

A quiet crisis: local government spending on disadvantage

Research summary

The local charities we fund at Lloyds Bank Foundation tell us every day of the increasing pressure on their communities. They tell us that when council services face rising demand and shrinking resources, it is often local charities, and people themselves, who are left to pick up the pieces.

Lloyds Bank Foundation commissioned this independent research by the New Policy Institute to find out how English local authorities are supporting people facing disadvantage. It explores how local services have fared during a sustained period of severe financial pressure on local government finances and whether this experience differs across the country.

Key findings

1 Spending by local councils in England on services for adults and children facing disadvantage has fallen by 2% over the five years since 2011/12, compared with an 8% fall for local government services as a whole. However, rising demand means the impact of these cuts on people accessing services is greater than the average fall in spending.

2 There is great variation in spending across different categories of disadvantage, with a 5% rise in child social care, a 2% fall in social care for working-age adults and a 13% fall in housing services.

3 To manage, councils have had to shift away from preventive spending towards crisis spending. For example, there has been a 46% reduction in spending on preventing homelessness, while spending on homelessness crisis support has increased by 58%, primarily through the cost of providing temporary accommodation.

4 Almost all (97%) of the reduction in spending has occurred in the most deprived fifth of local areas. Metropolitan and other urban areas concentrated in the North and Midlands, as well as coastal districts across England, are over-represented in this group, yet these areas also have higher numbers of people facing disadvantage and in need of support.



Background: Council funding is under severe pressure

Local authorities are receiving less funding from central government and retaining more of the revenue they raise themselves. Since 2011, this has led to larger funding cuts for more deprived councils, which used to receive more from central government based on higher need and which usually have less capacity to raise their own revenue. Councils have responded to these circumstances in a range of ways. Originally this was through increasing efficiencies, but as financial pressures increased, has included reducing services, charging fees to service users and increasing thresholds for eligibility. This is particularly challenging for those who are reliant on services for support.

In 2018, headlines have been made by councils which have either been forced to make sudden, drastic cuts to services (Northamptonshire) or have proposed them for the future (East Sussex). The National Audit Office estimates that 1 in 10 councils are now using their financial reserves at a rate which is not sustainable for more than three years. This council crisis is part of the backdrop to this study. But just because most councils are not in immediate danger does not mean that their services are necessarily secure or sufficient for local need.

How we measured local authority spending on disadvantage

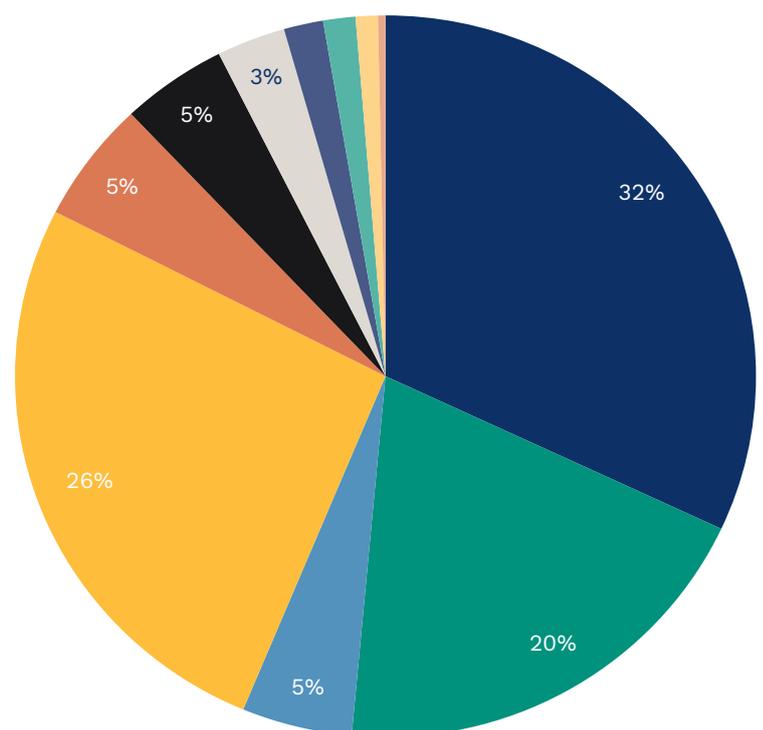
This research identified and analysed spending by local authorities in England on services for adults and children facing disadvantage. The main elements are:

- **Adult social care (age 18 to 64):** learning disability support; mental health support; other support (including physical, sensory and memory support); asylum seeker support (adults)
- **Child social care:** looked-after children; youth justice; asylum seeker support (children)
- **Housing:** Temporary accommodation; supporting people and other welfare services; homelessness prevention, support and discretionary payments
- **Other:** Substance misuse support, local welfare assistance schemes.

Local authorities in England spent around £17bn on these services for people facing disadvantage in 2016/17. This represents 26% of local authority spending. The largest category of spending on disadvantage was adult social care (£9.5bn), of which learning disability support was the largest single element (£5.4bn) [see figure 1]. This was followed by looked-after children (£4.4bn) and temporary accommodation (£0.9bn).

Figure 1. Service spending on disadvantage by category in 2016/17

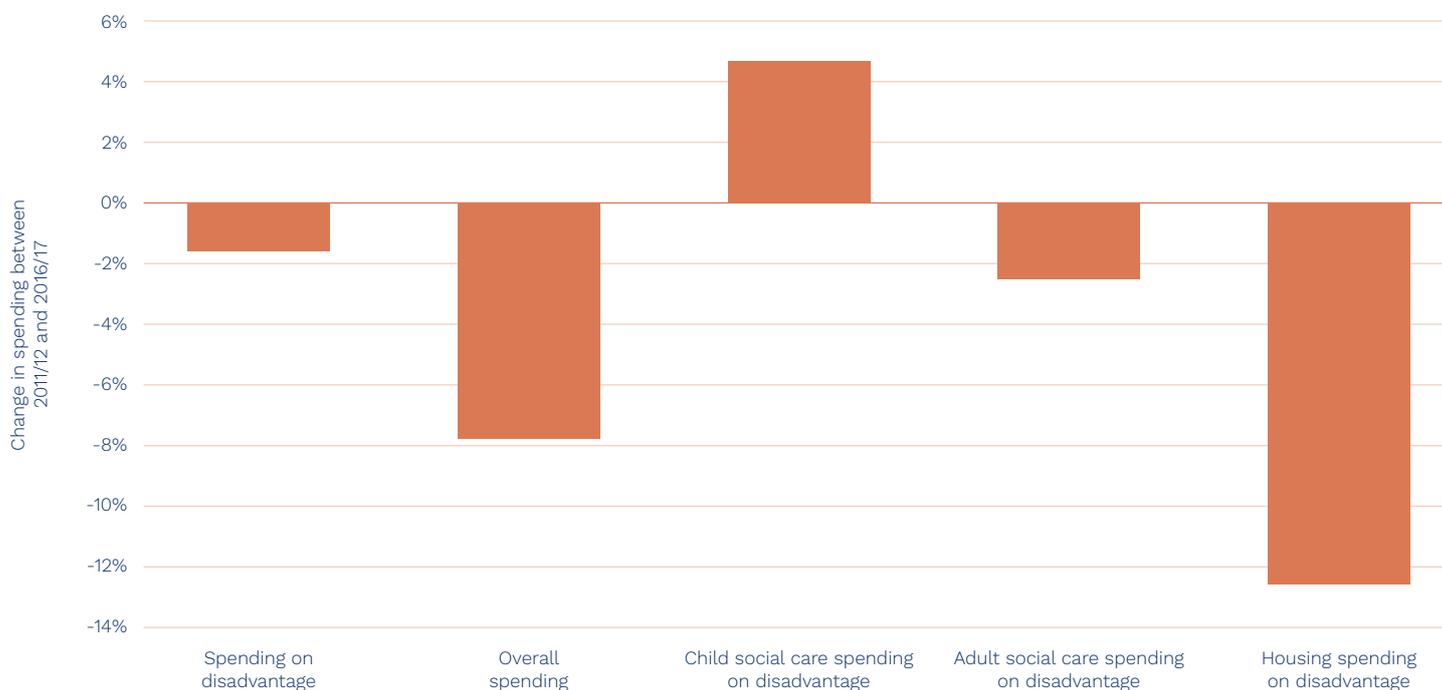
- Learning disability support (18-64)
- Other adult social care (including physical, sensory and memory support (18-64)
- Mental health support (18-64)
- Looked-after children
- Temporary accommodation
- Substance misuse support - adults and children
- Supporting People and other welfare services
- Children's social care - youth justice
- Homelessness prevention, support and discretionary payments
- Asylum seeker support - children and adults
- Local welfare assistance schemes



Spending on disadvantage is changing

In total, spending on services for those facing disadvantage fell 2% in real terms over the five years from 2011/12 to 2016/17. This compares with an 8% cut in overall local government spending over the same period (figure 2).

Figure 2: percentage change in spending 2011/12 to 2016/17: disadvantage, categories of disadvantage and all local government



Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG.

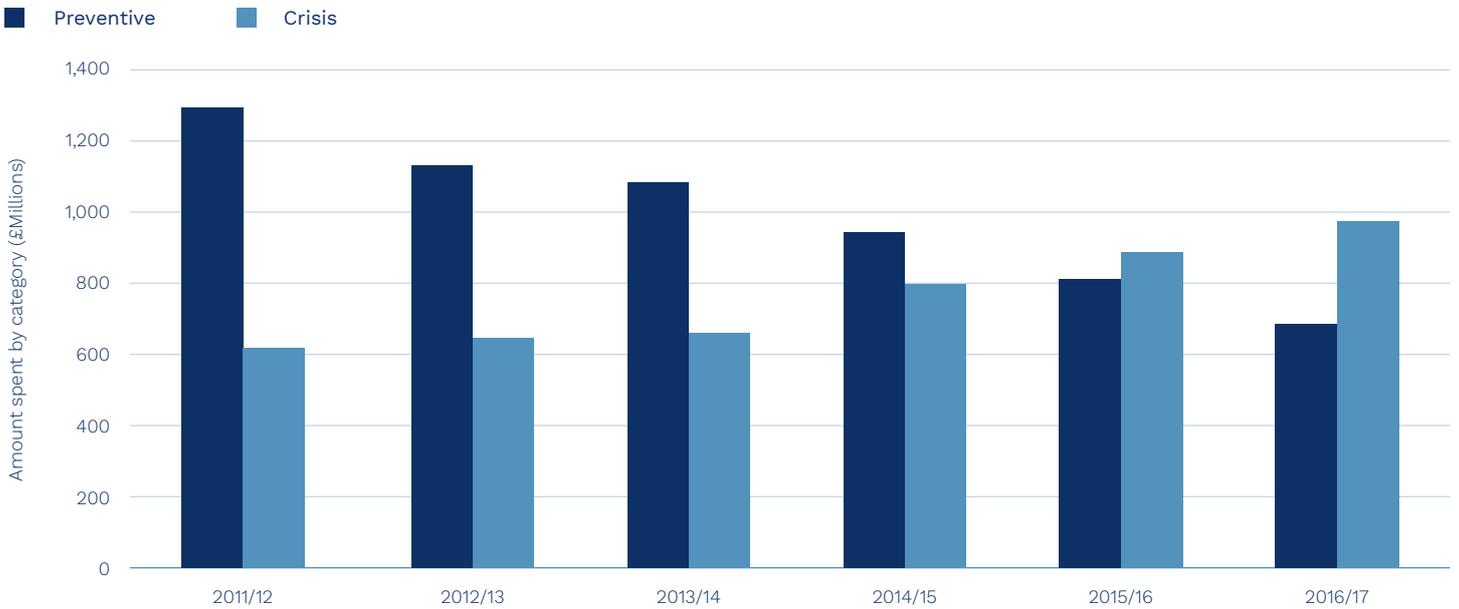
Does this less acute fall mean that spending on services for people facing disadvantage has been protected during this period of austerity? For a range of reasons, the outcome has not been positive:

1 **There is considerable variation between categories which make up the total** (figure 2). For example, spending on disadvantage in child social care has risen by 5%, whereas spending on disadvantage in adult social care has fallen 2%, and spending on disadvantage in housing has fallen by 13%. At a more detailed level (and over the three years to 2016/17 for which comparable data is available), spending on youth justice has fallen by 14% while spending on substance misuse has fallen by 59%.

2 **Most of these services will have faced sizeable increases in the numbers of people needing support– so more people have had to be helped with less or static resources.** The National Audit Office for example estimated that the number of people with a learning disability supported by local authorities had risen by about 4% since the start of the decade. It also found an 11% increase in the number of looked-after children over the five-year period of this report, with a particularly steep rise in the last twelve months. There has also been a 60% increase in the number of households in temporary accommodation since 2011.

3 **There has been a switch away from spending on preventive services and towards crisis services.** For example, within housing spend on disadvantage, there have been large cuts (46%) to preventive services, helping people stay in their home, and big increases in crisis services (58%), primarily the costs of temporary accommodation having become homeless (figure 3). A range of other preventive services have also been cut, such as local welfare assistance funds and family and carer services. Some organisations attribute part of the rising demand to these cuts to preventive services. Even if dealing with a crisis is cheaper in the short term for the local authority than trying to prevent it, there are costs with this approach which fall elsewhere, especially on people needing support, other family members, front-line NHS services and schools. These costs are not all captured in the local government finance statistics but are borne by local communities and the public finances overall.

Figure 3. Preventive and crisis spending in housing services

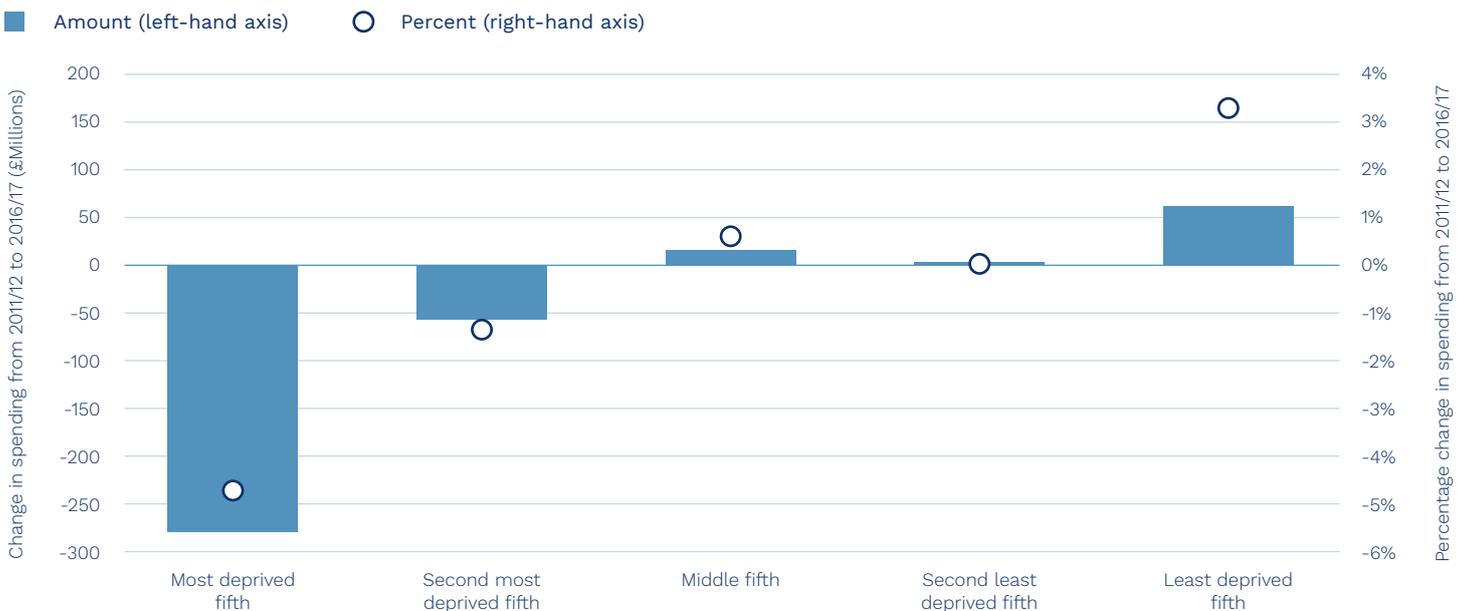


Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG.

The biggest cuts are hitting the most deprived councils hardest

Almost the entire burden of the reduction on spending on disadvantage has been concentrated in the most deprived fifth of all councils (figure 4) – those same places where disadvantage and demand for these services is likely to be higher. This reflects the larger cuts in revenue which deprived councils have experienced. Metropolitan districts in the North of England and the Midlands make up one third of these. Unitary and district authorities especially in the North West, Teesside and the East Midlands make up almost half. The rest are London boroughs, mainly in the eastern half of the capital. A third of the total are coastal districts. By contrast, the least deprived councils in England have increased spending on disadvantage.

Figure 4: Change in spending on disadvantage by area deprivation



Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG.

Finally, different types of council have faced different demand pressures, and so have responded to revenue cuts differently. The most striking case is London, which has increased spending on housing for people facing disadvantage, in contrast to cuts ranging from 16% to 45% elsewhere. London’s 20% increase in spending is, however, still outstripped by the 30% increase in its homelessness acceptance rate. London has also cut spending on adult social care for people facing disadvantage more than other areas and has cut, rather than increased, its spending on disadvantage in child social care.

Conclusion: without change, councils and people most at risk face a bleak future

The tough central government funding climate has put local authorities in a difficult position.

This research shows councils have managed to reduce spending on disadvantage by less than overall spending, reflecting a mixture of prioritisation and statutory responsibility. However, spending on disadvantage has still been cut overall and particularly in the context of rising demand for many of these services. The reduction has also been concentrated to a large extent in the most deprived local authorities, although spending on homelessness related services has been cut across the board outside London.

Extra resource is vital.

The funding pressures councils face are not over yet and these pressures are particularly strong in councils representing deprived areas, which also by their nature have higher numbers of people facing disadvantage and needing services. Finding resources to help people in need now through cuts to preventive programmes may foreshadow greater problems in the future, and indeed the present – both for public sector costs and for the people who are less likely to get earlier help.

It's time for a change of direction.

The local authority funding model has changed over the period of this research, and local authorities will increasingly need to raise their own funding through local domestic and commercial taxation. This has the potential to further undermine the link between an area's need and its capacity to fund vital services. Without a change of policy and direction, primarily by central government, some authorities may be trapped in a downward spiral when it comes to spend on disadvantage.

There needs to be an urgent debate.

There needs to be an urgent debate on the services local authorities are expected to deliver with a reduced revenue base, or indeed an increase in that revenue base. We must also ask to what extent differences in this delivery – and ultimately the level of service and outcomes achievable for some of our most disadvantaged and vulnerable citizens – should be tolerated across the country. The real risk is that the areas and people that face disadvantage are left further behind.

About this project

This report is about the services that English local authorities provide to support people facing disadvantage and how those services have fared during a sustained period of severe pressure on local government finances.

The research was undertaken by Adam Tinson, Carla Ayrton and Issy Petrie of the New Policy Institute and funded by Lloyds Bank Foundation for England and Wales. Download the full report here: www.npi.org.uk/publications/local-government/a-quiet-crisis

The research was conducted by analysing Ministry of Housing, Communities and Local Government (MHCLG) data on local government service expenditure for every local authority in England and a range of other contextual data on deprivation, rurality, and changes in core spending power. To have a consistent set of data, this research is limited to England only. Data is only available on a detailed basis from 2011/12. The spend figures identify total spend by that local authority on the relevant services whether delivered in house or by third parties through contracts or grants.



About New Policy Institute

The New Policy Institute is a progressive think tank that produces research on poverty and disadvantage. It works broadly, studying the labour market, the social security system, housing, local government and economic policy. NPI is an independent organisation that relies on project funding. It is based in Bethnal Green in East London.

www.npi.org.uk

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Lloyds Bank Foundation for England and Wales partners with small and local charities who help people overcome complex social issues. Through long-term funding, developmental support and influencing policy and practice, the Foundation helps those charities make life changing impact. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group as part of their commitment to Helping Britain Prosper.

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