

Agenda Item No 8

Executive Board

8 July 2020

Report of the Chief Executive

Devolution White Paper

1 Summary

- 1.1 This report asks Members to note prospective developments in Government policy regarding further devolution to Local Government and other related changes.

Recommendation to the Board

- a) That the report be noted;**
- b) That this Council participates in the review of Local Government in Warwickshire as set out in the report;**
- c) That the Chief Executive be given delegated authority to provide comments on behalf of this Authority on the brief for that review, agree the final brief and agree a financial contribution to that work, all in consultation with the Leader of the Council and Leader of the Opposition; and**
- d) That the Leader of the Council be appointed as this Council's Member representative on any working group to consider this work across the County or region.**

2 Report

- 2.1 Members will be aware that the Government intends to publish a White Paper in the autumn on further devolution to regions, as set out in the Queen's Speech delivered before Christmas. It has been widely reported that in considering the devolution and "levelling-up" agenda there will need to be reform of local government, especially in two-tier areas.
- 2.2 In order to ensure that this Council and the people it represents are prepared and able to influence the debate on this issue, it is suggested work should commence now on undertaking a review of the local government structures within the County. It is proposed that this review should be jointly commissioned by all of the Districts, Boroughs and the County Council and that the results should then be used for submissions to Central Government in proposing any changes necessary. It is also suggested that the Warwickshire Association of Local Councils be invited to join this review as well.

- 2.3 Whilst the detail of the White Paper is not yet confirmed there are a number of issues and pressures that a review will need to address, some of which have been caused, made worse and/or made more apparent by the current COVID19 outbreak. These include the financial pressures on local government and other local agencies, the need for new services or arrangements related to health and social care, changing demographics and ways of life, changes elsewhere in local arrangements (for example elected mayors), the reduction by the public overall in engagement with government at all levels and a general sense of frustration in communities being able to influence decision making or the responsiveness of decision takers.
- 2.4 It is expected that in undertaking the review each of the potential options for local government reorganisation will need to be assessed against jointly agreed criteria, which are expected to include areas such as the need to:
- Reflect and deliver a clearly understood sense of place;
 - Provide clarity of local community political leadership to local people, to government and to other public agencies for a clearly understood sense of local place;
 - Offer clarity of vision reflecting community ambitions for a clearly understood sense of place;
 - Deliver effective and efficient arrangements for the provision of quality services whether directly, indirectly or shared, to achieve the set vision for community ambitions for a clearly understood sense of place;
 - Deliver wider improvements to public sector service delivery arrangements for the local community for a clearly understood sense of place.
- 2.5 Whilst it will be up to the review to identify what options will need to be considered for such a review, it is likely that there are at least three that would need to be fully evaluated including:
1. Status Quo – no changes from the present political/administrative arrangements;
 2. Single Council Unitary Warwickshire - the creation of a Warwickshire wide unitary authority
 3. Two Council Unitary Warwickshire - in relation to this option government have already stated “*any new unitary council’s population would be expected to be in excess of 300,000*”. The current population of Warwickshire is estimated to be 571,010 (mid 2018) and by 2030 would be in excess of 600,000, and therefore would lend itself to a maximum of two authority areas.
 4. An area wider than Warwickshire, for example by way of joining up with other West Midlands areas such as Coventry and Solihull.

- 2.6 Members will also be aware that Stratford on Avon District Council and Warwick District Council are discussing closer ties, including the option of becoming one organisation and this will also be considered (either as part of option 3 or within the context of remaining as a two tier area). In addition the relationship between any new Council(s), the existing elected Mayor for the West Midlands and/or any other proposed elected Mayors will also need to be considered.
- 2.7 Attached as the appendix to this report is a Briefing Paper in relation to “*Local government in England; structures*” which was prepared for the House of Commons library and provides further information on the options and likely issues to be involved in such a review.
- 2.8 At this stage the cost of undertaking the review of options has not been determined. In addition it is as yet unclear how many of the other local authorities will wish to participate in the review as this Council will be one of the first to consider the matter formally. However, it is thought the cost to this Council would be in the region of £20,000 and it is suggested that delegated authority be given to the Chief Executive in consultation with the Leader of the Council and Leader of the Opposition to finalise any of the arrangements relating to this work that can not wait for the next meeting of this Board on 21 September 2020.

The Contact Officer for this report is Steve Maxey (719438).



BRIEFING PAPER

Number 07104, 8 June 2020

Local government in England: structures

By Mark Sandford

Inside:

1. Local government structures
2. Functions of local government
3. Elections to local government
4. Boundary changes and restructuring
5. Local government finance
6. Structures: history



Contents

Summary	3
1. Local government structures	4
1.1 Local authorities in England	4
1.2 Fire and rescue authorities / Police and Crime Commissioners	4
1.3 Other authorities	5
2. Functions of local government	6
2.1 Intervention in local government	6
3. Elections to local government	8
3.1 Electoral systems and wards	8
3.2 Elections by halves and thirds	9
3.3 The franchise	9
3.4 Turnout	9
4. Boundary changes and restructuring	10
4.1 Creating a unitary authority	10
4.2 District council mergers	10
4.3 Structural changes since 2010	11
4.4 Government guidance	12
4.5 Consent for structural change	13
5. Local government finance	15
5.1 Sources of finance	15
Council tax	15
Business rates	15
Central government grants	15
Local fees and charges	16
5.2 The Local Government Finance Settlement	16
Funding included	16
Annual practice	16
6. Structures: history	18
6.1 Pre-1972	18
6.2 The 1972-74 reforms	18
6.3 Structural changes since 1972	19
Table: changes to local government structure in England since 1972	19
Appendix: functions of local authorities in England	21

Summary

This note contains basic details of the structure and functions of English local government. It outlines the system of counties, districts and unitary authorities), and other bodies such as fire and rescue authorities, combined authorities, and Police and Crime Commissioners.

Section 3 explains the system of local government elections, including the systems of electing by 'halves' and 'thirds' used in many local authorities. It also provides details of the local government franchise (those eligible to vote).

Section 4 provides details of the legal process for structural change in English local government. This includes the merger of district councils and the creation of 'unitary authorities' to replace 'two-tier' local government – i.e., county and district councils. Section 4 provides details of current restructuring plans and recent changes, and discusses Government guidance on proposals for unitary local government. The Appendix provides a breakdown of the division of responsibilities between county and district councils in two-tier areas.

Section 5 provides brief details of the financing of English local government, including an explanation of the annual Local Government Finance Settlement. Additional details can be found in the Library briefing [Local government finances](#), and details of the 2020-21 settlement process can be found in the Library briefing on the [Local Government Finance Settlement 2020-21](#).

Section 6 provides some historical information about the development of local government in England.

1. Local government structures

1.1 Local authorities in England

The systems of local government in each part of the UK have developed separately, though often in parallel. This note focuses on local government in England: local government is devolved to Scotland, Wales and Northern Ireland. It outlines the structure and functions of English local government, together with elections and historical development.

English local government is divided in some areas into county councils (the upper tier) and district councils (the lower tier). A major reform in 1972 established county and district councils throughout England, Wales and Scotland (excluding three Scottish island authorities). Since then, unitary authorities have been established in a number of areas. The creation of unitary authorities has frequently been contingent on Government policy, or local initiative, at a given time, rather than any rationale relating to local economy, geography or identity.

The two tiers have distinct functions, though they overlap in some matters. In other areas, 'unitary authorities' carry out all local government functions. There are 339 local authorities in England, of which 25 are county councils, 188 are district councils, and 126 are single-tier authorities. Of the latter, 33 are London boroughs and 36 are metropolitan boroughs.¹

Additionally, a further tier of parish and town councils exists in some parts of England (see the Library standard note [Parish and town councils: recent issues](#)): these number some 10,000 across England. District, county and unitary authorities are sometimes referred to as 'principal councils' to distinguish them from parish and town councils, whilst parish and town councils sometimes refer to themselves as 'local councils' to distinguish themselves from principal councils.

Wales has 22 unitary authorities (also known as county councils or county borough councils), and Scotland has 32 unitary authorities. Both Wales and Scotland also contain 'community councils', roughly equivalent to parish and town councils in England. As of 2014, Northern Ireland has 11 district councils, but does not have (and has never had) an equivalent to parish and town councils.

1.2 Fire and rescue authorities / Police and Crime Commissioners

There are 45 fire and rescue authorities in England (including the London Fire Commissioner) and three in Wales. Some are 'combined fire authorities', covering more than one upper-tier local authority area.

¹ These figures take account of recent and proposed mergers, including new authorities in Buckinghamshire and Northamptonshire which have been formally established but have yet to hold their first elections at the time of writing: see section 4 for more information.

5 Local government in England: structures

Others cover a single upper-tier area, and may form a department of the county or unitary authority.

There are 38 Police and Crime Commissioners (PCCs) in England, including the Mayor of London, plus four in Wales. Police and Crime Commissioners are directly-elected, with elections taking place in 2012, 2016 and 2021.

PCCs have the power to take on responsibility for fire and rescue in their area. As of May 2020 this has taken place in Essex, North Yorkshire, Northamptonshire and Staffordshire. In addition, the directly-elected mayoralities in Greater London and Greater Manchester are each responsible for both functions.

In England, the boundaries of each of these types of authority are mostly based on the county areas established under the *Local Government Act 1972* (see section 5.2 below).

Both Scotland and Northern Ireland have a single fire and rescue service and a single police service, but no directly-elected PCCs.

1.3 Other authorities

The Common Council of the City of London, and the Council of the Isles of Scilly, are often described as 'sui generis' (unique) authorities. In functional terms they are unitary authorities, despite their very small populations (they are included in the figures given in section 1.1 above). It is common for Acts of Parliament to mention specifically that they extend to each of these areas.

The Greater London Authority exercises a range of functions in transport, policing, planning, fire and rescue, housing and economic development. It is not a local authority for most purposes and is not included in the figures in section 1.1. In other parts of England, central government manages some of the functions that it undertakes for London. Further details can be found in the Library briefing paper CBP05817, [The Greater London Authority](#).

Ten combined authorities have been established in England under the [Local Democracy, Economic Development and Construction Act 2009](#). These are not local authorities but joint legal bodies through which groups of authorities can work together. They too are not included in the figures in section 1.1. Further information is available in the Library briefing paper [Devolution to local government in England](#).

Local authorities may establish joint waste authorities under section 205 of the *Local Government and Public Involvement in Health Act 2007*. Four have been established in London (West London, North London, Western Riverside, and East London) with others in Greater Manchester (excluding Wigan) and Merseyside. The Greater Manchester Combined Authority absorbed the waste authority on 1 April 2018.

2. Functions of local government

A breakdown of the functions of county and district councils in two-tier areas can be found in the Appendix. Councils in single-tier areas undertake all of these functions. Some are 'concurrent' responsibilities, which may be undertaken by either tier of government.

Under section 101 of the [Local Government Act 1972](#), counties and districts are at liberty to agree to undertake functions for one another. If they do so, the responsibility for the function remains with the council to which it belongs in law.

Many public services are delivered by national organisations that are not accountable to local government. Examples include health services (via the NHS), welfare benefits and employment services, probation, and prison services.

Many further national organisations have been established by Government to carry out functions and/or distribute funding, but they are not accountable to local government. Examples include the Environment Agency, Natural England, the Homes and Communities Agency, Highways England, the Arts Council, the Skills Funding Agency and the Education Funding Agency. Many local authorities will have working relationships with these bodies, but they are accountable to their sponsoring central government department. They are often known as non-departmental public bodies (NDPBs), or 'quangos'.

All parts of England are covered by (at least) one Local Enterprise Partnership. These are voluntary bodies, established in 2010-11 to co-ordinate economic development and growth policy in local areas. They have a close working relationship with local authorities (and any combined authority) in their area, frequently with councillors sitting on their management boards, but they are not formally accountable to local authorities. Further details can be found in the Library briefing paper [Local Enterprise Partnerships](#).

2.1 Intervention in local government

In England, the Government has broad legal powers to intervene in the running of a local authority, which permit the takeover of any local functions by the Secretary of State or appointees. Intervention takes place under section 15 (6) of the [Local Government Act 1999](#).

Each intervention begins with a formal direction notice. Typically powers are returned to the local authority after a period of years, although they may not all be returned at once. Some interventions have been preceded by reports based on 'best value' inspections, though this is not a legal requirement for an intervention to take place.

Formal Government interventions in the running of local authorities are rare. The circumstances of each intervention have been quite different. For instance, the Government intervened in Rotherham MBC in the light of a report on child sexual exploitation in the borough by Dame Louise

7 Local government in England: structures

Casey. An earlier intervention in Hackney was focused on social services, education and waste management.

To date, eight interventions have taken place under the 1999 Act:

- 1 London Borough of Hackney (2001-2007)
- 2 Hull City Council (2003-2006)
- 3 Stoke-on-Trent City Council (2008-2010)
- 4 Doncaster Metropolitan Borough Council (2010-2014)
- 5 London Borough of Tower Hamlets (2014-2017)
- 6 Rotherham Metropolitan Borough Council (2015-2019)
- 7 Anglesey Council (2009-2013: intervention by Welsh Government)
- 8 Northamptonshire County Council (2018-present)

In each case, the Secretary of State (the Welsh Ministers in Wales) appointed 'commissioners' to take over certain functions of the councils in question. The breadth of commissioner responsibilities has varied between the interventions.² The Communities and Local Government Committee examined two interventions in its 2016 report [*Government interventions: the use of Commissioners in Rotherham and Tower Hamlets*](#).

There is no fixed policy governing when the Government should intervene in a local authority. In its evidence to an inquiry by the Communities and Local Government Committee in 2016, the Government stated that statutory intervention was very much a last resort:

Statutory intervention ... is part of wider strategies that the Government uses to monitor risk and ensure accountability in local government. ... It acts as an effective backstop should significant failings be identified.³

² See Clive Grace, Steve Martin, Tim Allen and Mike Bennett, evidence to Communities and Local Government Committee, June 2016

³ DCLG, [*Evidence submitted by the Department for Communities and Local Government*](#), CLG Committee inquiry, June 2016

3. Elections to local government

3.1 Electoral systems and wards

Local authorities in England and Wales use the First Past the Post electoral system. Local authorities in Scotland and Northern Ireland use the Single Transferable Vote, with multi-member wards.⁴

Local authorities are divided into wards, represented by councillors. Wards are based on parish areas where they exist. The [Local Government Boundary Commission for England](#) carries out 'electoral reviews', of ward boundaries in England, as it sees fit. Up to 2009 there was a statutory requirement for every authority to be reviewed every 10-15 years.⁵ Currently, reviews take place at the discretion of the Commission.⁶ Its current practice was outlined in a response to a Parliamentary Question in February 2019:

The [Boundary] Commission administers a rolling programme of electoral reviews and can include local authorities if they meet one or more of the following criteria:

- If a council has high levels of electoral inequality, where some councillors represent many more, or many fewer, voters than the average for the local authority area. The Commission targets authorities where the number of electors in 30% or more wards or divisions varies from the average of the council by 10% or more. Where one ward or division varies by 30% or more, the Commission will also consider carrying out a review. In both cases, the Commission will carry out a review if it believes the variances will not be corrected, without a review, within a reasonable period of time.
- If a council has not undergone an electoral review in more than 12 years.
- Where the Commission has been asked to carry out an electoral review.⁷

Ward boundaries are required to take account of community identity and the need to achieve 'effective and convenient local government'. There is no requirement for ward boundaries to take account of Parliamentary constituencies, though county ward changes should have regard to district wards and vice versa.

Some local authorities have single-member wards, whilst others have multi-member wards. In each case, under the First Past the Post system, voters can vote for as many councillors as there are vacant seats. Therefore, if all three members of a three-member ward face re-election on the same date, the elector will have three votes. The major political parties commonly put forward as many candidates as there are seats

⁴ See the Library standard note [Voting systems in the UK](#) for further details of each of these.

⁵ See section 13 (3) of the [Local Government Act 1992](#).

⁶ See section 56 (1) of the [Local Democracy, Economic Development and Construction Act 2009](#).

⁷ House of Commons [PQ 222690 2017-19](#)

available in the ward. It is common for all councillors in a multi-member ward to come from the same party.

3.2 Elections by halves and thirds

Some local authorities elect 'by thirds'. Each councillor serves for a four-year term, with elections held for one-third of councillors each year, followed by a fourth year with no elections. This pattern is common in metropolitan councils, and it is also used in some district councils, with the fourth year being used for the county council elections. A small number of councils elect by halves (half of the councillors retiring every two years). In such councils, it is possible for the political balance – and hence the council leadership - to change at each election.

The Government has published [a list of councils and their electoral patterns](#).

A council electing by thirds or by halves may resolve to change its electoral cycle so that all councillors are elected every four years.⁸ A council cannot make the opposite change – i.e. moving from full elections to electing by thirds or by halves – unless it is reverting to a pattern of electing by thirds or by halves that it has used in the past.⁹ A two-thirds majority of all councillors voting is required for either of these changes.

3.3 The franchise

Individuals who are citizens of the UK, Republic of Ireland, a Commonwealth country or a member state of the European Union and who are 18 years old or over, and resident in the UK, may register to vote in local elections in the UK. In Scotland, the voting age for local and devolved elections is 16 years or over. In Wales, a Bill lowering the voting age for local elections to 16 years is currently in the Senedd.

3.4 Turnout

Turnouts for UK local government elections have long been far lower than those for general elections. Despite some claims to the contrary, this is not a recent phenomenon but can be traced back to the establishment of UK local government. Average turnouts in UK local elections have varied between 30% and 45% since 1980, except for local elections which coincide with Parliamentary elections, which typically attract a similar turnout to Parliamentary elections. More detailed figures are available in the Library standard note [Elections: turnout](#) (SN01467).

⁸ See [Local Government and Public Involvement in Health Act 2007](#), s31-36.

⁹ *Ibid.*, s37-52.

4. Boundary changes and restructuring

4.1 Creating a unitary authority

The procedure for the creation of a unitary authority can be found in sections 1-7 of the [Local Government and Public Involvement in Health Act 2007](#).

The Secretary of State can 'invite' a proposal from a local authority to make a proposal for a county or district, or group of districts, to become unitary. The [Local Government Boundary Commission for England](#) (LGBCE) can be, but need not be, asked for advice on any matter related to the proposal. Regulations may be made covering how local authorities should go about preparing their proposal. The Secretary of State may then make an order implementing the proposal, or s/he may reject the proposal.

The regulations must be approved by both Houses of Parliament. In practice, such regulations are normally debated in the Lords but not in the Commons.

The Government has published guidance indicating the criteria on which it would assess proposals for mergers or restructuring (see section 4.4 below). This replaces previous guidance which applied to the 2007-09 'round' of restructuring.¹⁰

4.2 District council mergers

Where two district councils wish to merge into a single district council, a separate procedure exists, in sections 8-10 of the 2007 Act. Under this procedure, the LGBCE may undertake a review at the request of the Secretary of State **or** of a local authority. The review may propose boundary changes, including the alteration of a boundary, the abolition of a 'local government area' (i.e. a council area), and the constitution of a new local government area.

This legal procedure would also be used to implement a proposal to divide a council into two or more councils. However, no district council units have been divided since the 1972 reorganisation. The trend in recent decades has been towards larger rather than smaller units, as reflected in the Government's current criteria for structural change (see section 4.4 below).

The creation of new parish councils is also a separate legal procedure. This takes place under part 4 of the [Local Government and Public Involvement in Health Act 2007](#). Further details can be found in the Library briefing paper [Parish and town councils: recent issues](#).

There is no legal procedure to 'promote' a parish or town council to become a district council or unitary authority. Any attempt to create a

¹⁰ DCLG, *Invitation to councils in England to make proposals for future unitary structures*, 2006

new district council would have to take place under the procedure outlined above. There would be no formal role for a pre-existing parish or town council.

4.3 Structural changes since 2010

The financial pressures on local authorities during the 2010-15 Parliament led to calls from some quarters for the creation of more unitary authorities, as a means of saving money.

The 'Heseltine report', *No Stone Unturned*, proposed a fully unitary system of local government for England in late 2012. The Government rejected this recommendation, stating that it would prefer "authorities not to be distracted by structural change".¹¹ This reflected the views of the then Secretary of State, Eric Pickles, who opposed any suggestions of reorganisation during his tenure from 2010 to 2015.¹²

The following changes have taken place to local authority boundaries in England since 2010. The first three new councils in the table below are merged district councils, and the remainder are new unitary authorities. The net effect has been to increase the number of unitary authorities by 3, to decrease the number of district councils by 17, and to decrease the number of county councils by 3 (as Buckinghamshire and Dorset are now regarded as unitary authorities rather than county councils).

Table: changes to local government boundaries in England, 2010-

New council	Predecessor councils	Date of first elections	Orders
Somerset West & Taunton	Taunton Deane DC, West Somerset DC	2019	Order Lords debate
East Suffolk	Suffolk Coastal DC, Waveney DC	2019	Order Lords debate
West Suffolk	Forest Heath DC, St Edmundsbury DC	2019	Order Lords debate
Bournemouth, Christchurch and Poole	Bournemouth, Poole, Christchurch DC, Dorset CC (part)	2019	Order Lords debate
Dorset	Dorset CC (part), East Dorset DC, West Dorset DC	2019	Order

¹¹ DCLG, [Government response to the Heseltine Report](#), Cm 8587, 2013, p.54; [HCDeb 12 Nov 2012](#) cc7-8

¹² See, for instance, [HCDeb 12 Nov 2012](#) c8; [HCDeb 21 Oct 2010](#) c1155.

	Dorset DC, North Dorset DC, Purbeck, Weymouth & Portland		Lords debate
Buckinghamshire	Buckinghamshire CC, Wycombe DC, Chiltern DC, South Bucks DC, Aylesbury Vale DC	2021 (postponed from 2020)	Order Lords debate
West Northamptonshire	Daventry DC, South Northamptonshire DC, Northampton BC, Northamptonshire CC (part)	2021 (postponed from 2020)	Order Lords debate
North Northamptonshire	Corby BC, Kettering BC, Wellingborough BC, East Northamptonshire DC, Northampton CC (part)	2021 (postponed from 2020)	Order Lords debate

Other proposed mergers have not gone ahead: for instance, a merger between Babergh and Mid-Suffolk district councils was postponed in early 2018, and one between West Devon and South Hams district councils was rejected in October 2017.

Unitary local government has also been mooted in a number of other localities, including East Lancashire, Cumbria, Leicestershire, Oxfordshire, Hampshire and Lincolnshire.¹³ Of these, Oxfordshire submitted a formal proposal, but this was later abandoned.

4.4 Government guidance

The then Secretary of State, James Brokenshire, made a written statement on 22 July 2019 which set out the criteria used by the Government to assess requests for restructuring and for district council mergers:

I confirm that I will assess any locally-led unitary proposal that I receive against the criteria for unitarisation which we announced to Parliament in 2017 and which I and my predecessor have consistently used since then. These criteria state that subject to Parliamentary approval a proposal can be implemented, with or without modification, if I conclude that across the area as a whole the proposal is likely to:

- improve the area's local government;

¹³ LGC Briefing, "[The Siege of Oxford part ii](#)", 6 February 2017; David Paine, "[Districts cast doubt over two-unitary plan](#)", *Local Government Chronicle*, 1 February 2017; Jon Bunn, "[County leader pushes for unitary referendum](#)", *Local Government Chronicle*, 24 January 2017; Mark Smulian, "[Push for 'Greater Portsmouth' unitary as devo bid falters](#)", *Local Government Chronicle*, 7 February 2017; House of Commons [PQ 281718 2017-19](#), 3 Sep 2019

13 Local government in England: structures

- command a good deal of local support across the area; and
- cover an area that provides a credible geography for the proposed new structures, including that any new unitary council's population would be expected to be in excess of 300,000.

On district council mergers, I confirm that where two or more district councils submit a proposal to merge, I will assess this against the criteria for mergers which we announced to Parliament in November 2017 and which we have used since then. The statutory process for such mergers does not involve my inviting proposals, and I recognise that particularly small district councils may wish to propose merging as a natural next step following a number of years of successful joint working, sharing of services and senior management teams.

The criteria for district council mergers are that, subject to Parliamentary approval, a proposal to merge would be implemented if I had reached a judgement in the round that if so implemented it would be likely to:

- improve the area's local government;
- command local support, in particular that the merger is proposed by all councils which are to be merged and there is evidence of a good deal of local support; and
- the area is a credible geography, consisting of two or more existing local government areas that are adjacent, and which, if established, would not pose an obstacle to locally-led proposals for authorities to combine to serve their communities better and would facilitate joint working between local authorities.¹⁴

The latter criteria repeat a statement made on 7 November 2017 by the then Secretary of State, Sajid Javid.¹⁵ They are also in line with guidance provided to councils in Northamptonshire following the publication of the Caller report in February 2018.¹⁶

4.5 Consent for structural change

Section 15 of the [Cities and Local Government Devolution Act 2016](#) gives the Secretary of State general powers to disapply the provisions of the 2007 Act in respect of boundary change. The initial aim was to provide an expedited procedure for creating unitary authorities, and for reviewing ward boundaries and councillor numbers within local authorities or for the review of local authority areas. Where a new combined authority is to be created, this would allow the simultaneous creation of unitary authorities, if this was desired locally.

The 2016 Act permitted this disapplication only where the 'relevant authorities' consent – i.e. those which would be directly affected by a

¹⁴ [HCWS 1790 2017-19](#), 22 July 2019

¹⁵ [HCWS 232 2017-19](#), 7 Nov 2019

¹⁶ MHCLG, [Invitation to submit a proposal for a single tier of local government in Northamptonshire](#), 27 Mar 2018. For more information on the events leading up to reorganisation in Northamptonshire, see the Library briefing [Local authority financial resilience](#).

proposal. A section of the Act permitting restructuring where only one of the affected authorities consented expired on 31 March 2019.

The 2019 changes in Dorset also featured regulations under section 15 which gave retrospective authority to the Dorset local authorities to make a proposal without a formal invitation.¹⁷

¹⁷ See the draft [*Dorset \(Structural Changes\) \(Modification of the Local Government and Public Involvement in Health Act 2007\) Regulations 2018*](#)

5. Local government finance

Local government finance is extremely complex. This section of the paper presents a very brief framework of the key sources of funding and procedures for allocating funds to local authorities.

5.1 Sources of finance

English local authorities have four principal sources of finance, as follows. The bulk of the funds from these sources is not 'ring-fenced' – i.e., local authorities can spend the money as they choose.

Council tax

Local authorities set their own levels of council tax and retain all of the revenues locally. Council tax bands are fixed by the Government, and properties are allocated to the bands by the Valuation Office Agency (VOA). Annual rises in council tax are subject to 'referendum principles' set by the Secretary of State (see the Library briefing [Council tax: local referendums](#)).

Business rates

Local authorities collect business rate revenue. Some of this is retained locally, some passed to central government, and some redistributed within the sector (see the Library briefing [Business rates](#)). The Government intends the sector to retain a larger proportion of rate revenue in the future ('75% business rate retention': see the Library briefing [Reviewing and reforming business rates](#)). This was to have been introduced from the 2019-20 financial year, but it has now been postponed to 2022.

Currently, local government as a whole retains 50% of business rates revenue (the 'local share'), with the other 50% being passed to central Government (the 'central share'). The 'local share' is subject to a system of redistribution between authorities (the 'tariff and top-up' system). In short, areas with high rate revenues pay a 'tariff' in, and areas with low rate revenues receive a 'top-up' out. Additionally, a number of areas have piloted local retention of 100% of rate revenue from 2017 onwards.

Central government grants

Central government passes a number of grants to local authorities. The largest is the annual Revenue Support Grant (RSG). This grant is not ring-fenced.

Some additional grants are ring-fenced (e.g. the Public Health Grant). Others are not, and may be spent as local authorities choose (e.g. the New Homes Bonus, Rural Services Delivery Grant). Each of these grants are distributed between authorities according to separate criteria.

Local fees and charges

Local authorities have hundreds of powers to charge fees for services provided.¹⁸ In most cases, fees must not exceed the cost of providing the service, and in many cases fee levels are set nationally. The income is retained locally but must be treated as a contribution to the provision of the service for which it is paid. Thus it does not constitute a separate source of revenue in local government accounts.

Local authorities may also receive commercial income deriving from their ownership of assets, or from investments.

5.2 The Local Government Finance Settlement

Funding included

Each year, levels of central government grant for local authorities in England are decided via the annual Local Government Finance Settlement. This involves the setting of redistribution provisions for business rates revenue ('tariffs' and 'top-ups') and the fixing of Revenue Support Grant levels. These sums, together with a few smaller grants are known as an authority's Settlement Funding Assessment (SFA).

The annual settlement covers all county, district and unitary authorities in England, plus fire and rescue authorities and the Greater London Authority. It has also recently included mayoral combined authorities.

Police and education funding are not included in the annual settlement. Nor are figures for housing benefit (which is administered by local government to central government requirements). However, some central government statistical publications list all of these lines of funding as elements of 'local government funding'.

The funding mentioned here solely consists of revenue funding. Local authorities also receive annual allocations of capital funding, which must be accounted for separately (see the Library briefing paper [Local government in England: capital finance](#)).

Local government finance is devolved to Scotland, Wales and Northern Ireland. In each of the devolved territories, the devolved legislature operates a comparable annual procedure, though with differences regarding the funds included.

Annual practice

The Government is required by statute to publish Revenue Support Grant allocations annually, and the House of Commons must approve the settlement.¹⁹ Practice in recent years has been for a draft settlement to be published in mid-December, and a final settlement in early to mid-February, before the start of the relevant financial year in April. [The](#)

¹⁸ These powers are found in multiple Acts of Parliament: a comprehensive list is not available.

¹⁹ See sections 78 and 78A of the *Local Government Finance Act 1988*. The law is silent on what happens if the House of Commons fails to approve the settlement.

17 Local government in England: structures

[Library has published a briefing paper](#) on the Local Government Finance Settlement for 2020-21.

In December 2015, for the first time in recent decades, the Government published indicative funding levels for the following four financial years (2016-20). Local authorities were given the opportunity to 'sign up' to a four-year settlement:

The Government will offer any council that wishes to take it up a four-year funding settlement to 2019-20. As part of the move to a more self-sufficient local government, these multi-year settlements can provide the funding certainty and stability to enable more proactive planning of service delivery and support strategic collaboration with local partners. Councils should also use their multi-year settlements to strengthen financial management and efficiency, including by maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents.²⁰

Funding levels for individual authorities agreed at this time can be found on the website of the Department for Communities and Local Government (DCLG).²¹

It is commonplace for funding streams to be transferred in and out of the finance settlement each year. This makes it difficult to provide meaningful figures for how much an individual authority's funding has risen or fallen over several years, as it is not possible to directly compare like with like. The four-year settlement between 2016 and 2020 is an exception to this: but in other years, the Government has published adjusted figures for the current year alongside the forthcoming settlement to allow direct comparison to be made.

²⁰ DCLG, [The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years](#), December 2015, p. 24

²¹ See the spreadsheet entitled [Core Spending Power: supporting information](#).

6. Structures: history

6.1 Pre-1972

Elected county councils were established in England and Wales by the *Local Government Act 1888*, and district councils by the *Local Government Act 1894*. A number of larger towns and cities were permitted to opt out from county government under the 1888 Act: these became 'county boroughs'. The 1888 Act included criteria through which authorities could apply for county borough status in the future. Similar structures were introduced by the *Local Government (Ireland) Act 1898* and the *Local Government (Scotland) Act 1889*.

6.2 The 1972-74 reforms

The *Local Government Act 1972* reorganised the whole of England (except London) and Wales into a two-tier structure, with 45 county councils as upper-tier authorities and 332 district councils as the lower tier. Six of the counties, and 36 of the districts, were 'metropolitan counties' and 'metropolitan boroughs' respectively: the division of functions between the two tiers in metropolitan areas was different to that in non-metropolitan areas. In addition, London was governed by the Greater London Council (GLC) and 32 London boroughs.

Immediately prior to the reorganisation, England had 46 county councils, 79 county boroughs, 32 London boroughs, 449 urban districts, 227 metropolitan boroughs, and 410 rural districts.²² The changes came into effect on 1 April 1974.

The six 'metropolitan counties' all covered newly-constituted geographical areas, with most including parts of two or three traditional county areas. Their boundaries took strong account of 'functional economic geography' – essentially uniting cities with their economic hinterlands. Metropolitan counties handled police, fire, passenger transport, waste disposal, economic development and land-use planning. These counties were abolished by the *Local Government Act 1985*, following the Conservative government's 1984 white paper *Streamlining the Cities*.

An equivalent reorganisation took place in Scotland under the *Local Government etc. (Scotland) Act 1973*, which replaced 33 counties, 197 burghs and 196 district councils with nine regional councils, 53 district councils, and three unitary authorities (Orkney, Shetland and the Western Isles). The *Local Government Act (Northern Ireland) 1972* replaced 55 district councils, two counties, six county boroughs and ten boroughs with 26 district councils in Northern Ireland.

London had previously been reorganised under the *London Government Act 1963*, with changes taking effect in 1964. This Act introduced one county council, 32 boroughs, and left the City of London untouched. The area covered by the new Greater London Council had previously been covered by the London County Council (with 28 boroughs, smaller

²² Lord Redcliffe-Maud, *Royal Commission on Local Government*, 1968, p. 21

than the current ones), Middlesex County Council, and a patchwork of municipal boroughs and urban district councils.

A number of local authorities were permitted to retain the title of 'borough council' or 'city council' following the 1972 reforms, despite taking on the status of a district. These are honorific titles and have no implications for these authorities' functions.

6.3 Structural changes since 1972

A number of further reforms to local authority structures have taken place since 1972 (see the Table below; see also the table in section 4.3). The overall effect has been to reduce the overall number of authorities and councillors, and to move further towards a pattern of unitary authorities and a move away from the two-tier structure of the 1972 reforms.²³

Table: changes to local government structure in England since 1972

Year	Change
1986	Abolition of the six metropolitan county councils and the Greater London Council, passing some of their functions to joint boards and some to borough councils in their areas
1994	Replacement of two-tier structure in Scotland and Wales with 32 and 22 unitary authorities respectively
1996-98	Creation of 46 new unitary authorities across England
2003-04	Proposals for unitary authorities in the North-East, Yorkshire & Humber and North-West regions, accompanying plans to introduce elected regional assemblies in the North of England. Neither plan succeeded.
2007-09	Creation of nine new unitary authorities across England, in an application-based process
2014-15	Merger of 26 district councils into 11 larger district councils in Northern Ireland. Proposals for the merger of 22 unitary authorities in Wales into 10-12 larger unitary authorities
2019-	Occasional creation of new unitary authorities on request in England

²³ See Office for National Statistics, [Historical boundary change](#), for details of changes up to 1998; Office for National Statistics, [United Kingdom: Local Authority Districts, Counties and Unitary Authorities, 2012](#), for subsequent changes.

Appendix: functions of local authorities in England

Function	Tier
Arts and recreation	County / district
Births, deaths and marriage registration	County
Building regulations	District
Burials and cremations	District
Children's services	County
Coastal protection	District
Community safety	District
Concessionary travel	County
Consumer protection	County
Council tax and business rates	District
Economic development	County / district
Education, including special educational needs, adult education, pre-school	County
Elections and electoral registration	District
Emergency planning	County
Environmental health	District
Highways (not trunk roads), street lighting and traffic management	County
Housing	District
Libraries	County
Licensing	District
Markets and fairs	District
Minerals and waste planning	County
Museums and galleries	County / district
Parking	County / district
Passenger transport (buses) and transport planning	County
Planning	County / district
Public conveniences	District
Public health	County
Social services, including care for the elderly and community care	County
Sports centres, parks, playing fields	District
Street cleaning	District
Tourism	County / district
Trading standards	County
Waste collection and recycling	District
Waste disposal	County

About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publically available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email hcinfo@parliament.uk.

Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).