Technical Annex on the Adult Social Care Relative Needs Formula (ASC RNF)

1. Introduction

The Department of Health and Social Care (DHSC) and the Ministry of Housing, Communities and Local Government (MHCLG) use the ASC RNF to distribute central government ASC grants to local authorities. It is designed to reflect the relative needs of local authorities providing ASC services by taking account of underlying factors outside of local authorities' control, that could explain the local variations in the cost of service delivery. It should be noted that these formulae do not influence the total amount of funding available.

Section 2 details the methodological approach of this updated ASC RNF, including the low income adjustment (LIA), and provides a guide on how we calculate the final updated ASC RNF allocation shares. Section 3 describes the changes made to the methodology since the Fair Funding Review 2.0 consultation. Section 4 provides the data definitions and sources underlying the calculations we used for the final updated ASC RNF allocation shares published in the supporting Fair Funding Share calculator.

2. Methodology

2.1. Context for the updated ASC RNF

The ASC RNF was first developed in 2005 to 2006 and has not been updated since the 2013 to 2014 Local Government Finance Settlement (LGFS) - hereafter the "2013-14 ASC RNF". A study published in 2018 updated a revision of the ASC RNF (hereafter the "2018 RNF") as part of the social care charging reforms, but these were not taken forward.

In June 2025, the Ministry of Housing, Communities and Local Government (MHCLG) published a public consultation, the Fair Funding Review 2.0, seeking views on proposed updates to the ASC RNF using improved data and approaches. In November 2025, after analysing the responses to the consultation, the Government confirmed that it would update the ASC RNF in line with the proposals. The updated formula will be used this to distribute ASC funding and to inform MHCLG's wider local government formula funding from the 2026-27 LGFS onwards. This "updated ASC RNF" builds on advancements made in the 2018 RNF, and this technical annex sets out the analytical details of this update.

2.2. Updated base ASC RNF model

The updated ASC RNF is built on a base formula which calculates relative needs amount per capita. A set of adjustment factors are applied to this base formula to reflect other local circumstances. As the ASC RNF only reflects the relative costs of local authority-funded adult social care services, the final ASC RNF outputs are expressed as a proportion of the total funding being distributed. These are referred to as "allocation shares". The updated base ASC RNF has two components: younger adults (18 to 64 years) and older adults (65 and over). The

older adults and younger adults component allocation shares are combined using weights to obtain the overall ASC RNF allocation shares.

DHSC commissioned academics from the NIHR[1] Adult Social Care Policy Research Unit (ASCRU) at the Care and Outcomes Research Centre (COReC) (formerly Personal Social Services Research Unit, PSSRU) at the University of Kent to update the base local authority-funded ASC relative needs models for this update. These models aim to estimate the relative gross expenditure per capita for local authority-funded ASC services. This section gives a summary of the models developed by ASCRU. Further details can be found in the latest ASCRU report on the ASC RNF.

2.2.1. Criteria for local authority-funded ASC services

Broadly, local authorities consider three criteria when assessing whether ASC should be local authority-funded[2] or not. These are based on impairment needs, financial needs (in relation to the means test for local authority-funded ASC) and, once the first two needs are established, whether there are formal care needs - for example, needs not already being met by a continuing, possibly unpaid, carer.

2.2.2. Components of the updated base ASC RNF model

ASCRU developed models by investigating underlying factors that drive the local authority differences for these three local authority-funded ASC assessment criteria. They used a utilisation-based approach that infers relative ASC needs from past local authority-funded ASC use patterns.

ASCRU produced separate models for older adults and younger adults given differences in their utilisation patterns and expected cost drivers (for example, younger adults are less likely to have accumulated as much wealth as older adults) for the local authority-funded ASC assessment criteria mentioned above.

Each of the younger adults and older adults-components are made up of two further sub-components for two care settings: community-based care and residential and nursing care. Care settings were separated out given their likely differing relationships to cost drivers and the differences in their costs. The ASCRU models aim to estimate the ASC relative needs as expressed in cost terms. In particular, the community care setting model estimates the relative gross expenditure for local authority-funded ASC per capita. The home care setting model estimates the relative number of users per capita as proxies to the relative gross expenditure for local authority-funded ASC per capita.

2.2.3. Use of small area modelling for the updated base ASC RNF model

To better account for differences within local authorities and to increase the number of model data points, ASCRU used small area modelling at lower layer super output area (LSOA) level[3].

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[1] National Institute for Health and Care Research (NIHR)

[2] Further information on the assessment criteria can be found in the Care and support statutory guidance

[3] LSOAs are the second lowest statistical geography with usual resident population of between 1,000 to 3,000 people Statistical geographies - Office for National Statistics (ons.gov.uk)

One challenge of small area modelling is the lack of routine data on local authority-funded ASC use at this level. Thus, ASCRU used survey data on LSOA level ASC use collected in 2012 to 2013 from 48 local authorities and adjusted the data to reflect 2022 to 2023 ASC use. ASCRU used the 2022 to 2023 financial year reported local authority supported clients on long term nursing and residential care as reported in the 2022 to 2023 Adult Social Care Activity and Finance Report[4] (ASC-FR) to rescale the care home data. They used the 2022 to 2023 reported gross current expenditure (GCE) reported on local authority supported community-based care from the same source to rescale the home care data. As the ASC-FR data is reported only at local authority level not at LSOA level, the assumption underlying the rescaling is the changes in ASC use for LSOAs within the same local authority are the same.

Note that in 2023 to 2024, local authorities started reporting data to NHS England for the Adult Social Care Client Level Data (CLD)[5]. While this will be an important data source on small area ASC use in the future, it has not yet been made available to use at the time of this update. More information on data collected for the CLD can be found at Adult Social Care Client Level Data - NHS England Digital.

All the data feeding into the model needed to be available at LSOA level. Where this was not possible, data available only at local authority level was used only where necessary (for example, to rescale the ASC use survey data as outlined above). In addition, for ease of future updates, ASCRU only considered data for the model that is frequently updated (for example, data from one-off surveys would not be used).

2.2.4. How non-needs factors that affect ASC use are accounted for in the updated base ASC RNF model

One key assumption of the utilisation-based approach used for this model is that local authority-funded ASC relative needs patterns are reflected in the relative local authority-funded ASC use patterns. However, other non-needs factors could also drive use patterns and need to be accounted for in the model. A factor we do not consider to be a direct indicator of ASC needs, but that could affect the level at which adults use social care services is the supply or availability of these services, such as the number of care home beds in an area.

ASCRU minimised the confounding effects of two supply factors – the number of care beds in each LSOA[6] and a proxy to ASC labour workforce in each middle layer super output area (MSOA)[7] - by including these factors in the updated base ASC RNF model. If we do not include these non-needs supply indicators in the model, we could incorrectly attribute supply effects on the ASC costs to the model needs indicators. For example, the model could potentially overestimate the effect of the proportion of people aged 65 or over who are 80 or older on the

[4] Adult Social Care Activity and Finance Report, England, 2022 to 2023 (Adult Social Care Activity and Finance Report, England, 2022 to 2023 - NHS England Digital)
[5] Adult Social Care Client Level Data - NHS England Digital
[6] The methodology accounts for the distance of care homes to each LSOA and estimates the number of beds for youngers adults and older adults using the number of care beds from the Sept 2023 CQC care directory.
[7] Number of residents employed in caring and personal service occupations (SOC2020-61) in human health and social care (SIC2007-Q) per capita (18 to 64 years or 65 and over) using Census 2021 data.

relative ASC costs if the models do not account for the observation that the number of care home beds per capita are higher in areas where there are a higher proportion of people aged 80 or over (in the 65 and over population). To account for potential interdependences between these supply factors and relative ASC local authority costs, ASCRU applied an instrumental variable approach.

Since the above supply factors are non-need factors and local authorities could have some control over them, ASCRU used the sample means of these two supply indicators for all local authorities, (and included the means in the constant terms of the final formulae). This means the supply indicators do not appear as direct relative needs indicators in the ASC RNF even if they are still controlled for in the updated base RNF model. As a result, these two supply factors will not be directly used to calculate the allocation shares (and hence to allocate funding). We believe this to be the most appropriate way of ensuring the allocations are not distorted by indicators that do not directly drive ASC relative needs.

In addition, the updated models controlled for local authority fixed effects to account for other non-need and non-supply drivers of relative ASC use patterns. For example, possible local authority policy differences in response to general funding pressures that are non-needs driven or other unobserved differences.

2.2.5. How we use the updated base ASC RNF model to obtain the relative local authority level gross expenditure per capita estimates

We estimate the pseudo local authority-level ASC gross expenditure per capita by inputting local authority level data into the updated base ASC RNF for the indicators in the formulae. Note these estimates are only suitable for use to estimate relative costs. While they might appear to estimate absolute costs, the assumptions for the models and indicators included in the models are not designed to estimate absolute ASC costs, only for relative costs. See section 2.4 for information on how we use these values to calculate the final ASC RNF allocation shares.

2.2.6. Changes from the 2013-14 ASC RNF

The 2013-14 ASC RNF and the updated ASC RNF use the same broad methodological approach. The underlying models to both are small area utilisation-based models and were developed considering factors that could drive the variations in the three local authority-funded ASC assessment criteria (impairment, financial and formal carer needs). ASCRU considered a selection of possible model indicators and selected the ones with strong associations with the relevant utilisation or cost distributions. Both sets of models aimed to remove the effects of selected supply factors on utilisation without directly including these indicators in the final RNF and hence they would not be used directly to calculate allocation shares. See linked reports for further details of the 2013-14 RNF model and development (younger adults report, older adults report and Methodology Guide for Adults' Personal Social Services Relative Needs Formulae 2013 to 2014).

The exact data and factors considered were different for the ASC RNF update due to benefits system and policy changes over time (for example the introduction of Universal Credit to

replace previous benefits and tax credits), and newer or improved data availability (for example the Census 2021 data, Department of Work and Pensions (DWP) benefits combinations data that allow public access to data on number of individuals claiming multiple benefits). The models underlying this updated ASC RNF includes the following key improvements over the 2013-14 RNF model:

- data at a smaller area; at LSOA level compared to ward-level used in the 2013-14 RNF model developed in 2005 to 2006. Consequently, this updated model was based on a higher number of observations, around 12,000 to 13,000 (depending on the component) compared to around 800 in the 2013-14 ASC RNF
- updated model developed using newer data, for example using Census 2021 data rather than 2001, small area ASC use survey data from 2012 to 2013 rather than 2003 to 2005, and newer 2022 to 2023 benefits data
- updated model includes new indicators to better capture the distribution of wealth and impairment needs for older adults, such as interaction terms between the home ownership proportions and the proportion of dwellings in various Council Tax bands, and inclusion of older adults who are still able to claim Disability Living Allowance

The final base local authority-funded ASC RNF indicators for the 2013-14 ASC RNF and this updated ASC RNF are in Table 1 and Table 2. There are similar indicators included but they cannot be directly compared due to different data sources used and changes in data definitions over time.

Table 1 - Model indicators[1] in the younger adults component of the 2013-14 ASC RNF and updated ASC RNF

Indicators in the younger adults component of the 2013-14 ASC RNF	Indicators in the younger adults component of the updated ASC RNF
Proportion of households with no family	Proportion of household reference persons aged 16 to 64 living in one-family households
Proportion of people aged 18 to 64 who work in routine or semi routine occupations	Proportion of people aged 18 to 64 who are Universal Credit (No Work Requirements) or Employment Support Allowance or Personal Independence Payment, Disability Living Allowance or Attendance Allowance[2] claimants
Proportion of people aged 18 to 64 who are long term unemployed or have never worked	Proportion of people aged 16 to 64 who are aged 16 to 24
Proportion of people aged 18 to 64 who are in receipt of Disability Living Allowance	

1 - Note that the indicators from the 2 models are not directly comparable due to definition changes over time and different data sources used.

2 - We note that it is not possible to claim Attendance Allowance under the State Pension age which includes people who are aged 18 to 64. However, this is the name of the indicator as included in the DWP Stat Xplore benefits combination dataset where this data is obtained. So, we have kept this name for consistency.

Table 2 – Model indicators[1] in the older adults component of the 2013-14 ASC RNF and updated ASC RNF

Indicator in the older adults component of the 2013-14 ASC RNF	Indicator in the older adults component of the updated ASC RNF
Proportion of people aged 65 or over who were in receipt of Attendance Allowance	Proportion of people aged 65 or over who are Personal Independence Payment, Disability Living Allowance, or Attendance Allowance claimants
Proportion of people aged 65 or over who are living alone	Proportion of household reference persons aged 65 or over living as a couple
Proportion of people aged 65 or over who are aged 90 or over	Proportion of people aged 65 or over who are aged 80 or over
Proportion of people aged 65 or over who were in receipt of Pension Credit[2]	Proportion of people aged 65 or over who are Pension Credit claimants aged 80 or over
Proportion of people aged 65 or over living in rented accommodation	Proportion of household reference persons aged 65 or over who own their home outright multiplied by the proportion of all dwellings in Council Tax bands A to E Proportion of household reference persons aged 65 or over who own their home outright multiplied by the proportion of all dwellings in Council Tax bands F to H

1 - Note that the indicators from the 2 models are not directly comparable due to definition changes over time and different data sources used.

2 - Pension Credit was the only benefit included during the 2005 to 2006 development of the final model for the older adults component of the 2013-14 ASC RNF. However, in subsequent years, during the calculation of the estimated gross expenditure using local authority-level data, it appears the input data used also included information for other benefits such as income support, and so on.

2.2.7. Ethnicity

An ethnicity indicator was considered in the 2013-14 ASC RNF but not included as there was limited statistical evidence to justify it. In the updated ASC RNF, ethnicity was found to be statistically significant in explaining differences in local authority-funded ASC needs. The updated model therefore includes an ethnicity variable - the proportion of the relevant age group reporting being White using Census 2021 data.

Ethnicity is included as a control variable to ensure that difference in ASC need linked to factors such as health, income and housing are captured accurately. These factors can be correlated with ethnicity, and without accounting for this, the model could over or under-estimate the influence of those underlying drivers. Including ethnicity in this way ensures allocations reflect genuine differences in need and avoids any bias in calculating the main drivers of ASC needs. Differences between areas arise not from ethnicity per se, but from related factors such as variations in long term health, income and wealth, or benefit take-up (Hayanga et al., 2023; Byrne et al., 2020; Salway et al., 2016). These factors are modelled directly, so their impact on care need and cost is fully reflected.

As with supply, ethnicity is controlled for in the final allocation by setting the proportion of people reporting as White to the national average for all local authorities. This means no area receives more or less funding because of its ethnic composition directly. Ethnicity therefore appears as a control variable in the regression models but not as a relative-needs indicator in the final formula. This approach ensures allocations are based only on factors that directly drive ASC need and is also consistent with the RNF that was proposed previously in 2018.

In summary, the model recognises that ethnicity is associated with factors that affect ASC relative need and cost, and it adjusts for these relationships to ensure fairness. Differences in need linked to factors

correlated with ethnicity are captured in full, while funding allocations themselves remain neutral to ethnic composition.

Further details of the data definitions and sources underlying the 2013-14 ASC RNF used in the 2013 to 2014 Local Government Finance Settlement can be found at Calculation of 2013 to 2014 Formula Funding and Definitions of Indicators for 2013 to 2014 Part 1, and in section 4 for this update.

2.2.8. Scaling to population size

The updated base ASC RNF aims to estimate the relative gross expenditure per capita. Thus, these estimates need to be scaled up to the relevant population size of the local authority.

For the younger adults component of the ASC RNF, the 18 to 64 population projections rebased to the 2021 Census are used to scale to the relevant population size of the local authority.

For the older adults component, the 65 and over population projections rebased to the 2021 Census are used to scale to the relevant population size of the local authority, with a supported residents adjustment that aims to remove self-funders aged 65 or over from the population projections for each local authority.

The following calculation has been used for the older adults component:

i. Census usual residents in household population aged 65 and over, divided by
ii. Census usual residents population aged 65 and over, multiplied by
iii. projection of population aged 65 and over, plus
iv. reported number of local authority-supported clients aged 65 or over accessing long term nursing or residential support.

Three sets of allocations have been determined using the updated ASC RNF, using population data for 2026, 2027 and 2028, for use in funding allocations in financial years 2026/27, 2027/28 and 2028/29 respectively.

2.2.9. Area Cost Adjustment

To account for the variation in the cost of delivering services for local authorities, MHCLG estimates the ACA for various services including for adult social care. DHSC has used this in the updated ASC RNF. The ACA consists of 4 adjustment factors listed below:

- labour cost adjustment (LCA) to account for local differences in the cost of labour
- rates cost adjustment (RCA) to account for local differences in the cost of property rates/rents
- accessibility adjustment to account for the impact of the differences in travel time to provide services on the cost of labour. It is measured using journey time data and combined with the LCA to account for additional labour cost.
- remoteness adjustment to reflect the theory that rural areas face additional costs due to their separation from major markets.

The accessibility adjustment factor of the ACA is a new element not included in the 2013 to 2014 ACA used in the 2013-14 ASC RNF. This means that the separate sparsity adjustment used in the older adults component of the 2013-14 RNF is no longer needed. The sparsity adjustment was used in the 2013-14 RNF to reflect that home care costs tend to be higher in more sparsely populated areas due to greater travel times between visits.

Further details on the ACA can be found at https://www.gov.uk/government/publications/area-cost-adjustment-technical-note and https://www.gov.uk/government/publications/area-cost-adjustment-values-table-final

2.2.10. Low Income Adjustment

The Low Income Adjustment is used for the older adults component of the updated ASC RNF to account for the differences in income from local authorities supported user charges due to users' differing income and wealth profiles. More details in section 2.3 below.

2.2.11. Combining the older adults and younger adults components of the ASC RNF

In the updated ASC RNF, we have used 2023 to 2024 ASC NCE, as reported in the ASC-FR, to calculate weights to combine the younger adults and older adults components of the updated ASC RNF. This includes the Planned Better Care Fund (BCF) expenditure on social care, as reported in the 2023 to 2024 ASC-FR, and assumes that the age distribution of the BCF expenditure is the same as the "Income from NHS" age distribution.

The weights used for the updated ASC RNF and the 2013-14 ASC RNF are given in Table 3.

Table 3 – weights used to combine the younger adults and older adults components of the ASC RNF

ASC RNF version	Younger Adults component	Older Adults component
Updated ASC RNF weights	51.86%	48.14%
2013-14 ASC RNF weights*	40.21%	59.79%

*calculated from the control totals published in Calculation of 2013 to 2014 Formula Funding

2.3. Low Income Adjustment

DHSC calculates the Low Income Adjustment (LIA), an adjustment to the older adults component of the updated base ASC RNF to account for differences in income from local authority-funded care users. The LIA could be considered as adjusting the base ASC RNF relative gross expenditure per capita towards a relative net expenditure, although local authorities also receive income from sources other than users of ASC services.

The LIA model is a weighted ordinary least squares regression with robust standard errors using local authority-level data. We calculate an LIA value from the model regression coefficients for each local authority following the steps in section 2.3.3.

2.3.1. The updated LIA model

The updated model indicators are as follows:

- dependent variable: proportion of ACA-deflated gross current expenditure (GCE) on LA funded short and long-term ASC for clients aged 65 and over that are client contributions
- explanatory variables:
    - balance of care variable: proportion of total GCE on local authority-funded long-term ASC for clients aged 65 and over spent on nursing care or residential care
    - low income variable: proportion of people aged 65 or over who are either Universal Credit (excluding the conditionality regimes "no work requirements" and "unknown") or Guarantee Credit part of Pension Credit claimants

- the model is weighted by the value for the older adults component of the updated base ASC RNF, based on 2024 population estimates and adjusted by the older adults population with a supported residents adjustment.

For older adults, the split of ASC users between community and residential or nursing care is an important factor driving relative differences in client contributions as a proportion of the ACA-deflated GCE on ASC (see Table 4), and hence its inclusion in the LIA model. However, the choice of care settings for local authority-funded users is largely within local authorities' control and affects the amount of income raised from user charges. Thus, the balance of care variable is used only to investigate the relationship between the low income variable and the proportion of ACA-deflated ASC CGE from client contributions. The direct effect of the balance of care variable on the latter is assumed to be the same for all local authorities and so not directly used to calculate the final LIA values. Further information on the calculation is outlined in section 2.3.3.

We removed the Isles of Scilly and City of London during the updated LIA model development as they are known outliers. This means they are excluded from the calculation underlying the regression estimates in Table 4. The LIA values for the Isles of Scilly and City of London are estimated separately using the final model regression coefficients.

The LIA uses 65 and over population estimations and projections rebased to the 2021 Census. The model uses five-year averages of the data in order to smooth yearly fluctuations. The three updated ASC RNF scenarios use five-year averages of population data ending in 2026, 2027 and 2028, respectively, using population estimates for years up to 2024 and populations projections for the years following. Regression results for the three scenarios are very similar and therefore only the results using the 2028 population average are presented here.

Expenditure and benefits data in the model is based on the average of data from 2019/20, 2021/22, 2022/23 and 2023/24, which smooths any yearly fluctuations in the ASC GCE or benefit claiming figures, and has been adjusted to the latest prices using the GDP deflator.

Data from 2020 and 2021 was excluded due to data quality concerns for some data underlying the ASC-FR as a result of the COVID-19 pandemic, especially comparability with previous years' data and reporting between local authorities in 2020 to 2021[8].

Table 4 - Updated LIA model regression results using 2028 population average.

Model indicator	Indicator coefficients	Confidence Interval	*P* value
(intercept)	0.1943	0.0952 – 0.2934	0.0002
Low income indicator	-0.3538	-0.6296 - -0.0780	0.0123
Balance of care	0.1687	0.0308 – 0.3066	0.0169

[8] See the summary in Adult Social Care Activity and Finance Report, England - 2020 to 2021 for more detail

Observations: 151

R^2/R^2 adjusted: 0.1881/0.1771

The above regression results are broadly in line with expectation. For example, as client contributions are more important for nursing and residential care than other care settings, we would expect higher proportions of nursing and residential care GCE in overall GCE to lead to higher proportions of GCE from client contributions. This is what we observe in our model.

We found higher proportions of certain benefit claimants in the older adults population (as defined above) lead to lower proportions of ASC GCE from client contributions (with GCE ACA deflated). We would expect this because we believe the benefits data included in the updated LIA model is more likely to capture people with lower income and fewer financial assets. These individuals are expected to be less able to contribute to local authority-funded ASC if they need care. However, we note that the statistical evidence for this relationship is relatively weak. This may be due to a lack of specific data that can distinguish between the poorest people, who are least able to contribute to local authority-funded ASC if they need care, and people with slightly more means who might need to contribute if they need care. In addition, we believe this lack of granular data is also likely to be the reason for the relative low model fit of the LIA model (17.7% of the variation in the proportion of ACA - deflated GCE from user charges is explained by the updated LIA model indicators). However, we still included the LIA for the older adults component of the updated ASC RNF since client contributions are not accounted for elsewhere in the model.

2.3.2. Changes from the 2013-14 LIA model

The updated LIA model is broadly consistent with the version first introduced in the 2011 to 2012 LGFS and last updated in the 2013 to 2014 LGFS. However, along with the changes outlined in the section above, we updated the model using the latest data available at the time of modelling and improved the methodological approach. See section 4 for the data definitions and sources used for the LIA model.

The low income indicator has been updated to reflect the current benefits available. The 2013-14 LIA model includes older adults on Income Support, Income-based Jobseeker's Allowance, or guarantee element of Pension Credit[9]. People on Income Support and Income-based Jobseeker's Allowance have been removed as these benefits have now been replaced by Universal Credit. We have therefore now included the number of Universal Credit (excluding the "no work requirements" and "unknown" conditionality regimes) claimants aged 65 or over. The guarantee credit element of Pension Credit caseload remains. We note that the State Pension age has increased from 65 to 66 and is set to change again in the future,

[9] See the data definitions of indicators for 2013 to 2014

however, the inclusion of both Universal Credit and Pension Credit ensures the indicator is not sensitive to State Pension age changes.

We considered other low income related variables, including the proportion of people aged 65 and over in the social rented sector (Census 2021). We chose to model using benefits data because the social rented data are less frequently updated and did not significantly improve the model. We also investigated including additional variables in the model such as house ownership data from the Census. However, this did not improve the model and since the model has a limited number of data points, adding more variables could make the model less reliable.

2.3.3. Calculating the updated LIA value

The following steps are used to produce the final updated LIA value for each local authority using the updated LIA model. The direct effect of the proportion of ACA-deflated ASC GCE on nursing care or residential care for clients aged 65 or over is removed by assuming the same value for all local authorities; it was calculated by multiplying its model coefficient by its national weighted average value for every local authority. The LIA value for people aged 65 and over, from the 2028 population projection average, is calculated as follows:

i. 0.1943 plus

ii. 0.1060 (0.1687 multiplied by the weighted mean of the proportion of total GCE on local authority-funded long-term ASC for clients aged 65 and over-spent on nursing care or residential care), plus

iii. -0.3538 multiplied by the proportion of people aged 65 or over who are either Universal Credit (excluding the conditionality regimes “no work requirements” and “unknown”) or Guarantee Credit part of Pension Credit claimants

The results of the above:

iv. divided by the ACA and subtracted from 1,

v. divided by the minimum value

2.4. Calculating the updated ASC RNF allocation shares

We calculate the allocation shares for the younger adults and older adults components separately and then combine these using weights, as outlined in section 2.2.11, to calculate the final updated ASC RNF allocation shares. For more information regarding the population data used to scale to population size, see section 2.2.8.

2.4.1. Updated younger adults component

The updated younger adults component of the ASC RNF value is calculated as follows using local authority-level data:

i. 6.15 plus

ii. 19.06 multiplied by the proportion of people aged 18 to 64 who are Universal Credit (No Work Requirements) or Employment Support Allowance or Personal Independence Payment, Disability Living Allowance or Attendance Allowance[10] claimants, plus
iii. -3.06 multiplied by the proportion of household reference persons aged 16 to 64 living in one-family households, plus
iv. -6.15 multiplied by the proportion of the people aged 16 to 64 who are aged 16 to 24

The result of the above multiplied by:

i. ACA for adult social care, multiplied by
ii. number of people aged 18 to 64 years

To calculate the younger adults component allocation share for each local authority, take its younger adults component ASC RNF value and divide by the sum of the younger adults ASC RNF values for all 153 local authorities with social care responsibilities, and then multiply by 100 to calculate the local authority younger adults component allocation share expressed as a percentage.

2.4.2. Updated older adults component

The updated older adults component of the ASC RNF value is calculated as follows using local authority-level data:

i. 22.42 plus
ii. 14.88 multiplied by the proportion of people aged 65 or over who are Personal Independence Payment, Disability Living Allowance, or Attendance Allowance claimants, plus
iii. -12.73 multiplied by the proportion of household reference persons aged 65 or over living as a couple, plus
iv. 12.99 multiplied by the proportion of people aged 65 or over who are aged 80 or over, plus
v. 25.95 multiplied by the proportion of people aged 65 or over who are Pension Credit claimants aged 80 or over, plus
vi. -9.12 multiplied by the proportion of household reference persons aged 65 or over who own their home outright multiplied by the proportion of all dwellings in Council Tax bands A to E, plus

[10] We note that it is not possible to claim Attendance Allowance under the State Pension age which includes people who are aged 18 to 64. However, this is the name of the indicator as included in the DWP Stat Xplore benefits combination dataset where this data is obtained. We have kept this name for consistency.

vii. -18.32 multiplied by the proportion of household reference persons aged 65 or over who own their home outright multiplied by the proportion of all dwellings in Council Tax bands F to H

The result of the above multiplied by:

i. ACA for adult social care, multiplied by
ii. number of people aged 65 and over with a supported residents adjustment, multiplied by
iii. low income adjustment

To calculate the older adults component allocation shares for each local authority, take its older adults component ASC RNF value and divide by the sum of the older adults ASC RNF values for all 153 local authorities with social care responsibilities, and multiply by 100 to calculate the local authority older adults component allocation share expressed as a percentage.

2.4.3. Updated ASC RNF allocation shares

The updated younger adults and older adults component allocation shares are combined using weights listed in Table 3 in section 2.2.11 to obtain the final ASC RNF allocation shares. As these are relative shares, if the value for one local authority changes then the shares will change for all local authorities.

3. Changes from the Fair Funding Review 2.0 consultation

MHCLG published a public consultation, the Fair Funding Review 2.0, seeking views on proposed updates to the ASC RNF using improved data and approaches. Following responses to this, a number of amendments to the updated ASC RNF have been made, as set out below.

3.1. Changes to approach following consultation

The Fair Funding Review 2.0 consultation sought views on the government's proposal to include population projections in the ASC RNF that have been rebased using Census 2021 data. The final updated model uses population projections to adjust the allocation shares to reflect changes in projected population size. The rationale for this decision can be found in the Government response to the Fair Funding Review 2.0.

In line with this, the LIA model has been updated to incorporate population projections into the model. See section 2.3.1 for additional information.

3.2. Data updates since consultation

Since the Fair Funding Review consultation, population estimates data for 2024 has become available and this has been incorporated into the model. Additionally, MHCLG have provided an updated version of the ACA which is included in the model. See section 2.2.9 for further information.

The RNF weights used in the LIA have been updated to be based upon 2024 population estimates, and an updated version of the ACA (provided by MHCLG) has been incorporated.

3.3. Other outcomes following consultation

3.3.1. Relative Needs Indicators

The Fair Funding Review 2.0 consultation sought views on the relative needs indicators used in the updates for both the younger adults and older adults components of the ASC RNF. It also sought views on whether there are any other relative needs indicators that should be considered, noting that it would not be possible to add additional indicators for a 2026-27 update.

The majority of the respondents agreed with our proposal, and the Government has updated the ASC RNF with the same relative needs indicators set out in the consultation, and again in this document (see section 2.2.6). A number of respondents suggested alternative and/or additional relative needs indicators, for example, suggesting including additional disability metrics and indicators which account for housing affordability.

ASCRU considered including disability data from the Census[11] to proxy care need in both the models for people aged 18 to 64 and 65 and over. Including disability data as an additional

[11] Disabled under the Equality Act: day-to-day activities limited a lot

indicator alongside the benefits-based indicator presented signs of collinearity, so we decided to not use both in the model. We decided instead to use the benefits-based indicators because they had either comparable or better statistical fit and are updated more frequently (annually rather than every 10 years).

Small area average house price data from the Land Registry Price Paid Data collection was considered as an alternative to shares of houses in council tax bands to proxy household wealth in the model for people aged 65 and over. The updated model retained the council tax-based indicator due to better statistical fit and because the house price data covers only the subset of housing stock that undergoes a market transaction.

3.3.2. Updated method to combine the older adults and younger adults components of the ASC RNF

The Fair Funding Review 2.0 consultation sought views on the government's proposal to use the relative England-level net current expenditure (NCE) on younger adults versus older adults as weights to combine the younger adults and older adults components of the updated ASC RNF. It also sought views, from those who disagreed with the proposal, on what other weights they would use, why, and what data they would be based on

The majority of respondents agreed with our proposal. Therefore, in the updated ASC RNF, we have used the 2023 to 2024 ASC NCE as reported in the ASC-FR. This includes the Planned Better Care Fund (BCF) expenditure on social care, as reported in the 2023 to 2024 ASC-FR, and assumes that the age distribution of the BCF expenditure is the same as the "Income from NHS" age distribution. See section 2.2.11 for further detail.

3.3.3. Low Income Adjustment Model

The Fair Funding Review 2.0 consultation sought views on the government's proposal to include a LIA for the older adults component of the ASC RNF model. The majority of respondents agreed with our proposal, and we will continue to use a LIA for the older adults component of the ASC RNF model to account for contributions made by ASC service users towards their care costs.

4. Changes from the Provisional Local Government Finance Settlement 2026 to 2027

There have been no changes to the ASC RNF since the provisional Settlement.

5. Data and technical definitions

This section contains the definitions and sources used for the calculation of the allocation shares based on the adult social care relative needs formulae.

Updated ASC RNF

Data from the Office for National Statistics (ONS)

Population aged 18 to 64

Estimate of the number of people aged 18 to 64 in mid-2024.

Source: ONS mid-2024 population estimates summed over age categories 18 to 64 (inclusive) from: Estimates of the population for England and Wales - Office for National Statistics (ons.gov.uk).

Population aged 16 to 24

Estimate of the number of people aged 16 to 24 in mid-2024.

Source: ONS mid-2024 population estimates summed over age categories 16 to 24 (inclusive) from: Estimates of the population for England and Wales - Office for National Statistics (ons.gov.uk).

Population aged 16 to 64

Estimate of the number of people aged 16 to 64 in mid-2024.

Source: ONS mid-2024 population estimates summed over age categories 16 to 64 (inclusive) from: Estimates of the population for England and Wales - Office for National Statistics (ons.gov.uk)

Projected population aged 18 to 64

Projected population of the number of people aged 18 to 64. See section 2.2.8 for details of how these projections are used to scale the younger adults component of the ASC RNF to local authority population size during the multi-year settlement.

Source: ONS subnational population projections summed over age categories 18 to 64 (inclusive) from: Population projections for local authorities by single year of age and sex, England - Office for National Statistics

Census household reference persons aged 16 to 64 living in single-family households

The number of household reference persons aged 16 to 64 in a single family household on 21 March 2021.

Source: Census 2021 - Create a custom dataset, 'Population type: all Household Reference Persons; Age: aged 16 to 64 years; Household composition: One-person household, Single family household: Couple family household, Single family household: Lone parent household'.

Census household reference persons aged 16 to 64

The number of household reference persons aged 16 to 64 on 21 March 2021.

Source: Census 2021 - Create a custom dataset, 'Population type: all Household Reference Persons; Age: aged 16 to 64 years'.

Population aged 65 and over

Estimate of the number of people aged 65 or over in mid-2024.

Source: ONS mid-2024 population estimates summed over age categories 65 to 89 (inclusive) and age category 90+ from: Estimates of the population for England and Wales - Office for National Statistics (ons.gov.uk).

Population aged 80 and over

Estimate of the number of people aged 80 or over in mid-2024.

Source: ONS mid-2024 population estimates summed over age categories 80 to 89 (inclusive) and age category 90+ from: Estimates of the population for England and Wales - Office for National Statistics (ons.gov.uk).

Projected population aged 65 and over

Projected population of the number of people aged 65 and over. See section 2.2.8 for details of how these projections are used to scale the older adults component of the ASC RNF to local authority population size during the multi-year settlement.

Source: ONS subnational population projections summed over age categories 65 to 89 (inclusive) and age category 90+ from: Population projections for local authorities by single year of age and sex, England - Office for National Statistics

Census household reference persons aged 65 or over living in a couple

The number of household reference persons aged 65 or over living in a couple on 21 March 2021.

Source: Census 2021, 'Age: aged 65 years and over; Living Arrangements: Living in a couple' from RM066 - Living arrangements by age - Household Reference Person – Nomis.

Census household reference persons aged 65 or over

The number of household reference persons aged 65 or over on 21 March 2021.

Source: Census 2021 - Create a custom dataset, sum the 'Population type: all Household Reference Persons; Age: aged 65 years and over'.

Census household reference persons aged 65 or over who own home outright

The number of household reference persons aged 65 or over who own home outright on 21 March 2021.

Source: Census 2021, select 'Age: aged 65 years and over; Household Tenure: Owns outright' from RM201 - Tenure by age - Household Reference Persons - Nomis.

Census residents in households aged 65 or over

The number of usual residents in households aged 65 or over on 21 March 2021.

Source: Census 2021 - Create a custom dataset, 'Population type: all usual residents; Age: aged 65 years and over'.

Census all usual residents aged 65 or over

The number of usual residents aged 65 or over on 21 March 2021.

Source: Census 2021, select 'Age: aged 65 years and over; Sex: All persons' from RM121 - Sex by age - Nomis.

Data from the Department for Work and Pensions (DWP)

Universal Credit (No Work Requirements) or Employment Support Allowance or Personal Independence Payment, Disability Living Allowance, or Attendance Allowance claimants aged 18 to 64

The number of Universal Credit (No Work Requirements) or Employment Support Allowance or Personal Independence Payment, Disability Living Allowance, or Attendance Allowance claimants aged 18 to 64, averaged across August 2023, November 2023, February 2024, and May 2024.

Source: Statistics at DWP: Stat-Xplore, under 'Benefit Combinations - Data from May 2019 for England and Wales'. Filter age categories between '18 to 24' and '60 to 64' (inclusive), under 'Benefit' filter 'ESA', 'PIP, DLA & AA', and 'UC', for August 2023, November 2023, February 2024 and May 2024.

Pension Credit claimants aged 80 or over

The number of Pension Credit claimants aged 80 or over, averaged across August 2023, November 2023, February 2024 and May 2024.

Source: Statistics at DWP: Stat-Xplore, under 'Benefit Combinations - Data from May 2019 for England and Wales'. Filter age categories between '80 to 84' and '95 and over' (inclusive), under 'Benefit' filter 'PC' for August 2023, November 2023, February 2024 and May 2024.

Personal Independence Payment, Disability Living Allowance, or Attendance Allowance claimants aged 65 or over

The number of Personal Independence Payment, Disability Living Allowance, or Attendance Allowance, claimants aged 65 or over, averaged across August 2023, November 2023, February 2024 and May 2024.

Source: Statistics at DWP: Stat-Xplore, under 'Benefit Combinations - Data from May 2019 for England and Wales'. Filter age categories between '60 to 65' and '95 and over' (inclusive), under 'Benefit' filter 'PIP, DLA & AA' for August 2023, November 2023, February 2024 and May 2024.

Data from other sources

Dwellings in Council Tax bands A-E

The number of dwellings in Council Tax bands A, B, C, D or E in England as at 31 March 2024.

Source: Table CTSOP1.1: number of properties by Council Tax band, local authority and super output area as at 31 March 2024 from Council Tax: stock of properties, 2024. Sum across Council Tax bands A to E.

Dwellings in Council Tax bands A-H

The number of dwellings in Council Tax bands A, B, C, D, E, F, G or H in England as at 31 March 2024.

This is the same as 'all dwellings' in England.

Source: Table CTSOP1.1: number of properties by Council Tax band, local authority and super output area as at 31 March 2024 from Council Tax: stock of properties, 2024. Sum across Council Tax bands A to H.

Dwellings in Council Tax bands F-H

The number of dwellings in Council Tax bands F, G and H in England as at 31 March 2024.

Source: Table CTSOP1.1: number of properties by Council Tax band, local authority and super output area as at 31 March 2024 from Council Tax: stock of properties, 2024. Sum across Council Tax bands F to H.

ACA for Adult Social Care

MHCLG's updated Adult Social Care ACA value for local authorities with adult social care responsibilities.

Source: MHCLG.

Clients aged 65 or over accessing long term nursing or residential support

The number of clients aged 65 or over accessing long term nursing or residential support at the end of the 2023 to 2024 financial year.

We used the 2019 to 2020 reported figure for Hackney - the latest reported data from Hackney - on this indicator. We assumed this figure was 4 for Isles of Scilly and City of London where the number of clients were less than 5 and hence supressed for reporting in the ASC-FR.

Source: Adult Social Care Activity and Finance Report - NHS England Digital, 'Table 38: Number of clients accessing long term support at the end of the year, by age band and support setting'.

NCE on short term and long term social care for clients aged 18 to 64

The local authority NCE on short term social care for clients aged 18 to 64 plus the local authority NCE on long term social care for clients aged 18 to 64 in the 2023 to 2024 financial year.

Source: Adult Social Care Activity and Finance Report - NHS England Digital, NCE Data, 'Net Current Expenditure on long and short term care, by care type and age band, year on year comparison, 2023-24'.

NCE on short term and long term social care for clients aged 65 or over

The local authority NCE on short term social care for clients aged 65 or over plus the local authority NCE on long term social care for clients aged 65 or over in the 2023 to 2024 financial year.

Source: Adult Social Care Activity and Finance Report - NHS England Digital, NCE Data, 'Net Current Expenditure on long and short term care, by care type and age band, year on year comparison, 2023-24'.

Planned Better Care Fund expenditure on social care

The Planned Better Care Fund expenditure on social care in the 2023 to 2024 financial year.

Source: Appendix C - Expenditure on adult social care, 2009-10 to 2023-24 - NHS England Digital, 'Table 5: Net current expenditure on adult social care services in cash and real terms: by source of funding, 2023-24'.

Low Income Adjustment Model

Client contributions received from clients aged 65 or over accessing short or long term local authority-funded ASC

Income from client contributions aged 65 or over for long term care plus income from client contributions aged 65 or over for short term care, averaged across the 2019 to 2020, 2021 to 2022, 2022 to 2023 and 2023 to 2024 financial years.

Source: Adult Social Care Activity and Finance Report - NHS England Digital, 'Income, by finance description, care type and age band' for each year from 2019 to 2020, to 2023 to 2024.

Nursing care and residential care expenditure for local authority-funded ASC clients aged 65 or over

GCE on nursing care for clients aged 65 or over plus GCE on residential care for clients aged 65 or over, averaged across the 2019 to 2020, 2021 to 2022, 2022 to 2023 and 2023 to 2024 financial years.

Source: Adult Social Care Activity and Finance Report - NHS England Digital, 'Gross Current Expenditure on long term care for clients aged 65 and over, by support setting' for each year from 2019 to 2020, to 2022 to 2023.

GCE on local authority-funded short term ASC for clients aged 65 and over

GCE on short term care for clients aged 65 or over, averaged across the 2019 to 2020, 2021 to 2022, 2022 to 2023 and 2023 to 2024 financial years.

Source: Adult Social Care Activity and Finance Report - NHS England Digital, 'Gross Current Expenditure on short term care for clients aged 65 and over, by purpose and primary support reason' for each year from 2019 to 2020, to 2023 to 2024.

GCE on local authority-funded long term ASC for clients aged 65 and over

GCE on long term care for clients aged 65 or over, averaged across the 2019 to 2020, 2021 to 2022, 2022 to 2023 and 2023 to 2024 financial years.

Source: Adult Social Care Activity and Finance Report - NHS England Digital, 'Table 44: Gross current expenditure on long term care for clients aged 65 and over, by support setting' for each year from 2019 to 2020, to 2023 to 2024.

People aged 65 or over claiming Universal Credit

The number of people aged 65 or over claiming Universal Credit (excluding the conditionality regimes 'no work requirements', 'unknown or missing regime' and 'not available prior to April 2015'), averaged over May, August, November and February of each year between May 2019 and February 2024 (inclusive), excluding May 2020, August 2020, November 2020 and February 2021.

Source: Statistics at DWP: Stat-Xplore, under 'People on Universal Credit': Filter age categories '65', 'Over 65'; under 'Conditionality regimes' filter 'Searching for work', 'Working – with requirements', 'Working – no requirements', 'Planning for work', 'Preparing for work' for May, August, November and February of each year from May 2019.

People aged 65 or over claiming Guarantee Credit only part of Pension Credit

The caseload of Guarantee Credit only part of Pension Credit for those aged 65 or over, averaged over May, August, November and February of each year between May 2019 and February 2024 (inclusive), excluding May 2020, August 2020, November 2020 and February 2021.

The number of caseloads and number of claimants are the same for Guarantee Credit.

Source: Statistics at DWP: Stat-Xplore, under 'Pension Credit - Data from May 2018'. Filter age categories '65-69' to '90 and over' (inclusive), under 'Type of Pension Credit' filter 'Guarantee Credit only' for each quarter from May 2019.

Population aged 65 and over

Estimate of the number of people aged 65 or over on 30 June of the reference year, averaged across 2021, 2022, 2023 and 2024.

Source: Estimates of the population for the UK, England, Wales, Scotland, and Northern Ireland, 2011 to 2024 estimates.

Projected population aged 65 and over

Projected population of the number of people aged 65 and over, averaged over 5-year periods (using population estimates for years up to 2024).

Source: ONS subnational population projections summed over age categories 65 to 89 (inclusive) and age category 90+ from: Population projections for local authorities by single year of age and sex, England - Office for National Statistics

Regression weights for the updated LIA model

The allocation shares for each local authority from the older adults component from this updated base ASC RNF with the adjustment for the older people adults population estimate with a supported residents adjustment.

Source: DHSC.

ACA for Adult Social Care

As above section "ACA for Adult Social Care".

GDP deflator

The December 2024 Gross Domestic Product deflator to adjust expenditure data to 2023-24 prices.

Source: GDP deflators at market prices, and money GDP - GOV.UK, GDP deflators at market prices, and money GDP December 2024 (Quarterly National Accounts).