



**Briefing 17/45    November 2017**

## **A Summary Analysis of Local Authority spending on Adult Social Care in 2015/16 against proxies of need for care services and funding changes since 2009/10.**

### **Key Points**

- Changes to Local Government Funding since 2009-10 have led to those local authorities with smaller council tax bases and consequently a greater reliance on alternative revenue streams sustaining greater overall budget reductions.
- Expenditure on adult social care services in 2015-16 varied significantly between local authorities in England. The variation is explained somewhat by variation in levels of need (as assessed by a range of proxies for need) but must either be also explained by variation in other factors such as local priorities, variability in cost efficiency and cost of delivering services locally or these indicators fail to reflect true need.
- Patterns of expenditure may indicate a divergence of funding from local need since those local authorities with low levels of need (as assessed by the most recent annual needs assessment in 2013-14) appear to spend relatively more per care recipient than those with assessed higher levels of need.

### **Introduction**

Many adults with disabilities, physical or mental ill-health need support with daily routine activities such as cleaning, dressing themselves and cooking, and/or for their welfare and safety (or the welfare and safety of others).

This care can be provided in an informal way by family or friends. However, for those adults in greater need, who may not have friends or family to assist, care is provided more

formally by paid carers, be it privately purchased or publicly funded as provided by around 150 local authorities who have social care responsibilities. Those 150 or so local authorities vary from Metropolitan or London Boroughs, to Unitary authorities and County councils.

Each local authority is responsible for choosing how much of its overall budget it wishes to allocate to the many services it provides, including adult social care. As part of this decision making process, the local authority must address a number of factors, including local labour and property markets, the local cost of providing those particular care services, levels of local need for social care (which can be affected by the age and general health of its adult population), the ability of its residents to pay for their care themselves, how it prioritises social care in relation to the other services it provides, and the level of Council Tax charged.

In a recent report, the Institute for Fiscal Studies examined local variability in social care spending, exploring how these factors, taken together have affected the range and distribution of spending on adult social care, in the context of changes in local government finance over the period 2009/10 to 2015/16.

In what follows, we explore the findings of this report, 'National Standards, local risks: the geography of local authority funded social care, 2009/10 to 2015/16', examining how the financing of social care has changed, the level of variability of social care spending in England and how this relates to proxies of need for social care services.

### **How is social care financed?**

Historically, Central Government grants to local authorities were based on an appraisal of local spending needs, which included what was required for adult social care, plus the amount of income that they could raise through Council Tax.

Since 2009/10, there has been a move away from this system and significant cuts to overall budgets; In the period 2010/11-2013/14, the allocation of grants did not adequately address a local authority's ability to raise its own revenue through Council Tax. As a result of this, local authorities with smaller council tax bases (and consequently a higher dependence on income from grant funding) saw much larger cuts to their overall budgets than other local authorities with relatively large council tax bases (and a corresponding lower dependence on grant funding). Further, in 2013/14 the annual updating of needs assessments was ended and a portion of Central Government funding was replaced by a locally retained collection of business rates intended to provide an incentive to local authorities to develop their business rate revenues; this of itself was problematic as there is not necessarily a correlation between ability to generate further business rate revenue and pressures on adult social care; better off areas may have lower levels of need and greater ability to raise additional income whereas area of higher need may be the least able to raise additional funds. Business rates redistribution was fixed at this point and so the allocation of this portion of funding has not been updated to reflect

changes in local need or indeed, local revenue generation, since the last local needs assessment in 2013/14.

2014/15 and 2015/16 effectively saw each local authority receive the same proportional cut to its grant funding, which further increased the tendency for local authorities with smaller council tax bases (and consequently higher dependence on grant funding) to see larger cuts to their overall budgets than other local authorities since the size of the cut could be better sustained where there were other sources of revenue such as income from property and assets, high council tax revenues (in areas with high residential property values), high business rate revenues (in areas with a high number of large business properties), other commercial sources of income and high rates of locally set fees and charges.

Since 2014/15, local authority funding for adult social care has benefited from a 'ring-fenced' transfer from the NHS known as the 'Better Care Fund'. In 2015/16, £1.84 billion was transferred to local authority budgets from the Better Care Fund and represented around 11% of local authority adult social care expenditure. Further, from 2016/17 onwards, local authorities have been able to introduce a Social Care Precept on Council Tax, a ring-fenced portion for expenditure on adult social care, which together with a further transfer from the NHS, the 'Improved Better Care Fund', also ring-fenced, is anticipated to be worth £1.7 billion in additional funding by 2019/20. The Government's intention is that these two additional pots of funding will bring funding for adult social care to a level reflective of need, as calculated according to the adult social care relative needs formula used in 2013/14.

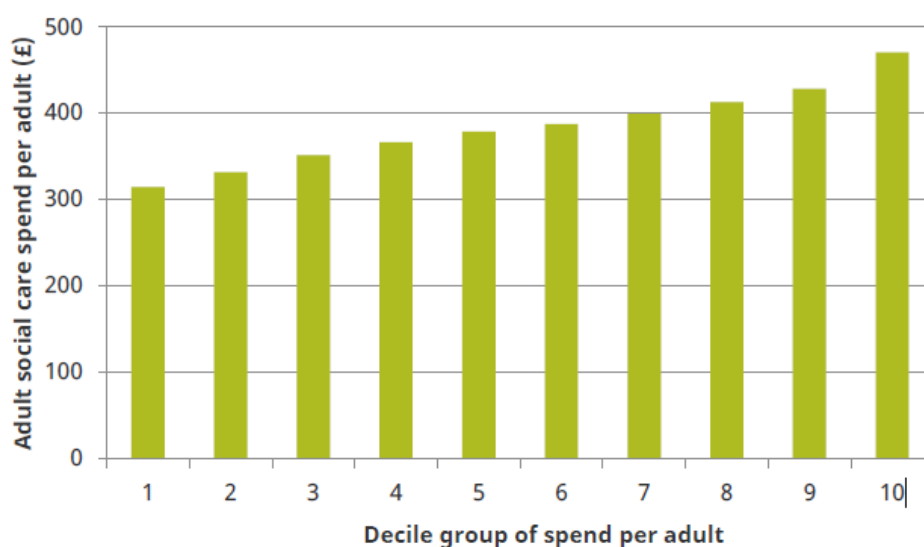
The ring-fencing requirements on local authorities for these new funding pots are simply that they must spend more on adult social care than they would have done if they had not received that grant. Therefore, whilst the Better Care Fund, Improved Better Care Fund and Social Care Precept are ring-fenced, the total amount of revenue spent on adult social care may not necessarily increase by the total amount of additional funding, since other non-ring-fenced funds, which may have been allocated for adult social care in the absence of these grants, may be distributed to support other services.

Owing to this and other local variables, there is significant variation in local authority expenditure across English local authorities. Whilst nationally, spending on adult social care in 2015/16 has reduced by 6.4% on the 2009/10 figure, some local authorities have reduced their spending by almost 40% and others, increased by 26%.

### **Examining variations in local authority spend on adult social care**

In today's prices, total net expenditure in 2015/16 on adult social care within England was £16.4 billion, an average of £381 per adult resident, which was a reduction of 11% on the 2009/10 figure of £429. Between 2009/10 and 2015/16 the gap of the distribution of spending by higher spending local authorities and lower spending ones had narrowed from £158 per adult resident to £120 per adult resident.

When examining spend in 2015/16, broken down by local authority area, the lowest spending 10% of local authorities spent an average of £315 per adult resident and the highest spending decile spent an average of £470 per adult resident.

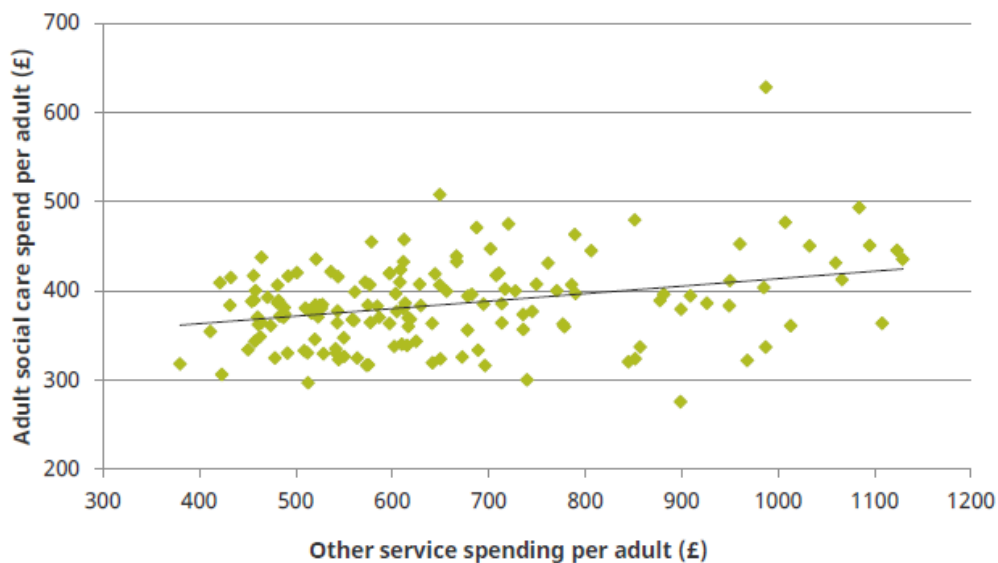


**Figure 1: Average adult social care spending per adult in 2015-16 (in 2016-17 prices), by decile group of spend per adult (IFS, 2017 p.16)**

It is important to note that variation in local authority expenditure in adult social care does not imply variation in quality of local authority provision of adult social care. Therefore, as we continue to explore these variations in spending, we are careful not to make assumptions about the quality of care and level of service provision provided and invite the reader to do the same. There are of course many determinants of expenditure and service costs for example differences in pay rates, including the application of the Living Wage, contract pricing structures, the geographic challenges of areas; such as transport and travel costs, and very localised demographics, such as the proportion of adults requiring complex care packages, and the number of adults that are octogenarians.

Of this spending, there was significant variation in the proportion of overall spend, allocated to adult social care. A tenth of local authorities allocated less than 29% of their overall budget to adult social care services in 2015/16 whilst a further tenth allocated over 45% of their overall budget to adult social care. APSE research, analysing service expenditure through the prism of Neighbourhood Service expenditure similarly found that around one third of Council budgets was spent on Adult Care. (2017, p.10)

The study found a positive correlation between high spending on adult social care and high spending overall. This means that generally and perhaps unsurprisingly, the greater a local authority budget, the higher the expenditure on adult social care.



**Figure 3: Correlation between adult social care spending per adult and the share of the adult population receiving LA-funded long-term care in 2015-16 (IFS, 2017 p.19)**

The study also found a weak positive correlation between expenditure on adult social care per adult resident and the proportion of the local population in receipt of adult social care. This means that although as the proportion of the local population in receipt of adult social care increased so did expenditure on adult social care, this relationship is not very strong and therefore it is quite likely that when comparing any two local areas at random, this relationship may not hold. The nature of the correlation implies that only 5% of the variation in spending is accounted for by differences in the proportion of the local population in receipt of adult social care and so other factors must be more accountable for the differences in spend such as the severity of needs, the ability of care recipients to contribute to costs of their care and the quality of provision. This also implies that spending on social care per recipient varies significantly across the country. Indeed, research has indicated that the cost per week of residential care for an adult aged 65 is less than £445 per week in the lowest spending decile of local authorities and more than £791 in the highest spending decile of local authorities. (NHS Digital, 2016, cited in Phillips D. & Simpson P., 2017, p. 19)

The report examined to what extent local authority spending varied with possible indicators of need, taken from the following contributory factors to the allocation of central government grants, when last allocated on the basis of a relative needs formula in 2013/14:

The proportion of:

1. The population aged 65+
2. The population in receipt of disability benefit
3. The proportion of the population claiming pension credit
4. The population in receipt of carers allowance
5. The population claiming Employment Support Allowance

6. Households in rented accommodation (as an indicator of the proportion of local residents with property assets).

When comparing local authority spend on adult social care per adult resident with the proportions of the local population falling in to each of these groups, the authors found a positive correlation with each factor, with the exception of the proportion of the local population aged 65+. What this means is that in general, as the proportion of the population in each of these socio-demographic groups 2-6 increases, so does the figure for local authority expenditure per adult resident. However, these correlations are weak and explain some but not all variations in spend on adult social care between different local authorities. When taken together with data regarding the proportion of the population over 65 who were single, divorced or widowed in the last census and median weekly earnings, variations in these socio-demographic factors within local authority areas explain 24% of the overall variation in local authority spending.

The report also compared local authority spend on adult social care per adult resident with the level of deprivation in each local authority area as measured in the last reported Indices of Multiple deprivation, which was found to explain 5% of the variation in spending. The income index of deprivation was more strongly correlated with spend than the health index, which may imply that local authority spending on adult social care is more likely to increase with increasing poverty than reducing health outcomes. If this is the case, this has significant public policy implications regarding welfare reform, our response to fuel poverty and the priority placed on provision of affordable housing.

Finally, the report authors examined the correlation in local authority expenditure on adult social care with the assessed level of need for that local authority area, according to the last version of the annual needs assessment as updated in 2013/14, which showed that:

- Local authority expenditure on adult social care is positively correlated with need, as assessed in 2013/14 with the last update of the annual needs assessment and therefore increases as need increases and that variation in need, so assessed appears to account for 13% in the variation in spending.
- The correlation is such that, those with relatively low levels of assessed spending needs tend to spend more on average than their assessed needs share whereas those with relatively high levels of assessed spending needs tend to spend relatively less on average than their assessed needs share.

Taken together, this analysis on local authority spending appears to show that whilst local authority expenditure does vary accordingly with proxies for local need for social care services, it does so only loosely. This may be because the proxies examined are poor and inaccurate indicators of need or if reliable, it may be indicating that other factors play a significant role in determining expenditure such as the priority placed on social care by local politicians, differences in the cost efficiency of services or quality of provision. Also, where those with least need appear to be able to spend relatively more per care recipient

than those with assessed higher needs, we may be seeing a divergence of funding allocation from local need.

### **APSE Comment**

This briefing highlights the challenge faced by local authorities to allocate funds across the many services delivered and the concerning fact that funding available for delivering adult social care services appears not to be distributed according to need, to the extent that it may once have done, given that funding allocations have moved away from needs-based analysis and cuts to budgets have been irrespective of availability of alternative funds. As outlined above, patterns of local authority expenditure on adult social care when compared with proxies of need appear to lend credence to this notion also.

APSE's own research on local government finance, led by economist Dr Peter Kenway of the New Policy Institute, explored the impact of budget pressures on the suite of neighbourhood services; looking at the total service expenditure on areas such as street cleansing, leisure services, parks and public realm and regulatory and protective services. Our research found that cuts to neighbourhood services amounted to some £3.1bn since 2010/11. Taken with the analysis of the pressure on Adult Social Care funding, even with the additional funding pots, it is clear that the overall position of local government finance remains in a parlous state. Arguably without funding cuts to neighbourhood services the funding position of Adult Social Care services would be further inflated.

APSE has consistently argued that fair funding for Adult Care Services should not be an either or situation to fair funding for the remaining council services. Both Adult Care and neighbourhood level services need to be properly funded. The stalling of the Local Government Finance Bill as a result of the unexpected General Election in June has created further uncertainty on the future of funding streams for English local authorities.

The Government's Fairer Funding Review is an important opportunity to review Local Government funding and its outcomes imperative for securing a fair allocation of funding for locally delivered public services, to take in to account both an individual local authority's capacity for income generation and access to other funding and an analysis of local need. APSE would urge all its member authorities to respond to related consultations, to lobby MPs for their involvement and support and to keep abreast with developments through sector news channels and briefings.

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Available online at: <<https://www.ifs.org.uk/uploads/publications/comms/R128.pdf>>  
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