

Analysing Local Authority spend on residential social care provision for adults

By Dr Josefine Magnusson, January 2020

Key points

- Local Councils with Adult Social Care Responsibilities (CASSRs) in England use their own classifications for the residential social care packages they commission, making comparisons between regions and individual councils challenging
- CASSRs are not obliged to set standard rates for adult residential social care services, but those that do tend to pay lower average weekly fees (AWF) than those which do not
- Even when CASSRs do operate with standard rates, they usually pay more in AWF than their standard rates would suggest – sometimes significantly more
- The discrepancy between standard rates and AWF varies between different types of care packages, and appears to be particularly large for learning disability services
- Regional disparities in fees paid are evident, and could have implications for future provision
- As with other aspects of adult social care data, there are notable gaps in knowledge on spending on residential social care provision.

Introduction

In our report, [Data that Cares](#) (Future Care Capital, 2019) we explored how best to assess the financial stability of residential care home markets in England and recommended improvements to market oversight in order to minimise the risk of care home failure. Concerns about the sustainability and stability of adult social care services are frequently raised by interest groups and the media (e.g. [Age UK, 2019](#); [Express, 2019](#); [Mirror, 2019](#)) and a common claim, which was echoed in the Care Homes Market Study ([Competition and Markets Authority, 2017](#)), is that the current level of funding for social care is insufficient to sustain provision; a situation which may be exacerbated with the Living Wage set to rise in April this year. The financial difficulties of large, high profile providers and an escalation in the closure of care homes overall have been highlighted as jeopardising safe provision for older people and other vulnerable adults living in residential care settings ([The Guardian, 2019](#)).

Market oversight is now a statutory responsibility of local government but transparency regarding the financial affairs of providers is often lacking as our research shows. In [Data that Cares](#), we reviewed data published by the Care Quality Commission (CQC) and Companies House as well as local authority spend transactions to explore financial risk at the provider level. What this data doesn't show, however, is how much commissioners (Councils with Adult Social Services Responsibilities; CASSRs) spend on individual residential care service packages and to what extent this varies between Local Authorities.

[Cordis Bright \(2016\)](#) looked at the discrepancy between the rates commissioners in one local area advertise they will pay to providers versus what they actually pay and found that they paid the advertised rates in 62% of cases - frequently paying considerably more. Although CASSRs are not required to set a standard rate (or 'usual price') for the residential care services they commission, many operate with some form of a maximum rate ([Alzheimer's Society, 2019](#); [Which?, 2019](#)), and using standard rates can contribute towards lower fees paid (Cordis Bright (2016)).

There is a lack of standardisation in the categorisation of different service packages used by individual CASSRs

In its research FCC found no consistent records at the national level of standard rates advertised by Local Authorities for residential social care; neither could we find readily available information about the prices they actually pay for such services. We therefore issued a Freedom of Information (FOI) Act request to CASSRs in England (for full list of CASSRs, see [Data that Cares](#), table 19).

Transparency in this area varies greatly between Local Authorities; some publish the information openly online whilst others would not provide the information we requested, citing commercial sensitivity as their rationale.¹ The data obtained from CASSRs that responded to FCC's FOI brought up another issue which makes comparisons between areas more complex still: the categories referring to individual care packages are not standardised between commissioners such that each Local Authority has its own definition to refer to what they are paying for.

The 127 councils that responded to our request cited a total of 132 different categories/bandings in relation to the different types of services commissioned.² Many provided separate figures for a range of different services, while others provided a category of 'standard residential' to cover all adult services (older people, learning disability services, mental health services etc.). Among those that did divide services by different categories, these varied greatly, with some based on the type of services provided, while others were pegged to Care Quality Commission (or other) quality ratings, or other types of banding systems. This makes comparisons across the country very difficult, as it is in many cases impossible to compare like with like.

In Data that Cares, we highlighted the overlap in different care packages within the same care homes which meant that we could not readily see which care homes are providing particular services at any one point in time. Taken together, this means that using publicly available and/or open data we can see neither how many individuals in a particular service category (e.g. learning disabled) are being cared for in a residential setting at a particular time, nor how much Local Authorities are paying for those services at a national level.

The use of standard rates varies greatly between regions

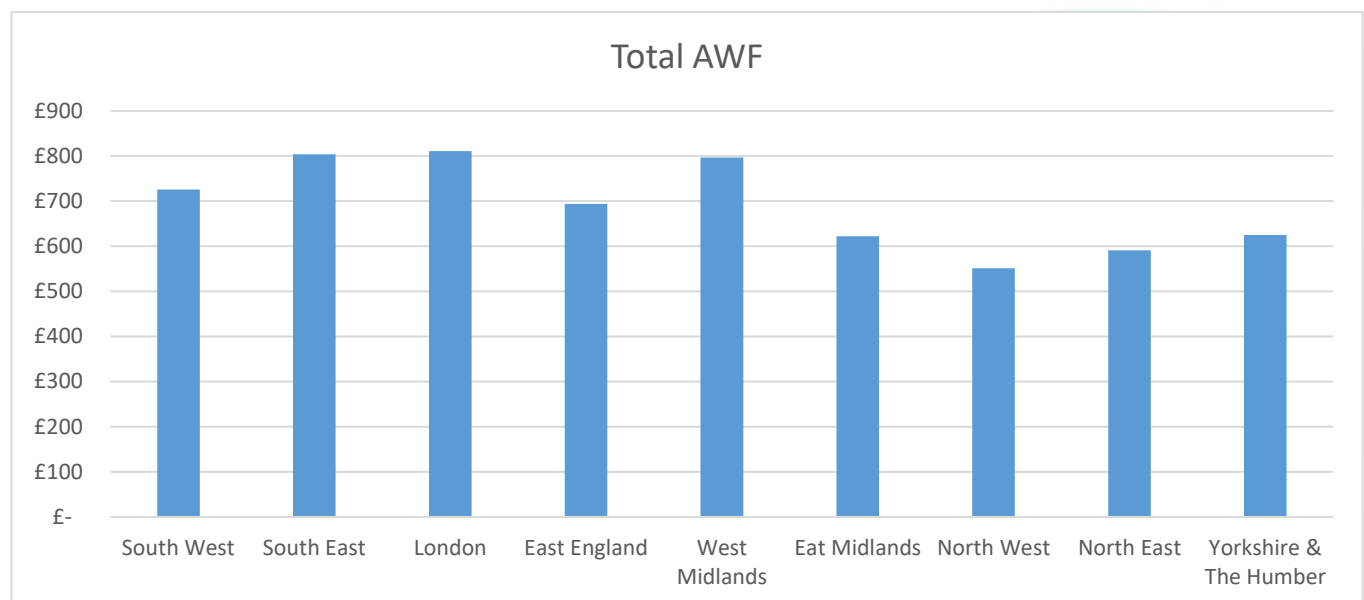
Around 80% of CASSRs reported having standard rates for at least some categories of residential adult social care services. London and the South East were considerably less likely to operate with standard rates than the rest of England, at 50% and 60% respectively, whilst in the East Midlands, North East, North West and Yorkshire & The Humber 100% of responding Authorities reported having standard rates. In some instances, councils only had standard rates for older people's services, whilst negotiating fees for other types of services on a case-by-case basis.

¹ See appendix 1 for methodology and further details

² Our request pertained only to fees paid 100% by the LA; hence Funded Nursing Care (FNC) contributions were excluded. Therefore, where nursing care is mentioned below, this refers only to the social care portion of such placements.

The regional disparities suggest that less affluent areas in England are more likely to operate standard rates and are also the regions that report the lowest average weekly fee (AWF; i.e. price paid). If looking at the combined AWF (i.e. an average of the combination of all categories reported by Local Authorities that responded to our request), the highest AWFs (£811) were paid in London followed by the South East (£804); the lowest fees were paid in the North West (£551) and the North East (£591) (Figure 1). London is consistently found to be the most expensive region for residential social care, which is unsurprising considering real estate costs and the application of the London Living Wage amongst other factors ([Knight Frank, 2019](#)).

Figure 1 Regional variation in total AWF



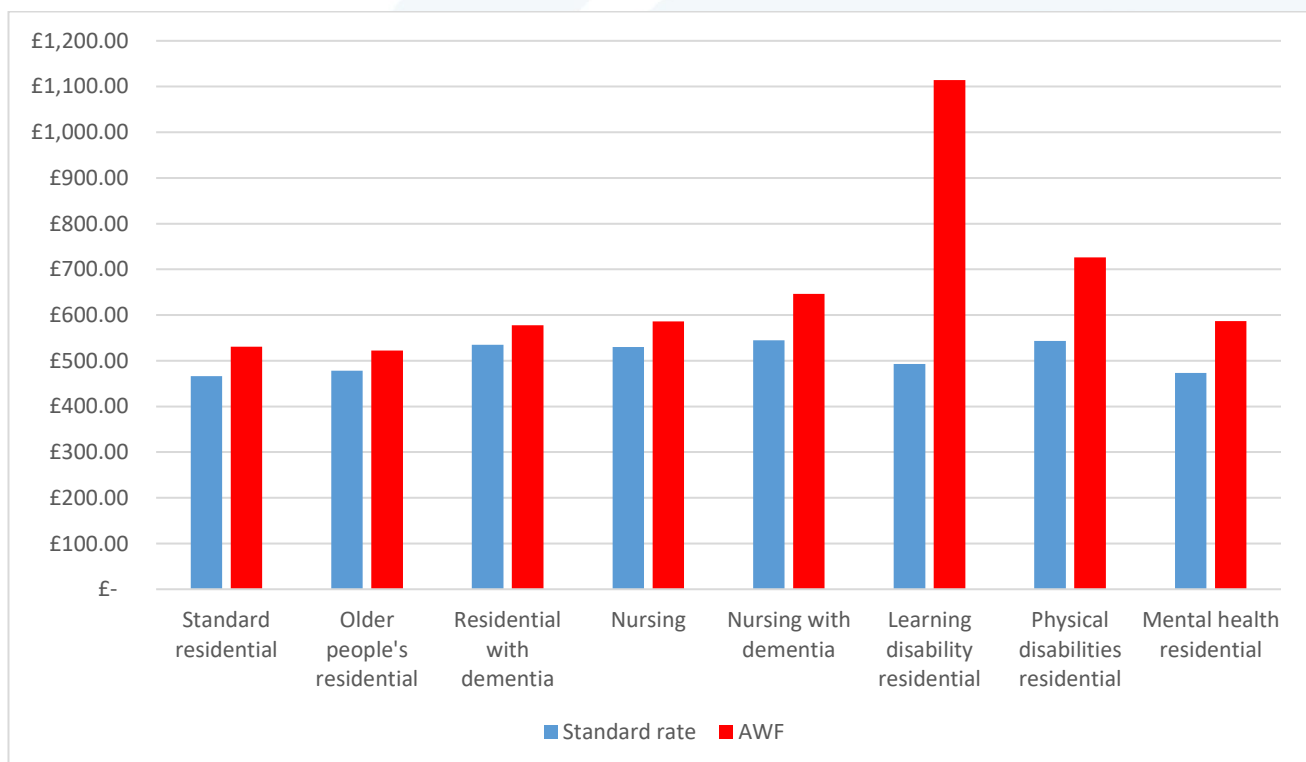
The AWF that CASSRs pay are, however, not necessarily a reflection of the true cost of residential social care, since people who self-fund their care usually pay more in AWF than Local Authorities do – i.e. self-funders subsidise the care of those whose care is being paid for by Local Authorities ([LangBuisson, 2018](#)). Even though affluent areas have more potential self-funders living in them than do poorer areas, people do not necessarily stay within their ‘home’ region once they need residential care but may go where it is more affordable. Therefore, it is not necessarily the case that care homes in affluent areas have significantly more self-funders to compensate for higher operational costs. A case in point is London, which despite housing some of the most affluent areas in the country nonetheless has one of the lowest proportions of care home income from self-funders ([Knight Frank, 2019](#)). There is a risk that providers move away from areas without sufficient numbers of self-funders as service provision becomes unsustainable (or simply unprofitable), further exacerbating regional disparities.

The AWF Local Authorities pay for residential social care is usually higher than their advertised standard rates

For those CASSRs that operated standard rates, a comparison was made between the median standard rate and the median AWF they reported paying for different types of services (Figure 2). In all instances, the price paid was higher than the standard rate, indicating that some councils under-budget for the services they commission. Several commissioners highlighted in their responses that rates were paid above the usual price, in particular, where out of area services had to be purchased (and where, consequently, the authority’s own usual price no longer applied), or for services where complex needs and individual circumstances led to a higher fee being paid. The latter may go some way towards explaining the very stark discrepancy between standard rates and AWF, in particular, for learning disability services.

The figures provided below are for 2018-19, but the same pattern was found in previous years, suggesting that this is not a new phenomenon. Local Authorities reported paying, on average, twice as much for learning disability services as their stated standard rate, which reflects a general acknowledgement of the higher cost of learning disability services relative to other types of residential social care services: the [Adult Social Care Activity and Finance Report](#) shows Learning Disability services account for more than 50% of the total spend on social care spend for adults aged 18-64 in England.

Figure 2 Comparison of standard rates and AWF for different types of residential social care services



The lowest standard rate reported by Local Authorities related to residential mental health services. For example, in 2016/17 this type of service had the lowest minimum (£331) and maximum (£471) weekly rate, and the second lowest median rate (£434). The actual price paid by councils for mental health services, meanwhile, was more than 20% higher than the standard rate (median £532). The relatively low spend on mental health amongst the councils that responded to our request fits with figures from the Adult Social Care Activity and Finance Report ([NHS Digital 2017, 2018, 2019](#)), which shows mental health spend to be a relatively small proportion of overall spend on adult social care in England. However, in Data that Cares, we showed that homes providing mental health services are somewhat more likely to be financially 'at risk' than homes providing some other types of services, which may suggest that the low spend on this type of service reflects real underfunding.

Local Authorities that operate with standard rates pay lower AWF than those that do not

Despite the discrepancies between standard rates and AWF, the responses to our FOI tentatively support the suggestion by [Cordis Bright \(2016\)](#) that Local Authorities that set standard rates pay less for adult residential care services than those that do not. For example, in 2018/19, councils with standard rates for Older People's Residential Services paid on average £540 per week for such services compared to £610 per week among those without standard rates, a difference of 13%. In the same year, those with standard rates for learning disability services paid on average £1,085 per week while councils without them paid £1,438 (32.5% higher).

Since the majority of Local Authorities without standard rates are located in London and the South East this could account for at least part of the difference between councils with and without standard rates overall, but this is not straightforwardly the case. In the South East, the pattern is the same as the rest of the country - with Local Authorities operating with standard rates paying less. In London, however, the picture is different: for some types of services there was no difference in AWF paid between councils with and without standard rates, whilst for others the pattern was actually reversed, so that Local Authorities with standard rates reported paying *more* than those without. As we highlighted in Data that Cares (2019), London differs from the rest of the country in many ways with regards to social care provision, and in some respect it could be considered as one single care market, with certain boroughs more likely than others to be providing services for people placed from other parts of London. This could account both for the lower tendency to operate standard rates (which become meaningless in the out-of-area context) and the different patterns observed here. Therefore, whilst operating standard rates may be beneficial for Local Authorities outside the capital, in London itself they may have less of an impact on prices paid overall. Improvement measures need to be tailored to the specific circumstances of individual regions and London, in particular, appears to be subject to very different conditions than other regions.

Payments above standard rates occur frequently

Even though CASSRs tend to pay more for social care services than they (appear to) plan to spend, this does not tell us how often this happens. A large average weekly fee might have been pushed up by a small number of purchases that were significantly more expensive than others – for example, having to commission costly out-of-area services for a small number of people.

We asked Local Authorities what proportion of beds they had bought at, above or below the standard rates they set, and their responses indicated that such occurrences were frequent. For example, up to 48% said that they paid above their standard rate for Standard Residential services in more than 50% of cases and up to 58% said the same for Nursing with Dementia services. As such, it may be that Local Authorities consistently underestimate the real cost of residential social care services – and yet our data also showed that standard rates increased above the level of inflation year on year in almost all instances. Meanwhile, data from NHS Digital (2018) show that overall spending on social care in England rose in line with inflation (by 3.3% between 2016/17 and 2017/18), suggesting that spend on residential adult care has been rising faster than other parts of the social care budget. This suggests that the increasing standard rates set by Local Authorities may be an attempt to ‘catch up with reality’, although there is no indication that the gap between standard rates and AWF have been narrowing over the past three years. Alternatively, commissioners may be very aware that they are going to be paying above their standard rate but set them lower to provide some negotiating power – a strategy which, if true, appears to be working.

Conclusions

In previous reports, we have highlighted how gaps in data relating to adult social care mean that there is a lot we cannot say with certainty about how the sector operates and, to some extent, this essay is another call for greater transparency. The factor that most complicated analysis of our FOI request was the sheer number of different categories provided by CASSR relating to the residential care services they commission, and although we support the need for Local Authorities to develop systems that work for their individual area, some level of standardisation in how spending is reported would be helpful in this regard. The data gaps and general scarcity of statistics related to adult social care is a problem further highlighted in a new report by the [Office for Statistics Regulation](#) (2020), and we fully support their assertion that this need to be addressed in order to facilitate service delivery.

The findings from our FOI request show that the majority of Local Authorities in England report using standard rates for at least some types of social care services, and that even though they often end up paying weekly fees that are considerably higher than their standard rates, they pay lower fees than councils that operate without standard rates. We also found that this occurs frequently, indicating that averages are not just pushed up by a few very expensive purchases, but appears to be par for the course. The reason for some commissioners setting rates that fall short of their actual spend on these types of services would be worthwhile investigating in more depth.

There is considerable variation in the amounts paid over and above the standard rates between different types of services, with learning disability services in particular standing out. As discussed in Data that Cares, it is noteworthy that care homes providing learning disability services may be at greater financial risk than standard residential services, a feature they share with homes providing for people in receipt of mental health services. Since much of the focus in the sphere of residential care provision tends to be on older people’s services, we recommend that greater emphasis is placed on understanding the stability in future provision for these other groups.

There is also considerable variation between regions with regards to the AWF Local Authorities pay for residential adult social care, and as providers move away from areas without sufficient numbers of self-funders, these regional disparities risk becoming more pronounced. If the government is truly committed to the 'levelling up' agenda, it must look at the regional challenges facing residential care as part of its plans to tackle the crisis in adult social care.

References

- Age UK. (2019). *Care in Crisis*. <https://www.ageuk.org.uk/our-impact/campaigning/care-in-crisis/#>
- Alzheimer's Society. (2019). *Paying for care and support in England*.
<https://www.alzheimers.org.uk/sites/default/files/2019-05/532lp-paying-for-care-and-support-in-england-190521.pdf>
- Competition and Markets Authority. (2017). *Care homes market study: Final report*.
<https://assets.publishing.service.gov.uk/media/5a1fdf30e5274a750b82533a/care-homes-market-study-final-report.pdf>
- Cordis Bright. (2016). *Suffolk and Great Yarmouth strategic market review*.
<https://www.cordisbright.co.uk/admin/resources/suffolk-and-great-yarmouth-strategic-care-market-review-report-final.pdf>
- Express. (2019). *Care homes in CRISIS as funds cut and 101 shut down due to rising costs*.
<https://www.express.co.uk/news/uk/1100058/care-home-crisis-funds-cut-rise-in-costs-marie-curie-elderly-health>
- Future Care Capital. (2019). *Data that Cares*.
- Knight Frank. (2019). *Care Homes Trading Performance Review 2019*.
<https://content.knightfrank.com/research/548/documents/en/care-homes-trading-performance-review-2019-6698.pdf>
- LangBuisson. (2018). *Care home funding shortfall leaves self-funders filling £1 billion gap*.
<https://www.laingbuisson.com/blog/care-home-funding-shortfall-leaves-self-funders-filling-1-billion-gap/>
- Mirror. (2019). *Care home crisis with 10,000 beds lost as elderly suffer cruel postcode lottery*.
<https://www.mirror.co.uk/lifestyle/health/care-home-crisis-10000-beds-16485215>
- NHS Digital. (2018). *Adult Social Care Activity and Finance Report, England - 2017-18*. <https://digital.nhs.uk/data-and-information/publications/statistical/adult-social-care-activity-and-finance-report/2017-18>
- Office for Statistics Regulation. (2020). *Adult social care statistics in England*.
<https://www.statisticsauthority.gov.uk/publication/report-on-adult-social-care-statistics-in-england/>
- The Guardian. (2019). *400 care home operators collapse in five years as cuts bite*.
<https://www.theguardian.com/society/2019/mar/11/over-400-care-home-operators-collapse-in-five-years-as-cuts-take-toll>
- Which? (2019). *Care home fees*. <https://www.which.co.uk/later-life-care/financing-care/care-home-finance/care-home-fees-akdbv8k3kwln>

Appendix 1: Methodology

Our Freedom of Information request issued in July 2019 and was sent to the 152 councils with adult social services responsibilities (CASSRs) in England. Two councils responded to ask that the request be redirected to other agencies better placed to respond; in one case this was an NHS Trust with responsibility for care homes in the area, in the other a Clinical Commissioning Group which had merged with the council's adult social care provision. Hence, the request was sent to 150 councils, one CCG and one NHS Trust.

Of the 152 local authorities approached, 130 (86%) responded. Three did not answer any part of the request, citing exemption under section 12 (s12) of the Freedom of Information Act, while the remaining 127 LAs answered at least part of the request. Two councils, both in London, declined to provide an answer to Q2 (actual fees paid) and Q4 (proportion of beds paid at, under and above their standard rates) on the grounds that doing so would involve releasing commercially sensitive information (exemption under s43 of the FOI Act).

The sheer number of different categories of services named by the councils made national comparisons difficult. Certain categories were, however, used by enough Local Authorities to enable some comparison of services and associated costs - these were:

- Standard Residential (40-41 LAs across the three years)
- Residential Older People (32-34 LAs)
- Residential with Dementia (53-54 LAs)
- Nursing (46-49 LAs)
- Nursing with Dementia (26 LAs)

And, to a lesser extent:

- Residential Learning Disabilities (14 LAs)
- Residential Physical Disabilities (13 LAs)
- Residential Mental Health (13 LAs)

Appendix 2: Freedom of Information request to Local Authorities

Dear [name] Council,

I write to make a freedom of information request under the Freedom of Information Act 2000 (the Act).

[Future Care Capital](#) (FCC) is a charity which uses evidence-based research to advance ideas that will help shape future health and social care policy and deliver better outcomes for individuals living in the UK. We have previously undertaken research to [explore the risks and opportunities different parts of the country face in planning and managing adult social care provision](#), and your answers to our questions below will help further this work.

In this FOIA Request:

- (a) When we refer to “residential care home providers” this includes where the council itself operates the care home and where any company in which the council has an interest (either directly or indirectly) operates the care home;
 - (b) We only request information as it relates to beds funded 100% by the council and not where the cost of such a bed is funded wholly or partly by any NHS body;
 - (c) We request information related to all adult social care funded 100% by the council; and
 - (d) When we refer to “Yr1, Yr2 and Yr3” we are referring to the council’s financial years (1) 2016/17, (2) 2017/18, and (3) 2018/19.
1. What is the standard rate per bed payable to residential care home providers that the council set in each of Yr1, Yr2, Yr3? Please provide the standard rates for all different bands/categories of services that the council set including a description of the band/category of service e.g. standard residential, residential special needs etc.
 2. For each of Yr1, Yr2 and Yr3, please provide the average price per bed that the council paid to residential care home providers in each of the bands/categories of services that the council has included in its response to Question 1.
 3. For each of Yr1, Yr2 and Yr3, please provide the total number of beds purchased by the council from residential care home providers split into the bands/ categories of services that the council has specified in its answer to Question 1.
 4. For each of Yr1, Yr2 and Yr3, please provide the proportion (expressed as a percentage) and/ or number of beds purchased from residential care home providers in each of the bands/ categories of services that the council has specified in its answer to Question 1 that were purchased::
 - a. at the council’s standard rate specified in its response to Question 1;
 - b. below the council’s standard rate specified in its response to Question 1; and
 - c. above the council’s standard rate specified in its response to Question 1.

I understand that under the Act I am entitled to a response and any relevant information within 20 working days from the next working day after my request has been received. However, should my request be denied in whole or in part, I would appreciate a rationale behind the refusal or part refusal with reference to the specific applicable exemptions contained in the Act. Relatedly, if any element of the above requires further clarification, please do let me know and I would be happy to amend or expand on the search parameters as appropriate. If the council does not hold the information requested above but another organisation or body does, I would be grateful if you could refer me to said organisation or body.

I would be grateful if you could please acknowledge by return, safe receipt of this request. I look forward to hearing back from you in due course.