

# Public spending on adult social care in England

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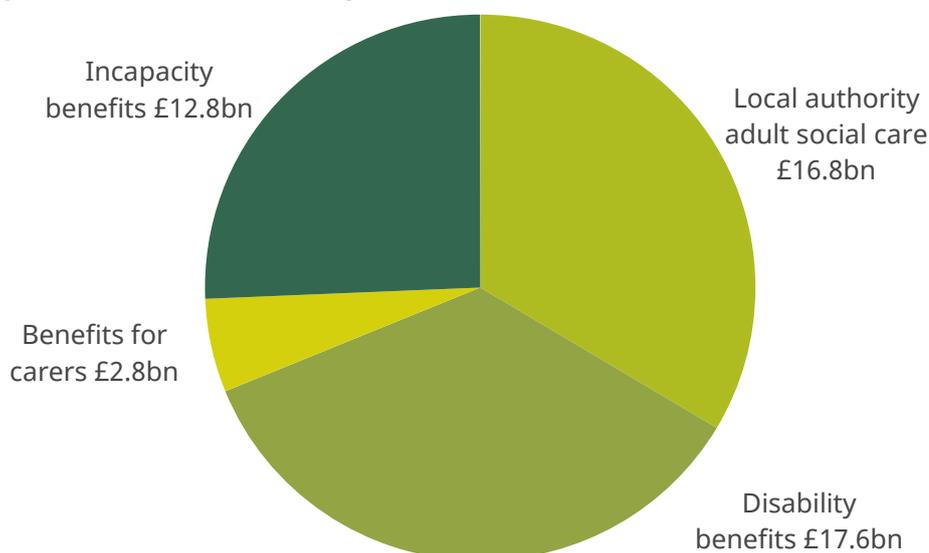
# Executive Summary

## Key findings

- Local authorities are responsible for co-funding care services for adults who cannot afford to meet their care needs. In 2015–16, they spent £16.8 billion in England on these services.
- Local authority spending on adult social care in England fell 8% in real terms between 2009–10 and 2016–17, but was protected relative to spending on other local authority services.
- The population has been growing, so spending on adult social services per adult fell by 13.5% in England over the same period. This doesn't take into account that the population is ageing, which will have put additional pressure on adult social care services.
- Cuts have been greatest where spending, and needs, were previously highest because of how the allocation of grants from central to local government has worked in the last few years.
- Under current plans, councils are set to receive a growing pot of funding intended for social care, which could be worth £5.4 billion in 2019–20 if councils make maximum use of powers to raise council tax.
- These new funds potentially give councils enough money to reverse by 2019–20 all the cuts that have been made to social care since 2009–10: spending in 2019–20 could be 3.2% higher than it was in 2009–10 (but still 4.8% lower per adult). This is conditional on local authorities choosing to raise the funds and using them for social care.
- The current government has delayed the implementation of reforms to social care funding proposed in 2011 by the Dilnot Commission, and instead provided short-term injections of funding for the current system. The problems identified by the commission remain. Even if an incoming government does not attempt wider reform, planned reforms to local government funding mean that it is crucial to consider whether our expectations of the social care system are consistent with funding these services through local taxation.

## Public spending outside the NHS on adults with care needs and disabilities is around £50 billion annually

**Figure 1. Public (non-health) spending on individuals with disabilities or care needs in England in 2015–16 (2017–18 prices)**



Note: Definitions and data sources for all figures are in Appendix A.

In England, it is the responsibility of local authorities to co-fund care services for individuals who have care needs and insufficient financial means to pay for them fully themselves.<sup>1</sup> Minimum eligibility criteria are set nationally, but the amount spent on social care is at local authorities' discretion. In 2015–16, they spent £16.8 billion (2017–18 prices) on these services.

Local authorities are not the only part of government to contribute to individuals' care costs. The benefits system provides cash payments to individuals with disabilities to help with their care costs and to compensate them for their inability to work. In addition, though not shown in the figure, if an individual's care needs are sufficiently severe and strongly related to their health-care needs, then the entirety of their social care is funded by the NHS under a programme called Continuing Healthcare.<sup>2</sup>

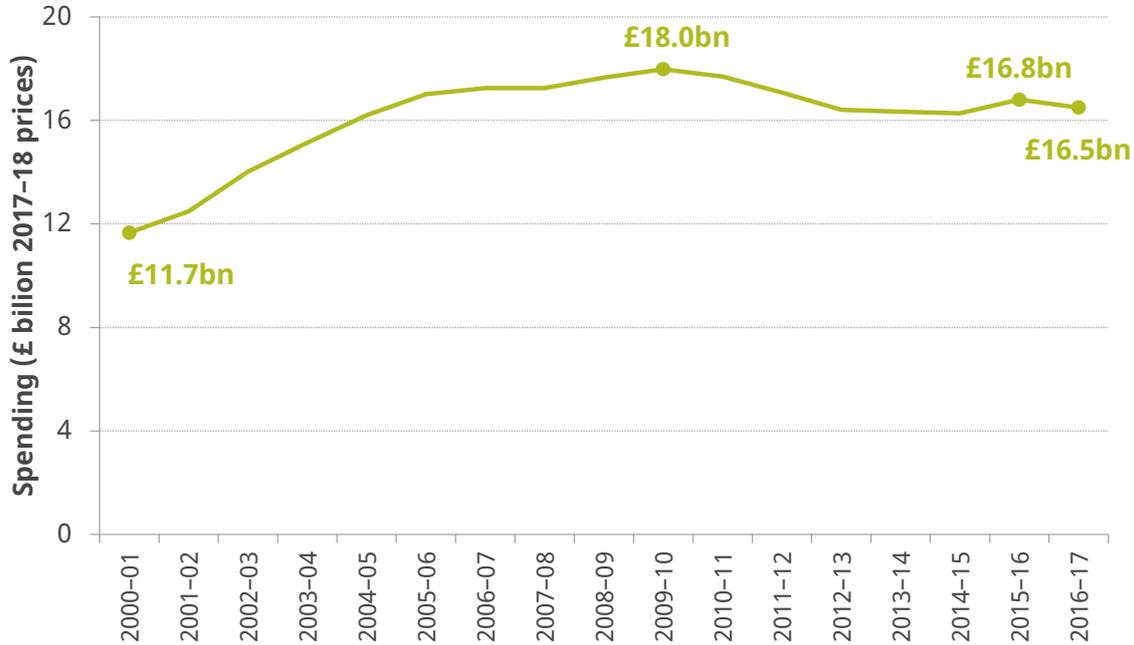
All three forms of support are important to a full understanding of government assistance for those in need of care, but this note will focus on local-authority-organised adult social care in England, as this is where the main responsibility for providing access to care lies.

<sup>1</sup> For an overview of the eligibility criteria for adult social care, see Chapter 2 of D. Phillips and P. Simpson, *National Standards, Local Risks: The Geography of Local Authority Funded Social Care, 2009–10 to 2015–16*, IFS Report 128, 2017, <https://www.ifs.org.uk/publications/9122>.

<sup>2</sup> For a brief overview of the NHS Continuing Healthcare programme, see appendix B of the report in footnote 1.

## Local authority spending on adult social care in England fell 8% in real terms between 2009–10 and 2016–17

Figure 2. Spending on local-authority-organised adult social care, 2000–01 to 2016–17



Local authority spending on adult social care grew by 54% (or 5% per year) between 2000–01 and 2009–10, peaking at £18.0 billion. Out-turn data show that since then, spending fell to £16.8 billion in 2015–16. The latest budget data indicate that the (broadly) downwards trend has continued, with spending falling to £16.5 billion in 2016–17, almost back to its 2004–05 level and 8% down on its peak in 2009–10.

The fall in spending on adult social care occurred despite increases in transfer payments from the NHS to local authorities contributing to the cost of social care. In 2016–17, the NHS contribution to local-authority-organised adult social care (through the Better Care Fund) was worth around £1.9 billion, 11% of what local authorities spent.

Also over the period 2009–10 to 2016–17, central government grants for local authorities were cut significantly, and as a result their total spending on services fell by 19%. Local authorities protected the social care budget relative to those of other services, so spending on social care increased as a share of their service spending from 34% to 39%.

## The population has been growing, so spending per adult fell by 13.5%

This is a fall of £59 per adult, from £439 in 2009–10 to £379 in 2016–17. These figures don't take account of the fact that the population is ageing, which will have put additional pressure on adult social care services. Between 2009 and 2016, the number of people in England aged 65 and over is estimated to have grown by 18% (or 1.5 million people). Over the same period, the number of adults aged 85 and over has increased by 17% (or just under 200,000 people).

## Cuts have been greatest where spending, and needs, were previously highest

For the period 2009–10 to 2015–16, we can look at changes in spending at the local level. Cuts averaged 11% in real terms per adult over this period, but varied from real-terms increases in spending per adult for one-in-seven authorities to cuts of more than a quarter to spending per adult for one-in-ten authorities.

There are clear geographic patterns in the distribution of cuts around the country, as shown in Figure 3. London and the North East made cuts of 18% per adult on average, whilst in the South West cuts averaged just 2%.

**Figure 3. Average cut to local-authority-organised adult social care spending per adult by region, 2009–10 to 2015–16**



Source: Table 4.1 of D. Phillips and P. Simpson, *National Standards, Local Risks: The Geography of Local Authority Funded Social Care, 2009–10 to 2015–16*, IFS Report 128, 2017, <https://www.ifs.org.uk/publications/9122>.

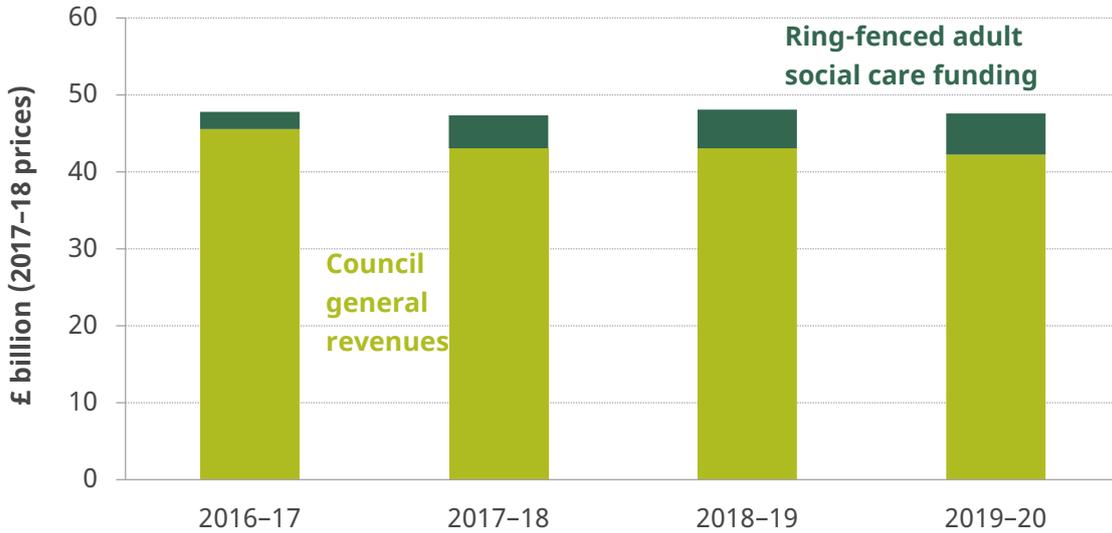
Cuts have also been larger on average in areas with higher social care spending needs, as a result of changes to local government funding over this period. High-needs areas typically got more of their funding from central government grants (as opposed to council tax), so faced larger cuts to their total budget over this period. Because social care spending is such a big part of local authority spending, it could not be fully insulated by local authorities, so cuts to these services have followed the same pattern.

## Under current plans, councils will have enough money to reverse all social care cuts by 2019–20 if they choose to do so

For the next three years, we forecast that councils' revenues from council tax, business rates and grants (excluding ring-fenced funding for social care) will continue to fall, down a total of 7.2% between 2016–17 and 2019–20 as illustrated in Figure 4 by the lighter green bars. However, on top of this, local authorities will also receive a growing pot of ring-

fenced funding for social care, shown as dark green in the same figure. This funding is a mixture of grants (including the Improved Better Care Fund) and potential increases in council tax revenues (called the social care precept, which councils may levy if they wish). Taking into account ring-fenced grants for adult social care, and if all authorities raise the maximum possible from the council tax precept, their total revenues would decrease by just 0.4%.

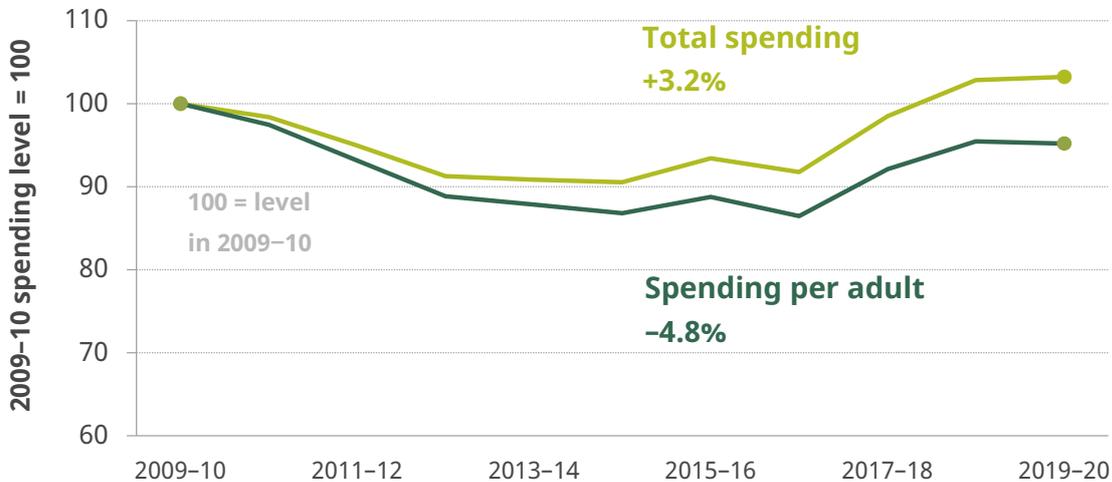
**Figure 4. Local authority revenues, 2016-17 to 2019-20**



This means that local authorities could have ring-fenced social care funding equal to £5.4 billion in 2019-20. That would be 11% of their overall budget, and 32% of what they spent on adult social care in 2016-17. Figure 5 shows that if local authorities use all of the ring-fenced funding for adult social care services in 2019-20, they would spend a total of £18.6 billion on such services (43% of local authorities' service spending), 3.2% more than they did in 2009-10.

However, there are two caveats to this statement. First, the funds are not sufficient to keep up with the growing population – social care spending per adult would still be 4.8% lower than in 2009-10. This is shown by the darker green line in Figure 5.

**Figure 5. Spending on local authority-organised adult social care, 2009-10 to 2016-17**



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Second, although this funding is ring-fenced for social care, local authorities may have some flexibility to use it for other services. To satisfy the ring fence, they must demonstrate that they are spending more than they otherwise would on adult social care, but it is difficult to prove that they are not. If some of this funding is used for other services, then social care spending will not increase by as much as shown in the figure.

## **Beyond 2020, the future of adult social care spending is uncertain**

For the next three years, we know central government plans but not local authority plans. After 2019–20, we know neither. For any government thinking about the long-term future of social care funding, three questions will be particularly important.

### **How does social care fit into the overall system of local government finance?**

Under current plans, from 2020 local government in England will be funded entirely from council tax and business rates. Every few years, a series of tariffs and top-ups will be set that redistribute revenues across the country (from areas with big tax bases to areas with smaller tax bases) on the basis of their relative spending needs. But for a few years at a time, the transfers across the country will be fixed. For areas with growing revenues, this is good, and will strengthen the incentive for councils to try to stimulate local economic growth. But in areas where needs are going up faster than revenues, there is a risk councils won't be able to meet growing demand for spending.

This means that in the years between 'resets', access to social care could become more unequal across the country. Just how unequal depends on the extent of divergence in revenues and needs around the country, the exact parameters that are set for the local government finance system, and whether social care continues to receive special ring-fenced funding outside of the main system of local government finance.

### **What would it mean to ensure common standards of social care around the country?**

Social care spending per adult varies considerably across the country, and only a quarter of the differences can be explained by observed indicators of local need.<sup>3</sup> This has partly been caused by the distribution of cuts to local government funding over the last few years, and planned additional funding (which is to be allocated on the basis of need) would go some way to matching spending with needs.

Nonetheless, a government that wished to guarantee that people with equal need in different parts of the country receive equal care would find it difficult to do so without taking away local authority discretion over spending (and making eligibility assessment more consistent in practice as well as in principle). From the current position, this would entail a big redistribution of spending around the country, creating both winners and losers, and would mean a huge reduction in the budgets under local authority control and the discretion available to councils in setting local priorities.

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<sup>3</sup> D. Phillips and P. Simpson, *National Standards, Local Risks: The Geography of Local Authority Funded Social Care, 2009–10 to 2015–16*, IFS Report 128, 2017, <https://www.ifs.org.uk/publications/9122>.

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## **What happened to Dilnot?**

Under the coalition government, considerable groundwork was laid for radical social care funding reform. The Dilnot Commission, which reported in July 2011, identified that under the current system individuals faced uninsured risk of very large social care expenditures, and that the means test for publicly funded care was a 'cliff edge'. The commission's proposals for a lifetime cap on care costs and a higher means-test threshold were accepted by the then government, and the Care Act 2014 created the legislative framework for their implementation. However, the outgoing government has delayed the implementation of the bulk of the reforms and instead provided short-term injections of funding for the current system. The problems identified by the Dilnot Commission remain, and the next government will have to decide whether it will finally take the step of implementing these reforms.

There has not been a lack of reviews of social care funding in recent years. It is time to see what the political parties actually want to do, and for some real action from whoever forms the next government.

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## Appendix A

This appendix outlines the data definitions and assumptions underpinning our analysis.

### Local-authority-organised adult social care

Local-authority-organised adult social care spending is defined as the sum of

- local authority net expenditure on adult social care;
- expenditure on the Valuing People Now programme (what would become the learning disabilities and health reform grant);
- NHS and winter pressures transfers to local authorities between 2010–11 and 2014–15;
- Better Care Fund spending on social care, based on the share of clinical commissioning group (CCG) minimum contributions in 2015–16 that Better Care Fund plans indicated would be used to fund adult social care, as determined by NHS England analysis of these plans.

Local authority expenditure from 2009–10 onwards is taken from RO3 out-turns available as part of the DCLG local authority revenue expenditure and financing statistics (<https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>).

Before 2009–10, historical adult social care spending is estimated using the growth rate in net expenditure on non-children's social care spending from CIPFA's financial and general estimates data.

The value of the other components is taken from annex C table C1 of HSCIC Personal Social Services: Expenditure and Unit Costs England.

### Benefit spending

England-only benefit spending is taken from DWP benefit expenditure and caseloads tables 2016, <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2016> (specifically table 'Benefit expenditure by country and region 1996/97 to 2015/16'). Care and disability-related benefits are defined as follows:

- **Disability benefits:** attendance allowance, disability living allowance (working age and pensioners), industrial injuries disablement benefit and personal independence payment.
- **Benefits for carers:** carer's allowance and income support for carers.
- **Incapacity benefits:** employment and support allowance, incapacity benefit, severe disablement allowance and income support for individuals on incapacity benefit.

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## Local authority revenues

Local authority revenues are defined as the total of general grants, specific grants (inside Aggregate External Finance, AEF), retained business rates (including the business rates supplement) and council tax. Our measure covers all local authorities in England excluding police, fire and national park authorities. We exclude revenues accruing to local authorities for police and fire services (some non-police non-fire authorities have responsibilities in these areas). We also exclude revenues used for education and public health as local authority responsibilities in these areas have been inconsistent over time.

Analogously, total service spending excludes spending on police, fire, education and public health.

## Revenue forecast

We assume that revenues in 2016–17 are as set out in local authority budgets. From 2017–18 onwards, we use the following assumptions to construct a forecast for local authority revenues:

- The revenue support grant is as set out in the 2017–18 provisional local government finance settlement (December 2016).
- Any other government grants for which plans are not available (including special grants) are assumed to remain fixed in nominal terms at their 2016–17 level.
- Retained income from the business rates retention scheme (BRRS) changes in line with OBR forecasts, stripping out the effect of the 100% business rates retention pilots in 2017–18 and 2018–19.
- The business rates supplement grows in line with overall retained income from the BRRS.
- The council tax base grows in line with OBR projections. All authorities increase their council tax by 2% per year. In addition, councils with social care responsibilities increase council tax by an additional 3% in 2017–18 and 2018–19 (making full use of the social care precept).
- The real-terms value of the Better Care Fund and the share of funding going to social care will remain constant over the entire period.
- The value of the Improved Better Care Fund is as set out in the core spending power spreadsheets which accompanied the 2017–18 local government finance settlement.
- Local authorities will also receive additional revenues as announced in the March 2017 Budget.

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## Ring-fenced social care funding

Ring-fenced social care funding consists of

- that part of CCG minimum contributions to the Better Care Fund which is spent on social care (based on 2015–16 proportions as explained above);
- revenues from the social care precept;
- Improved Better Care Fund;
- additional revenues announced at the March 2017 Budget.

## Social care spending forecast

We assume that in the absence of ring-fenced funding for social care, adult social care would maintain its share of local authority spending for the years 2016–17 to 2019–20. In other words, spending would go up or down in line with the overall budget (excluding ring-fenced social care revenues).

This gives us a baseline for spending on adult social care to which we add ring-fenced social care funding (defined above) to give the forecast shown in Figures 4 and 5.

## Deflators

We use the most recent Treasury GDP deflators, specifically the GDP deflators at market prices, and money GDP March 2017 (Quarterly National Accounts, March 2017), <https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>.

## Population statistics

Population data are ONS population estimates (all years preceding 2016) and projections (2016 onwards), accessed through NOMIS.