

**LLOYDS BANK
FOUNDATION**
England & Wales



A Quiet Crisis

Local government spending on disadvantage in England

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The responsibility for the accuracy of this report, including any errors or misunderstandings, lies with the authors alone.

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Executive summary

This report is about the services that English local authorities provide to support people facing disadvantage. Using a composite measure of 'spending on disadvantage', it looks at how such spending has changed, both in terms of service volume and responsibilities, how this compares with what has happened to demand for these services, and how the picture varies across the country.

Background

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, who used to receive more from central government based on higher need and who 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 more recently councils have resorted to reducing services, charging fees to service users and increasing thresholds for eligibility to make savings.

In 2018, headlines have been made by councils who have either been forced to make sudden, drastic cuts to services (Northamptonshire) or have said they are going to have to do so shortly (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 crisis does not mean that their services are necessarily secure or sufficient for local need. This question, about *services*, has been studied at a detailed level.

Local authority spending on disadvantage

Our measure of disadvantage is drawn from spending lines within adult (working-age) social care, child social care and housing as well as a few other smaller categories. Its 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 categories of spending on disadvantage were adult social care (£9.5bn), of which learning disability support was the largest

single element (£5.4bn). This was followed by looked-after children (£4.4bn) and temporary accommodation (£0.9bn).

Changes over recent years to spending on disadvantage

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. Does this lesser fall mean that spending on services for people who are disadvantaged has therefore been protected during this period of sustained financial pressure on local authorities or has at least held up better in difficult times? For a range of reasons, no such positive conclusion is possible.

First, there is considerable variation between categories which make up the total. 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 14% while spending on substance misuse has fallen by 59%.

Second, most of these services will have faced rising demand. The three largest areas of spending have all seen sizeable increases. The National Audit Office 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 year. There has also been a 60% increase in the number of households in temporary accommodation since 2011.

Third, there has been a switch away from preventative services and towards crisis services. For example, within housing spend on disadvantage, there have been large cuts (46%) to preventive services and big increases in crisis services (58%). Other preventive services, such as the Supporting People programme, local welfare assistance or carer and family support have also been cut by more, ranging from 5% to 46%, with funding diverted to crisis services.

These findings are in-line with the attribution of rising demand to cuts to preventive services asserted by other organisations. Even if dealing with a crisis is cheaper for the local authority in the short term than trying to prevent it, there are costs with this approach which fall elsewhere, especially on other family members, frontline NHS services and schools. These costs are not captured in the local government finance statistics.

Where the biggest cuts have fallen

Almost the entire burden of the reduction on spending in disadvantage has been concentrated in the most deprived fifth of all councils. This reflects the larger cuts in revenue which deprived councils have experienced relative to less deprived councils. 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 a 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.

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

Conclusions

Although spending on disadvantage has been reduced by less than overall spending, reflecting a mixture of prioritisation and statutory responsibility, it has still been cut overall and in the context of rising demand for many of these services.

Changes to the local authority funding model – further reductions in central government grant and a greater reliance on locally generated revenue, both from council and business rate, further undermine the link between an area's need and an area's capacity to fund. Without a change of direction, some authorities may be trapped in a downward spiral when it comes to spend on disadvantage. Even if a council as a whole is not in crisis, many of the people who depend on its services may be.

There needs to be a broader debate on how many services local authorities are expected to deliver with a reduced revenue base, whether statutory or preventive, and 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 risk is instead that the areas and people that face disadvantage are left further behind.

1. Introduction

1.1. Focus of the report

Since 2010, local government in England has faced unprecedented reductions in its funding from central government. Given forecasts and current data on spending, this is the deepest and longest squeeze local government has ever experienced.¹ 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.² Local authority spending has fallen for most services over this period. Councils have had to balance competing areas of spending, based on provision of statutory services, meeting the requirements of electorates for more visible programmes, and protecting those most at risk.

This report is focused on the last of these: what do local authorities spend on services supporting people who face disadvantage, how has it changed, and how does this compare to changes in spending in other categories?

In order to assess these, the report creates a composite measure of ‘spending on disadvantage’ by combining relevant spending lines from different categories of local government expenditure. The key questions that follow on from this are:

- What has happened to demand for these services?
- How has spending on disadvantage changed, both in terms of volume and responsibilities? Have there been changes to different types of services, such as preventive versus crisis, or statutory and non-statutory?
- How does spending on disadvantage differ across England, and how have different areas increased or decreased this spending? What are the consequences of these spending changes?

1.2. Report outline

Chapter two discusses the changing policy context faced by local authorities since 2010 and how councils have reacted to these changes. It also considers how demand for local authority services have changed over the same period.

Chapter three sets out the measure of spending on groups at risk of disadvantage, and how this compares to other areas of local authority spending, as well as how many people this spending supports.

Chapter four looks at how spending on disadvantage has changed over time relative to other areas of spending, and which services have seen their spending increase or fall. Chapter five then

¹ Kenway, P. & Barry Born, TBB. (2016), *Sustainable local government finance and liveable local areas: Can we survive to 2020?*, Manchester: APSE.

² National Audit Office, (2018). *Financial Sustainability of Local Authorities 2018*. London: National Audit Office.



looks at how different types of areas have fared over this time period. Chapter six considers the policy implications of the findings.

1.3. The spending data

The analysis in this report draws on the detailed revenue returns submitted by English local authorities to the Ministry of Housing, Communities and Local Government (MHCLG). These returns provide detail on some individual spending lines.

The returns used here reflect the actual expenditure of authorities (as opposed to budget data which reflect planned expenditure). This means they are completed at the end of the financial year and the latest data available is from 2016/17. The measure used is of total service expenditure, which includes running cost and staffing. It is a 'gross' measure (rather than 'net' of any fees or charges received by the local authority to help pay for the service). After adjusting for inflation this 'gross' measure is a good reflection of the volume of services provided by local authorities whether in-house or provided externally through contracts or grant funding.

Local authorities must follow the guidance issued by MHCLG when filling in the forms so that spending is allocated to the correct spending line. However, there is some local interpretation of the categories and so the classification of expenditure by each local authority may not always be consistent. This is more a problem when looking at individual spending lines and is not likely to have an effect on the broad picture and overall trends.

1.4. Local authorities

The local authorities included in this report are councils in England. The local authorities covered by this report are of different types and these have different functions:

- Unitary authorities, metropolitan districts and London boroughs are single-tier authorities and they are responsible for all services within their administrative boundary.
- Shire counties and districts are a two tier system of government in which county councils are the upper-tier authorities. They are responsible for a large proportion of services, including social care. The lower tier authorities are district councils, which provide the remainder of service not provided by county councils.

The financial data used in this report is presented in real terms in 2016/17 prices – that is, after correcting the annual cash figures for the effects of inflation. The price index used to adjust for inflation is the GDP deflator. This series was used by the National Audit Office for a similar analysis.³ Over the time period (2011/12 to 2016/17), the GDP deflator went up 8.4%. By contrast, the consumer price index (now the normal measure of everyday price inflation) went up by 7.4%.

³ National Audit Office, (2018). *Financial Sustainability of Local Authorities 2018: Methodology*. London: National Audit Office.

The time period was selected for the analysis to go as far back as possible within the constraints of earlier, less detailed spending data.

Welsh authorities have been excluded to maintain a consistent data source for this analysis.

2. Overview of local government funding and responsibilities

2.1. Introduction

This chapter discusses the context to the analysis in the report. It looks at changes in how local government raises or receives its funding, including the substantial reductions in funding since 2010 and the increased range of responsibilities councils have. The section then examines some of the ways in which councils have responded to this reduction in funding.

2.2. Changes in funding since 2010

Over the last decade local government finance has undergone significant changes in both the structure and volume of funds that local authorities receive and distribute.

Local government receives the majority of its funding from three sources: central government, council tax, and business rates.

Central government funds local authorities through a general revenue support grant in addition to specific grants. This general grant is formed largely of redistributed business rates. In principle, this compensates areas with less capacity to raise revenue locally via a system of tariffs and top ups. This general fund is set to be withdrawn by 2020 when councils are expected to be self-funding as a group, separate from central government support. To compensate for this loss of funding, the amount of business rates retained locally will increase, which is also designed to incentivise local economic growth.

Specific grants from central government can either be ring-fenced and spent only on that stream, such as the Public Health Grant, or non-ring-fenced, allowing local authorities to spend the funds at their discretion.

Local authorities also retain revenue from locally collected taxes, including all of the council tax from residents and, since 2013/14 and the start of the Business Rates Retention Scheme, a set amount of local business rates.

Due to the nature of central government withdrawal of funding, local authorities who were most grant-reliant (due to their limited capacity to raise revenue locally through council tax and business rates and greater need) have experienced the heaviest cuts. Research by the Joseph Rowntree Foundation found that among English “all purpose” (i.e. single tier) local authorities, the fifth most deprived saw expenditure per head fall from over £900 in 2010/11 to £700 in 2014/15. The fifth least deprived authorities saw spending per head fall from under £650 to £600.⁴

⁴ Hastings, A., Bailey, N., Bramley, G., Gannon, M. & Watkins, D. (2015). *The Cost of the Cuts: The Impact on Local Government and Poorer Communities*. York: Joseph Rowntree Foundation.

Geographically, London boroughs, the North East and the North West have experienced the most significant cuts in central government funding per person.⁵

Changing responsibilities

In recent years local government has undergone changes in responsibility, and with that new funding streams. New specific grants include the ring-fenced Public Health Grant, created in 2013/14 when the Department of Health devolved responsibility for public health to councils.

Other services have been devolved to local authorities bringing with them additional funding. These include further elements of adult social care (encompassing responsibility for social care for adults with disabilities), as well as components of the social security system such as Local Welfare Assistance Schemes (previously the Discretionary Social Fund).

By contrast, spending on services such as education is increasingly being distributed directly by central government, in order to directly finance the academies and free schools programmes.

Reduction in funding

Central government has pursued policy objectives to reduce councils' reliance on centralised funding sources, in order to create a self-funding group. Simultaneously, local authorities have been required to make substantial savings, whilst limiting the increases in tax local authorities can levy on their residents (without holding a local referendum).

Grants from local government (excluding specific grants for education, public health, police, fire and rescue services and the housing benefit grant) had decreased by 36% in real terms between 2009/10 and 2014/15.⁶ Whilst council tax revenues have been increasing, these increases have not been sufficient to mitigate drastic cuts in central funding.

2.3. How local authorities have responded to funding cuts

These policy changes and funding reductions have required councils to make substantial reductions in their expenditure. Local authorities have approached making these savings in numerous ways. Research carried out by Glasgow University on behalf of the Joseph Rowntree Foundation in 2013 and 2015^{7 8} categorised these strategies as:

- Investment: investing to save through preventive measures to reduce demand. Investment to generate revenue through other means such as property.
- Efficiency: back office savings.

⁵ Tetlow, G. & Innes, D. (2015). *Delivering fiscal squeeze by cutting local government spending*. London: Institute for Fiscal Studies.

⁶ Ibid.

⁷ Hastings, A., Bailey, N., Bramley, G., Gannon, M. & Watkins, D. (2015). *The Cost of the Cuts: The Impact on Local Government and Poorer Communities*. York: Joseph Rowntree Foundation.

⁸ Hastings, A. Bailey, N., Besemer, K., Bramley, G., Gannon, M. & Watkins, D. (2013). *Coping with the cuts? Local government and poorer communities*. York: Joseph Rowntree Foundation.

- Retrenchment: rolling back volume or access to services.

Their research found that savings had largely been made up until 2015 using efficiency measures, but it was predicted retrenchment would increasingly be used to make the cuts necessary to stay within ever-decreasing budgets.

Strategies used by local authorities to reduce spending whilst maintaining a service include:

- Reduction of services – reducing the number or available hours of services such as libraries and children’s centres. Remaining services may have reduced staffing levels or ‘deprofessionalised’ services with more volunteers or assistants.
- Reducing the universality of certain services, for example no longer providing discretionary transport services for elderly people to reach day centres (as reported in Fitzgerald et al, 2014⁹), or the removal of subsidised access to services, such as subsidised bus transport for young people. This can happen in both statutory and non-statutory services depending on the precise specification of the legislation.
- Increasingly targeting access to provide “proportionate universality”, for example, proposals in Newcastle for adult social care to be reduced to critical care needs only, and eligibility thresholds for playgroups and Sure Start.
- Introduction of charges for previously free services such as bulky waste collection or child play groups.
- Declining face-to-face support by moving to online and telephone-based advice.

A notable trend amongst local authorities is the transformation in the commissioning of services from grants to the voluntary sector, shifting towards large scale contract-based commissioning. Contracts are becoming bigger and tending towards payment-by-results¹⁰. Both of these features, NVCO have found, benefit larger charities, who have increased capacity to bid for large contracts, at the expense of smaller charities.¹¹ For a discussion of the contribution of small and medium-sized charities and the consequences of funding cuts, see *The Value of Small* and the *Keep it Local Campaign*.^{12 13}

2.4. Summary

- Local authorities are receiving less funding from central government and retaining more of the revenue they raise themselves. This has led to larger funding cuts for more deprived

⁹ Fitzgerald, A., Lupton, R., & Brady, A.M. (2014). *Hard Times, New Directions? The impact of the local government spending cuts in three deprived neighbourhoods of London*. London: Centre for Analysis of Social Exclusion.

¹⁰ House of Lords Select Committee on Charities, (2017). *Stronger Charities for a stronger society*. London: House of Lords.

¹¹ NCVO Civil Society Almanac (2017). Accessed at: data.ncvo.org.uk.

¹² IVAR, CRESR, CVSL (2018), *The Value of Small*. London: Lloyds Bank Foundation.

¹³ Locality, (2018) *Keep it Local: For services that transform lives* London: Lloyds Bank Foundation.

councils, who received more from central government based on higher need and have less capacity to raise their own revenue.

- Councils have also received more responsibilities from central government in recent years, such as administering local welfare schemes or council tax support schemes. These additional responsibilities are generally inadequately funded.
- Councils have responded to these circumstances in a range of ways. Originally this was through increasing efficiencies, but also including reducing services, charging fees to service users, increasing thresholds for eligibility.

3. Defining spending on disadvantage

3.1. Introduction

In this chapter, we explain the creation of the measure of spending on disadvantage used in this report. This measure is created from different budget categories available in the local government finance statistics. Our measure is drawn primarily from spending lines within adult social care, child social care, housing and a few smaller categories. We discuss the spending lines we draw from these in turn, as well as which groups facing disadvantage they correspond to.

This section lays the groundwork for the rest of the report, which analyses changes in this measure of disadvantage. The measure of spending on disadvantage is also compared relative to other areas of local authority spending.

The research in this report is concerned with spending by local authorities. In many cases however, there are other agencies, such as central government, police and crime commissioners, or NHS clinical commissioning groups that are also spending on related services.

3.2. Adult social care

The overall adult social care budget looks at care services for those aged 18 and over, usually for services which maintain a service user's quality of life. This includes services such as nursing care, supported accommodation and supported living (which are services that support people to live independently in the community).

For this report the 'disadvantage' category includes support for adults aged 18 to 64 (this includes physical, sensory, memory, learning disability and mental health support) and support for asylum seekers.

Adults aged 65 and over have been excluded even if they have mental health needs or learning disabilities because of the way the spending lines are grouped. Although everyone in the social care system faces disadvantage to some extent, we have tried to focus on more acute forms of disadvantage (for example, working-age and in the care system). There is also already considerable policy attention given to older age social care, while the focus of this report is on less-discussed groups.

There are some other spending categories which would have been included, such as support for those with substance misuse issues (in the public health budget) and support for those who are socially isolated. However, recording for these categories starts in 2014/15 and so they have been excluded from the analysis which compares 2011/12 with 2016/17.

3.3. Children's social care

Children's social care services includes a range of universal (for example, health visits) and targeted programmes (such as for looked-after children¹⁴). Spending on services for young people and spend on Sure Start children's centres has been excluded to enable comparison over time as previously these were not included in children's social care.

In this report child spending on disadvantage is defined as spending on: support for asylum seekers, which includes unaccompanied children and assistance for families; youth justice, which includes services for young offenders such as secure accommodation for children who pose a threat to themselves or others and remand fostering; and looked after children, which refers to children who are looked after by local councils and usually live with foster carers or in residential care such as children's homes and are entitled to/need ongoing support on leaving care.

3.4. Disadvantage in housing services

The spending lines on housing services used are from the General Fund Revenue Account (GFRA). This provides revenue funding for the large majority of local authority services and is mostly funded by government grants, business rates and council tax. This is separate from the housing revenue account which is used to maintain local authority housing and is funded through rental income. GFRA housing services include those such as housing advice for those who are housed privately and private sector housing renewal.

In this report we have defined housing spending on disadvantage as:

- Temporary accommodation for those who are homeless
- Homelessness prevention services that enable someone who is at risk of becoming homeless to remain in their accommodation or find new accommodation.
- Homelessness support: services for people in temporary accommodation.
- Discretionary payments.
- Housing welfare services provided under the Supporting People programme. These are services for at-risk individuals to develop or sustain their capacity to live independently, including specialist supported accommodation such as homelessness hostels, support for people to remain in their tenancies and to provide refuge in the case of domestic abuse.
- Essential care services provided by wardens in sheltered housing.

These services largely correspond to homelessness, in terms of both prevention and relief (such as temporary accommodation), as well as some support services such as wardens in sheltered housing.

¹⁴ Looked-after children include those in foster or residential care, and those in families supervised by social services.

3.5. Other areas of spending supporting people facing disadvantage

Social care and housing represent the largest categories for our measure of spending on disadvantage. The measure also includes some spending lines from the public health budget (devolved in 2013) and the central services budget.

Public health

Since 2013 local authorities have had public health duties. This includes a wide range of services such as sexual health services, services for obese adults and children, stop smoking services and public health programmes for children, such as health visitor programmes or school nurse services.

We have defined public health relating to disadvantage as including services for adults and children with substance misuse issues. These include community based and residential interventions as well as services that aim to prevent and reduce harm from alcohol and drug misuse.

Local welfare assistance schemes (central services budget)

Local welfare assistance schemes are part of spending on central services and have been administered by local authorities since 2013/14. Until 2013, the Discretionary Social Fund provided Community Care grants and Crisis Loans to people in financial hardship across the UK. These elements of the Social Fund were centrally administered by the Department for Work and Pensions until 2013. They were replaced by national schemes in Wales and Scotland, and by local welfare assistance schemes in England. Local welfare assistance schemes are discretionary and are designed to support those suffering financial hardship by helping them cope with immediate essential needs, such as food or energy costs, or on-going essential needs, such as providing white goods to households lacking the means of preparing and storing food. Spending on these has been included in its entirety.

Local welfare assistance schemes represent a small proportion of spending on disadvantage, but have an important role providing a last resort in the social security system – in some ways, acting as both a crisis scheme and a preventive scheme.¹⁵ For example, community care grant style assistance helps people in circumstances such as establishing or re-establishing a tenancy after homelessness or leaving care. Crisis loans were paid in emergencies and so could help people from falling into homelessness to begin with.

3.6. Spending on services for those facing disadvantage in 2016/17: overview

Combining these individual spending lines from the adult social care, child social care, housing, and other budgets produces a total spend on services for those facing disadvantage in 2016/17 of £16.9bn. Table 1 shows how this is broken down, firstly between the spending lines from which

¹⁵ See, Barker *et al* (2018), *Preventing Destitution*. York: Joseph Rowntree Foundation.

the total is constructed, and secondly according to the categories of disadvantage to which the spending is applied.

Table 1. Spending on disadvantage: service lines and spending categories

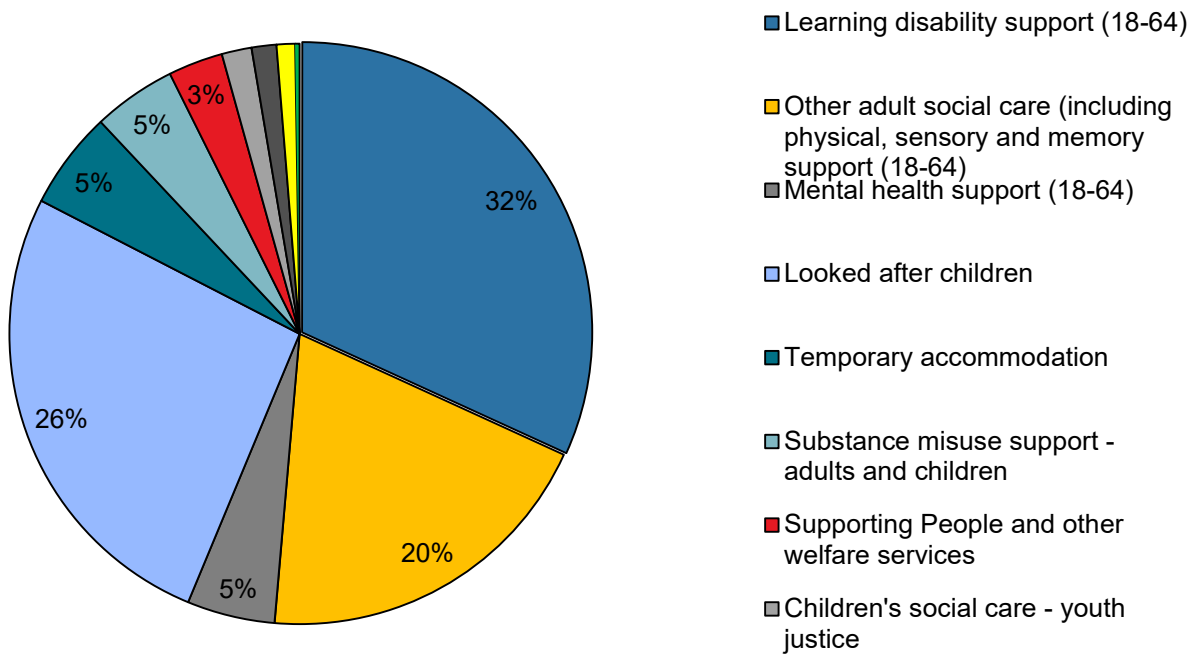
Service line and spending category	Expenditure (service line)	Expenditure (category)
Adult social care (18-64):	£9.5bn	
• Learning disability support (18-64)		£5.4bn
• Other (including physical, sensory and memory support for adults 18-64)		£3.3bn
• Mental health support (18-64)		£830m
• Asylum seeker support – adults		£33m
Child social care:	£4.9bn	
• Looked after children		£4.4bn
• Youth justice		£280m
• Asylum seeker support – children		£140m
Housing:	£1.7bn	
• Temporary accommodation		£920m
• Supporting people and other welfare services		£510m
• Homelessness prevention, support and discretionary payments		£230m
Public health:	£0.8bn	
• Substance misuse support		£780m
Central and other:	£0.04bn	
• Local welfare assistance schemes		£42m
Total	£16.9bn	

Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG. The data is for 2016/17.

Figure 1 presents the same data on the spending by category as a share of the total £16.9bn. The largest single category within spending on disadvantage was on adult social care for those aged 18 to 64 years, which accounts for £9.5bn or 56% of overall expenditure. Around half of this is spent on support for adults with learning difficulties, which is divided between 100,000 adults receiving social care support in the community and 29,000 in nursing or community homes.¹⁶ The next largest category is for looked-after children at £4.4bn per year, equal to 26% of the spending on disadvantage.

¹⁶ National Audit Office (2017), *Local support for people with a learning disability*. London: National Audit Office.

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



Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG. The data is for 2016/17.

3.7. Summary

Local authorities in England spent £16.9bn on services for people facing disadvantage in 2016/17 under the definition and measure used in this report. The total is drawn primarily from spending lines in the adult social care budget (59% of all spending on disadvantage), child social care (29%), and housing (10%). The largest categories of spending on disadvantage were on adult social care, mainly supporting adults with learning difficulties (£5.4bn), followed by spending on looked-after children (£4.4bn) and temporary accommodation spending (£0.9bn).

4. How service spending and demand for services have changed over time

4.1. Introduction

The previous chapter defined the measure of spending on services for people facing disadvantage and discussed its component parts. This section examines how it compares to other local government spending areas, and how it has changed over time. This allows us to assess to what extent services for people facing disadvantage have been disproportionately cut relative to other services. This chapter also features a discussion of cuts to preventive versus crisis services.

This part of the report also discusses the number of people supported by local authority spending in this area, although statistics on this are only available for some services.

4.2. Spending on disadvantage relative to spending on other service areas

Spending on disadvantage as a share of all local authority spending

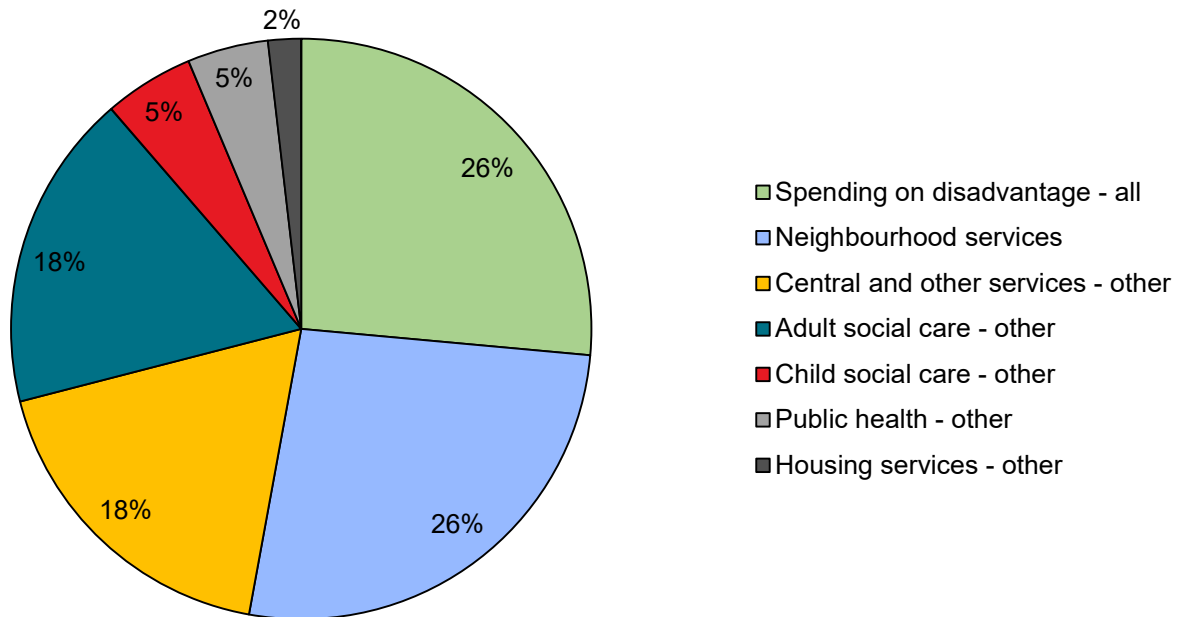
The previous chapter discussed the spending lines that have been attributed to the measure of spending on disadvantage: £16.9bn in 2016/17. This amounts to 26% of the £64bn total that English local authorities spent in that year on all services. For context, total UK government spending is around £780bn.

Our measure of spending on disadvantage is taken from a range of spending lines and shown in figure 2. The other elements in this graph, such as adult social care, therefore represent spending on those areas minus the spending lines that make up the disadvantage measure.

What this presentation makes clear is the importance of local authorities' responsibilities for spending on disadvantage – now equal first, with neighbourhood services (both accounting for 26% of the total). The third largest category is central and other services at £12bn or 18%.¹⁷

¹⁷ Central services include a variety of spending areas such as the money spent on the democratic and corporate management of the council, the administration costs of council tax collection and business rates and locally funded council tax discounts, the cost of elections, coroner's court services and emergency planning.

Figure 2. Total expenditure by service type in 2016/17



Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG. The data is for 2016/17.

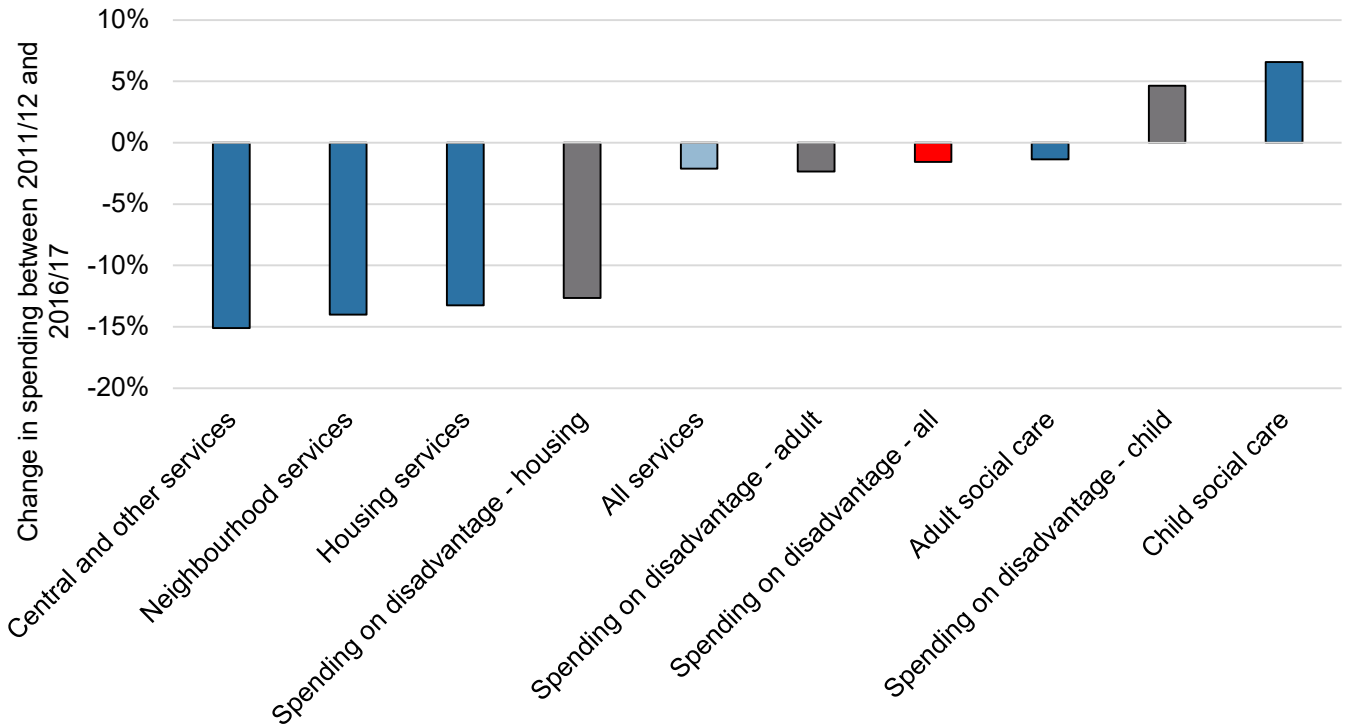
Change in spending over time

Figure 3 shows how spending on disadvantage has changed since 2011/12. Changes to the definition of official statistics mean that a five-year comparison can only be shown for the categories of disadvantage that come under the headings of housing, adult social care, and child social care (representing 95% of the total spend on disadvantage in 2016/17 as per table 1). Figure 3 shows the percentage change both for the spend on disadvantage and for the total spend in the category.

Spending on services for those facing disadvantage has fallen 2% in real terms since 2011/12. Within this total, spending on disadvantage in child social care has risen by 5%, spending on disadvantage in adult social care has fallen 2%, and spending on disadvantage in housing has fallen by 13%.

The variation between the different categories of spending on disadvantage reflects what has happened to the total spend in these areas. Children’s social care as a whole is the only service which saw a real-terms increase between 2011/12 and 2016/17, of 7%. There was a slight fall for adult social care of 1%, whereas all other service categories saw larger falls. The largest was for central and other services at 15%, followed by neighbourhood services at 14% and housing services at 13%. The variation in spending cuts (for disadvantage and not) is partly due to some services having more statutory requirements than others, though this would be difficult to discern at this level of aggregation and anyway does not render a service immune from reductions.

Figure 3. Change in total service expenditure for different services between 2011/12 and 2016/17



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

4.3. Changes in spending and changes in service demand

This section looks in more detail at the changes in spending for our measure of disadvantage’s three main components (adult social care, child social care, and housing) and what has happened to demand for these services over this period.

While councils have experienced substantial reductions in funding and will see further changes to how their revenue is generated, they have also faced rising demand for many of the services they provide.

The general background to this research is the programme of spending reductions pursued by the government since around 2010. Spending on working-age welfare has been drastically reduced and both central government departments and local authorities have had significant spending cuts imposed.

There have been significant reductions to social security spending which have implications for many of those supported by the spending on disadvantage in this research. Many of those facing or at risk of disadvantage who use the services discussed in this report are reliant on social security. For example, the low employment rate for those with learning disabilities means many are in receipt of benefits.¹⁸ Cuts to these benefits are likely to have reduced the financial resilience of these groups, particularly in relation to housing benefits at a time of rising housing costs. These

¹⁸ National Audit Office (2017). *Local Support for People with a Learning Disability*. London: National Audit Office.

reductions in social security are then likely to make people facing disadvantage more likely to use council services, such as housing advice or homelessness support.

Also important in this context is the growth in England's population over this period, 4% between 2011/12 and 2016/17, and higher in London (7%). The child population (0-15) and the older adult population (65+) have grown faster over this period, by 5% and 13% respectively. This is also putting pressure on local authority budgets.

4.4. Adult social care

Change in spending

Spending on adult social care overall (including the disadvantage spending lines) fell by 1% from £21.2 billion in 2011/12 to £20.9 billion in 2016/17. This is equivalent to a spend of £1,870 per adult (18 years and over) in 2011/12 and £1,770 per adult in 2016/17.

Over the same time period there was a slightly larger decrease for spending on disadvantage in adult social care separately of 2% or £230m.

Change in demand for services

Rising demand coupled with reduced spending power has resulted in significant pressure on the adult social care sector. An ageing population and longer life expectancies for adults with long term or multiple health conditions and disabilities mean that more people are requiring more care.

Although spending on non-working age adults is not considered in the analysis and focus of this research, rising demand does reduce the room for manoeuvre in local authority budgets. It may also increase the costs of common inputs to both working-age and older adult social care, such as appliances or staff. More relevant for this research is analysis by the National Audit Office which suggests that there has been around a 4% increase in the number of people with a learning disability supported by authorities since 2010/11: while the increase is relatively small, the average cost of support is quite high, meaning there are larger financial implications for councils.¹⁹

The National Audit Office has warned that reduced local authority spending, and rising need, may result in “unsustainable pressure on informal carers” as well as emergency health services²⁰.

¹⁹ National Audit Office, 2017, *Local support for people with a learning disability*. London: National Audit Office.

²⁰ *Ibid.*

Number of people facing disadvantage supported by adult social care services

Adults with learning disabilities. The National Audit Office estimates there are 29,000 people with learning disabilities in residential homes, and 100,000 receiving care in the community²¹.

Asylum seekers. There is no official estimate of the number of successful asylum seekers in the UK, though the UN has estimated (with some uncertainty) around 123,000.²²

4.5. Children's social care

Change in spending

Expenditure on children's social services in general (including the spending lines used for the measure of spending on disadvantage) increased from £7.6 billion in 2011/12 to £8.1 billion in 2016/17, 6.5%. This is equivalent to a spend of £667 per child in 2011/12 and £684 in 2016/17. Within children's social care services, there was an increase in spending on disadvantage of 5%. In 2016/17 spending on disadvantage in this category made up 60% of total children's social care spending. This was very similar to the proportion of spending on disadvantage in 2011/12 which was 61%.

Within the subset for this analysis (a combination of spending on looked-after children, youth justice and asylum seekers) there has been a mixed picture. Spending on looked-after children has increased by 7% from £4.1 billion in 2011/12 to £4.4 billion in 2016/17. Spending on youth justice has fallen by 24% from £370m to £280m and spending on asylum seekers has increased by 19% from £118m to £140m.

Change in demand

The number of children being looked after by local authorities grew by 10.9% between 2010/11 and 2016/17, with a large increase being reported in 2016/17²³. Local authorities have reported likely reasons for the increase in the number of looked after children as having to move away from spending on early intervention and prevention strategies, as well as long-term spending cuts creating cumulative disadvantages for deprived communities²⁴. This is evidenced by the closure and reduction of prevention and early intervention focused services such as Sure Start Children's centres, particularly in more deprived authorities²⁵. The Association of Directors' of Children's

²¹ <https://www.nao.org.uk/wp-content/uploads/2017/03/Local-support-for-people-with-a-learning-disability.pdf>

²² UNHCR (2016), *Global Trends: Forced Displacement in 2015*. Geneva: UN.

²³ National Audit Office, 2018, *Financial sustainability of local authorities 2018*. London: National Audit Office.'

²⁴ Ibid.

²⁵ Webb, C., & Bywaters (2018) *Austerity, rationing and inequity: trends in children's and young peoples' services expenditure in England between 2010 and 2015*. Local Government Studies.

Services have flagged the risk of cutting discretionary services at the cost of long-term rising demand²⁶.

Quality of care, demand and thresholds for intervention can vary significantly throughout the country. 20% of local authorities have inadequate children's services, as rated by Ofsted, while a further 46% of services require improvement²⁷. The thresholds for intervention in children's social care are highly variable based on local authority, with referrals ranging from 226 per 10,000 children to 1,863 per 10,000 children²⁸. Children in deprived local authorities are 11 times more likely to have a child protection plan than children living in affluent local authorities, illustrating both variable need, and potential variability in readiness to intervene²⁹.

Like adult social care, spending on children's social care has been reduced less than other service areas due to local authorities' statutory responsibilities in these areas.

Number of people facing disadvantage supported by child social care services

Looked-after children. Department for Education statistics suggest there are around 73,000 looked-after children in England in 2016/17.

4.6. Housing services

Change in spending

Spending on housing services overall (including spending on housing disadvantage) fell by 13% from £3.2 billion in 2011/12 to £2.8 billion in 2016/17. Over this time spending on housing disadvantage, which is made up of six categories shown in Figure 3, also fell by 13%. Within that, temporary accommodation has increased by 57% to become the largest category of spend in 2016/17 whereas Supporting People (the second largest category) fell by 57%.

These spending trends among local authorities suggest they are spending increasing amounts on responding to homelessness rather than assisting households to avoid homelessness in the first place – spending on temporary accommodation for the statutorily homeless is on the increase. Crisis has suggested that local authorities have limited their readiness to assist non-statutory relief and prevention cases, resulting in decreased or flatlining numbers of homelessness prevention or relief case reports in some councils³⁰. This is discussed in more detail in section 4.9.

Change in demand

Since 2011 there has been a 60% increase in households in temporary accommodation, rising from 49,000 to 77,000, with 70% of these households placed in temporary accommodation by

²⁶ National Audit Office, 2018, 'Financial sustainability of local authorities 2018'. London: National Audit Office.

²⁷ Ibid.

²⁸ National Audit Office, 2016, 'Children in need of help or protection'. London: National Audit Office.

²⁹ Ibid.

³⁰ Fitzpatrick, S et al, 2017, 'The homelessness monitor: England 2017'. London: Crisis.

London boroughs³¹. Rough sleeping too has increased, from 1,800 people sleeping rough on one night in 2010, up to 4,000 in 2016 based on MHCLG data.³²

The most significant single driver of homelessness in England is the ending of a tenancy in the private sector, accounting for 74% of the growth in homelessness acceptances since 2009/10 – and rising from 11% of all homelessness acceptances in 2009/10, to 32% in 2016/17; in London these figures rose from 10% to 39%³³. Since 2010 the costs of private sector tenancies have outstripped earnings growth, and combined with the capping and freezing of Local Housing Allowances among other welfare changes, many households' ability to maintain their tenancy is being compromised, leading to increased risk of homelessness.

Despite national rising demand, London, and increasingly the South East, stand out geographically as experiencing the most acute pressure. In London, homelessness levels are more than double levels in the rest of England, at 5 per 1,000 households compared to 2 per 1,000 in the rest of England³⁴. Households in London are more likely to live in the private rented sector, and London households accepted as homeless are more likely to cite the end of a private sector tenancy as the reason for their homelessness³⁵. A lack of social housing, high rent payments and frozen Local Housing Allowance rates meant that Londoners are particularly vulnerable to homelessness.

Number of people facing disadvantage supported by housing services

Homelessness. In 2016/17, there were 59,000 cases accepted as homeless and in priority need by English local authorities, and 77,000 households in temporary accommodation. In autumn 2017, there were also 4,134 rough sleepers according to MHCLG data.

4.7. Changes in spending in other services for those facing disadvantage

Public health

Public health services and local welfare assistance schemes have only been provided by local authorities since 2013 and so were not included in figure 3.

Between 2013/14 and 2016/17, spending on public health in general (including disadvantage) increased by 32% from £2.7 billion to £3.7 billion. Over time, new functions may have been added to the public health duties of local authorities and it is likely that local authorities spent less in the first year as programmes were being set up. Spending on disadvantage within public health decreased by 13% from £900m in 2013/14 to £780m in 2016/17. This category is mostly spending on substance misuse: spending on substance misuse services for children and young people have

³¹ National Audit Office, 2017, 'Homelessness'. London: National Audit Office.

³² Ibid.

³³ Ibid.

³⁴ Tinson, A.. et al, 2017, 'London's Poverty Profile 2017'. London: Trust for London.

³⁵ National Audit Office, 2017, 'Homelessness'. London: National Audit Office.

fallen by 25%, services for adults who misuse drugs fell by 21% and those for adults who misuse alcohol rose by 15%.

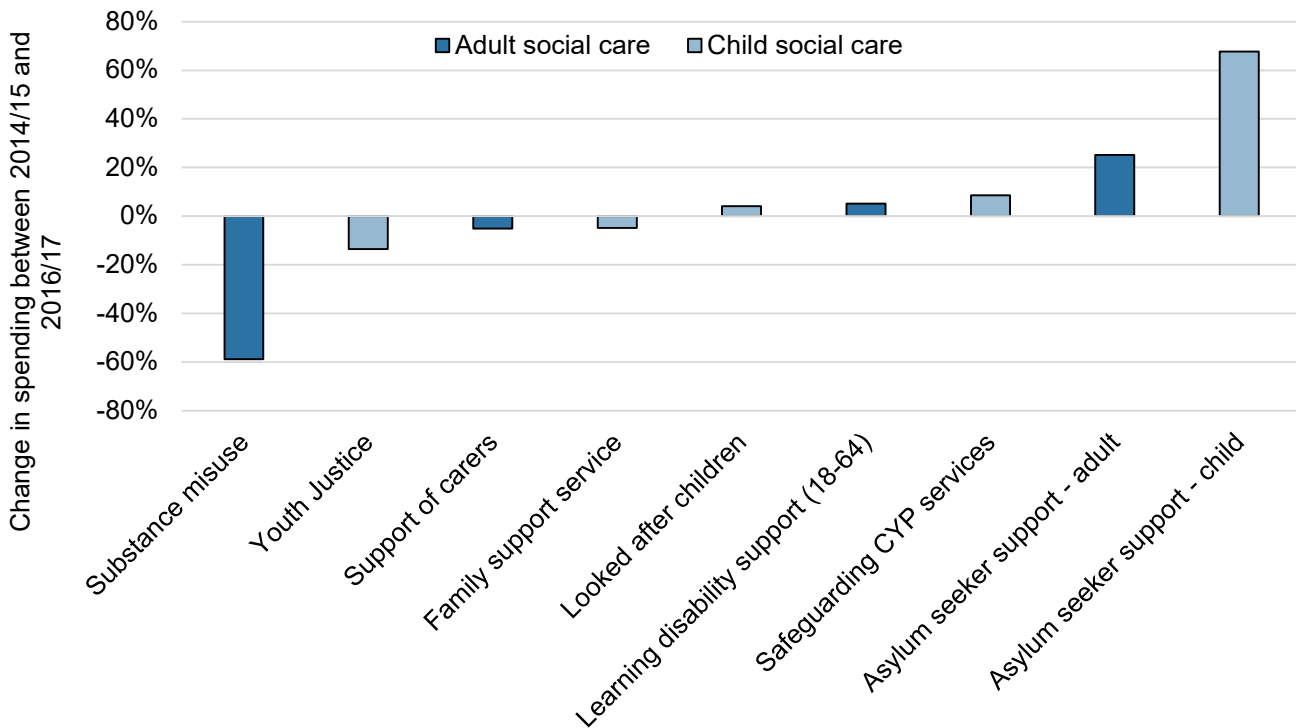
Local welfare assistance schemes

Spending on these schemes fell by 26% from £54m to £42m between 2013/14 and 2016/17. Since localisation, data on these schemes has become much more patchwork and so it is hard to get a sense of demand. While the increase in working-age employment rates may have acted to reduce demand for services like these, the general reductions in social security generosity may act to increase it.

4.8. Change in more detailed service spending areas

Figure 4 looks at a more detailed breakdown of spending lines within the adult and child social care budgets. Data limitations mean this detail is only available from 2014/15 to 2016/17. Even so, this gives an indication of some of the changes that are obscured within the averages. In each case, the change is for the total spend in the category, not just the spend on disadvantage. The graph includes spending lines which have not been included in the overall measure of disadvantage, either because the definition of the official statistics has been unstable over the period (substance misuse, support of carers and safeguarding children and young people services) or because the services have been categorised within this project as universal (family support service).

Figure 4. Change in spending on individual spending areas



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

There have been quite large increases in asylum seeker support spending: a 25% increase of £6m per year for adults and a large 68% or £56m increase for support for children. These reflect statutory responsibilities for councils, and an increase in asylum applications and grants between 2010 and 2015.³⁶ Asylum grants rose from 5,200 in 2010 to 13,900 in 2015, before falling again to 6,500 in 2016.

There were also increases in spending for safeguarding children and young people of 9% or £167m over this period and for looked-after children of £179m or 4%. In contrast, many smaller expenditure streams were cut: over the course of two years, spending on carers' support and family support both fell 5%, and youth justice spending fell by 14%.

The largest cuts were in services for adults with substance misuse problems, which fell by 59% or £59m over these two years.

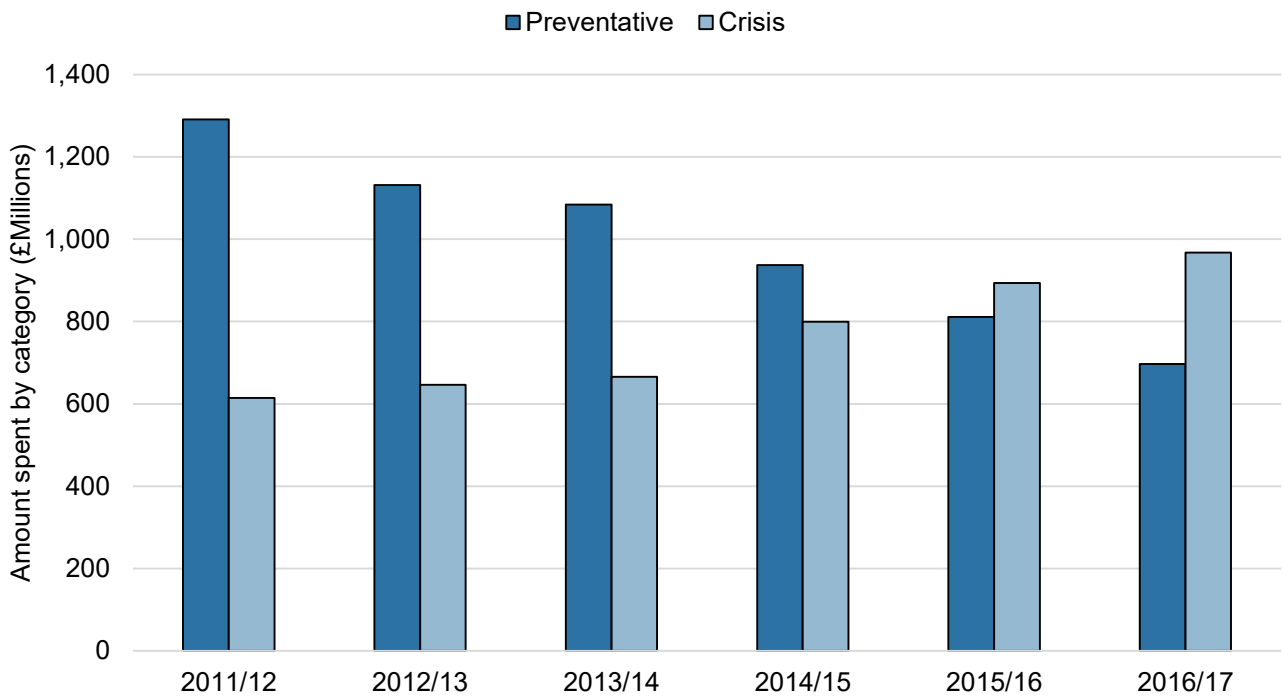
4.9. Prevention and crisis service spending

The section above showed that spending on disadvantage has been relatively protected compared to overall cuts, although within this, spending on housing has been hit harder and child social care has been increased. However, the nature of spending within these individual categories is also shifting.

We have discussed in this section the reductions in preventive spending such as local welfare assistance schemes and programmes such as family and carer support. Another way it can be analysed is in regards to housing spending for disadvantage. Figure 5 looks at this between 2011/12 and 2016/17.

³⁶ House of Commons Library (2018), *Asylum statistics*. London: House of Commons Library.

Figure 5. Prevention and crisis spending in housing services.



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

Preventive services are defined here as spending on discretionary payments, welfare services, Supporting People and other prevention services. Crisis services are defined as spending on temporary accommodation and homelessness support. The graph excludes spending on administration of homelessness and housing benefit, and spending on other council properties.

In 2016/17, English local authorities were spending around £700m on preventive housing spending, relative to £970m on crisis spending (e.g. on temporary accommodation). Preventive spending has declined considerably year-on-year over this period, a reduction of £590m or 46% over five years. In contrast, spending on housing-related crisis services has increased from £610m to £970m or 58% over the same period.

Changes in housing-related preventive and crisis spending vary by the type of authority. London authorities have increased crisis spending the most since 2011/12, by 70%, but have still cut preventive spending by around 50%. Shire counties have reduced preventive spending the least, but may also have been in receipt of the smallest amounts of Supporting People grant funding in the first place. Spending on housing disadvantage relative to homelessness is discussed more in section 5.6.

This has changed the relative balance of the three types of housing spending for different types of authorities: London boroughs now allocate 60% of housing spend to crisis functions, up from 40% in 2011/12. They spend 15% on preventive spending, the lowest overall share of any authority type, despite their smaller reduction since 2011/12. For all other authority types, preventive spending is higher, ranging from 28% for shires and districts to 40% for metropolitan districts. This is another indication of the distortionary impact of London’s housing problems on its ability to

spend on non-housing and non-urgent services for those facing disadvantage. These cuts in preventive services come with risks: they may simply be deferring costs and risk increasing them in the longer term. For example, cutting upfront services such as advice and support to help people remain in accommodation could then lead to further costs if the tenancy is lost through homelessness processes and temporary accommodation.

This analysis accords with warnings from various sector bodies and charities that councils are diverting resources from preventive spending towards meeting urgent need, so-called ‘firefighting’ functions. For example, the Local Government Association warned that the overall scale of funding cuts meant local authorities are reducing spending on youth offending teams which aim to prevent young people entering the court system.³⁷ Research by a number of children’s charities found large reductions in early intervention spending for children and young adults of 40% or £1.4bn, and a 7% increase in late intervention, or £0.4bn.³⁸ As mentioned earlier, local authorities have attributed some of the increased spend on looked-after children to reductions in early intervention spending³⁹.

4.10. The role of statutory requirements

One of the distinctions that needs to be considered in reflecting on the aggregate spend figures and analysis set out in this report is between spending on statutory and non-statutory services: those that local authorities are required to by law to deliver and those that are more discretionary. Statutory duties placed on local authorities are quite extensive: a 2011 review found around 220 placed on councils by the then Department for Communities and Local Government and around 1,120 placed on them by other agencies and departments, though not all of these apply to all councils.⁴⁰

The relevance to this report is whether services of interest that are statutory are more likely to be protected than those that are not. This is correct on some level. For example, the discretionary Social Fund was abolished in 2013/14, and funding provided to local authorities to maintain a service with no requirement or duty. The schemes have since been cut by 26%, considerably more than areas such as child social care which have a higher density of statutory requirements. In 2016/17, some 26 local authorities in England had ceased to maintain local welfare schemes at all.⁴¹

However, ‘statutory duty’ is a broad term and can cover a range of requirements. There are those where a service must be delivered in a particular way. For example, while there is leeway on what form temporary accommodation can take, local authorities must provide it for unintentionally

³⁷Eichler, W. (2018). “Cuts to youth services lead to rise in crime, warn councils.”, *Local Gov*, 5 March 2018. Accessed at www.localgov.co.uk/Cuts-to-youth-services-lead-to-rise-in-crime-warn-councils/44850.

³⁸ Action for Children, the Children’s Society, and National Bureau for Children, (2017). *Turning the Tide: Reversing the move to late intervention spending in children and young people’s services*. London: Action for Children, the Children’s Society, and National Bureau for Children.

³⁹ Ibid.

⁴⁰ <https://data.gov.uk/dataset/01171494-e40b-463f-9967-56d158412321/statutory-duties-placed-on-local-government>

⁴¹ Gibbons, D. (2017), *The Decline of Local Welfare Schemes in England: Why a new approach is needed*.

homeless households in priority need until inquiries into the application have ended or secure accommodation is found. In other cases, a statutory duty can be more flexible. For example, children's centres are to be provided to meet local need, as far as that is practical.

These are not the only factors that influence whether a service will be 'protected' or not. There are others such as political priorities – for example, in some authorities councillors had promised no library closures before their election, so these councils may prioritise these. The relatively strong inspectorate for children's social care services is another factor in the protection of these services.

Box 1. The impact of local authority cuts on service users

This report discusses reductions in spending across a range of different services. But what do these mean for the users of these services? Consistent data on the outcomes or effectiveness are not available for our composite spending measure, which has been developed for this report. Although not a central theme of this research, it has been covered by a range of other organisations. This section examines a selection of these.

The Inquiry into Children's Social Care in England⁴² found a picture of rising demand that local authorities were struggling to deal with. This has a range of consequences for those who used the services. Amidst services becoming harder to access due to both rising thresholds and fewer centres offering services, there were also reports of fewer respite breaks for parents with disabled children and reductions in occupational therapy and home visits. High caseloads meant that social workers were struggling to build stronger relationships with families and their children, which could have consequences on positive outcomes.

Research commissioned by the Joseph Rowntree Foundation⁴³ found reports of services becoming more distant, for example with children having to receive speech therapy at a central office rather than at the local nursery. There were also reports of support becoming harder to access, with the parent of a child unable to speak to anyone while the child had a mental health episode.

Homelessness services have experienced large cuts across England, though less so in London than elsewhere. There is some evidence of an increase in 'gatekeeping', whereby local authorities turn people away without assistance in order to ration support.⁴⁴ There have been consequences from the reduction in the Supporting People grant, with reductions in service provision in rural areas and increases in caseloads for support workers. There were reports that homeless people who had secured accommodation, but did not need to live in supported accommodation, were left with no assistance in establishing their new tenancy despite having relatively high needs⁴⁵

The Advisory Council on the Misuse of Drugs argues that the frequent retendering of services by councils to save money was having a negative impact on alcohol and substance misuse service users, as it interrupted continuity of care for those with complex needs, with potential consequences for their recovery.⁴⁶

⁴² National Children's Bureau (2017), *No Good Options*.

<https://www.ncb.org.uk/sites/default/files/uploads/No%20Good%20Options%20Report%20final.pdf>

⁴³ Hastings *et al* (2015) *The Cost of the Cuts: The impact on local government and poorer communities*.

<https://www.jrf.org.uk/report/cost-cuts-impact-local-government-and-poorer-communities>

⁴⁴ Alden, SL (2015) On the frontline: the 'gatekeeper' in statutory homelessness services. *Housing Studies*. 1 - 20 (20).

⁴⁵ Homeless Watch (2013) *Who is Supporting People now?* London: Homeless Watch.

⁴⁶ ACMD (2017) *Commissioning Impact on Drug Treatment*. London: Advisory Council on the Misuse of Drugs.

4.11. Summary

Spending on services for people facing disadvantage make up 26% of local authority spending, equal first on this classification with neighbourhood services.

Spending on services for those facing disadvantage has fallen 2% in real terms since 2011/12, compared to an 8% cut in overall local government spending over the same period. This obscures some variation, however. 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%.

These services have all faced rising demand, though it can be difficult to quantify directly. There have been considerable increases in different forms of homelessness and looked-after children over the period covered by the research.

Some organisations are attributing part of the rising demand to cuts to preventive services.⁴⁷ Within housing spend on disadvantage, there have been large cuts (46%) to preventive services and increases in crisis services (58%). A range of other preventive services have also been cut, such as local welfare assistance funds and family and carer services.

⁴⁷ See, for example, Crisis (Fitzpatrick, S et al, 2017, 'The homelessness monitor: England 2017'. London: Crisis) and the Association of Directors of Children's Services quoted in National Audit Office, 2018, 'Financial sustainability of local authorities 2018'. London: National Audit Office.

5. How spending on disadvantage varies for different types of area

5.1. Introduction

This section looks at how spending on disadvantage varies across different types of local authority and how these have changed over time. It firstly discusses the relationship between cuts in core spending power and cuts in spending on disadvantage, as the analysis in this chapter compares spending reductions to revenue reductions using core spending power. There is then a discussion of the spending of different types of local authorities and how their spending changes differ. The same analysis is then applied to area deprivation, region, and by whether local authorities are urban or rural.

5.2. The role of core spending power in determining spending reductions

The figures in this section of the report make frequent reference to changes in core spending power. This is a measure that looks at the revenue power of local authorities based on their capacity to raise council tax and their receipt of discretionary grants. The measure used is best considered a proxy for reductions in overall funding, as there are methodological changes that make longer term comparisons somewhat inaccurate.

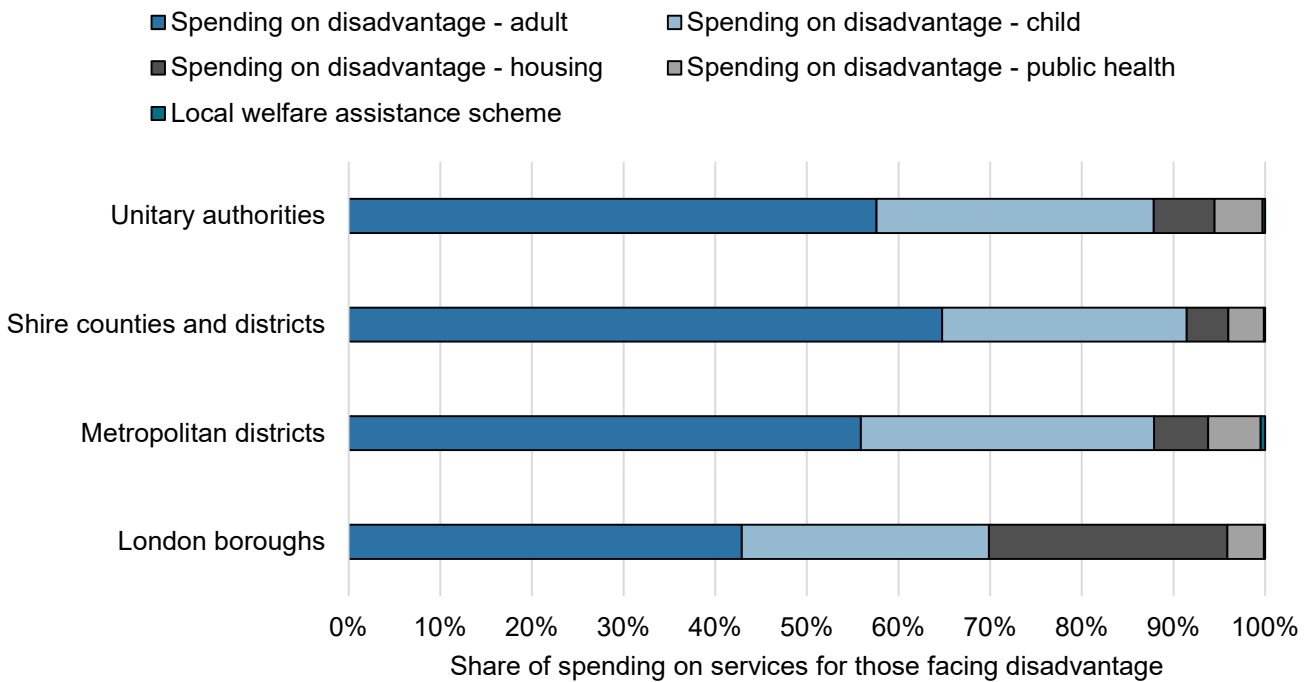
We include this measure to contextualise the cuts made by certain types of areas. More deprived areas had larger reductions in their core spending power due to their greater reliance on needs-based grants in 2010. It is therefore not surprising that these areas have experienced larger reductions in spending. However, core spending power is not the simple explanation for the following analysis. The correlation between reduction in core spending power and reduction in spend on disadvantage is 0.30. This means there is a relationship between the two, but still considerable variation that can be assigned to other factors.

5.3. Variations in spending by type of local authority

Spending on adult and child social care dominates spending on disadvantage by all types of local authority, as shown in figure 6. As a proportion of total spending on disadvantage, shire counties and districts spend the most at 92% of their spending on disadvantage on social care. London boroughs spend just 70% on social care, as a high proportion of their spending goes on housing.

Shire counties and districts spend far more on services for adults – 54%, against only 34% on children's services. Metropolitan districts, on the other hand, spend the largest share on children's services at 32% of their spending on disadvantage.

Figure 6. Composition of spending on disadvantage by authority type.



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

London boroughs stand out in this graph as they spend relatively less on adult social care (the lowest of the local authority types at 43%), and significantly more on housing. Just over a quarter of London borough spending on disadvantage is spent on housing needs, amounting to £924m. Other types of authority average just 6%, and their combined spending on disadvantage in housing amounts to just £740m.

Spending on local welfare assistance schemes forms a very small proportion of all local authorities' expenditure on disadvantage. Metropolitan districts spend the most, at 0.5% of their budget; other authorities spend 0.1% (shire counties and districts) 0.2 (London boroughs) or 0.3% (unitary authorities).

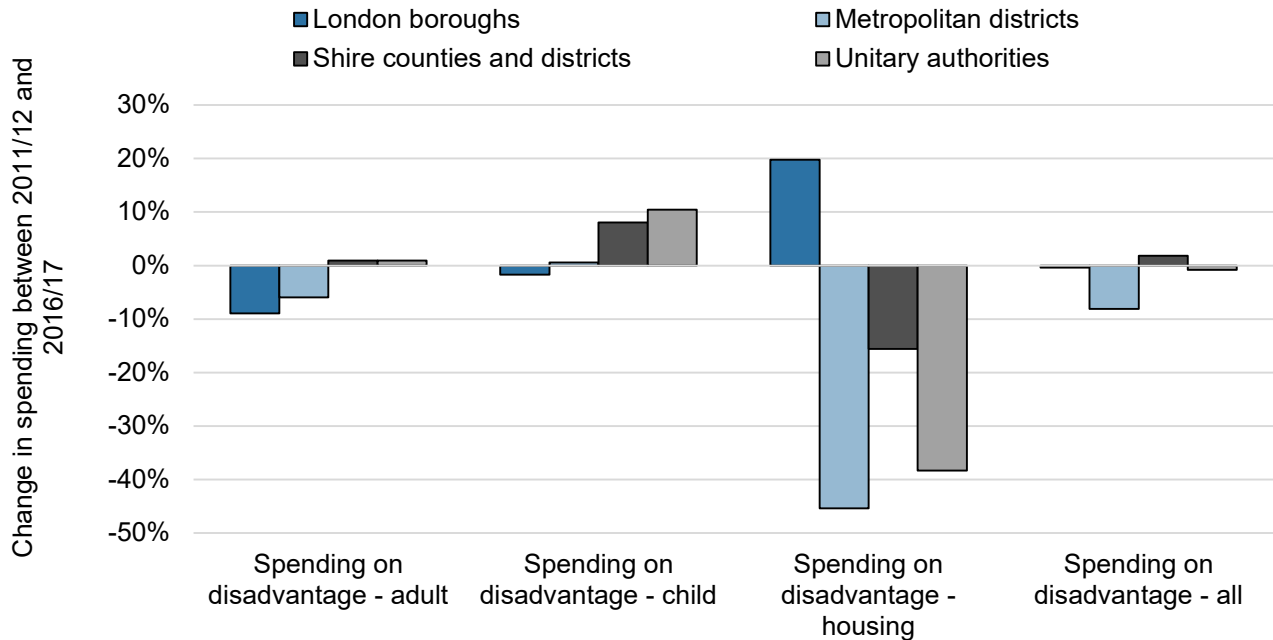
Figure 7 looks at how these categories of spending have changed for different types of council. Spending on adult social care has decreased between 2011/12 and 2016/17 across London boroughs and metropolitan districts and was flat at around 1% for shires and districts and unitary authorities. For London boroughs, spending on adult social care decreased by 9%. In total, spending on adult social care was cut by 2% in this period.

Spending on disadvantage in child social care has increased in shire counties and their districts by 8% and in unitary authorities by 10%. It increased by 1% in metropolitan districts. In contrast, London boroughs reduced this spending by 2%. This is the only spending area to see a total rise in spending of 5%.

Spending on housing reveals London as a clear outlier amongst local authorities. Spending on disadvantage in housing services has risen by 20%, or £153m, between 2011/12 and 2016/17.

In contrast, spending on disadvantage in housing has fallen drastically in both unitary authorities and metropolitan districts, by 38% and 45% respectively.

Figure 7. Change in spending on disadvantage by authority type.



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

When looking at total spending on disadvantage, metropolitan districts have made the largest cuts - cutting spending on disadvantage by 8%, largely due to their severe reduction in housing expenditure. The picture was generally flatter for other authority types: a less than 1% cut by London boroughs (skewed by housing spending on disadvantage), a 1% cut by unitary authorities, and a 2% increase by counties and their districts.

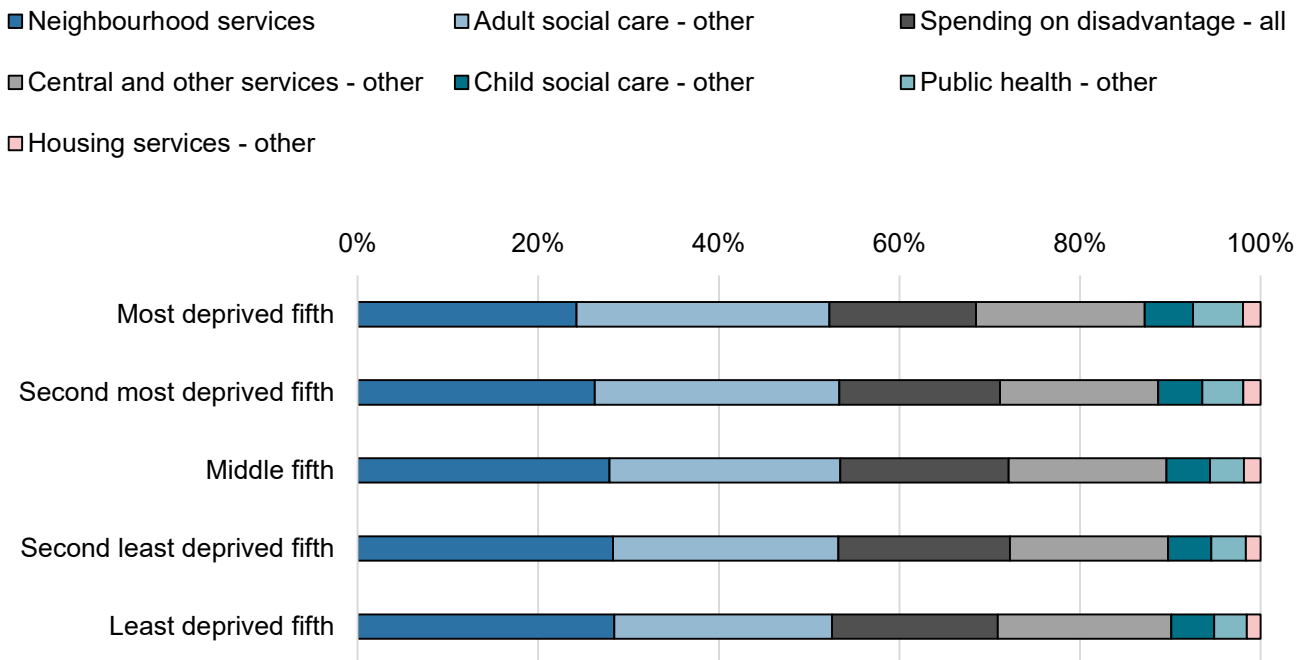
5.4. Variations in spending by level of local deprivation

More deprived local authorities receive more funding on the basis of higher need. In 2016/17 the most deprived fifth of local authorities spent £1,280 per person whereas the least deprived fifth of authorities spent £1,071 per person. Local authorities with different levels of deprivation also spend the funding they receive differently.

Councils in the most deprived fifth spend less on neighbourhood services than other local authorities (24% compared with 28% for the least deprived). They also spend the lowest proportion on adult social care excluding disadvantage (21% compared with 24% for the least deprived). Despite this, more deprived authorities are still spending more in cash terms per person on adult social care due to their higher spending overall. Other explanations for lower proportion of spending on adult social care excluding disadvantage by deprived authorities might include the younger age profile of their residents.

Local authorities in the most deprived fifth allocate 23% of spending to those facing disadvantage. This declines for less deprived authorities: 20% for the middle fifth, and 19% for the least deprived fifth of councils.

Figure 8. Composition of local authority spending by area deprivation



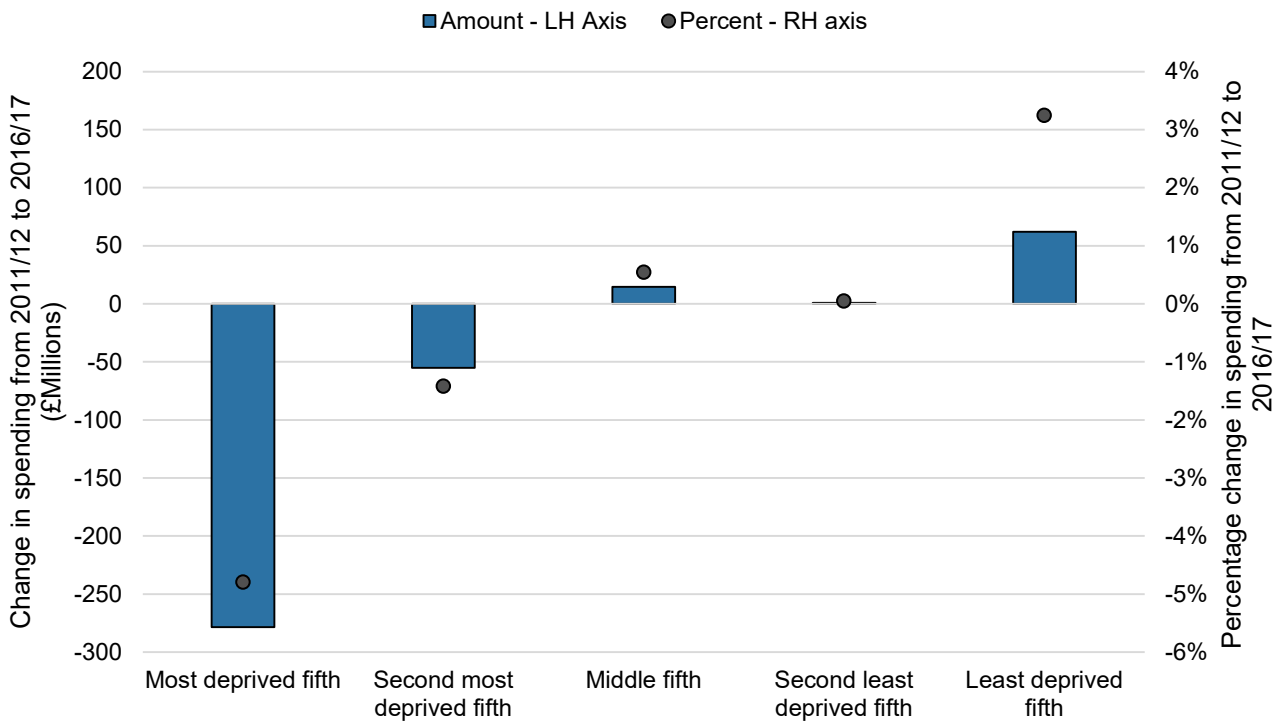
Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG.

Figure 9 looks at how spending on disadvantage has changed over time for councils based on their level of deprivation. Only councils in the bottom 40% for deprivation reduced this spending overall, with increases or freezes for the remaining 60% of councils. Between 2011/12 and 2016/17, the most deprived 20% of English councils reduced annual spending on disadvantage by £278m per year or 5%. Councils in the second most deprived fifth reduced annual spending on disadvantage by 1% or £55m. This means that the reduction in spending on disadvantage overall for English local authorities is overwhelmingly concentrated in the 20% most deprived, at 97% of the total. To phrase this another way: to the extent that there have been cuts in spending on disadvantage, they have happened almost exclusively in the most deprived areas of England.

This is partly explained by the reductions in core spending power, as has been discussed in section 5.2. Given local authority spending was previously based on a needs assessment, the unwinding of this has hit more deprived local authorities harder than anywhere else. Deprived local authorities experienced the largest reductions in their core spending power over this period, around 27%.

Another part explanation for this trend is that deprived councils are generally more populous than non-deprived authorities. 30% of people in England live in the 20% of most deprived local authorities, though this cannot explain the entire trend in the graph.

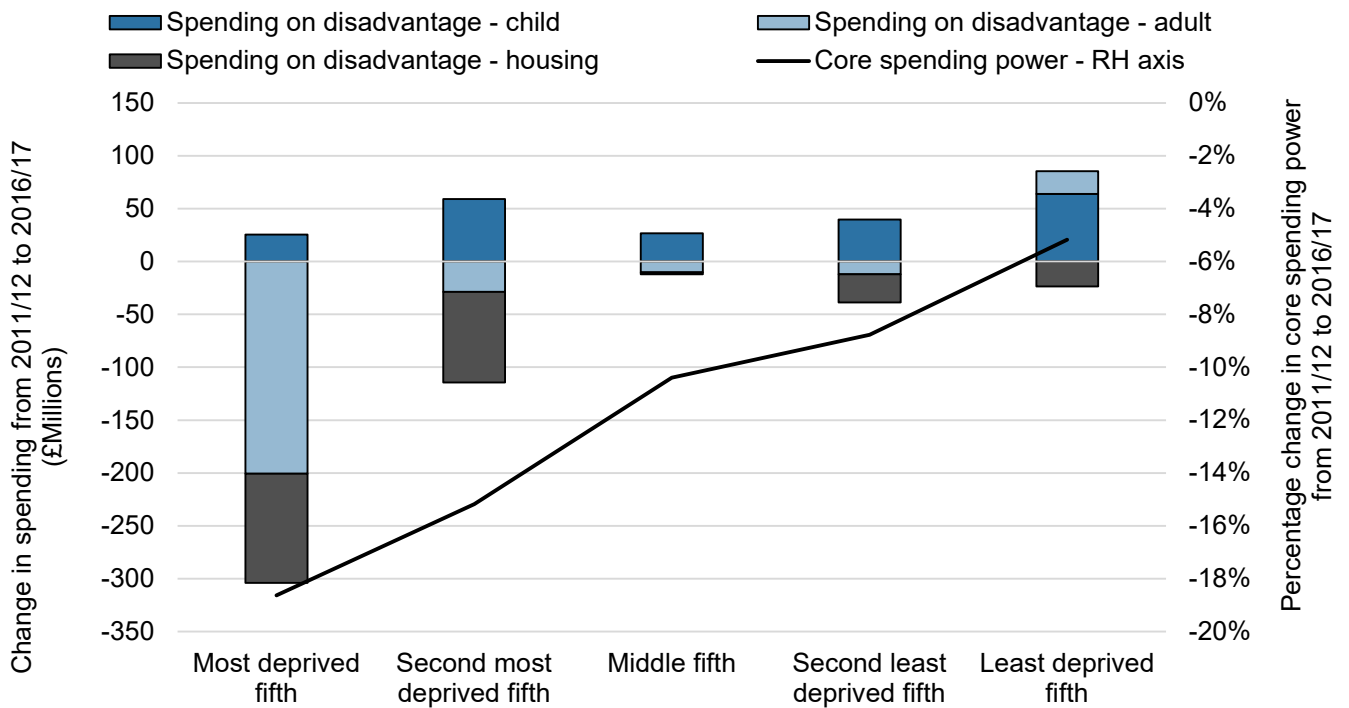
Figure 9. Change in spending on disadvantage by area deprivation.



Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG; Indices of Multiple Deprivation, MHCLG.

Figure 10 shows how more deprived councils reduced spending on disadvantage in adult social care services by more than other authorities (6% or £201m, compared with a 1% fall of £10m for authorities with middling levels of deprivation) and increased spending on disadvantage in child social care by less than other authorities (1% or £26m compared to 4% or £27m for authorities with middling levels of deprivation). The 20% **least** deprived local authorities increased adult social care spending on disadvantage by 2% or £21m and increased child social care spend on disadvantage by 14% or £64m.

Figure 10. Change in disadvantage spending by category and deprivation.

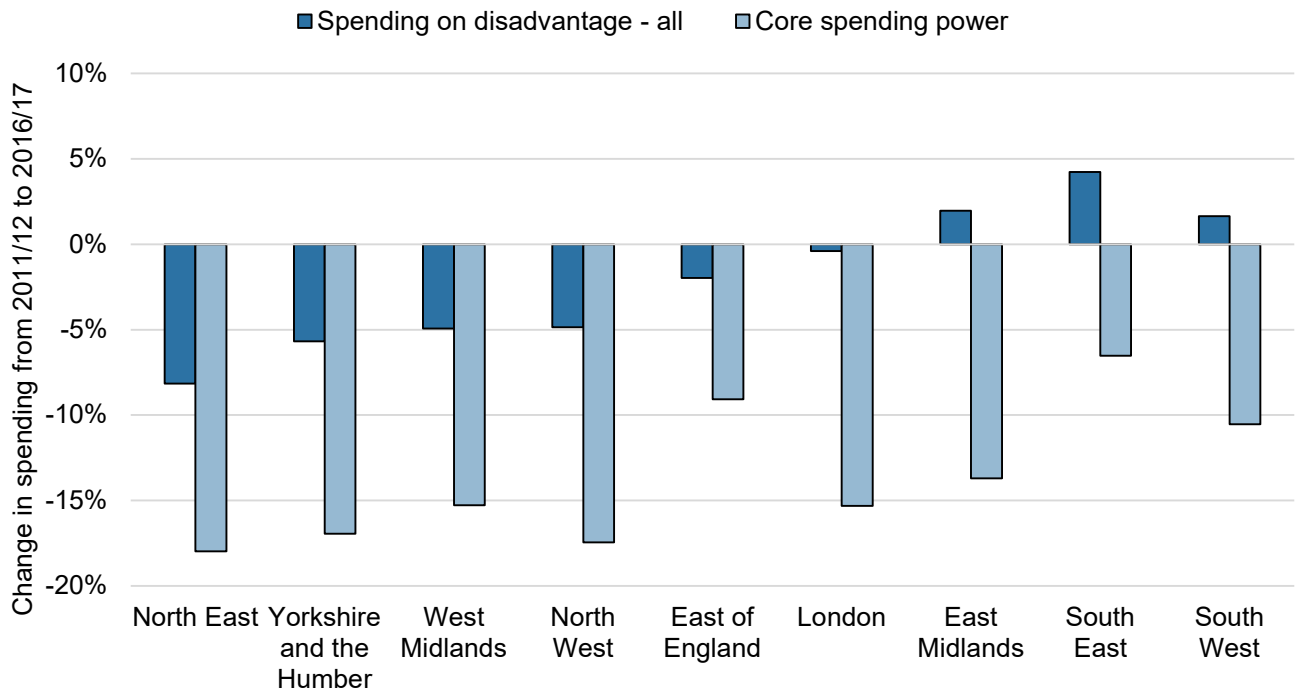


Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG; Indices of Multiple Deprivation, MHCLG.

The pattern is less clear for spending on disadvantage on housing services because inner London boroughs have had an increase in this spending due to rising homelessness, but many of them are amongst the most deprived local authorities. The fall in spending on disadvantage in housing for the 20% most deprived councils was 12%, whilst for the 20% least deprived it was 17%.

5.5. Variations in spending by region

Figure 11. Change in regional spend on disadvantage.



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

How authorities have maintained or reduced their spending on vulnerable populations varies regionally. There have been three regions with increases in their spend on disadvantage: the East Midlands (2%), the South East (4.2%), and the South West (1.6%). The South East and South West have correspondingly had the smallest reductions in core spending power over this period.

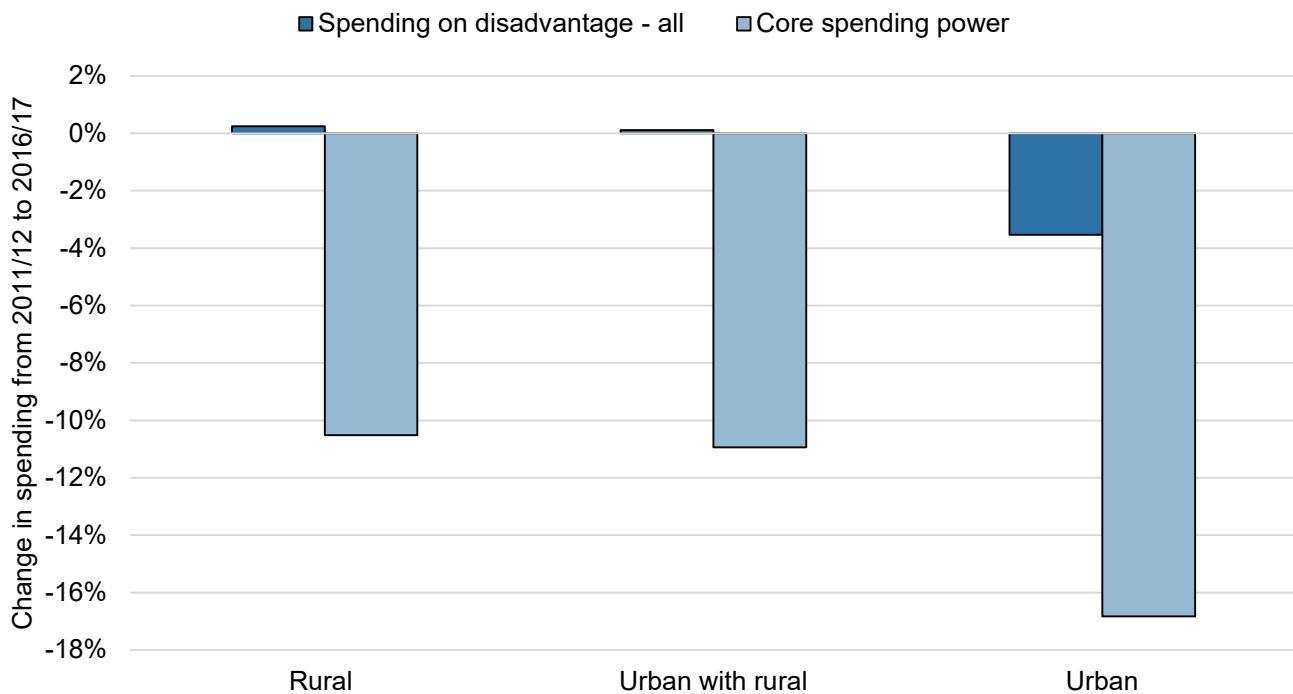
At the other end of the scale, the largest reductions in spending on disadvantage were in the North East (-8.2%), Yorkshire and the Humber (-5.7%) and then the West Midlands and the North West (both at -4.9%). These four regions also had the largest reductions in core spending power.

Several regions stand out for the disparity between their core spending power reduction and their change in spending on disadvantage. The East of England had a reduction in core spending power equivalent to the South East or South West, but reduced spending on disadvantage in contrast to an increase in these two regions. This could be indicative of differing spending priorities between councils in these regions, political choices, or may reflect different pictures of demand. Whereas both the South East and South West increased their spending on children’s services, the East of England cut spending by 3% in this category. Likewise the East of England cut spending on adult social care by 2%, whereas councils in the South East and South West increased this spending. However, it increased spending on vulnerable housing by 4% in contrast to these regions which cut spending in this category by 13% and 39% respectively.

The other two regions are London and the East Midlands, both of which had relatively large average reductions in core spending power (16% and 18% respectively), but low reductions in spending on disadvantage in London’s case, and an increase in the East Midlands case. For London, this is despite cuts on children’s social care (-2%) and large cuts to spending on disadvantage in adult social care. The low overall reduction, therefore, is largely due to rapidly increasing spending on providing housing support for rising statutory homelessness: London’s spend on disadvantage in housing has increased by 20%, whereas other regions have cut their housing spend by up to 52%. This implies a compositional shift in London’s spending on disadvantage, having to meet more housing-related need at the expense of social care.

5.6. Variation in spending by urban/rural

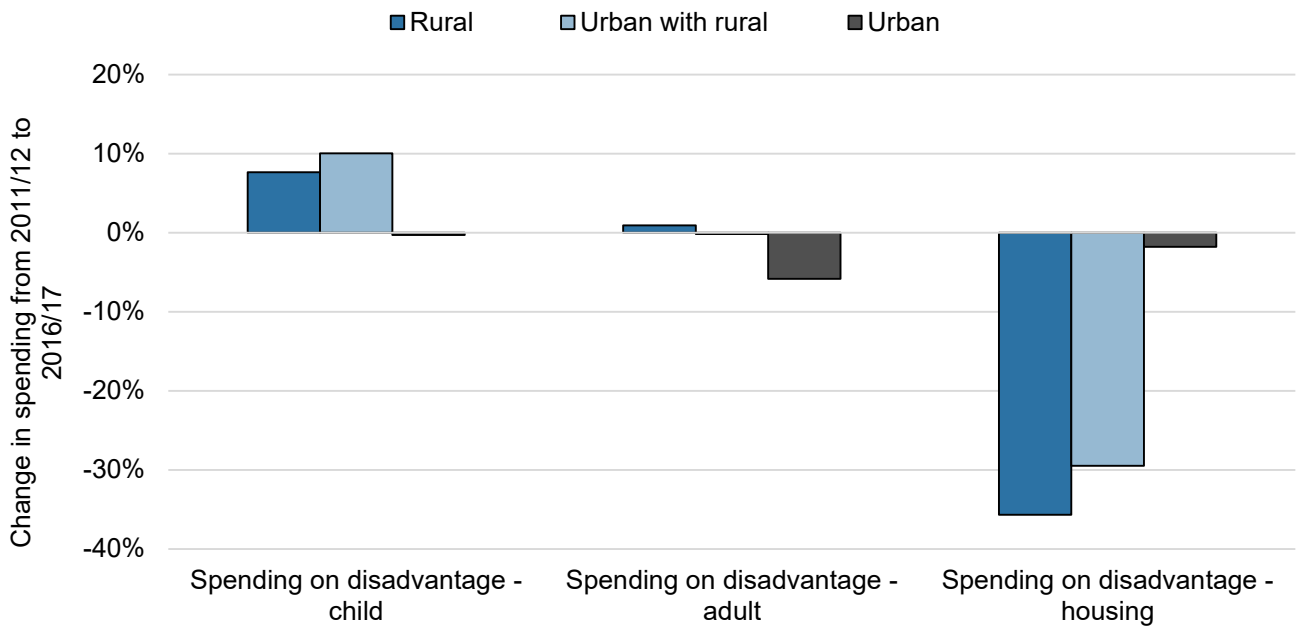
Figure 12. Change in spend on disadvantage by geographical classification.



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

Urban local authorities have been subject to marginally deeper cuts in their core spending power in the five years to 2016/17 than their rural or mixed counterparts. Urban areas have in aggregate reduced spending on disadvantage by 4%. Rural and mixed urban-rural areas have both had effectively no real change in this spending.

Figure 13. Change in spending on disadvantage by category and geography.



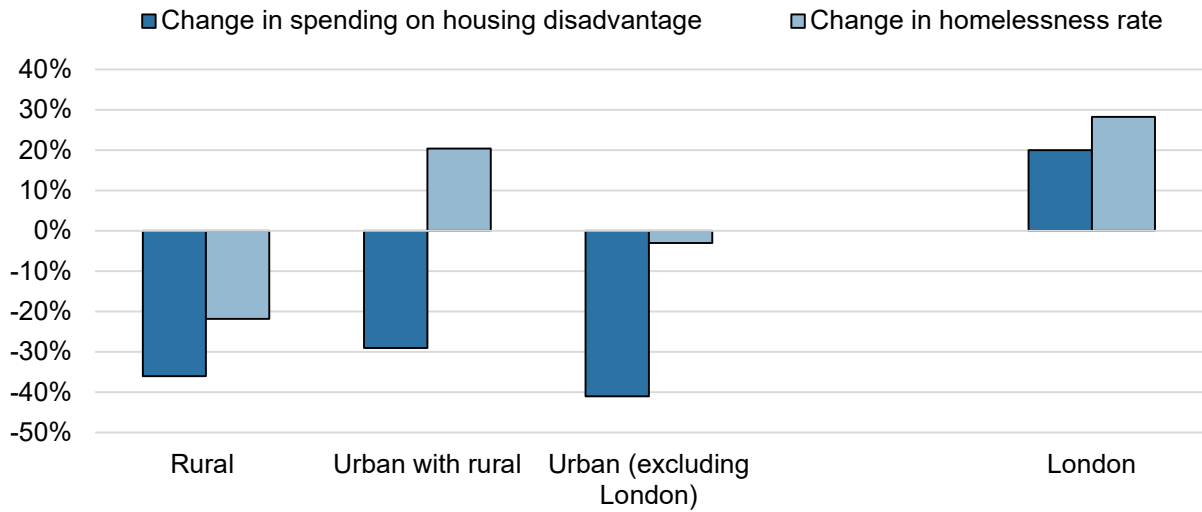
Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG.

By the three major spending categories, there has still been redistribution of resources even within the largely constant spending of rural and mixed types of authorities. Overall, rural and mixed councils have increased spending on disadvantage in child social care, kept spending on disadvantage in adult social care constant, and made large reductions within the housing budget. Rural areas have reduced spend on disadvantage in housing by 36%, and mixed areas by 29%.

Urban areas have a markedly different change in spending within their overall 4% reduction. Child social care spending has been effectively frozen, in contrast to the increases registered by rural and mixed areas. Spending on disadvantage in adult social care has been cut by 6%, whereas other area types held this spending constant. Urban areas reduced housing spending on disadvantage by only 2%, in contrast to the cuts of almost- and over one-third made by non-urban councils. While this may appear that urban areas in general are hamstrung in their ability to meet challenges in social care because of rising housing need, this is almost entirely a London effect. Urban areas excluding London boroughs reduced housing spending on disadvantage by just over 40%; more than mixed or rural areas, although housing is a bigger share of non-London urban budgets.

Figure 14 compares these reductions in housing spend for disadvantage with the percentage change in the homelessness acceptance rate in these types of area.

Figure 14. Comparing housing disadvantage spending and homelessness acceptances



Source: Local authority revenue expenditure and financing England: individual local authority data – outturn, MHCLG; Local authorities' action under the homelessness provisions of the 1985 and 1996 Housing Acts statistics, MHCLG.

Rural areas have had falls in the homelessness acceptance rate of 22%, though have reduced spending on housing disadvantage by 36%. London boroughs have had an almost 30% increase in the homelessness acceptance rate and increased spending by 20%.

Mixed urban/rural areas have had increases in homelessness and cuts to housing disadvantage spending. Urban areas outside of London, which have experienced some of the larger reductions in funding, have had a small fall in homelessness but a much larger reduction in housing disadvantage spending. As discussed in pages 35 and 36 of this report, different types of area have a different balance of spending on housing, with those outside London spending more on prevention. This larger prevention share may have allowed mixed urban/rural areas to reduce spending on housing disadvantage overall while still meeting statutory crisis functions despite rising homelessness.

5.7. Summary

Almost the entire burden of the reduction in spending on disadvantage has been concentrated in the 20% most deprived councils. In contrast, the least deprived councils have increased spending on disadvantage. This reflects the larger cuts in revenue deprived councils have experienced.

Different types of council have faced different demand pressures, and so have responded to revenue cuts differently. The most striking case is London, which as a result of the housing crisis has increased spending on housing disadvantage, in contrast to cuts ranging from 16% to 45% elsewhere. London's homelessness acceptance rate has increased by 30%, and it has increased spending by 20%. London's housing pressures are distorting its changes compared to other types of council: London councils have cut spending on disadvantage in adult social care more than other areas and cut spending on disadvantage in child social care rather than increase it.

The biggest reductions in spending on disadvantage have been by metropolitan districts: 8% reductions compared to smaller cuts or increases by unitary authorities, London boroughs, and shires and districts. Metropolitan districts are generally northern cities with high levels of deprivation.

6. Conclusions and policy implications

6.1. Summary of findings

This report has examined what has happened to spending on disadvantage by English local authorities. After allowing for inflation, spending on disadvantage by local authorities fell 2% or £290m annually compared with 2011/12. This overall figure obscures some differences at the detailed level. For example, spending on disadvantage in child social care increased by 5% over this period, while spending on services for disadvantage in adult social care fell 2% and disadvantage in housing services fell 13%. Individual services often faced more severe cuts – for example, spending on youth justice programmes has fallen 24% since 2013/14.

Preventive services, such as the Supporting People programme, local welfare assistance or carer and family support have also been cut by more, ranging from 5% to 46%, with funding diverted to crisis services.

There are variations across different types of authority, but the most striking relationship is between area deprivation and cuts to spending on disadvantage, with almost all reductions in spending on disadvantage (97%) happening in the 20% more deprived council areas. There have also been larger reductions for local authorities in the north of England and the West Midlands, particularly northern cities.

Interpretation of these statistics is rarely straightforward. Our approach based on government spending lines does not capture qualitative changes in how services are used: for example, family support services have become more targeted on deprived children but, reflecting their status at the start of the decade, have not been classified for the purposes of our analysis as spending on disadvantage.

Even where there have been increases in spending, this seems to have been driven by rising demand such as in the cases of homelessness crisis spending or looked-after children. This is especially likely to be so when provision of the service – and therefore the associated spending – is a statutory requirement.

Reducing spending, or spending inadequate to matching increases in demand, has consequences for the groups that rely on these services. For example, since 2010 the proportion of households leaving temporary accommodation within six months has fallen. There is some evidence of increased ‘gatekeeping’ by local authorities, which can mean people turned away from homelessness advice and services.⁴⁸ For substance misuse programmes, the consequences can include “larger caseloads, declining access to workforce development, limited core services, less

⁴⁸ Alden, SL (2015) On the frontline: the ‘gatekeeper’ in statutory homelessness services. *Housing Studies*. 1 - 20 (20).

outreach, less access to employment, training and education provision, and less capacity to respond to complex needs.”⁴⁹

6.2. Implications for policy

The landscape for local government funding has changed considerably over the time period covered by this research. The current movement is towards improving incentives for local economic development for authorities by allowing them to keep more business rate uplift, and conversely, accept more of the reduction if there is a fall in business rates. At the same time, local government is being given more responsibility, such as more duties towards homeless households under the Homelessness Reduction Act.

The research in this report has noted that more deprived areas have cut spending on disadvantage more than less deprived areas, and that nearly the entire reduction in this spending has happened in the 20% of most deprived councils. Research by the Institute for Fiscal Studies finds there is an inverse relationship between revenue-raising power and assessed need, and that business rates retention is likely to exacerbate the gap between these two.⁵⁰ With little or no connection between the factors which drive the demand for spending on disadvantage and the factors whose growth provides the resources to meet that demand, namely local taxes on properties and businesses, the prospects for a recovery in this spending in many areas remain bleak.

Given reductions in preventive work, there may be further pressures on need coming down the line. This creates a negative cycle: reductions in prevention create further crisis cases, which reduce the scope for further prevention work. Given previous evaluations of the cost effectiveness of prevention work, this is particularly unfortunate: for example, a 2009 study found a net financial benefit of £3.4bn per year relative to a £1.6bn investment for the Supporting People programme.⁵¹ Central government should consider how it can help local government break this cycle.

The association between deprivation and cuts to spending on disadvantage has regional implications as well. A recurring theme throughout this report has been that London’s requirement to deal with housing stress has reduced its ability to deal with other problems, given its lower increases in spending on disadvantage in child social care and larger decreases in other categories of spending on disadvantage.

What should the objectives be for supporting those facing disadvantage?

After eight years of spending cuts, with no end yet in sight for local government, there are several important questions to be answered: how should those facing disadvantage be supported, and what system of finance best supports that? Increasingly, the support that those facing

⁴⁹ blenheimcdp.org.uk/how-are-funding-cuts-affecting-drug-and-alcohol-services/

⁵⁰ Amin Smith, N., Phillips, D., & Simpson, P. (2018). *100% business rate retention pilots: what can be learnt and at what cost?* London: Institute for Fiscal Studies.

⁵¹ DCLG (2009). *Research into the financial benefits of the Supporting People programme, 2009*. London: Department for Communities and Local Government.

disadvantage receive is dependent on the economic success of their local authority and not their level of need. This could create a postcode lottery for services. The research in this report suggests a few key requirements for a local government finance system which allows for:

- Adequate support for those facing disadvantage
- Incentivises prevention
- Provides a minimum set of standards for essential services.

Given this, the two key considerations are around prevention and standards. One of the findings on housing in this report, and on children's services from other research, is that preventive services are being cut in favour of maintaining crisis services. Maintaining statutory services and substantial funding cuts align local authorities' incentives towards this route. Central government should consider how the funding system might realign these incentives towards preventive services. A coalition of children's charities suggested early intervention top-up funding for councils after the general revenue grant is phased out, which is one option worth looking at.⁵²

The other key consideration is maintaining minimum standards for essential services. Those devolved without any statutory requirements and with inadequate funding, such as local welfare assistance, risk fading away altogether. This contrasts with the relative protection (some) statutory services have received. The prevailing direction of the local government finance system is away from needs-based funding settlements. If this is to be the case, there needs to be more substantial 'safety net' features in place than those under consideration to prevent deprived areas – and the people facing disadvantage who live in them – from falling further behind.

⁵² Action for Children, National Children's Bureau, and the Children's Society (2017), *Losing in the long run: Trends in early intervention funding*.