup>

## Ensuring value for money from short-term funding initiatives

4. The 2015 Spending Review set revenue funding for the then Department for Communities and Local Government up to the end of March 2020. In 2015-16, the Department similarly offered local authorities a four-year funding settlement to allow them to plan their finances more effectively, so local authorities' funding should be fixed until the end of 2019-20. The Spending Review and the four-year settlement were intended to give funding stability, allow long-term planning and so support value for money in spending on local services. However, the government started announcing

1 Committee of Public Accounts, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018; Committee of Public Accounts, [Financial sustainability of local authorities](#), Twenty-Sixth Report of Session 2016-17, HC 708, November 2016; Committee of Public Accounts, [Financial sustainability of local authorities 2014](#), Thirty-Fourth Report of Session 2014-15, HC 833, January 2015

2 Comptroller and Auditor General, [Financial sustainability of local authorities 2018](#), Session 2017-19, HC 834, March 2018, paras 2, 3.3; figures 10, 17

3 National Audit Office, [Departmental Overview: Local authorities](#), October 2018

4 Comptroller and Auditor General, [Financial sustainability of local authorities 2018](#), Session 2017-19, HC 834, March 2018, para 3

5 Committee of Public Accounts, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018

additional funding or other financial support for local authority services very early on. Our previous report in July 2018 found that since the start of the Spending Review period, the Department had provided additional grant funding to local authorities to fill gaps in funding for adult social care and enabled councils to raise additional money from local taxpayers through council tax.<sup>6</sup> For example, the then Secretary of State for Communities and Local Government announced a £240 million Adult Social Care Support Grant in the first year of the four-year settlement.<sup>7</sup> The pattern of one-off, short-term initiatives has continued. Since our last report, the government has announced over £1.4 billion of additional funding for local authorities, including over £750 million in central government in revenue and capital funding in 2018-19, and almost £700 million for 2019-20. The funding for 2018-19 was announced at the end of November 2018, but it needs to be spent by the end of March 2019, giving local authorities five months to spend the additional funding before the end of the financial year. This includes £240 million for adult social care, £420 million for roads maintenance, and £55 million in Disabled Facilities Grant.<sup>8</sup>

5. We asked the Department about the timing of the additional funding, and the value of local authorities committing to a four-year settlement and producing medium-term financial plans if the Department changes the amount of money they have available at short notice. The Department asserted that the additional funding was in response to increased risks and pressures it had identified within the local authority sector and, although not ideal, it was better to have given this money than not. We reiterated that improvement was needed in order for any multi-year settlement to give local authorities' confidence in the funding levels that are set for them. In our previous report, we were concerned that the current lack of a long-term plan is a risk to value for money. We still await the further certainty about the outcomes of the Fair Funding Review and the design of the 75% local business rates retention that we recommended be given as soon as possible to support financial planning in local authorities. The Department accepted that it needed to do better at the next Spending Review.<sup>9</sup>

6. The Department asserted that it would always be necessary to respond to events as they come along. We accept that it may not be possible to avoid all funding changes within a long-term settlement, but we asked the Department how it could have confidence that the additional funding provided at such short notice would be spent efficiently. The Department accepted that the situation was not ideal but asserted that it was not always possible to give certainty further in advance. It told us that it had heard from local authorities that in previous years adult social care winter pressures funding was difficult to spend. The Department told us that it was responding to this by making the reporting requirements "very light touch".<sup>10</sup>

7. We asked how the Department could have confidence that the additional funding would be spent on the services it was intended for, rather than being used to fill existing gaps in funding or avoid service reductions. The Department asserted that this would

6 Public Accounts Committee, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018

7 Comptroller and Auditor General, [Financial sustainability of local authorities 2018](#), Session 2017-19, HC 834, March 2018, figure 3; Hansard HC, 15 December 2016, vol. 618

8 HM Treasury, [Budget 2018](#), HC 1629, October 2018, paras 4.15 and 5.15 to 5.18, with table 2.1 (subtracting Barnett consequentials)

9 Q 17, Public Accounts Committee, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018

10 Qq 17-20, 23-25 25

always be a balance and that there were examples where it had provided additional funding with targets and with conditions attached. It accepted that in other cases, such as the increasing grant that was provided in the Budget for next year for generalised pressures, the additional funding had “gone in without strings attached.” When we probed further, the Department accepted that ultimately “that money will stop them from diverting money from other services that are also important” rather than necessarily being spent on adult social care.<sup>11</sup>

## The Department’s lack of ambition for the financial sustainability of the sector

8. When we examined the financial sustainability of local authorities in July 2018, we concluded that sustained funding reductions had left an increasing number of local authorities in a worrying financial position and asked the Department to explain its assessment that the sector was financially sustainable.<sup>12</sup> We asked the Department about the financial health of local government, and whether the sustainability of the sector had improved since the last time the Department gave evidence. The Department told us that the sector’s financial health was “pretty similar” and continued to involve a substantial amount of pressure and risk across the system.<sup>13</sup> It told us that it had identified additional factors that it considered to add more risk to the financial sustainability of the sector, and admitted that “over the summer some of the figures looked more worrying”. It asserted, however, that having provided extra money in the Budget, it had now stabilised the risks to the sector for 2019-20 and that the sector was now balanced. When we asked about risk to individual councils, the Department told us that no council was “close to the edge” in this financial year or 2019-20, and “certainly not one approaching Northamptonshire’s situation.”<sup>14</sup> However, the Department’s assurance is limited to this Spending Review period, running to the end of March 2020.<sup>15</sup>

9. We asked the Department about the risk rating it had assigned to the financial sustainability of local authorities. The Department told us that it “would never expect something like this to be less than amber.” It acknowledged that some councils are very worried about what comes after 2019-20. However, it told us that the risk rating for the sector in the future would be dependent on the next Spending Review.<sup>16</sup> In our previous report, we concluded that the Department was overly reliant on the next Spending Review to address the financial challenges being faced by local authorities. We cautioned that if the Department was not able to secure sufficient funding for local authorities from the Spending Review, alternative means of ensuring that local authorities remain financial sustainable would be needed.<sup>17</sup> The Department promised to write to us about the steps it was taking, in addition to those that relate to levels of central funding, to help the sector meet future funding and demand challenges.<sup>18</sup> In its subsequent letter, the Department

11 Qq 20, 38, 42

12 Public Accounts Committee, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018, para 1

13 Qq 1, 79

14 Qq 13-15, 107-108, 150

15 Qq 68, 100, 108, 110

16 Qq 107-109, 111, 121, 135

17 Public Accounts Committee, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018

18 HM Treasury, [Treasury Minutes: Government response to the Committee of Public Accounts on the Forty Third to the Fifty Eight reports from Session 2017-19](#), Cm 9702, October 2018, p. 28

outlined three categories of work it was undertaking. Firstly, work on future initiatives (business rates reform and the fair funding review) where we have already criticised the lack of clarity and the Department's lack of a long-term plan for local government finance. Secondly, efficiency initiatives (such as a £7.5m Local Digital Fund) that are potentially worthwhile but not of a scale that matches the challenges facing local government. Thirdly, systematic engagement between the Department and five other departments, initially focused on the Spending Review but to be maintained afterwards. While noting these changes, consideration of more ambitious and fundamental reforms might nonetheless be necessary to ensure the future of local government as a living, breathing organism that serves the public.<sup>19</sup>

### Inability to demonstrate financial sustainability

10. When we examined the financial sustainability of local authorities in July 2018, we concluded that the Department did not have a consistent and transparent method to assess financial risk in local authorities. We found that the Department used a range of data and information to assess sustainability in the local authority sector, but that it did not share its methodology with the sector or publish the outputs of its work, meaning there was no shared definition of what financial sustainability means in practice in the local authority sector.<sup>20</sup> In response to our report, the Department committed to publishing more information about projections for demand and spending six months after the conclusion of the next Spending Review, but it did not agree to work with the sector to reach and publish a shared definition of financial sustainability.<sup>21</sup> When we questioned the Department about the current position of the sector, it mentioned recent short-term funding increases and told us that the sector is financially sustainable. It made the same point in June 2018, following one set of short-term funding increases but before the most recent set of increases.<sup>22</sup>

11. We asked the Department about the basis for its continued assurance that the local authority sector is sustainable despite a repeated need to provide additional funding, and the methodology it used to determine this. The Department's answers were frustratingly vague. When we asked how far above 'sustainable' councils are, the Department told us that it could not give us an answer because its assessment is based on a complicated, "nuanced and broad judgement" that did not give it "a sense of some metric or threshold over which the sector either is or is not" sustainable.<sup>23</sup> When we asked about the methodology, information and analysis underlying the Department's judgement, the Department told us its assessment was based on "a professional judgement rather than an arithmetical one" and provided no further detail to enable us to understand this element of its work. It told us that Ministers had decided to publish less of the information that relates to the Department's judgement than prior to 2010-11, and that internal analysis was produced for

19 Q 70, [Letter from Simon Ridley to the Chair of the Committee](#), 19 December 2018

20 Public Accounts Committee, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018

21 HM Treasury, [Treasury Minutes: Government response to the Committee of Public Accounts on the Forty Third to the Fifty Eight reports from Session 2017-19](#), Cm 9702, October 2018, pp. 28-29

22 Qq 1-2, 82, 106, Public Accounts Committee, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018

23 Qq 77-80

Ministers and so could not be published.<sup>24</sup> We did not find similar arguments convincing in our last report and we are disappointed that the Department did not fully agree with our previous recommendation.<sup>25</sup>

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24 Qq 61-65, 88-100

25 Public Accounts Committee, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018, conclusion and recommendation 3; HM Treasury, [Treasury Minutes: Government response to the Committee of Public Accounts on the Forty Third to the Fifty Eight reports from Session 2017-19](#), Cm 9702, October 2018, pp. 28-29

## 2 Services provided by local authorities

### Overseeing the range of services that matter to local people

12. We asked the Department what it meant by financial sustainability. The Department told us that it believed that the sector as a whole was sustainable if the amount of resources available to it was sufficient to deliver the statutory services that it is required to provide. It explained that, in order to make that judgment, to some extent it has to “cost those services and do that assessment.”<sup>26</sup> The Department told us that local authorities prioritised adults and children’s social care in their spending, and the Department in its monitoring, because the requirements are set out in statute and they involve vulnerable individuals.<sup>27</sup> We have previously pointed out that increasing demand for these services means that local authorities are spending a greater proportion of their funding on social care services, which is putting pressure on other services. The share of local authorities’ service spend devoted to adult and children’s social care grew from 45.3% in 2010–11 to 54.4% in 2016–17.<sup>28</sup> The rate of looked after children, for example, is now at a 25 year high.<sup>29</sup>

13. There are a range of other services that make up the general responsibility of local government, such as libraries and youth services, which local people can reasonably expect their council to provide. The Department told us that its judgement about overall financial sustainability also covered whether there is flexibility in the system to respond to events, emergencies and to be able to provide the broader local leadership expected by communities in local authorities’ delivery of locally-led non-statutory services. However, the Department was not able to provide us with any firm sense of how sustainable the local authority sector is beyond required statutory services it monitors closely, asserting that it was not possible to quantify this.<sup>30</sup> This is not helpful for anyone who is interested in the sustainability and citizens’ experience of services outside the Department’s narrow monitoring and we note that local authority spending on emergency planning fell by 34% between 2010-11 and 2016-17.<sup>31</sup>

14. When we asked about the monitoring of services other than social care, we were disappointed to hear the Department say that it considered the financial sustainability of local authorities and councils being able to set a balanced budget and manage their finances in 2019-20 to be a different thing to “levels of service provision and how far they should provide their services.” While accepting that these two issues are interlinked, the Department told us that it would look at what levels of service provision that would be expected from local authorities next year as part of the Spending Review.<sup>32</sup>

26 Qq 2, 65

27 Qq 43, 57, 70. [Letter from Simon Ridley to the Chair of the Committee](#), 19 December 2018

28 Public Accounts Committee, [Financial sustainability of local authorities](#), Fiftieth Report of Session 2017-19, HC 970, July 2018, conclusion 4

29 Comptroller and Auditor General, [Pressures on children’s social care](#), Session 2017-19, HC 1868, January 2019, Figure 4

30 Qq 66-67, 70, [Letter from Simon Ridley to the Chair of the Committee](#), 19 December 2018

31 Q 88, Comptroller and Auditor General, [Financial sustainability of local authorities 2018](#), Session 2017-19, HC 834, March 2018, Figure 10

32 Q 82

## Determining what people can expect from local authorities' statutory services

15. As part of Spending Reviews, the Department helps the government as a whole to decide how much it should cost to deliver the statutory services local authorities are expected to provide. The same analysis also contributes to the Department's ongoing assessment of financial sustainability. The Department told us that the 'top-down' fiscal analysis that it undertook was based on projections of what the sector may need to deliver its services, and therefore included the cost of those services today and projections as to how those will change in future.<sup>33</sup> We asked the Department about its role in relation to the full range of local authority activities, recognising that other departments have policy responsibility for specific services. The Department told us that it provided a central point where other government departments could raise concerns about any statutory services they are responsible for. It explained that it was the role of other departments to keep an eye on the services they are responsible for, to determine their priorities, and to talk to the Department if they think that services have been "de-prioritised or squeezed too far". This includes where the government wants to protect services at a certain level.<sup>34</sup> The Department said it has helped the Government in its decisions to respond to service pressures, and described that part of the reason for additional social care funding was to stop authorities "from diverting money from other services that are also important, particularly to the public". The Department has not identified the services that have this level of importance in its view.<sup>35</sup>

16. We asked the Department what information it held that underpinned decisions to support other services by providing funding. However, the Department's answers were not reassuring. It told us that it did not hold a list of statutory services which specified the government's minimum expectations of the level of service that should be provided or what it expected these would cost. The Department added that "the Government are certainly not including as part of their approach at the moment some kind of state-of-the-nation oversight or comprehensive performance assessment-style assessment of local government services in the round."<sup>36</sup>

## Clarity over comparisons with other bodies

17. The Local Government Association estimates that the funding gap facing councils in 2019-20 is approximately £3.2 billion. In its analysis, it highlighted that this funding gap meant that there was a continuing threat to "other services our communities rely on, including libraries, cleaning streets and maintaining park spaces."<sup>37</sup> We asked the Department what use it made of the LGA's work, whether the Department disagrees with the LGA's assessment, and if not, how that assessment could be reconciled with the Department's claims about the sector's sustainability. The Department told us that it was committed to listening to the views of local government, but the extent to which it would use the work of other organisations would depend on the reasons for any differences

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33 Qq 44-56

34 Qq 72-75

35 Qq 38, 42

36 Qq 74, 88

37 [Local Government Association](#) (LGS0002)

from the Department's figures. It explained that its understanding was that the LGA's methodology to estimate the funding gap facing local councils was very similar to its own and included analysis of individual service levels and their cost<sup>38</sup>

18. The Department told us that it did not dispute the LGA's estimate, but that there were a range of reasons why the two estimates were different, including difference in the time periods covered, expected service demand and the data sources used. The Department told us that the LGA's assessments "look much further into the future" than the current spending review period. However we noted that the Department has made, and the LGA has published, assessments that run to 2019-20.<sup>39</sup> The Department similarly asserted that the LGA may have used some different assumptions to project changes in service demand and service costs. It told us that it used publicly available data on inflation and productivity when preparing its analysis ahead of the spending review in 2015, and similarly used publicly available data on population. It also told us that it also used departmental data on households, which is now publicly available, as well as data released by different departments. The Department of Health and Social Care releases data on adult social care pressures. DEFRA releases data on waste projections, and DFT does the same for roads.<sup>40</sup> The LGA's list of its sources for the estimates it produced at the same time include very similar information.<sup>41</sup> The Department has previously explained that where formal projections did not exist, it had used a combination of "population and other projections, policy judgments, and bespoke analysis to develop an understanding of future demand."<sup>42</sup> Its final explanation regarding the differences in the estimates was that the LGA may have different views about the level of services that local authorities should provide which it considered to be a policy decision.<sup>43</sup>

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38 Qq 3-4, 98, 103-104

39 Qq 100, 103-104, [Local Government Association](#) (LGS0002)

40 Qq 88, 100-101

41 Local Government Association, [2015 Funding outlook for councils: methodology, assumptions and data sources](#), Local Government Association, June 2015

42 [Ministry of Housing, Communities and Local Government](#) (FAL0013)

43 Q104

# Formal Minutes

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**Wednesday 23 January 2019**

Members present:

Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown	Layla Moran
Chris Davies	Anne Marie Morris
Chris Evans	Bridget Phillipson
Caroline Flint	Anne-Marie Trevelyan
Shabana Mahmood	

Draft Report (*Local government spending*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 18 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

*Resolved*, That the Report be the Seventy-Sixth of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 28 January at 3:30pm]

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Monday 26 November 2018

**Melanie Dawes**, Permanent Secretary, **Jo Farrar**, Director General, Local Government and Public Services, and **Alex Skinner**, Director, Local Government Finance, Ministry for Housing, Communities and Local Government

[Q1-183](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

LGS numbers are generated by the evidence processing system and so may not be complete.

- 1 Action for Children ([LGS0004](#))
- 2 Alzheimer's Society ([LGS0003](#))
- 3 The Health Foundation ([LGS0007](#))
- 4 Institute of Revenues Rating and Valuation ([LGS0005](#))
- 5 Local Government Association ([LGS0002](#))
- 6 SIGOMA ([LGS0001](#))
- 7 UNISON ([LGS0006](#))

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575) (Cm 9618)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)

Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)
Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466 (Cm 9618)
Twenty-First Report	The Nuclear Decommissioning Authority's Magnox	HC 461 (Cm 9618)
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875 (Cm 9618)
Twenty-Third Report	Alternative Higher Education Providers	HC 736 (Cm 9618)
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468 (Cm 9618)
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468 (Cm 9618)
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896 (Cm 9618)
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897 (Cm 9618)
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724 (Cm 9618)
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793 (Cm 9618)
Thirtieth Report	Academy schools' finances	HC 760 (Cm 9618)
Thirty-First Report	The future of the National Lottery	HC 898 (Cm 9643)
Thirty-Second Report	Cyber-attack on the NHS	HC 787 (Cm 9643)
Thirty-Third Report	Research and Development funding across government	HC 668 (Cm 9643)
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687 (Cm 9643)
Thirty-Fifth Report	Rail franchising in the UK	HC 689 (Cm 9643)
Thirty-Sixth Report	Reducing modern slavery	HC 886 (Cm 9643)
Thirty-Seventh Report	Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade	HC 699 (Cm 9643)
Thirty-Eighth Report	The adult social care workforce in England	HC 690 (Cm 9667)
Thirty-Ninth Report	The Defence Equipment Plan 2017–2027	HC 880 (Cm 9667)

Fortieth Report	Renewable Heat Incentive in Great Britain	HC 696 (Cm 9667)
Forty-First Report	Government risk assessments relating to Carillion	HC 1045 (Cm 9667)
Forty-Second Report	Modernising the Disclosure and Barring Service	HC 695 (Cm 9667)
Forty-Third Report	Clinical correspondence handling in the NHS	HC 929 (Cm 9702)
Forty-Fourth Report	Reducing emergency admissions	HC 795 (Cm 9702)
Forty-Fifth Report	The higher education market	HC 693 (Cm 9702)
Forty-Sixth Report	Private Finance Initiatives	HC 894 (Cm 9702)
Forty-Seventh Report	Delivering STEM skills for the economy	HC 691 (Cm 9702)
Forty-Eighth Report	Exiting the EU: The financial settlement	HC 973 (Cm 9702)
Forty-Ninth Report	Progress in tackling online VAT fraud	HC 1304 (Cm 9702)
Fiftieth Report	Financial sustainability of local authorities	HC 970 (Cm 9702)
Fifty-First Report	BBC commercial activities	HC 670 (Cm 9702)
Fifty-Second Report	Converting schools to academies	HC 697 (Cm 9702)
Fifty-Third Report	Ministry of Defence's contract with Annington Property Limited	HC 974 (Cm 9702)
Fifty-Fourth Report	Visit to Washington DC	HC 1404 (Cm 9702)
Fifty-Fifth Report	Employment and Support Allowance	HC 975 (Cm 9702)
Fifty-Sixth Report	Transforming courts and tribunals	HC 976 (Cm 9702)
Fifty-Seventh Report	Supporting Primary Care Services: NHS England's contract with Capita	HC 698 (Cm 9702)
Fifty-Eighth Report	Strategic Suppliers	HC 1031 (Cm 9702)
Fifty-Ninth Report	Skill shortages in the Armed Forces	HC 1027 (Cm 9740)
Sixtieth Report	Ofsted's inspection of schools	HC 1029 (Cm 9740)
Sixty-First Report	Ministry of Defence nuclear programme	HC 1028 (Cm 9740)

Sixty-Second Report	Price increases for generic medications	HC 1184 (Cm 9740)
Sixty-Third Report	Interface between health and social care	HC 1376 (Cm 9740)
Sixty-Fourth Report	Universal Credit	HC 1375
Sixty-Fifth Report	Nuclear Decommissioning Authority	HC 1375
Sixty-Sixth Report	HMRC's performance in 2017–18	HC 1526
Sixty-Seventh Report	Financial Sustainability of police forces in England and Wales	HC 1513
Sixty-Eighth Report	Defra's progress towards Brexit	HC 1514
Sixty-Ninth Report	Sale of student loans	HC 1527
Seventieth Report	Department for Transport's implementation of Brexit	HC 1657
Seventy-First Report	Department for Health and Social Care accounts	HC 1515
Seventy-Second Report	Mental health services for children and young people	HC 1593
Seventy-Third Report	Academy accounts and performance	HC 1597
Seventy-Fourth Report	Whole of Government accounts	HC 464
Seventy-Fifth Report	Pre-appointment hearing: preferred candidate for Comptroller and Auditor General	HC 1883
Seventy-Seventh Report	Defence Equipment Plan 2018-28	HC 1519
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347
Second Special Report	Third Annual Report of the Chair of the Committee of Public Accounts	HC 1399