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At your service?

Why the 2025 Spending Review must reckon with the distribution of public service use

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Any remaining errors are the authors' own.

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Summary

The upcoming Spending Review provides an opportunity to focus on the living standards of lower-income families, following an Autumn Budget and Spring Statement that lowered the disposable incomes of poorer families by proportionately more than richer ones. Such a priority resonates with the Government's aim of improving living standards "for all". And while incomes are the key metric for gauging living standards, public services are an integral part of families' lives, providing vital in-kind benefits, especially for Britain's poorer families, who have long been feeling the pinch. As a 'zero-based' event (meaning that departmental spending can be reassessed from the ground up), the Spending Review has the potential to fundamentally reshape the state. So, in this briefing note we take a novel, evidence-based approach to how the Government should prioritise in the face of competing demands, providing new insights on who uses public services and what a Spending Review that prioritises the needs of low-to-middle income Britain would look like.

Public services matter for all families, but in different ways depending on individual circumstances. We estimate that in 2025-26, households will receive, on average, around £13,000 of 'in-kind' benefits from the Government based on the costs of providing them. And unlike many components of household disposable income, in-kind benefits are growing, with an increase in spending of £44 billion at the Autumn 2024 Budget. But not everyone uses or benefits from these services equally. Thus, if the Spending Review rebalances spending, then some families will gain and others lose, just as they do when Budgets make personal tax and benefit changes. Put simply, Spending Review decisions that change the shape of the state will matter for a range of families in very different ways.

The Budget increased public services spending significantly, but pressures have been building, meaning the Government will need to prioritise

Post-Covid, the British state is estimated to have reached a historic high of 45 per cent of the size of the economy. A significant pressure has been debt interest, which now gobbles up 3.6 per cent of national income – three times what it was in 2020-21 and more than total current spending on education. There are also long-run pressures like pension and health spending which will continue to build during the 2020s, with the number of people aged over 65 growing by 2.1 per cent each year over this Parliament, up from 1.8 per cent growth between 2010 and 2025.

The successive strategies that have sustained public services in the face of such pressures have all run out of road. In the second half of the 20th century, growing health

and welfare spending was sustained through cuts to defence (which fell from 7 per cent to 2 per cent of GDP between 1955 and 2000). Today, instead, re-armament is the aim, with the Prime Minister promising for defence spending to grow, first to 2.5 per cent of GDP by 2027-28 and to 3 per cent in the next Parliament. After the financial crisis, cuts to 'unprotected' public services – courts, police, social care, grants to councils and more – led to spending on these areas collectively plunging from 8.3 to 5.9 per cent of GDP since 2007-08, funding a further expansion in health spending. But the Government's insistence that there will be "no return to austerity" would appear to rule out this approach.

After the Autumn 2024 Budget and small adjustments at Spring Statement 2025, so-called RDEL (i.e. day-to-day service spending) will grow by £18 billion, or 0.9 per cent per capita per year in real terms, over the period that will be covered by the Spending Review (2026-27 to 2028-29). While that makes the trade-offs much less stark than the previous Government's plans it still won't feel like a bonanza: difficult decisions, and possibly cuts, lurk in the divvying up. With the Government undertaking a zero-based Spending Review – forcing efficiencies and clear priorities on departments – the stakes are high. As choices get sharper, and particularly now that the Government has embarked on benefit cuts that will hit some poor families particularly hard, the questions about who could lose out in the service settlement presses even more sharply.

Public services are used disproportionately by those on lower incomes

If the Government is to prioritise the needs of lower-income families at the Spending Review, a clear understanding of which services matter most to this group is essential. We use a novel microdata approach, building on the work of others, to estimate which public services most benefit low-to-middle income families, estimating in-kind benefits across the income distribution. We set aside services that only accrue at the collective level (most obviously defence spending) and provide estimates for two-thirds (64 per cent) of the total – around £324 billion in day-to-day services outlays. This spending is, in general, redistributive: total in-kind benefits to households in the poorest fifth are worth £15,900 each year, against just £10,400 for the richest fifth. To the very poorest (the bottom 10 per cent) these benefits are worth more than half of disposable income (61 per cent) on an equivalised basis. This compares with just 4 per cent of income for the very richest.

This slant arises even when spending isn't directly targeted on income. With the NHS, for example, the primary driver is age: the 19 per cent of the population aged over 65 consumes 43 per cent of health services. Only families with children of the relevant age use schools and childcare. These purely demographic drivers nonetheless condition the spread of spending across the income spectrum, because pensioners are over-represented in the middle and children are prevalent lower down. Various other links

– such as worse health in deprived neighbourhoods and private-school attendance at the top end – reinforce the progressive slant. All told, the poorest fifth receive NHS care worth 23 per cent more than the richest fifth. For schools, the poorest receive more than three times the richest (209 per cent more).

There are services – local parks and libraries for example – where the intended benefits are community-wide. But there are many others – such as Jobcentre support – which inevitably focus on people in difficult circumstances. Other services are expressly targeted through means-tests, such as Adult Social Care and Legal aid. Overall, Legal aid, childcare, school spending and adult social care stand out as highly progressive forms of public-service provision: in each case, more than a third of total use is by the poorest fifth. The big exception is transport spending on roads and trains. The poorest fifth only account for 13 per cent of road use and train spending, on average, compared with the richest fifth of households who consume more than a third (35 per cent) of all expenditure on roads and trains, because they travel an average of 1,100 miles annually by rail, against 350 miles for the poorest.

Prioritising spending on services used by lower-income families will make a noticeable difference

New YouGov polling for this paper suggests that prioritising the services that lower-income families use will make a noticeable difference for this group. And it is these experiences that are vital politically – all governments want to ensure that voters actually feel the benefits of things they are trying to improve. To have any chance of achieving this, it's imperative to listen to what voters say about their current experiences of services and their spending priorities.

Unsurprisingly, when asked, people across the income spectrum give high priority to NHS hospitals and GP services, but beyond that, richer and poorer households diverge. Households on £35,000 or less give a higher priority to the police and adult social care; better-off households give relatively more weight to childcare and education.

Over the past 15 years, politicians have followed the voters in prioritising the NHS. As a result, the Health and Social Care budget is up by 30 per cent, per person, in real terms, even if low productivity means this isn't mirrored in the recent patient experience. Indeed, the health sector is becoming the biggest drag on national productivity since the pandemic. By contrast, everything else except the Home Office – whose budget has been pushed up most recently by asylum – has been squeezed. After adjusting for rising prices, day-to-day spending per head for other departments have plummeted since 2010-11 – this includes falls of around 20 per cent for Justice, Transport and Local Government.

The big squeeze has taken its toll in many measurable ways: dissatisfaction with councils has risen from 28 to 45 per cent between 2010 and 2024; the share of Crown Court cases not heard in six months has almost doubled from 23 to 45 per cent between 2019 and 2024; the proportion of people not confident in the police to deal with crime has surged from 40 to 52 per cent between 2019 and 2025.

Unfortunately, the Government cannot prioritise everything. So, we use the YouGov data to pinpoint the sharpest problems reported by poorer families. Their net dissatisfaction scores are markedly lower than that of others for: police (-18 percentage points), GPs (-21), justice and courts (-29), adult social care (-29), and councils (-38). Everyone's experience with schools is more positive, but – again – poor families' score is markedly lower than that of richer families.

A balanced and progressive Spending Review would tilt spending towards the services used most by those on lower incomes

As concerns about European security escalate, the Government has already committed to raising defence spending to 2.5 per cent of GDP by 2027-28. Put that together with the usual emphasis on health – for example, real NHS spending growing at its long-run average growth since 1949 of 3.6 per cent over the Spending Review – and 'unprotected' departments would then face cuts of £8.6 billion a year in just four years' time.

Over the period of the Spending Review, continuing to prioritise health spending over all else would mean in-kind benefits growing by around £260 per household each year across the income spectrum. While everyone gains on average, higher NHS spending would be offset by cuts to services elsewhere. That would be a challenge for spending on education, local government, social care and public safety, and, in turn, the living standards of low-to-middle-income families. The Government's missions for safer streets and greater opportunity would also be harder to sustain. Areas that have already faced disproportionate cuts would be squeezed again.

Should the Government bring forward its planned increase in military spending to 3 per cent of GDP – moving the target from the next Parliament to 2029-30 – then the implied cuts for unprotected departments would rise to £18 billion a year by the end of this Parliament. Rather than trying to force through cuts of this scale, the Government would be wise to fund this with taxes instead, reflecting a lasting change in the need for greater spending on defence in Europe.

In sum, a Spending Review that threw everything at health and defence would look unbalanced for poorer Britain and could leave the missions for opportunity, safer streets, and raising living standards behind.

While the reality is that this Spending Review, like all recent predecessors, will be heavily weighted towards health, the big question is just how skewed it will be. Health already constitutes 40 per cent of day-to-day spending, against just 27 per cent in 2004-05. It is now so large that its rate of growth has major knock-on effects on non-health departments. For example, if day-to-day health spending was to grow at 2 per cent annually instead of 3.6 per cent, that would eliminate – and indeed begin to reverse – cuts otherwise implied for other departments, turning the prospect of £18 billion in cuts into a real increase of £6 billion to be spent across other departments.

Health spending is important for the living standards of families across the spectrum. But preserving some resource for other services that those on lower incomes lean on particularly heavily could achieve a bigger overall boost for that group.

Such a change would be much more achievable if it came with increased capital spending. After all, the key challenge facing the NHS is low productivity, a problem that demands improvements in areas like buildings and equipment rather than ever greater numbers in employment – FTE headcount in the NHS is up by 26 per cent since pre-pandemic (December 2018 vs December 2024). Tilting growth in health spending towards capital investment – which doesn't bite on the Chancellor's binding 'current budget' fiscal rule – would be a big help. Currently, just 6 per cent of total spending on health goes on capital investment. If this was raised by just 1 percentage point to 7 per cent it would mean reallocating £3 billion from day-to-day spending to capital spending in 2026-27. This would imply a growth rate for day-to-day health spending of 2 per cent per year. If that continued over the Spending Review period, with no change in the total NHS budget, it would mean an NHS with better kit that is better able to tackle sluggish health service productivity, as well as providing greater funding for other services.

A better-balanced settlement along these lines could be used to boost the public services used by low-to-middle income families. A settlement for poorer Britain might tackle obstacles in the way of securing Education, Health and Care plans (EHCPs) for children with special educational needs in poorer areas, where fewer are issued, despite the link between individual deprivation and special needs. The Department for Education could directly lift 100,000 children out of poverty if it were to fund free school meals for all families on Universal Credit. Spending on apprenticeships, meanwhile, could pivot towards youngsters seeking a first step on the career ladder: as it is, under-19s starting as intermediate apprentices have recently fallen by 30,000 while higher-level apprenticeships for the over-25s have soared by 45,000. And even within health, day-to-day NHS spending could be usefully tilted towards GPs, where the relative experience of poorer Britons is worst.

Overall, after a shaky start on living standards from this Government, there is an opportunity at the Spending Review to put in place a balanced settlement across departments, with determined prioritisation within them. We estimate that doing so could boost in-kind benefits as a share of income that goes to lower-income families by around twenty-five times more than those of the richest. This balanced and progressive settlement would increase public services provision for the lowest-income households by an average of £370 each year for the lowest-income decile, more than twice the £150 boost for high-income households. Such a change would make a material and noticeable difference for poorer families struggling with the cost of living and reorient Government policy towards boosting the broader living standards of such families.

The Spending Review is an opportunity to focus on the broader living standards of lower-income families

After a shaky start for the Government on living standards, the Spending Review is an opportunity to put lower-income families first. The Autumn Budget and Spring Statement put in place tax and benefit policies that we estimate will reduce low-to-middle incomes by three times as much as those at the very top.[1] At the same time, however, the Autumn Budget included the largest rise in public spending since 2000: £44 billion a year by the end of the Spending Review in real terms.[2] The Spending Review, which will be unveiled on 11 June, will allocate this money as part of a broader 'zero-based' review of spending.[3] This is a key opportunity for the Government to reshape the state, albeit amidst many demands on the public purse, from an ageing population to defending Europe. There is, then, an opportunity for the Government to focus on the broader living standards of lower-income families. Such a priority resonates with the Government's aim of improving living standards "for all" and could also be used to make progress on its wider 'missions' of increasing opportunity, improving healthcare and safer streets.[4]

Public services matter greatly to families, providing benefits that households would otherwise need to purchase in private markets. In 2025-26, English households will receive at least £320 billion of such in-kind benefits based on the cost of providing day-to-day public services. This is equivalent to £5,500 per person or £13,000 per household.[5] On an equivalised basis this is worth 17 per cent of typical household disposable income, rising to 49 per cent of household income for those in the bottom-income quintile.

The Government is tracking its mission to boost living standards using real household disposable income (or RHDI) per capita in each region of the UK. But growth in this measure is forecast to slow between 2026 and 2028 due to pass-through of employer NICs and other Autumn 2024 Budget tax rises, as well as the rising state pension age and easing back of recent rises in the labour share of income.[6] There is more to living standards than RHDI – people don't live by cash alone. By considering the large and growing impact of public services spending, then, it is possible to provide a broader assessment of the impact of total government policy on living standards by capturing the experience of families who benefit from those services. Not everyone uses or benefits from these services equally. How the Spending Review allocates the spending envelope

1 C Aref-Adib et al., Unsung Britain bears the brunt: Putting the 2025 Spring Statement in context, Resolution Foundation, March 2025.
2 This figure is the increase in real RDEL spending in 2028-29 under Spring Statement 2025 plans compared to Spring Statement 2024 plans. Though this increase includes adjustments to spending made in the Spring Statement 2025, most of the increase can be attributed to announcements in Autumn Budget 2024.
3 A zero-based Spending Review starts from scratch, allowing departmental budgets to be re-evaluated from the bottom-up rather than focusing solely on allocating the incremental spending boost.
4 The Labour Party, https://labour.org.uk/missions/, accessed 5th April 2025.
5 This figure is based on RF analysis explained throughout the rest of this paper. It does not include all spending on public services as it excludes spending that is either small or doesn't incur material benefits for households.
6 Office for Budget Responsibility, Economic and fiscal outlook, March 2025.

will mean some families will gain and others lose, just as with personal tax and benefit changes. This means Spending Review decisions will matter for a range of families in very different ways.

Pressures on public spending have been building, meaning the Government will need to prioritise at the Spending Review

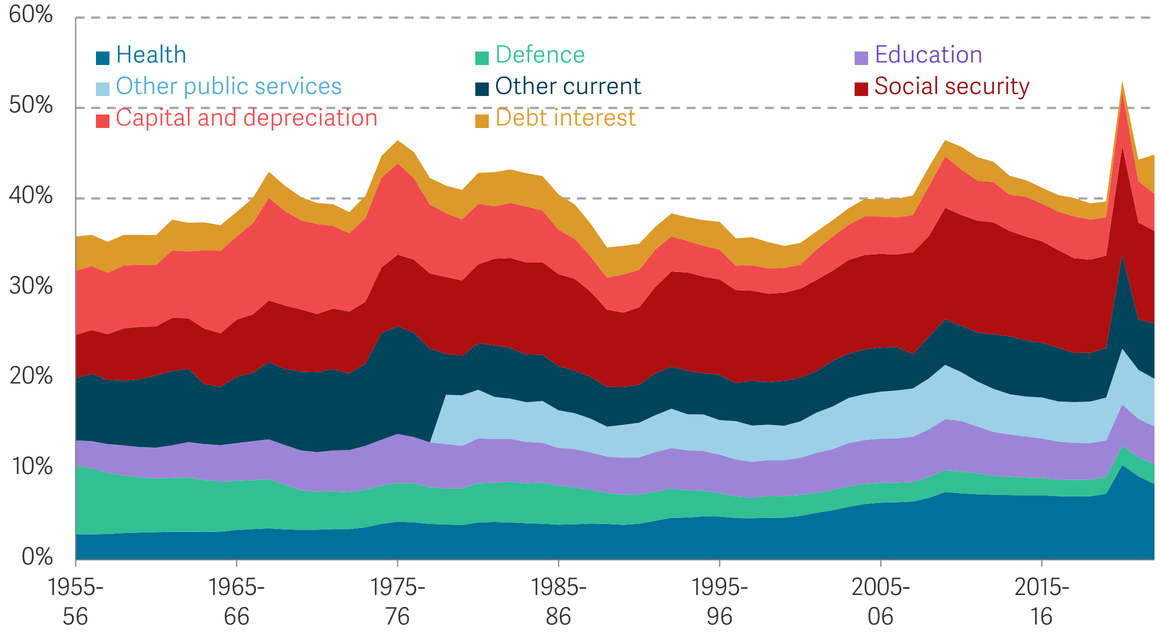
The state is estimated to reach a historic high of 45 per cent of national income by 2025-26 as strategies to keep its size down run out of road.[7] Total managed expenditure (TME) – or the overall size of the British State – has risen from 39.6 per cent in 2019-20 to 45.0 per cent of GDP in 2025-26.[8] Since 1900 the British State has been larger than it is now only during Covid-19, the financial crisis, the 1976 Sterling Crisis or a World War.[9] During the second half of the 20th century a steadily growing health service and social security system was offset by lower defence spending, as shown in Figure 1.[10]

But since the 1990s this strategy hasn't been available. Defence spending (including capital) first dipped below 3 per cent of GDP in 1994-5 and has mostly oscillated between 2 and 2.5 per cent ever since. Instead it is higher taxes (which grew from 30 per cent to 34 per cent of GDP between 1996-97 and 2006-7) that funded New Labour's expansion of public services in the decade that followed. This strategy has recently been used again during Covid-19, with the tax take rising from 34 per cent of GDP in 2020-21 to a projected post-war high of 38 per cent in 2027-28.

7 For more on long-run fiscal pressures, see C. McCurdy, C. Pacitti & J. Smith, Debt dramas: Putting the public finances in context ahead of General Election 2024, Resolution Foundation, June 2024 and K Shah, J Smith & D Tomlinson, Under pressure: Managing fiscal pressures in the 2020s, The Resolution Foundation, February 2022.
8 Office for Budget Responsibility, Economic and fiscal outlook, March 2025.
9 RF analysis of Office for Budget Responsibility, Economic and fiscal outlook, March 2025 and
10 K Shah, J Smith & D Tomlinson, Under pressure: Managing fiscal pressures in the 2020s, The Resolution Foundation, February 2022.

FIGURE 1: **Health spending has taken up a steadily rising portion of the state**

Proportion of GDP spent by government, by type of spending: UK, 1955-56 to 2022-23

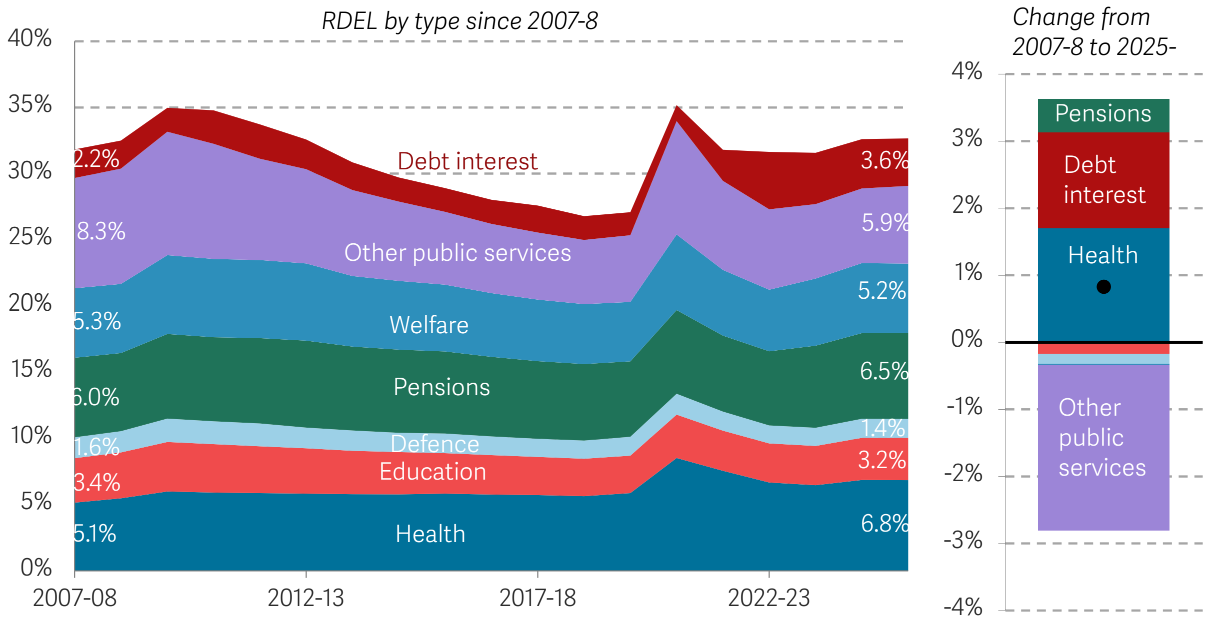


NOTES: Until 1977-78 'Other current' includes all current spending not dedicated to health, defence, social security, debt interest and education. Thereafter, 'Other current' also excludes current expenditure on public order and safety, transport, housing and community amenities and long-term care, which are included in 'Other public services'.
SOURCE: IFS, TaxLab; OBR, EFO

Since the Global Financial Crisis and the austerity that followed, it is 'unprotected' public services that have had to make way for increased pension and health spending. As Figure 2 shows, expenditure on these other public services – the costs of running all government departments that aren't health, defence, education or foreign aid – fell throughout the 2010s from 8.3 per cent in 2007-08 to 5.9 per cent in 2025-26, a fall of over a quarter (29 per cent). But the crumbling state of public services, higher debt interest and the imperative to start increasing defence spending given war in Europe and rising geopolitical tension mean there is renewed upward pressure on the size of the state.

FIGURE 2: **Since the financial crisis, ever higher health spend has been funded by cutting other public services**

Government spending as a proportion of national income (left panel) and change in spending between 2007-08 to 2025-26 (right panel): UK



NOTES: 'Other public services' includes all RDEL spend not accounted for by defence, education, and health.
SOURCE: RF Analysis of HM Treasury, PESA tables.

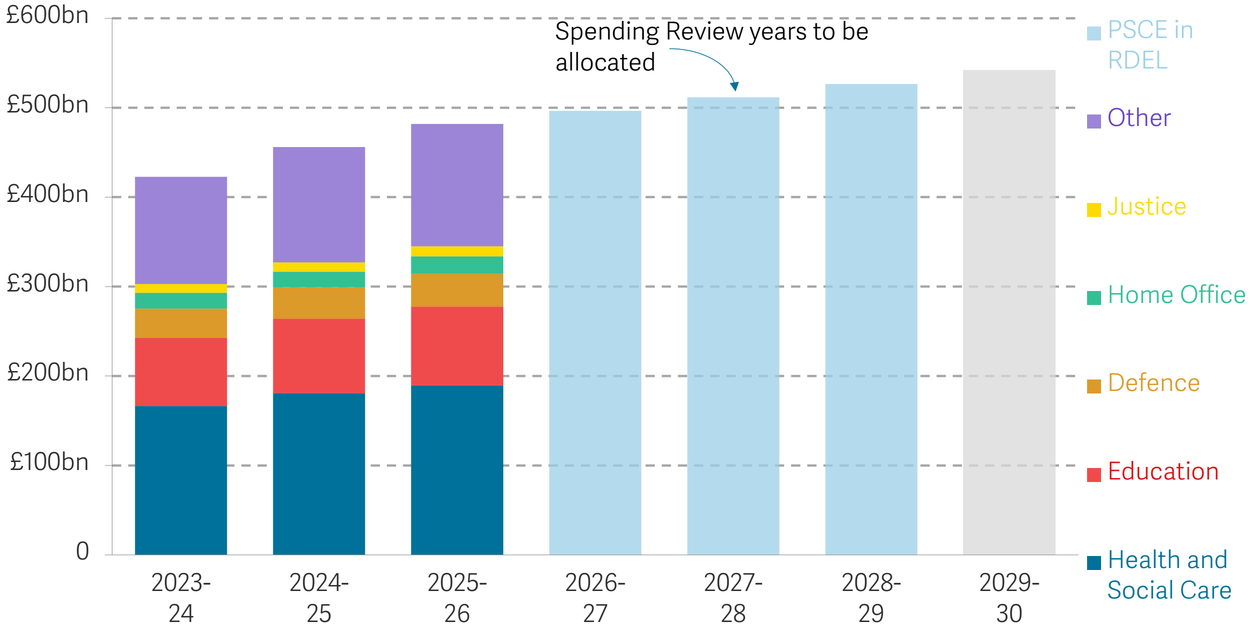
Against this challenging context the Government has rightly decided to raise taxes and borrowing to support public services. After the Autumn 2024 Budget and small adjustments at Spring Statement 2025, so-called RDEL (i.e. day-to-day service spending) will grow by £18 billion, or 0.9 per cent per capita per year in real terms, over the period that will be covered by the Spending Review (2026-27 to 2028-29). It is, however, important to keep in mind that these increases are relative to the previous Government's baseline which implied very tight settlements over the coming years.

So, while this is far from the austerity of the 2010s, it will not feel like there is room for lots of extra spending. Indeed, the increases put in place by the Government so far still imply cuts to 'unprotected' departments after 2025-26 to the tune of £8.6 billion, even if those plans have been increased significantly.[11] Prioritising the limited additional funds for the Spending Review period (shown by the rising light blue bars in Figure 3) is vital – and sharper pressures means sharper choices.

11 C Aref-Adib et al., Unsung Britain bears the brunt: Putting the 2025 Spring Statement in context, Resolution Foundation, March 2025.

FIGURE 3: **There are decisions to be made on how to allocate the Autumn Budget's spending injections**

Total RDEL spending in cash terms: UK, 2023-24 to 2029-30



NOTES: Departmental figures are derived from the Treasury's measure of RDEL, including non-PSCE RDEL, but are aggregated into the OBR's measure of PSCE in RDEL. PSCE refers to public sector current expenditure.
SOURCE: OBR, Economic and Fiscal Outlook, various; HM Treasury, Budget and Spending Review documents, various

So it is clear that, as the Government considers how to allocate public service spending in the years ahead, it must weigh the trade-offs. There will be winners and losers from the choices the Government will make on public services, just as there are with decisions on tax and benefits. This briefing note examines who stands to benefit from each public service, who does not, and discusses how the Government can use the Spending Review to prioritise the wider living standards of lower income families.

Health and education services are used disproportionately by those on lower incomes

To come to decisions about which public services to prioritise it is essential to understand who uses them. While some services, such as the NHS, are, in principle, universal, others, like adult social care, are targeted based on need. As a result, the extent to which households benefit from public services varies significantly, shaped by factors such as demographics, household income, and wealth.

Who benefits from which services?

To provide a clear evidence base for policy making, we have built a novel in-kind benefits distributional model, which for the first time uses post-pandemic (2022-23) micro data from Households Below Average Income (HBAI) and the Family Resources Survey (FRS), combined with microdata from other surveys including Understanding Society, the Wealth and Assets Survey, and the National Travel Survey, as well as Departmental data of service consumption – for example for the NHS, Department for Education, and Ministry of Justice – to estimate which public services most benefit low- and middle-income families. Building on existing work such as that by the ONS Effects of Taxes and Benefits, HM Treasury's distributional analysis, and the IFS Deaton Review, this provides one of the most comprehensive pictures of who consumes public services across the income distribution.[12] We then use our model to calculate average household benefits by after-housing-costs equivalised income decile. The full details of assumptions for each public service can be found in Annex 1.

In total, we calculate in-kind household benefits for £324 billion (64 per cent) of RDEL across seven government departments. We include the majority of spending by the Department for Education, the Department for Health and Social Care, the Department for Work and Pensions, the Department for Transport, and a subset of spending by the Home Office, the Ministry for Justice and the Ministry for Communities and Local Government as shown in Table 1 – including public spending that is both material, and received as a tangible benefit by households. We exclude departments with budgets less than £1 billion (for example the entire HM Treasury RDEL budget in 2025-26 is £400 million), and spending which is not received as in-kind benefits by households, such as that by the Department of Defence. Our analysis focusses on the distributions of services across England, given that budgets for key services such as education, health, and police are devolved, and we therefore exclude the block grants for Wales, Northern Ireland and Scotland.

12 ONS, Effects of taxes and benefits on UK household income: financial year ending 2023, December 2024; HM Treasury, Impact on households: distributional analysis to accompany Autumn Budget 2024 and Spending Review 2025, Phase 1, October 2024; K Ogden & D Phillips, The distribution of public service spending, The IFS Deaton Review, May 2023.

TABLE 1: **We analyse more than two-thirds of all UK RDEL**

Public services covered by our in-kind benefits model: UK/England

Area	Department	Total (£ bn)
NHS	Department for Health and Social Care	193.4
Schools	Department for Education	64.8
Childcare	Department for Education	8.0
Apprentices	Department for Education	2.7
16-18 education	Department for Education	7.3
Adult education	Department for Education	2.1
Police	Home Office	10.7
Legal aid	Ministry of Justice	2.2
Local government	MCHLG	5.3
Adult social care	Department for Health and Social Care / MCHLG	5.1
Transport	Department for Transport	12.0
DWP	Department for Work and Pensions	10.2
RDEL in scope		**324.0**
Total RDEL (2025-26)		**511.2**

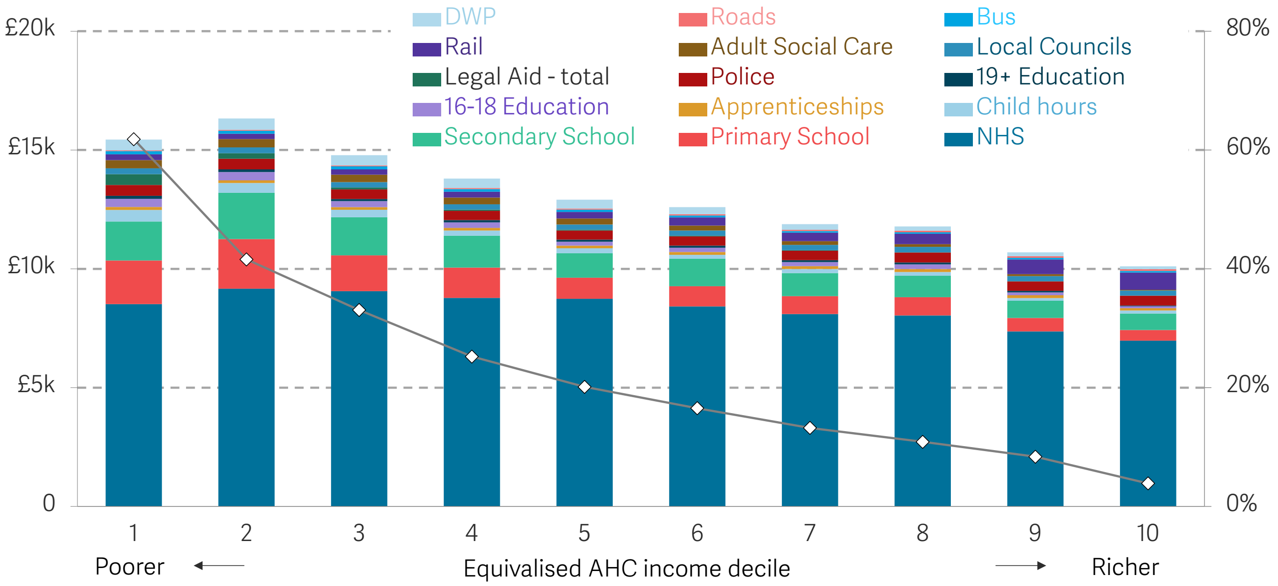
NOTES: Out of scope: some aspects of Home Office, Ministry of Justice, or any of HMT, DBT, Defence, Defra, Wales, Scotland and Northern Ireland. Where 2025-26 data isn't available, we have used 2024-25 data from Main Estimates for different departments. See Appendix 1 for full set of assumptions.
SOURCE: RF analysis of HM Treasury, Budget and Spending Review documents, various.

Our analysis shows that public service provision is redistributive in general, providing substantial in-kind support for lower-income households. For example, households in the lowest income quintile receive an average of £15,900 per year in in-kind benefits each year – 53 per cent more than the £10,400 received by the highest-income household quintile (Figure 4). As a share of income, the lowest-income households receive in-kind benefits worth 61 per cent of their income on an equivalised basis, while in-kind benefits are worth just 4 per cent of incomes for the highest income decile.[13]

13 We calculate household income per capita as a share of equivalised after-housing-cost income. This approach accounts for economies of scale in spending cash incomes on a larger family but acknowledges that public services do not operate in the same way. For example, a household with two children in school does not benefit from economies of scale in education – each child requires a full school place regardless of household size.

FIGURE 4: **Public services are highly redistributive to lower-income households**

Average household in-kind benefits (£ per year) of all individuals (left axis) and per person benefit as a share of equivalised income (right axis) by equivalised AHC household income decile group: England, 2025-26



NOTES: See Annex 1 for a full list of assumptions. All households, including pensioners.
SOURCE: RF Analysis of DWP, Households Below Average Income; Family Resources Survey; ONS, Wealth & Assets Survey; Understanding Society; National Travel Survey.

Health spending is by far the largest public services and is reasonably progressive

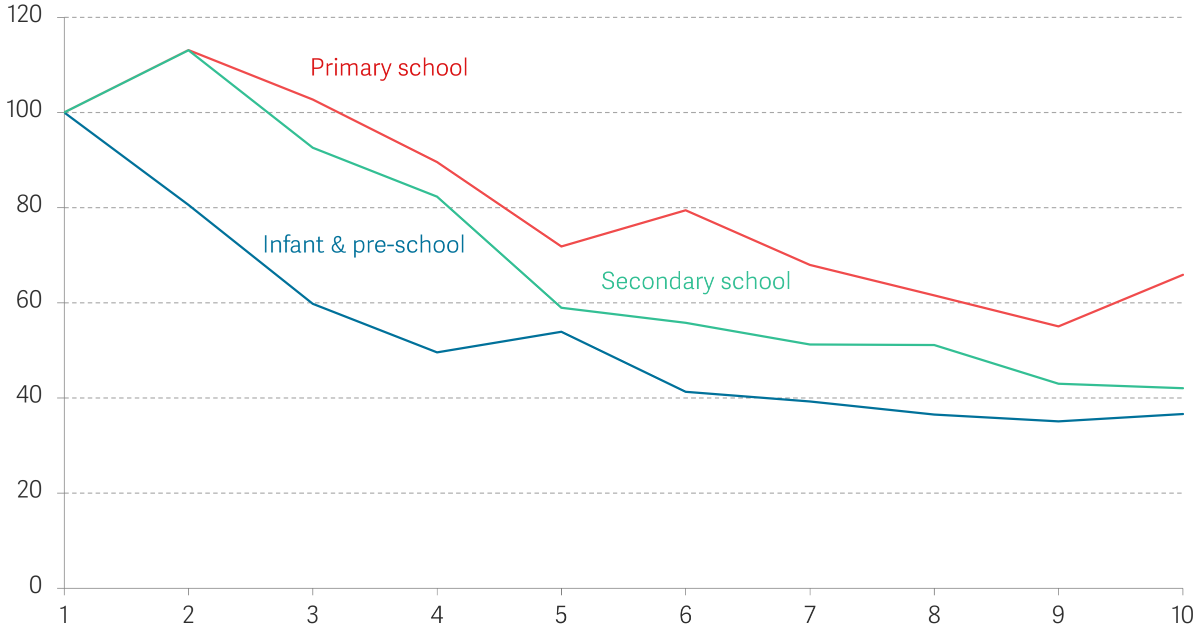
For NHS and education, the progressive income gradient is not a reflection of services being targeted by income. Instead, the distribution of public spending on major universal services like the NHS and education are shaped by demographic factors.[14] In particular, older adults (those aged 65 and above) feature prominently in the middle of the income distribution. Some 22 per cent of individuals in the fifth income decile are 65 or older compared with 10 per cent in the lowest-income decile and 13 per cent in the highest income decile. Given that 43 per cent of NHS services are consumed by those aged 65 and older, despite this group only making up 19 per cent of the population, those deciles with a greater proportion of people over 65 receive a greater proportion of in-kind benefit.[15] To a lesser extent, NHS services are concentrated on early childhood (children under 5 years old), with young boys consuming slightly more than young girls, and during pregnancy – women aged 25-39 use NHS services at nearly three-times the rate (184 per cent more) than men aged 25-39.[16]

14 A discussion of the role of age in public service consumption can be found in K Ogden & D Phillips, The distribution of public service spending, The IFS Deaton Review, May 2023.
15 RF analysis of OBR, Fiscal Risks and Sustainability – July 2022, July 2022 & NHS Digital, Acute Patient Level Activity and Costing, 2019-20, February 2021. A discussion of age and health can be found in: T Watt et al, Health in 2040: projected patterns of illness in England, The Health Foundation, July 2023.
16 RF analysis of NHS Digital, Acute Patient Level Activity and Costing, 2019-20, February 2021.

The other key demographic influence on these major universal services is the concentration of children in lower-income families: 31 per cent of people in the bottom income decile are children aged 16 or under, twice the share of children in the top decile (15 per cent) (Figure 5).[17] This gap grows wider when broken down by schooling stage. Secondary-school-aged children are especially likely to be in the lowest income decile – 9 per cent compared with a mere 4 per cent in the highest income decile – underscoring the distributional implications of funding for schools, childcare, and related services.

FIGURE 5: **Lower-income households tend to include more school-aged children**

Proportion of school-aged children by equivalised after household costs income decile relative to bottom decile (Decile 1 = 100), by stage of schooling: England, 2022/23



NOTES: Financial year 2022/23.
SOURCE: RF analysis of DWP, Households Below Average Income.

Age isn't the only factor influencing the use of universally available services. Both individual and area-level deprivation shape how much funding services receive and how much people consume them. For example, people in more deprived areas of England use hospital services – such as accident and emergency, inpatient care, and outpatient care – more frequently than those in the least deprived areas.[18] In total, the per-person cost is 34 per cent higher in the most-deprived decile than in the least-deprived.[19]

As a result, Government spending on health is reasonably progressive. NHS spending on the lowest income quintile is 23 per cent higher in cash terms than on higher-income households (£8,500 or 34 per cent of income for the lowest income decile each year

17 M Brewer et al., Unsung Britain: The changing economic circumstances of the poorer half of Britain, Resolution Foundation, November 2024.
18 ONS, Effects of taxes and benefits on UK household income: financial year ending 2023, December 2024.
19 NHS Digital, Acute patient level activity and costing, 2019-20, February 2021.

compared with £7,000 or 3 per cent for the highest-income decile). We might expect the gap to be larger given that people living in poverty often experience poorer health, and have worse access to services, later leading to worse health outcomes.[20] However, shorter life expectancy among lower-income groups offsets what might otherwise be higher long-term NHS spending. On average, men in the most-deprived areas live 9.7 years less than those in the least-deprived areas, while the gap for women is 7.9 years. [21]

Poorer families benefit disproportionately from spending on schools

Meanwhile, the beneficiaries of school funding – a key area for the Government's 'opportunity' mission – are shaped by individual pupil characteristics – including special educational needs and disabilities (SEND), free school meal eligibility, and past performance – as well as area-level disadvantage, directing more resources toward children in lower-income households. Also important here is that, while only 6.5 per cent of school-aged children in England attend private schools, unsurprisingly these students are concentrated in the richest families: 30 per cent of school-aged children in the highest income decile attend private schools, compared with just 2 per cent in the lowest.[22] This reduces the level of publicly-funded education received by high-income households.

School funding stands out as a highly progressive public service. The funding formula directs significant resources to students with the greatest need, with 33 per cent of total school spending benefiting the lowest income quintile (see Figure 7), the equivalent of £3,500 on average each year (14 per cent of equivalised incomes), more than three times the £1,100 going to the highest income quintile (0.4 per cent of equivalised incomes). Further education for 16-18-year-olds is also highly redistributive, with 33 per cent of spending going to the lowest income quintile.

The expansion of free childcare hours is also highly redistributive and contributes to the Government's opportunity mission. While eligible higher-income working parents are more likely to use free childcare hours, infants and pre-school children are more likely to be in the bottom half of the income distribution, and eligibility for free hours is capped at earnings of £100,000 per parent.[23] Additionally, the planned expansion of free hours for disadvantaged two-year-olds and under-twos from 2025 further strengthens the policy's redistributive impact. On average, households in the lowest income decile receive £480 in free childcare, while households in the highest income decile receive

20 S Mallorie, Illustrating the relationship between poverty and NHS services, The Kings Fund, March 2024.
21 ONS, Health state life expectancies by national deprivation deciles, England: 2018 to 2020, April 2022.
22 Analysis of DWP, Households Below Average Income: 2022/23, December 2024; www.isc.co.uk/research, accessed 3 April 2025. See Annex 1.
23 This creates incentives for parents to keep individual salaries below £100k, as discussed in: C Barrett & E Agyemang, The madness of the £100,000 childcare tax trap, The Financial Times, March 2025.

£130 per year, with 38 per cent of total free child hours benefitting those in the lowest income quintile.[24]

Other public services and smaller with use varying considerably by income

In addition to the universal services like education and the NHS, some public services are tightly targeted to low-income households. This is at least partly by design. For example, those on benefits like Universal Credit (UC), Employment and Support Allowance (ESA) and Jobseeker's Allowance (JSA), are subject to both income and asset tests meaning job support reaches those towards the bottom of the distribution. Legal aid is the most redistributive public service, with 74 per cent of funding benefitting the lowest income quintile (£450 per year for the lowest income decile, compared with £10 for the highest). Meanwhile, 32 per cent of adult social care spending, and 30 per cent of DWP spending, is estimated to be consumed by households in the lowest income quintile.

However, some services which might be expected to primarily benefit lower-income households are actually consumed evenly across the income distribution. For example, apprenticeships are accessed at similar rates by both low- and high-income households (this is worth £130 per year in the lowest decile compared with £90 in the highest decile), with 21 per cent of spending consumed by the lowest income quintile. However, the types of apprenticeships pursued vary: those from more-deprived areas (Quintile 1) are more likely to undertake intermediate and advanced apprenticeships, while those from wealthier areas (Quintile 5) are more likely to pursue higher-level apprenticeships.[25] This suggests that apprenticeship funding could be more effectively directed toward individuals in deprived areas and workers early in their careers, rather than those pursuing higher-level management qualifications.[26]

We assume that the provision of other services by local councils such as public swimming pools and libraries are consumed evenly across the population. In practice, this means each person is presumed to benefit in line with the funding for each region, regardless of their individual income level or personal circumstances. For local councils this means that the lowest income households consume £250 per year while the highest income households consume £220 of local council services, with 22 per cent consumed by the lowest income quintile.

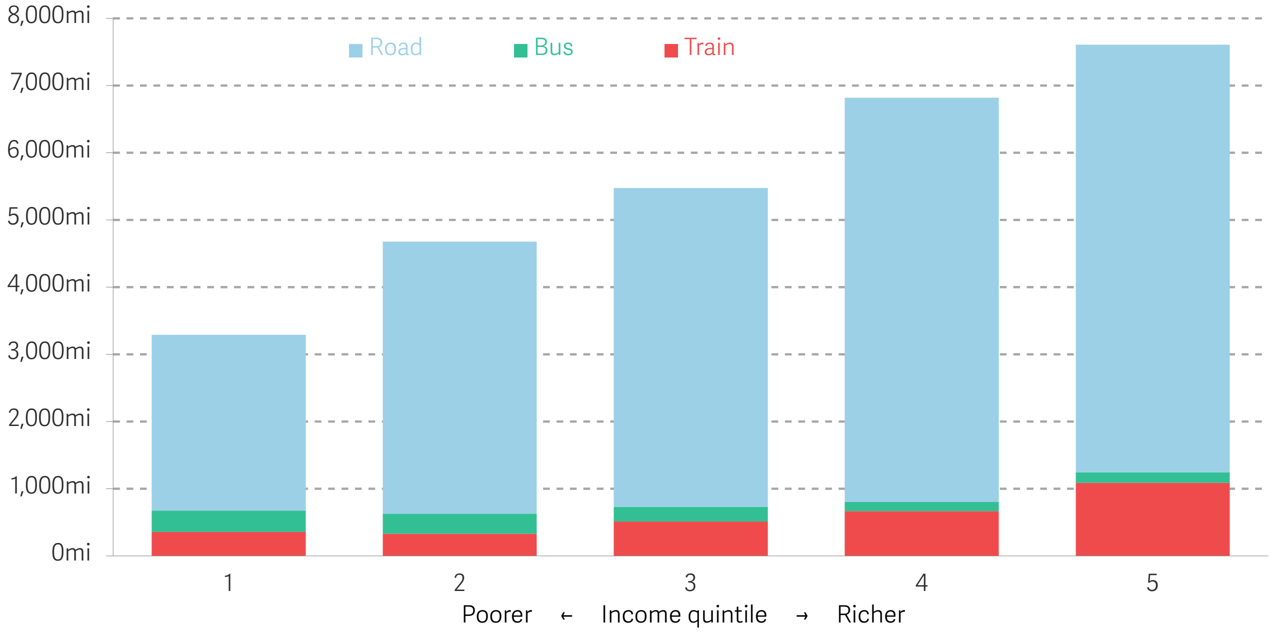
The only exception to the overall progressivity of RDEL spending is transport. Spending on roads includes spend on maintenance and that on rail includes spending by Network Rail to maintain the network and subsidies to rail operators which reduce fares. These

24 As discussed in Annex 1, this analysis includes free hours but excludes Universal Credit (UC) Childcare Support and tax-free childcare.
25 RF analysis of Explore Education: Duration, Starts by Level, Age, Length of employment, January 2025.
26 S Corcoran & L Murphy, Labour Market Outlook Q3 2024: The Growth and Skills Levy, Resolution Foundation, September 2024.

often benefit higher-income households most, given that these households travel further and more often: those in the richest fifth of households travel an average of 1,100 miles annually by rail, against 350 miles for the poorest fifth, as shown in Figure 6.[27] So, the poorest fifth benefit from only 13 per cent of road maintenance spending and spending on trains. By contrast, bus subsidies are more widely relied upon by lower-income families, and are therefore a more progressive element of transport spending, with 28 per cent of spending going to the lowest income quintile. In addition to the distributional impacts, public transport plays a role in job creation and economic growth, making their impact more complex than just who benefits directly, particularly when it comes to capital investment.

FIGURE 6: **Richer people travel further by train and road (but not by bus)**

Miles travelled by mode of transport, by equivalised before housing costs income quintile: England, 2023



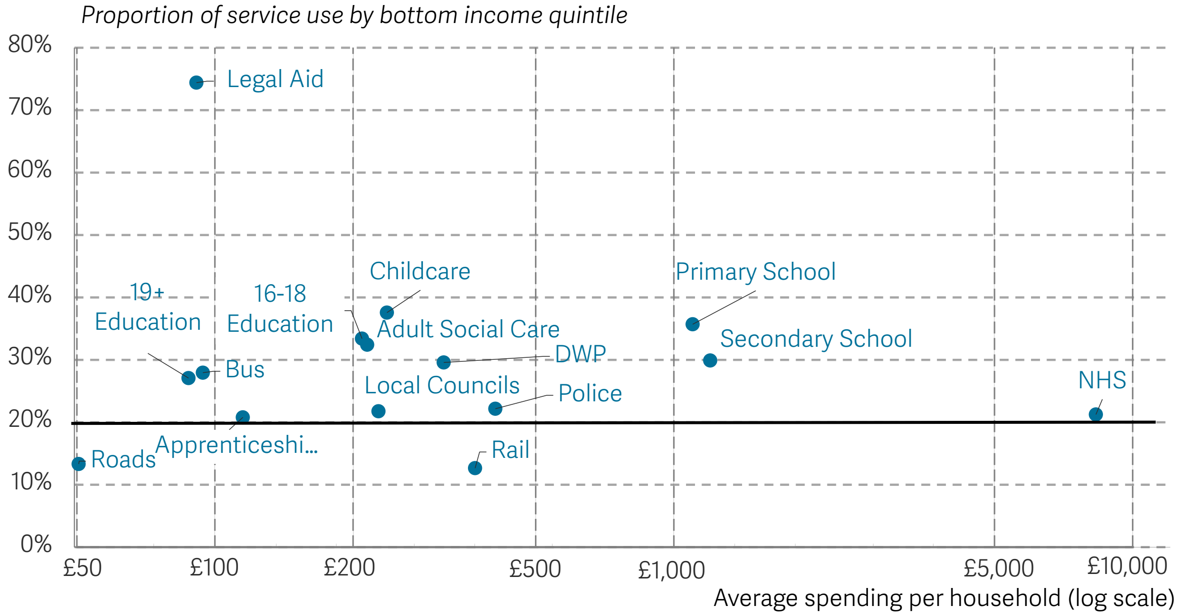
SOURCE: RF analysis of National Travel Survey

As discussed above, public services are essential to delivering the Government's missions – from building an NHS fit for the future, to making streets safer, to breaking down barriers to opportunity for children.[28] But, crucially, they also play a vital role in achieving the Government's overarching goal to raise living standards across all regions of the UK. As shown in Figure 7, spending focussed on childcare, education (including primary, secondary and sixth forms), adult social care, legal aid, and services related to benefits are the most redistributive public services.

27 RF analysis of National Travel Survey.
28 labour.org.uk/missions accessed 23rd March 2025.

FIGURE 7: **The public services which provide most in-kind benefits to those on lower incomes are education, legal aid and social care**

Proportion of services used by the bottom income quintile (vertical axis) and average annual spend per household, in current prices (horizontal axis, log scale): England, 2025-26



NOTES: See Annex 1 for assumptions.
SOURCE: RF Analysis of DWP, Households Below Average Income; Family Resources Survey; ONS, Wealth & Assets Survey; Understanding Society; National Travel Survey.

There is a strong consensus among voters for more health spending

We turn next to the question of public priorities. This is important because public services matter for voters.[29] In this context, it is clear that well-functioning public services must be at the heart of any growth strategy. For example, our deliberative work for the Economy 2030 Inquiry included discussions with participants in Birmingham and Manchester on this topic. Here the message was clear:

> *"I'm happy to accept growth... but with strings and conditions attached. I don't want increased prosperity if it's just for the happy few in their gated communities with their private hospitals and schools."*[30]

Deliberative workshop participant, Birmingham

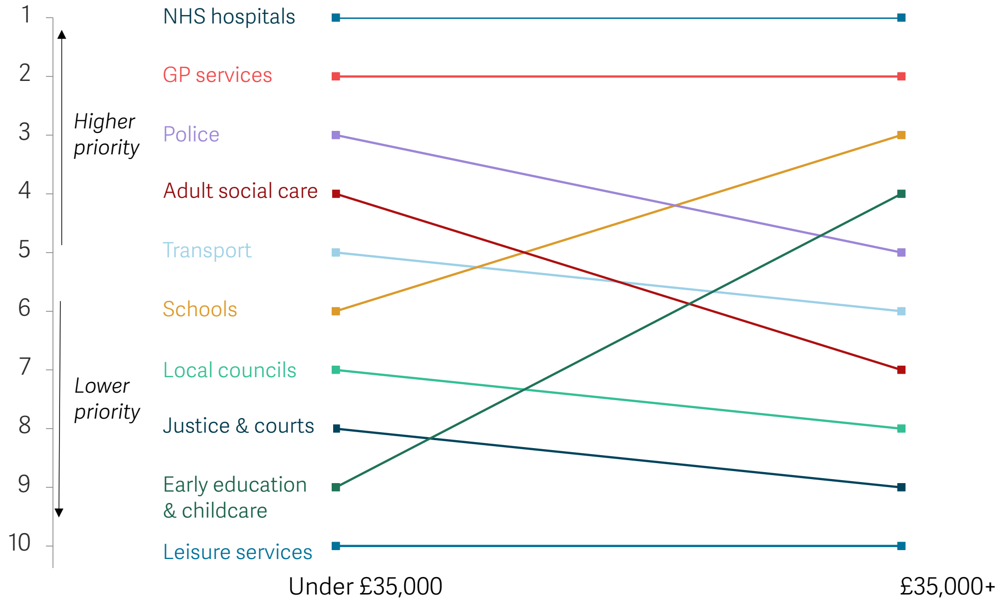
As Figure 8 shows, there is consensus among both adults from low-income and high-income households that NHS hospitals and GP services are the top two priority areas for additional funding. But there are also notable differences in priorities by household income, particularly around the police, adult social care, schools, and early education

29 T Burchardt, T Goatley & L Judge, Talking trade-offs, Resolution Foundation, November 2023.
30 Deliberative workshop quotes throughout are sourced from: T Burchardt, T Goatley & L Judge, Talking trade-offs, Resolution Foundation, November 2023.

and childcare. Households with annual income of less than £35,000 prioritise additional funding for the police and adult social care above other services including schools and early education and childcare. By contrast, it is the opposite with households with income of £35,000 and above, who prioritise additional funding for schools and early education and childcare over the police and adult social care.

FIGURE 8: **Everyone thinks the NHS needs additional funding, but differences arise when it comes to other services**

Priority rank for additional funding by public service, by annual household income level: UK, February 2025



NOTES: Income is equivalised using the OECD equivalence. The survey does not give the ages of each child in the household, so an average equivalisation is assigned to each possible age from 0-17. Survey respondents are presented with a list of 10 public services and asked to rank them from 1-10 in order of priority need for additional funding. Results shown are the relative priority rankings for each income group i.e. the police was the third area prioritised for additional funding for the under £35,000 group and the fifth for the £35,000+ group. Don't knows are excluded from the analysis. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,321 adults. Fieldwork was undertaken between 17th - 18th February 2025. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).
SOURCE: RF analysis of YouGov, 2025.

This is likely shaped by the share of each service used by low-income versus high-income households, presented in Figure 7 , where we see that the NHS is fairly evenly consumed, whereas adult social care, for instance, is a lot more likely to be used by those in the bottom-income quintile. Interestingly, schools buck this trend given higher use by low-income households, and yet high-income households rank it as a far greater priority for additional funding.

But a strategy of spending more on health has taken its toll on other departments

The NHS has been the main focus of government spending over the past 20 years. As Figure 9 shows, most departments are smaller in real, per-person terms in 2025-26 than they were before austerity in 2009-10, with just two exceptions: the Department of Health and Social Care (DHSC) and the Home Office. Indeed, DHSC has grown in real terms every year since 2007-08 (excluding the aftermath of the pandemic), although the growing NHS waiting list post-pandemic might mean that public experience of the NHS does not align with this spending growth. Meanwhile, the growth in the Home Office's budget largely reflects the recent spike in asylum costs.[31]

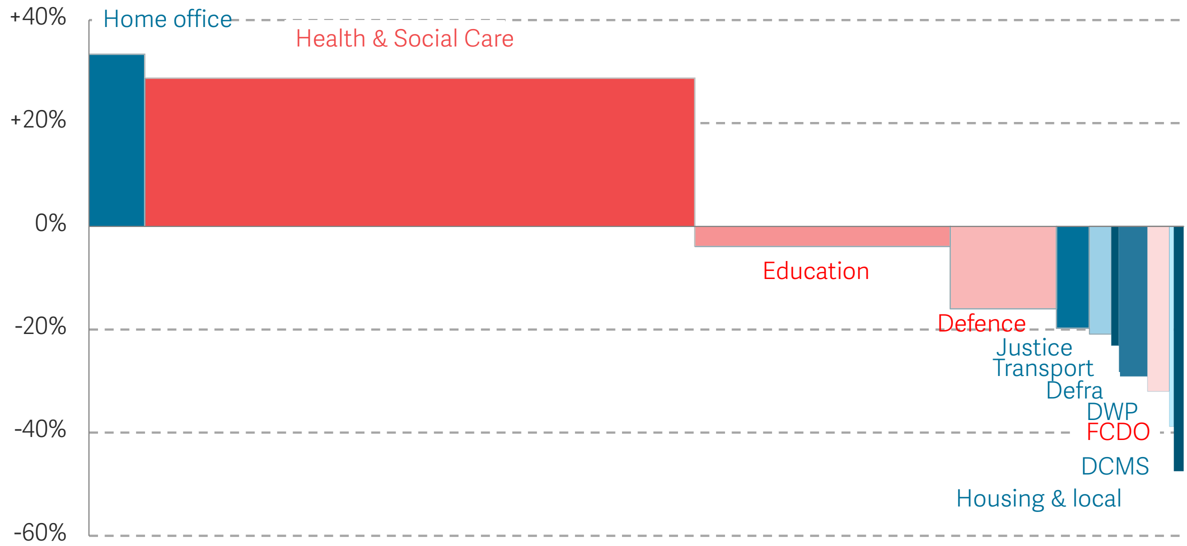
In the 2024 Autumn Budget, the Chancellor broke with the previous Government's convention by increasing spending not just on the NHS, but also on other long-constrained budgets. The Ministry of Justice, for instance, received an additional £1.4 billion – a 7 per cent real-terms per-person increase – to support Crown Court sitting days and improve prison services. Yet even with this boost, the department will still be 20 per cent smaller per person than in 2009-10. Similarly, the Department for Work and Pensions (DWP) received an extra £1.7 billion, but its budget will remain 29 per cent below pre-austerity levels. These increases, while notable, amount to emergency relief rather than a full reversal of past cuts.

Assessing whether public services have grown or shrunk in real terms depends on how we measure departmental price changes. The choice between using the overall GDP deflator or department-specific deflators can significantly affect how much services appear to have expanded or contracted, particularly in the Department for Education, as explored in Box 1.

31 Home Office, Home Office main estimates memorandum 2024 to 2025 (accessible), August 2024.

FIGURE 9: **With the exception of the Department of Health and Social Care and the Home Office, departments have far smaller budgets than before austerity**

Change in real per-person RDEL between 2009-10 and 2025-26, sized by department: selected departments, UK



NOTES: Red bars show 'protected' departments, blue bars show 'unprotected' departments Deflated using GDP deflator.
SOURCE: RF analysis of OBR, Economic and Fiscal Outlook, various; HM Treasury, Budget and Spending Review documents, various.

BOX 1: **The deflator you use changes which public services seem most squeezed**

Typically, the GDP deflator is used to adjust nominal public service spending into real terms, assuming that the cost of providing public services rises in line with average prices across the economy. However, national accounts data on government expenditure – focused on non-market activities – suggest that different departments' costs and outputs have diverged over the past 15 years.

Since 2010, health and social-protection deflators have grown faster than the GDP deflator, indicating that prices for these services have risen more quickly than elsewhere in the economy. In turn, this means than less of the rise in overall spending on health and social care shows up as an increase in the form of improved services. In contrast, the deflators for education and other central government functions have grown more slowly than the GDP deflator, suggesting lower price growth and faster output expansion. Meanwhile, those for military and defence, justice and fire services, and local government have largely tracked the GDP deflator. [32]

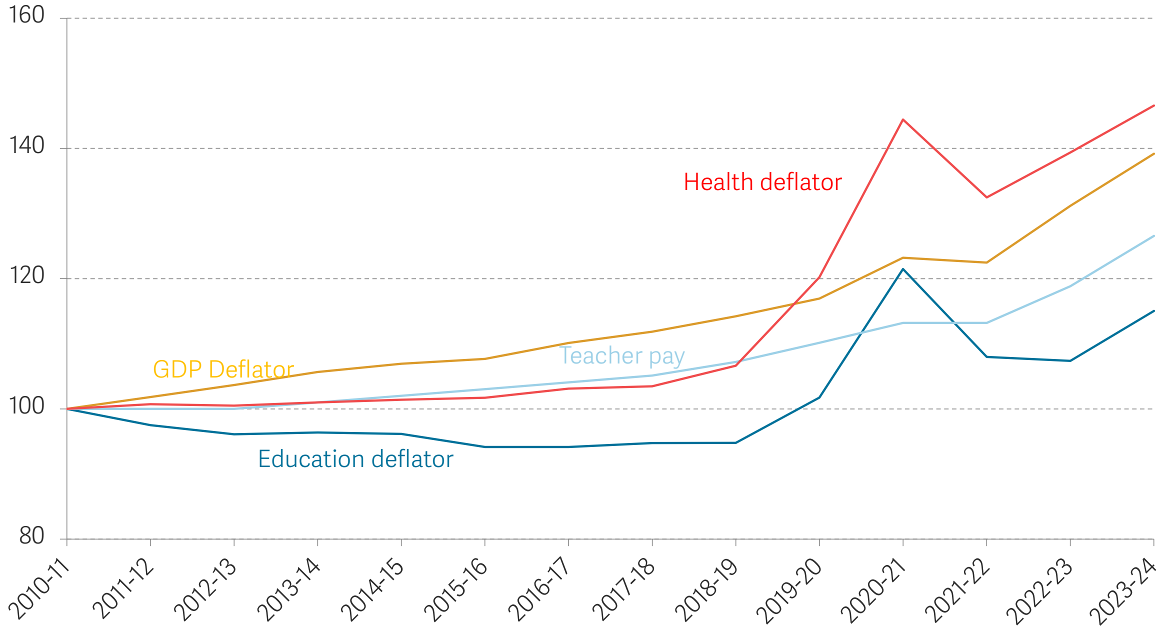
The choice of deflator has substantial impacts on the extent to which we think that departments have been squeezed. Using the education-specific deflator, real per-pupil education spending has increased by 10 per cent between 2009-10 and 2024-25, whereas using the GDP deflator suggests a 7 per cent decline in the same period on the same measure.

So which measure provides the more accurate picture? A significant share of education spending – 70 per cent – is allocated to staff salaries. Over the past 15 years, state teacher pay has risen by 25 per cent in nominal terms, increasing more slowly than the GDP deflator. However, the Education deflator has grown even more slowly, rising by just 15 per cent over the same period, as shown in Figure 10. One explanation is that the ONS's measure of educational output has outpaced cost growth. For example, cost savings in schools may have come from replacing teachers with non-teaching staff. The overall pupil-to-qualified-teacher ratio in English state schools rose from 17.6 in 2010–11 to 18.6 in 2023–24, while the overall pupil-to-staff ratio has been flat since 2011-12.[33] In the national accounts, real-terms educational output is measured by a weighted sum of pupil numbers in different school settings. Meanwhile, nominal output is measured as the sum of schools' costs. Therefore, a fall in costs per pupil will mechanically lead to a smaller increase in nominal output than real output, pushing down the price of education (the ratio of nominal to real output).

32 RF analysis of ONS, GDP first quarterly estimate, UK: October to December 2024, February 2025; Social protection refers to funding for the provision of private provision of home care, care homes for the elderly and day care centres.
33 Explore Education, School workforce in England, June 2024.

FIGURE 10: **The cost of education has increased more slowly than teacher pay or the GDP deflator**

Changes in the GDP deflator, State teacher pay, education deflator and health deflator (2010-11 = 100): UK



SOURCE: RF analysis of Explore Education, Teacher Pay, 2023-24; ONS, GDP – data tables, March 2025; OBR, Economic and Fiscal Outlook, March 2025.

But, unlike the ONS's public services productivity measures, the output measures in the national accounts do not adjust for the quality of education.[34] While some indicators of quality, like GCSE results, improved in the 2010s, cost-cutting measures like the rise in pupil-to-teacher ratios could have negatively affected pupils' experience and well-being.[35] The ONS's measure of education output doesn't capture these effects, potentially making it appear as though funding stretches further, while masking changes in education quality. A similar problem arises in other public services sectors, where international accounting standards prevent the ONS from incorporating quality adjustments.[36] For this reason, we continue to use the GDP deflator in our main analysis.

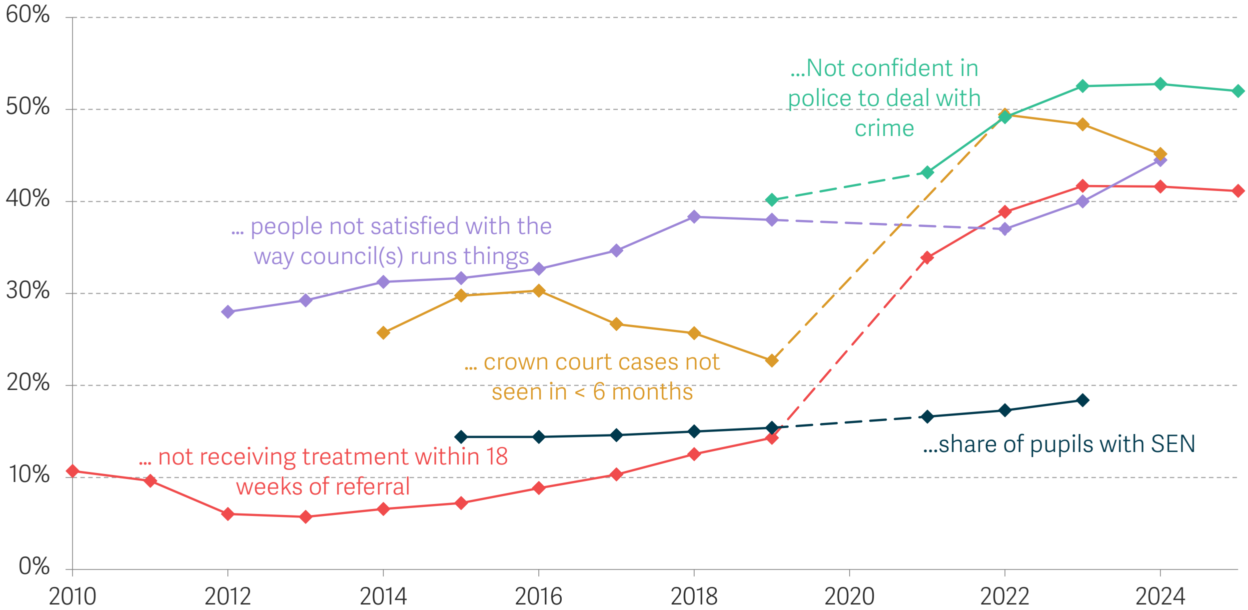
A range of indicators tell a story of general erosion in the quality of public services since the financial crisis. Figure 11 shows that the share of pupils with educational, health, and care (EHC) plans and special educational needs (SEN) support has grown from 14 per cent in 2015-16 to 18 per cent in 2023-24, including a 70 per cent increase in EHC plans (an increase of 450,000 pupils, of which nearly 200,000 are on EHC plans).[37] Crown court

34 ONS, Measuring subnational education output, December 2021.
35 For more discussion of productivity measures, including capturing the shift to compulsory education until 18, and accounting for student well-being see: UK Statistics Authority, National Statistician's Independent Review of the Measurement of Public Services Productivity, March 2025.
36 ONS, How to compare and interpret ONS productivity measures, May 2020.
37 RF analysis of Explore education statistics, Special education needs in England, accessed 31 March 2025.

delays have nearly doubled from pre-pandemic levels (albeit with a small improvement in the last two years). This coincides with significant and increasing dissatisfaction from the public about the state of public services. Over half of people are not confident with the police to deal with crime, a jump of over 10 percentage points since the pandemic, and similarly 45 per cent are not satisfied with the way their local council runs things compared to less than 30 per cent in 2012 (a time period that coincides with falling local government core spending power, see Box 2).

FIGURE 11: **Public service pressures and dissatisfaction levels remain significantly higher than pre-pandemic**

Proportion of people, victims and patients reporting not being satisfied and service pressures: England/ England & Wales/Great Britain



NOTES: Data on victims not satisfied with the policy covers England and Wales. Victims not satisfied with the police figures are for financial years. Treatment figures are 12-month averages. SEN support is in academic years. Dashed lines indicate periods during the pandemic.
SOURCE: RF analysis of Institute for Government, Performance Tracker; NHS England, monthly RTT data collection; Local Government Association, Polling on satisfaction with councils; YouGov, How much confidence Brits have in police to deal with crime; MoJ, Criminal court statistics quarterly: July to September 2024; Explore education statistics, Special education needs in England.

The combination of falling spending and a general rise in dissatisfaction is bearing out in how people interact with individual services, and the inequality they experience as we heard in a deliberative workshop in Manchester:

> *"As a woman with friends that live in different directions, I wouldn't necessarily feel safe getting on the public transport that there is now, say, at 11 o'clock on a Saturday night to go home... If that was better, well-lit, more well-maintained then, why not?"*

Deliberative workshop participant, Manchester

> *"The schools there are really, really badly invested in, and things like that. So, very, very few people actually make it to university from that area."*
>
> **Deliberative workshop participant, Manchester**

Even the NHS – which has been insulated from spending cuts – is struggling to recover from the pandemic. In the autumn, the Chancellor said that patients "should expect to wait no longer than 18 weeks from referral to consultant-led treatment". However, achieving this target will likely be challenging: the proportion of patients not receiving treatment within 18 weeks of referral has more than tripled, rising from 11 per cent in 2010 to 40 per cent in 2025.

BOX 2: **Local government spending power**

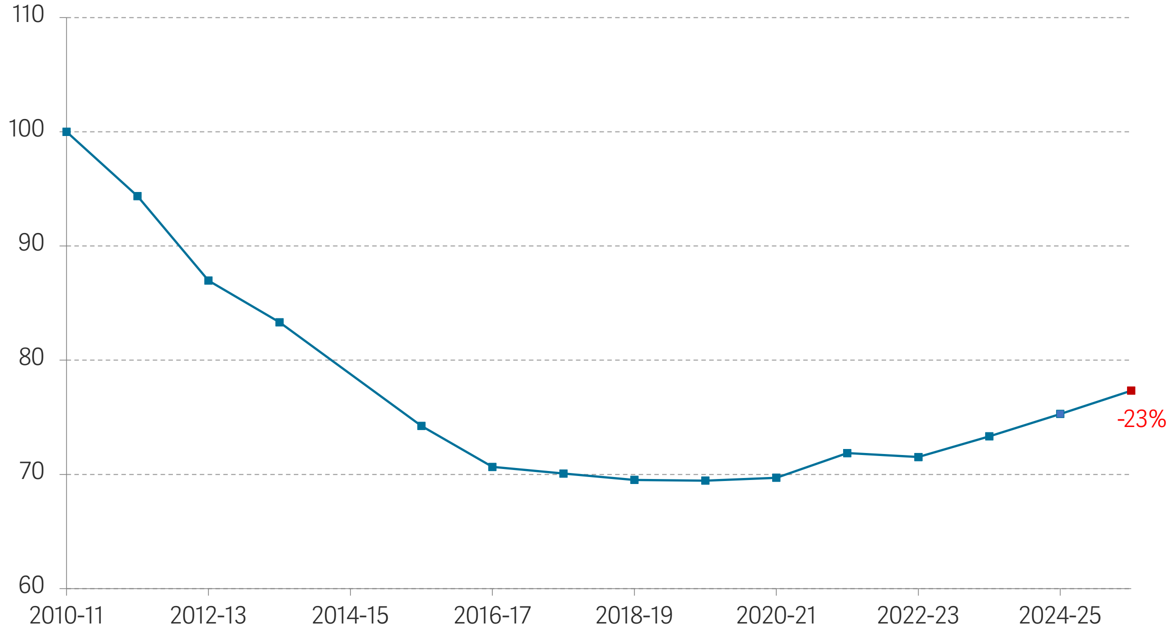
Local government spending is funded through a mixture of central government funding (RDEL and AME) including grants from MHCLG and other departments, retained business rates revenue and Council Tax. Putting all these sources of funding together, we get a term referred to as local government core spending power. Total funding from central government, including retained business rates revenue which helps make up local government settlement funding, amounted to 44 per cent (£30.6 billion) of core spending power in the 2025-26 local government finance settlement, leaving Council Tax the remaining 56 per cent (£38.3 billion).

Since 2010-11, in real per capita terms, core spending power of local authorities is down nearly 20 per cent, as shown in Figure 12 below. The effect of the austerity years on local government has been well documented, and the 30 per cent fall in real terms per capita core spending power from 2010-11 to 2017-18 puts this in sharp focus.[38]

38 M Goodier, C Aguilar Garcia & R Partington, How a decade of austerity has squeezed council budgets in England, The Guardian, 29 January 2024.

FIGURE 12: **Local government core spending fell sharply during the austerity years and has not yet recovered**

Real per capita local government core spending power (2010-11=100): England



SOURCE: RF analysis of MHCLG, Core Spending Power table: provisional local government finance settlement 2025 to 2026; MHCLG, Spending power by local authority, 2013; MHCLG, Government confirms progressive settlement and fair deal for communities, January 2011.

While there has been some recovery in core spending power since the mid-2010s, this has been primarily driven by an increase Council Tax. In real terms per capita, the Council Tax requirement has increased by over a quarter (26 per cent) since 2015-16. Meanwhile, the grants from central government across the same timeframe and on the same metric, have fallen by 9 per cent. Council Tax is highly regressive, and recent increases mean that the poorest fifth of households now spend over three times as much of their income on Council Tax as the richest fifth do.[39]

And despite the small recovery in core spending power, more and more councils each year are facing extreme financial difficulties: 29 Local Authorities required exceptional financial support for the 2025-26 financial year, compared to just five in 2022-23.[40] This dramatic increase has resulted in the OBR labelling local authority funding pressures as a "substantial risk to the public spending forecast".

39 L Try, Money, money, money, Resolution Foundation, February 2025.
40 OBR, Economic and Fiscal Outlook, March 2025.

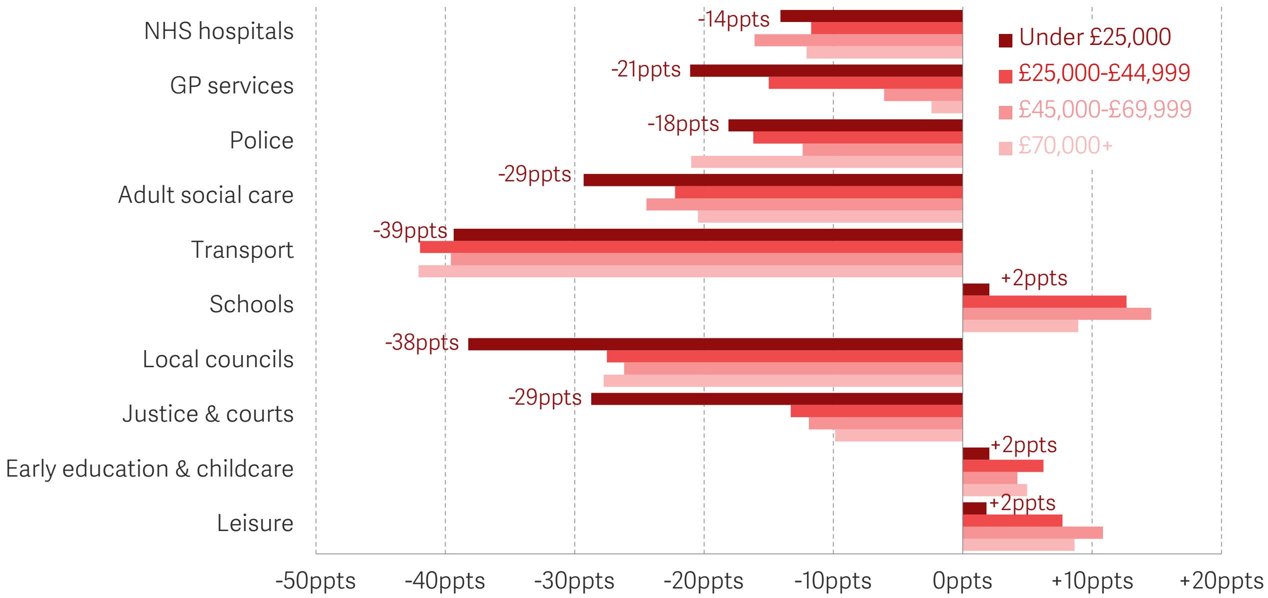
There are some key areas which are clearly a priority for lower-income families

Given the scale of the problems outlined above, it's tempting to think that we should aim to improve all public services. But, despite increases in the spending envelope, the Chancellor will still face sharp trade-offs, making prioritisation be crucial. Since lower-income households tend to benefit more from a marginal pound spent on public services, we assess which services might deliver the greatest gains by examining net satisfaction across income groups.

Using data from our YouGov survey, we find that some services have widespread dissatisfaction across the board including transport and local councils. Others see positive satisfaction rates such as schools, early education and childcare, and leisure. But digging deeper, we see that there are many services where there is a clear income gradient when it comes to net satisfaction, as highlighted by Figure 13.

FIGURE 13: **Low-income households are particularly concerned about GP services, adult social care, justice and schools relative to high-income households**

Net satisfaction with selected public services by income: UK, 2025



NOTES: Net satisfaction is proportion of respondents very satisfied/satisfied minus the proportion of respondents very dissatisfied/dissatisfied. Household income is equivalised. Don't knows are excluded from the analysis. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,321 adults. Fieldwork was undertaken between 17th - 18th February 2025. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).
SOURCE: RF analysis of YouGov, 2025.

Low satisfaction is most pronounced among lower-income households compared with higher-income households in areas like GP services, adult social care, and the justice system. For instance, the net satisfaction score for GP services is -21 percentage points for households with income under £25,000 a year, compared to scores of -6 for households with income between £45,000 and £70,000, and -2 for those with income above £70,000. It's a similar sliding scale in adult social care and justice and courts, where net satisfaction for the households with income under £25,000 is -29 percentage points. While transport looks flat across the income distribution, this disguises variation by mode. Households in the highest-income quintile are significantly less satisfied with buses than the more frequent bus-using lowest income quintile, but more satisfied with the major roads and train services they use more heavily.[41]

This gives us with an indication of where pressures are most acute and felt more by low-income households relative to high-income households – GP services, adult social care and the justice systems. While past and current levels of satisfaction tell us a lot about the current state of public services, the path ahead will also be determined by emerging demographic and political pressures.

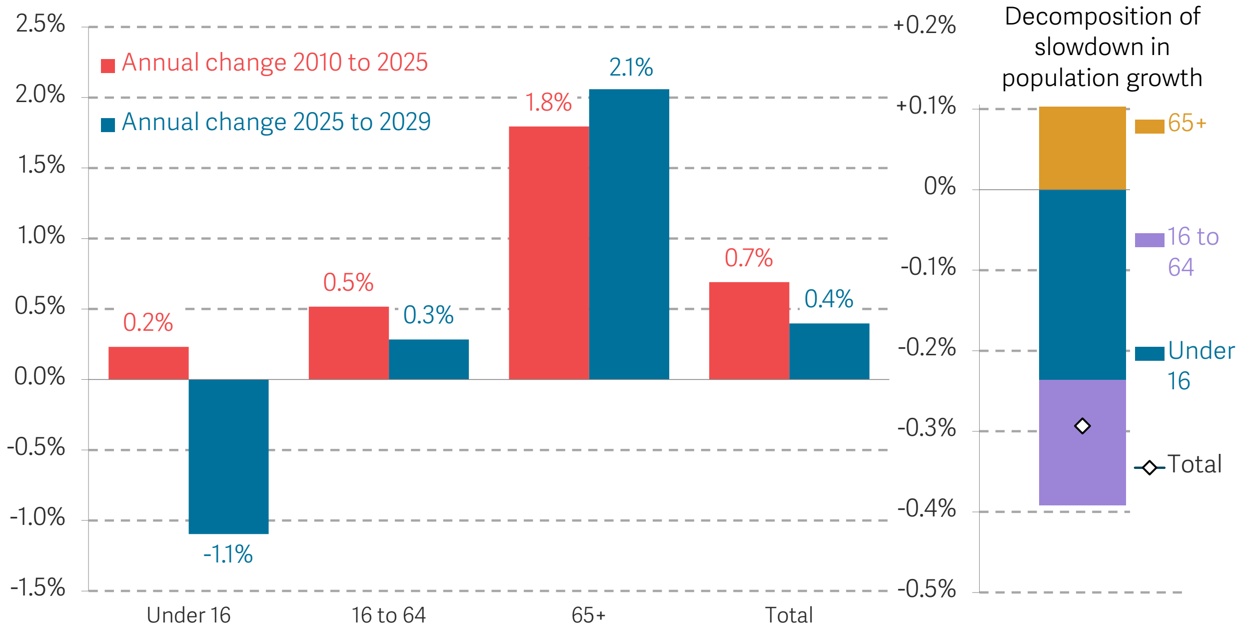
There are likely to be changes to spending pressures in the coming years

The final factor that should influence the Government's plans is the wider demographic pressures over the Spending Review period, some of which will work in the Government's favour. As shown in Figure 14, falling pupil numbers will reduce pressures on school budgets: between 2025 and 2029, the number of children under 16 will fall by 1.1 per cent a year, compared with increases of 0.2 per cent a year between 2010 and 2025.[42] This fall will be concentrated in primary school aged children.[43] Going the other way, population ageing is set to intensify in the coming years. The number of people aged 65 and over is expected to grow by 2.1 per cent annually between 2025 and 2029, up from 1.8 per cent over the previous 15 years. This shift will add further strain to an already stretched NHS.

41 RF analysis of Department for Transport, National Travel Survey, August 2024.
42 In OBR, Fiscal risks and sustainability – September 2024, September 2024, children fall by 0.4 per cent per year between 2024-2030, slightly lower than ONS population projections.
43 RF Analysis of Explore Education, Schools, pupils and their characteristics, June 2024.

FIGURE 14: **Pressures from ageing are set to increase in the coming years**

Annualised population growth by age bracket (left panel), and decomposition of slowdown in population growth between 2010-2025 and 2025-2029 (right panel): UK



SOURCE: RF Analysis of ONS, National population projections: 2022-based.

While an aging population increases demand for NHS services, it also increases pressure on adult social care budgets. Requests for adult social care have risen to two million in 2022-23 – a record high.[44] And it isn't just numbers of school-aged children but needs that affect schools: particularly the rising need for SEN provision. The National Audit Office highlighted failure to reform the funding in this area as one of the most worrying areas in which local government resources were being outstripped by spiralling costs.[45]

A balanced and progressive Spending Review could provide a boost to the wider living standards of lower-income families

The Government has announced that departmental allocations at the Spending Review will be determined by a zero-based review forcing efficiencies and clear priorities on departments.[46] But with just a £18 billion real increase in RDEL between 2025-26 and 2028-29 (in 2025-26 prices), or 1.3 per cent real growth over this period, sharp trade-offs remain.

The pressure to raise defence spending adds to an already difficult Spending Review

In the run up to the Spending Review, concerns about European security have increased, making the outlook for spending harder. In February, the Prime Minister announced an increase to defence spending to 2.5 per cent of GDP from 2027-28, while cutting Official

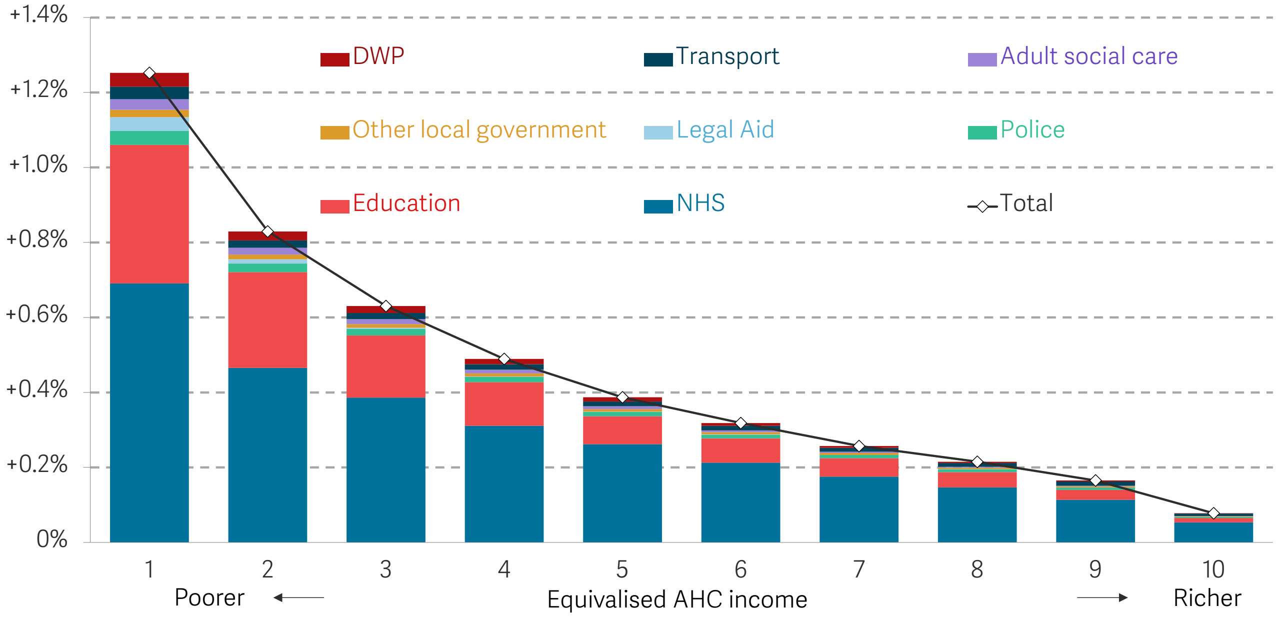
44 The King's Fund, Lack of government action leaves social care struggling, March 2024.
45 National Audit Office, Support for children and young people with special educational needs, October 2024.
46 HM Treasury, Chancellor: Every pound spent will deliver Plan for Change, December 2024.

Development Assistance (ODA) from 0.5 per cent of GNI to just 0.3 per cent.[47] The Government has also said that it wants to increase such spending to 3 per cent during the next Parliament.

To illustrate the pressures facing the Chancellor, it is instructive to consider what overall RDEL would look like if spending was allocated on the basis of current shares of RDEL. Health spending, for instance, accounted for 40 per cent of RDEL in 2025-26 (up from 27 per cent in 2004-05), while education, the second-largest department, represented 18 per cent. Maintaining these shares would imply annual real-terms growth of 1.9 per cent for each department over the spending review period (with Defence spending held at 2.5 per cent of GDP and ODA at 0.3 per cent).[48] As shown in Figure 15, this approach would deliver a rise in in-kind benefits to lower-income households of around 1.3 per cent, compared with a 0.1 per cent increase for the highest-income households.

FIGURE 15: **Maintaining current spending shares would raise broader living standards most for lower-income households**

Annual percentage change in in-kind benefits as a share of income by equivalised household income decile: England, 2025-26 to 2028-29



NOTES: See Annex 1 for assumptions.
SOURCE: RF Analysis of DWP, Households Below Average Income; Family Resources Survey; ONS, Wealth & Assets Survey; Understanding Society; National Travel Survey.

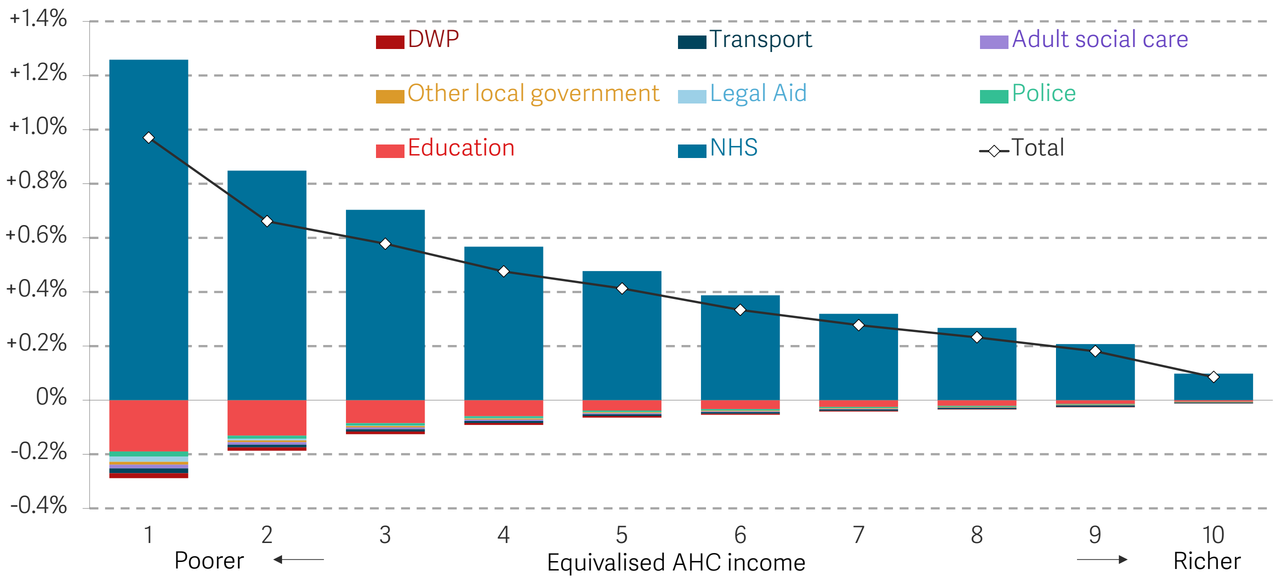
But with the health service a clear priority for voters, if the Government instead was to raise real health spending by 3.6 per cent each year – the long-run average growth in health spending since 1949 – then 'unprotected' departments would then face cuts

47 Prime Minister's Office, PM statement on defence spending: 25 February 2025, February 2025.
48 In all scenarios, we hold the other departments which are not protected nor are covered by our in-kind benefits model constant in nominal terms for consistency.

of £8.6 billion in just four years.[49] That would mean tough choices for education, local government, social care and public safety, and in turn, the living standards of low-to-middle income families. Areas that have already faced disproportionate cuts – such as college and sixth-form education – could be squeezed again. Strictly means-tested services – such as adult social care and legal aid – would remain exposed (Figure 16). While everyone would gain from higher NHS spending, the cuts to all other services would be regressive, and although these cuts might achieve short term savings, they often lead to higher costs elsewhere (see Box 3).

FIGURE 16: **Large increases in health spending at the Spending Review would mean cuts for other departments**

Annual percentage change in in-kind benefits as a share of income by equivalised household income decile: England, 2025-26 to 2028-29



NOTES: See Annex 1 for assumptions.
SOURCE: RF Analysis of DWP, Households Below Average Income; Family Resources Survey; ONS, Wealth & Assets Survey; Understanding Society; National Travel Survey.

BOX 3: False economies – cutting RDEL will in some cases lead to rising AME

Adequate spending on RDEL is essential for delivering well-functioning public services. Nowhere is this clearer than at the Department for Work and Pensions (DWP), where benefit claimants often grapple with long waits and frequent errors when their benefit claims are processed. For example, Personal Independence Payment (PIP) assessments take eight weeks

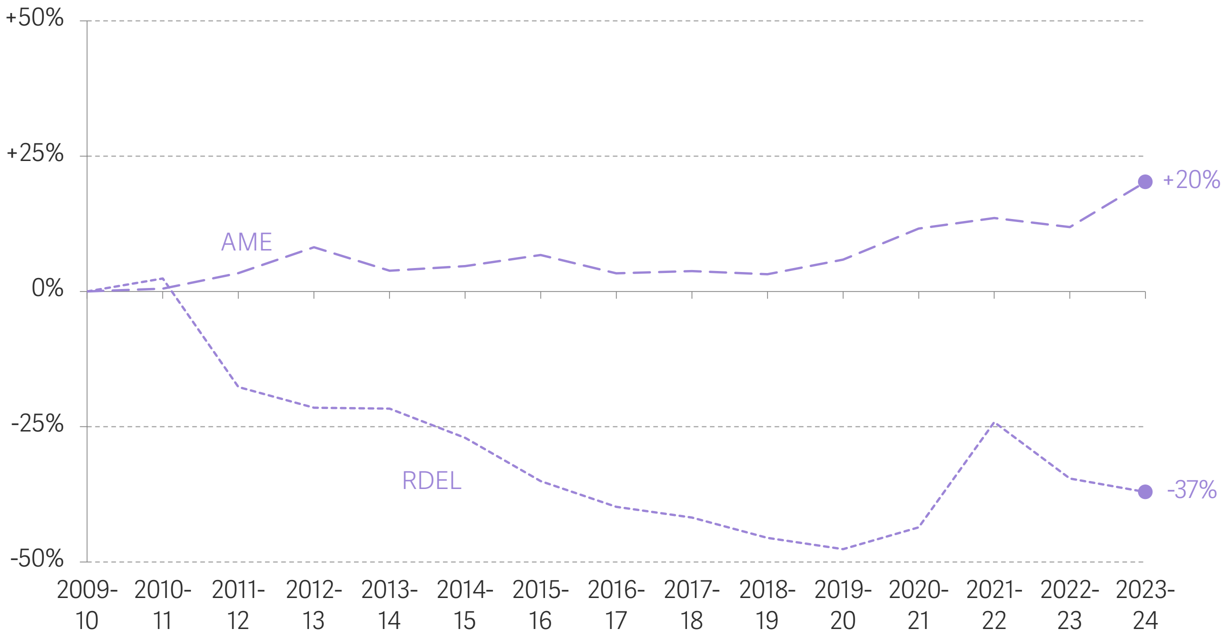
49 OBR, Economic and Fiscal Outlook, March 2025.

on average—up from six weeks before the pandemic—and the entire process now stretches to 14 weeks on average. Furthermore, one-in-five assessments leads to a mandatory reconsideration, and two-thirds of those appeals are upheld in favour of the claimant. This needless churn wastes both claimant time and departmental resources.[50]

Maintaining the status quo is not an option. Meaningful improvements are difficult to envision without increased RDEL support, as illustrated by the diverging paths of AME (Annually Managed Expenditure) and RDEL over the past 15 years in Figure 17. While AME spending – primarily transfers – has risen by 20 per cent in real per person terms since 2009–10, core departmental spending has fallen by 37 per cent. Raising departmental budgets is therefore crucial to cutting processing delays, reducing errors, and ensuring that reassessments take place.

FIGURE 17: **A better health-related benefits system means funding core services as well as considering AME spending**

Cumulative change in AME and RDEL public spending per person for DWP since 2009-10: UK



SOURCE: RF analysis of DWP, Spending and Budget documents, various.

If defence were to take an even more central role in the spending review, alongside health, the consequences for low- and middle-income households would be steep cuts to key services. If defence spending were pushed to 3 per cent of GDP by 2029-30,

50 L Murphy, Delivering the undeliverable: Five principles to guide policy makers through reforming incapacity and disability benefits, March 2025.

while maintaining a 3.6 per cent annual real terms increase for the NHS, unprotected departments could face £18 billion in cuts over just four years. So, if we need to raise defence spending to 3 per cent of GDP, the Government should raise tax to pay for it.

Additional capital spending on health could raise NHS productivity and mitigate the need for higher day-to-day health spending

Higher spending on health is inevitable. But the ambition of creating an NHS fit for the future must contend with the sector's persistently weak productivity growth. The health sector has become the biggest drag on national productivity, with ONS data showing a 19 per cent decline in labour productivity between 2019 and Q3 2024.[51] Given its size, accounting for 8.2 per cent of the economy, larger than the whole professional, scientific and technical sector, this slowdown has contributed to reduced UK aggregate productivity growth by an average of 0.1 percentage points per year. [52]

So, increasing NHS resource spending without addressing infrastructure won't guarantee better outcomes. The Department of Health and Social Care is the only department to have received a real-terms funding increase every year since 2007-08 (except for post-pandemic) (Figure 18). Yet the UK's health infrastructure remains weak, with the fewest hospital beds and MRI machines per capita in the OECD.[53]

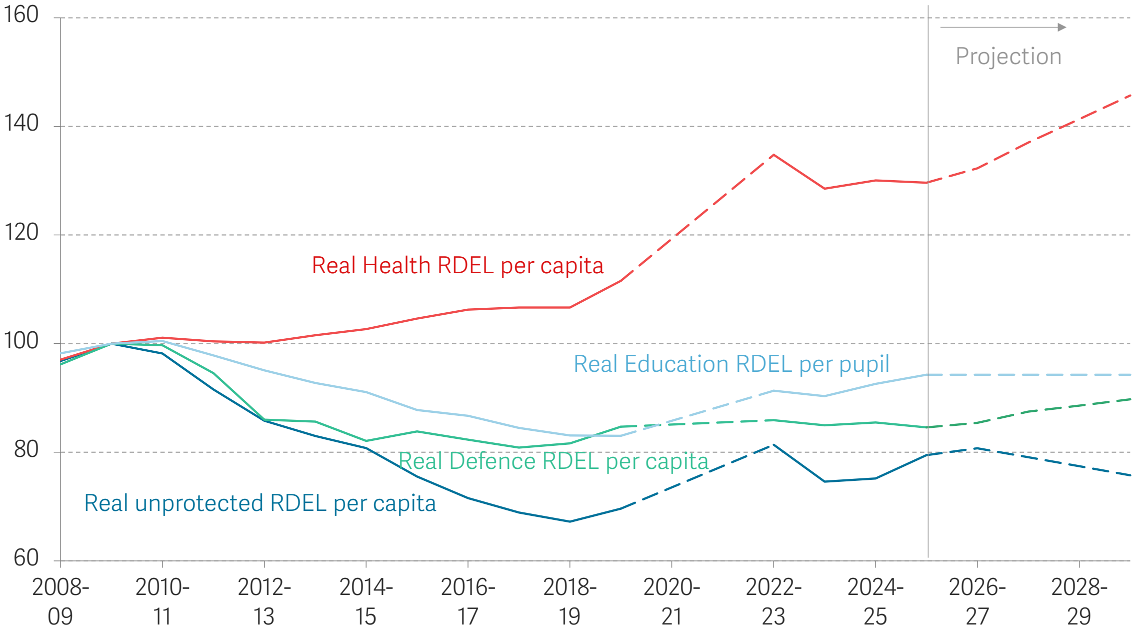
51 S Pittaway, Yanked away: Accounting for the post-pandemic productivity divergence between Britain and America, Resolution Foundation, April 2025.

52 It's worth noting that the recent trend in healthcare productivity is a live issue, and NHS England's own productivity estimates are more positive than the ONS. For more discussion of the latest NHS England data, see: O Harvey-Rich, M Warner & B Zaranko, NHS hospital productivity: some positive news, Institute for Fiscal Studies, November 2024.

53 F Odamtten & J Smith, Cutting the cuts: How the public sector can play its part in ending the UK's low-investment rut, Resolution Foundation, March 2023; Forthcoming work on Investment.

FIGURE 18: **If health spending was to carry on growing at 3.6 per cent that squeeze spending elsewhere**

Indices of real GDP deflator per-capita resource departmental expenditure limits (2009-10=100), all departments, 'unprotected' departments and 'protected' departments



SOURCE: RF analysis of OBR, Economic and Fiscal Outlook, various; HM Treasury, Budget and Spending Review documents, various.
NOTES: Deflated using the OBR forecast for the GDP deflator to 2025-26 cash terms. Protected budgets include NHS, schools, defence and ODA. NHS budget is assumed to grow by 3.6 per cent a year in real terms; core schools budget keeps per pupil funding constant; defence spending reaches 2.5 per cent of GDP; and ODA shrinks to 0.3 per cent of GNI. Figures include the impact of Barnett consequentials.

In the context of weak health productivity, a more effective strategy for the NHS than just increasing day-to-day health spending may be to pair such increases with even greater capital investment to begin to raise productivity. Currently, just 6 per cent of total spending on health is on capital. Raising this by just 1 percentage point to 7 per cent would mean reallocating £3 billion from day-to-day spending to capital spending in 2026-27 (implying a growth rate for day-to-day health spending of 2 per cent between 2025-26 and 2026-27). If that reallocation continued over the Spending Review period, with no change in the total NHS budget, it would mean an NHS with better kit that is better able to tackle sluggish health service productivity, as well as providing greater funding for other services. Within this NHS settlement, outcomes could be made more progressive if the day-to-day spending were tilted towards GPs, where the relative experience of poorer Britons is currently worst.[54]

54 Department of Health and Social Care, New deal for GPs will fix the front door of the NHS, February 2025.

Beyond health, additional spending should be focused on services in poor shape and on services that low-to-middle households depend on the most

Beyond prioritising the NHS, a new settlement for day-to-day spending which put low-to-middle income households first would give priority to:

- Services which are badly struggling, and low-to-middle income families are less satisfied with, or
- Services on which low-to-middle income households rely the most (generally this means formally means-tested services, essential services which support individuals during difficult economic times, and services more focussed on low-to-middle income families within individual departments).

With the Government's missions as a guide, we focus on how they might direct spending toward those hit hardest by the long squeeze on living standards by prioritising services that best support lower-income households.

Some services meet both of our criteria. For example, the Government should start by addressing neglected, highly-targeted services like legal aid, which supports those most in need of the justice system. Legal aid funding is split roughly equally between civil and criminal cases, but it has faced deep cuts since austerity. Since the Legal aid, Sentencing and Punishment of Offenders Act 2012 (LASPO) took effect in April 2013, legal aid spending had fallen by 28 per cent in real terms by 2022-23.[55] Legal aid helps ensure fair access to justice in the UK, but cuts – largely achieved by freezing thresholds – have led to a worse quality system signalled by a sharp rise in self-representation. In Q1 2023, 40 per cent of family cases involved self-represented litigants, up from just 14 per cent in Q1 2013.[56] Taking legal aid funding just halfway back to its 2012-13 levels would cost £500 million by 2028-29 (in 2025-26 prices).

As the adult social care sector faces mounting pressures, the Government should also prioritise funding this targeted service. Costs are rising faster than inflation, leaving local authorities struggling to cope with growing demand. The latest £1.1 billion funding increase is less than half of the £2.4 billion needed just to cover the Government's national insurance and minimum wage rises, and in effect enable the sector to stand still.[57] The Government has provided £0.5 billion to councils to support with the additional national insurance contributions, but that is for all services, not just adult social care. Assuming that the entire £0.5 billion was spent on adult social care that

55 This decline is partly due to frozen eligibility thresholds since 2009, which remain unchanged despite proposals for review. Ministry of Justice, Legal aid Means Test Review, May 2023.

56 Further, the NAO warns that the Ministry of Justice lacks a clear picture of whether eligible people can access legal aid, even as data suggests access is declining: National Audit Office, Government's management of legal aid, February 2024.

57 Director of Adult Social Services, Local government provisional finance settlement response, 7 January 2025.

would still leave a shortfall of £0.8 billion in dealing with higher national insurance costs. Further, job vacancy rates remain high, and the minimum wage doesn't even cover workers' time spent travelling to their clients.[58] A sector wage floor of £2 above the national living wage, to compensate workers properly for their time enabling better care, would cost an additional £1.1 billion, taking the total additional funding for adult social care to £2.1 billion in 2028-29 (in 2025-26 prices).[59]

Sufficient employment support is essential to tackling economic inactivity, reducing the number of young people not in education, employment or training (NEETs), and achieving any partially offsetting gains from cuts to disability and incapacity benefits. Having announced £1 billion of additional employment support for those with ill-health and disabilities, the Spring Statement 2025 allocated just £376 million by 2028–29 (£355 million in 2025–26 prices) to DWP for this employment support, with most of the funding back-loaded – more than doubling in the final year, 2029–30. This means many will feel the impact of benefit cuts before extra support becomes available.[60] Given the pressing need for support, we increase this support by 40 per cent to £500 million by 2028-29 (in 2025-26 prices). If the Government hopes to secure material employment gains within a five-year forecast, it will likely need to go further.

On education, a settlement for poorer Britain might tackle obstacles in the way of securing Education, Health and Care Plans (EHCPs) in poorer areas, where fewer are issued despite the link between deprivation and special needs at the individual level. About one-in-five children in the lowest household income decile have SEND needs compared with one-in-ten in the highest-income decile (with a total of 1.7 million school pupils with SEND or EHC plans).[61] But additional council funding is largely contingent on legally-binding EHCPs (schools must fund the first £6,000 of SEND support from their existing budgets). As the total number of SEND pupils with EHCPs rose from 19 per cent in 2016 to 26 per cent in 2024, those living in richer areas are taking a larger share of EHCPs. For example, 63 per cent of children with particular intellectual and developmental disabilities in IMD Decile 1 (the most deprived decile) have an EHCP compared with 84.9 per cent of children in IMD Decile 10 (the least

58 The King's Fund, Lack of government action leaves social care struggling, March 2024.
59 This is calculated using the assumption that this wage proposal would increase public expenditure on adult social care by 4 per cent, laid out in this paper: N Cominetti, Who Cares? The experience of social care workers, and the enforcement of employment rights in the sector, Resolution Foundation, January 2023. which should be funded in the form of government grants such as the Social Care Grant, the Better Care Grant and the Market Sustainability and Improvement Fund. Estimates for 2025-26 are increased by 3.4 per cent each year in line with the Health Foundation's projections: G Boccarini et al., Adult social care funding pressures: Estimated costs to meet growing demand and improve services in England, The Health Foundation, September 2023.
60 C Aref-Adib et al., Unsung Britain bears the brunt Putting the 2025 Spring Statement in context, Resolution Foundation, March 2025.
61 Analysis of USoc in 2022. Those with SEN or and EHCP has grown from 14.4 per cent of pupils in 2016/17 to 18.4 per cent in 2023/24. RF Analysis of explore education statistics, Special educational needs in England, June 2024.

deprived).[62] But the prevalence of SEND in children in lower income families outweighs the likelihood of receiving an EHCP. So, while you are 2.1 times as likely to be a child with SEND in the lowest-income decile than the highest, you are twice as likely to have an EHCP.[63] The Government should address this regional inconsistency to ensure lower-income households are being properly served.[64]

The Department for Education could directly lift 100,000 children out of poverty if it were to fund free school meals (worth £500 per child) for all families on Universal Credit out of its budget, instead of leaving inflation to deny ever-more low-paid parents this support every year. This policy would cost approximately £1 billion but would directly support the Government's 'opportunity' mission by ensuring no child's education is held back by hunger, as well as its own ambitions on child poverty.[65]

The Government can also focus on education services that have been overlooked such as 16-to-18-year-old education. According to recent research, per-pupil funding for colleges is now 11 per cent lower per student than it was in 2010-11, while school sixth form funding is 23 per cent lower, the deepest cuts of any part of education.[66] But the Government's school funding plan, like the Conservative Government's approach, prioritises core school budgets risking leaving post-16 education behind. Returning per pupil 16-18 spending to 2010-11 per pupil levels would cost around £1 billion by 2028-29.

Spending on apprenticeships, meanwhile, could be rebalanced towards youngsters seeking a first step on the career ladder: as it is, under-19s starting intermediate apprentices have fallen by 46,000 between 2016-17 and 2023-24 while higher-level apprenticeships for the over-25s have soared by 58,000. In 2023-24, 63 per cent of these older apprentices had already been with their employers for at least a year, suggesting that firms may be using Levy-funded apprenticeships to upskill existing staff rather than bringing in younger, low-qualified recruits.[67]

As noted previously the transport budget is unusually regressive compared to other forms of spending, due to greater travel by richer households. But buses are

62 For example, 63 per cent of children with particular intellectual and developmental disabilities in IMD Decile 1 (the most deprived decile) have an EHCP compared with 84.9 per cent of children in IMD Decile 10 (the least deprived); I Lee et al, The inequity of education, health and care plan provision for children and young people with intellectual and developmental disabilities, May 2024; T Campbell, Children in affluent areas get more special needs support, November 2023. Furthermore, appeal and tribunal rates for EHCPs are significantly lower in more deprived regions (meaning fewer families challenge decisions), hinting that many children in these areas go without plans they might merit

63 The most common type of need (two thirds) for those with an EHC plan is autistic spectrum disorder. RF Analysis of explore education statistics, Special educational needs in England, June 2024.

64 While some argue that there is a direct link between EHCPs and disability benefits, the evidence is more murky. For more discussion of child disability and child disability benefits, see, L Murphy, Growing pressures: Exploring trends in children's disability benefits, August 2024.

65 Should be implemented as wider part of reforms to Government focus on child poverty. A Clegg & A Corlett, Turning the tide: What it will take to reduce child poverty in the UK , February 2025.

66 E Drayton et al., Annual report on education spending in England: 2024–25, January 2025.

67 RF analysis of Explore Education, Duration, Starts by Level, Age, Length of employment, January 2025. For a further discussion of apprenticeships see: S Corcoran & L Murphy, Labour Market Outlook Q3 2024: The Growth and Skills Levy, Resolution Foundation, September 2024.

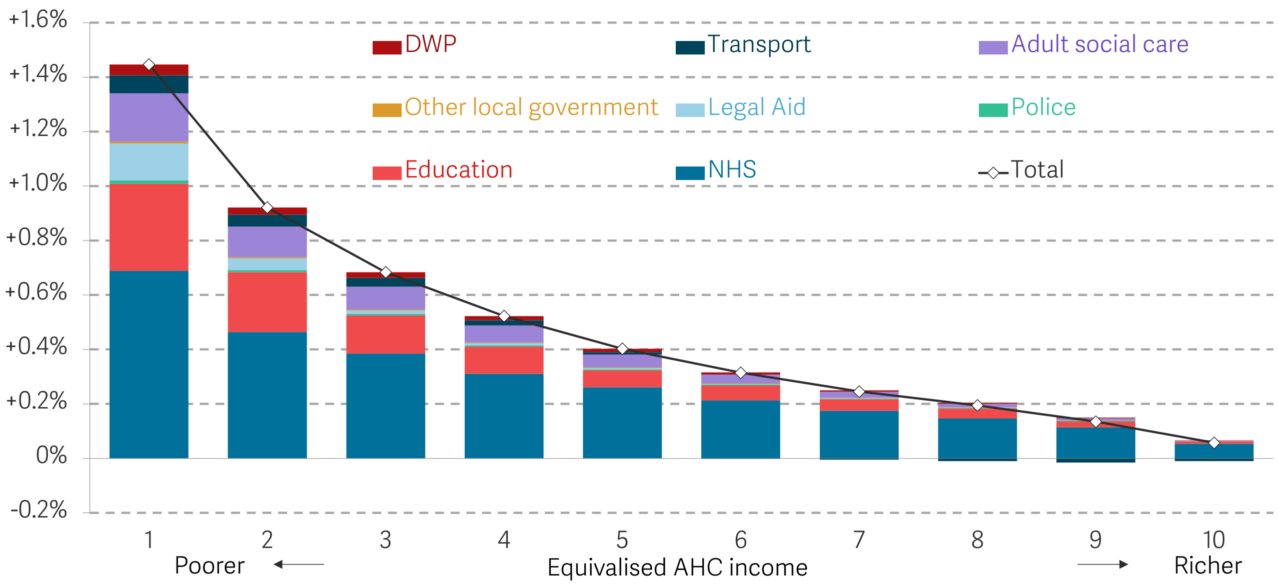
predominantly used by low-income households so further funding for transport could focus on the local travel services that are more widely used, rather than long distance forms of travel that are the preserve of wealthier individuals. As the rail system returns to normal after Covid-19, it is expected that subsidy will decline. For example, reallocation of the £1.6 billion spent in 2024-25 on sustaining the rail system's slow recovery to buses could provide significant benefits to local transport systems and the low-income households that predominantly use them.

A better-balanced day-to-day spending settlement

Overall, we estimate that this balanced overall settlement across departments, would raise in-kind benefits for the lowest income decile by 1.4 per cent, and 0.2 per cent for the highest income decile – around ten times as much, as shown in Figure 19. Overall, we estimate that a balanced overall settlement across departments, and determined prioritisation within them, could boost the living standards of the poorest households by around ten times more than those of the richest.

FIGURE 19: **A pro low- and- middle income Spending Review would raise in-kind benefits at the bottom by 1.4 per cent a year – 25 times more than at the top**

Annual percentage change in in-kind benefits as a share of income by equivalised household income decile: England, 2025-26 to 2028-29

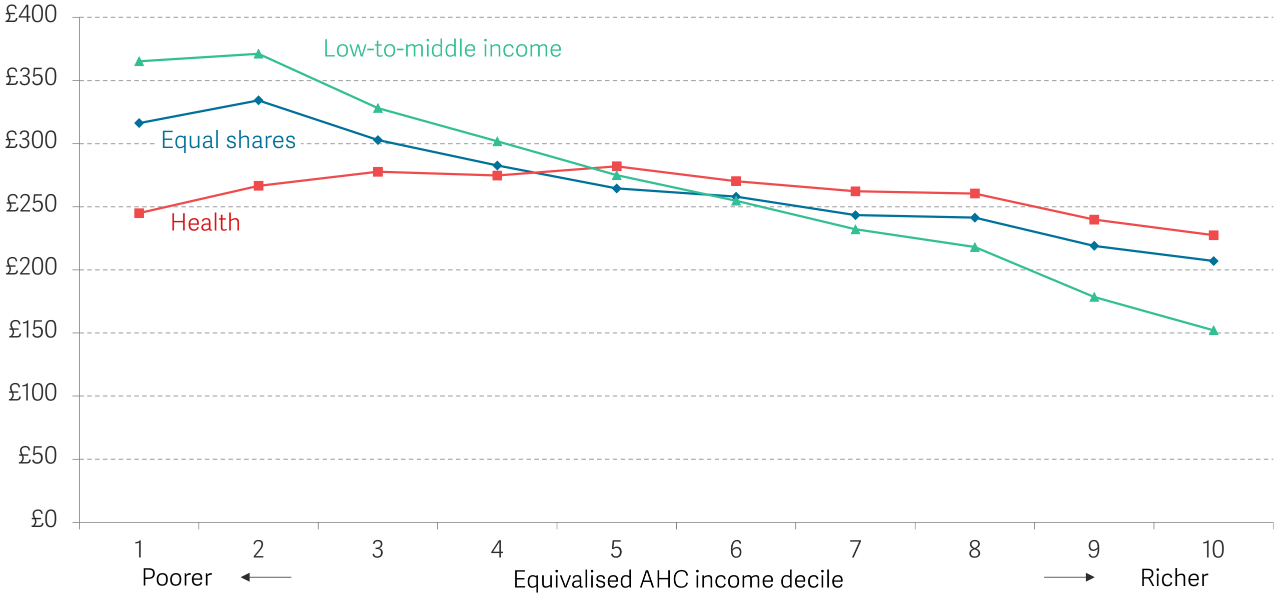


NOTES: See Annex 1 for assumptions.
SOURCE: RF Analysis of DWP, Households Below Average Income; Family Resources Survey; ONS, Wealth & Assets Survey; Understanding Society; National Travel Survey.

In cash terms, a settlement in support of low-to-middle income households would raise household benefits in kind by £370 each year on average for the bottom-income decile compared with £150 for the highest income decile (Figure 20). This compares to the equal shares scenario where the lowest-income decile receives £320 per year while the highest income decile receives £210 per year. And in a 'health' settlement where households receive £260 on average (£250 for the lowest income decile and £230 for the highest, peaking at £280 for the median).

FIGURE 20: **A low- to- middle income settlement raises in-kind benefits for those who need it most**

Annual real terms increase in in-kind benefits by household income decile (£ 2025-26): England, 2025-26 to 2028-29



NOTES: See Annex 1 for assumptions.
SOURCE: RF Analysis of DWP, Households Below Average Income; Family Resources Survey; ONS, Wealth & Assets Survey; Understanding Society; National Travel Survey.

After a shaky start on living standards, the Government has a chance at the upcoming Spending Review to deliver a more balanced settlement across departments. By prioritising effectively within budgets, our estimates suggest this could boost in-kind support for lower-income families by around 25 times more than for the richest. Such a shift would make a real difference for families struggling with the cost of living and mark a move towards improving the broader living standards of those on low incomes.

Annex 1: In-kind benefits of public services distributional model assumptions

In this Annex we set out the details of the modelling we have developed to estimate the use of the in-kind benefits provided by public services across the (equivalised) after housing costs household income distribution. The focus of our modelling is departmental spending that directly impacts people's lived experience as discussed earlier in this note and accounts for over £1 billion in RDEL spending. In total, the in-kind benefits model encompasses around two-thirds (65 per cent) of total RDEL in 2025-26. This is slightly higher coverage than the Effects of Taxes and Benefits (ETBs) publication by the ONS, which considers non-cash benefits from sectors like NHS, education, and travel subsidies, across the whole of the UK.[68] In common with that approach, however, we value the in-kind benefits provided by public services using the cost of provision.

We adopt a microdata approach, allocating per-person spending across departments to individuals in the Houses Below Average Income (HBAI) survey for 2022-23, the most recent data available. This gives us a post-pandemic picture of incomes. Given the bottom 5 per cent of after housing cost (AHC) incomes is unreliable, we exclude these households from our analysis.[69] This data is combined with other major microdata sets including Understanding Society, the Wealth and Assets survey, the National Travel Survey, and the Living Costs and Food survey.

Certain departments, while valuable to the public, are less straightforwardly considered in-kind benefits. These include the Department for Defence, the Foreign, Commonwealth and Development Office, and the Department for Environment and Rural Affairs, as well as central government civil service departments such as the Department for Business and Trade and HM Treasury. For the purpose of this analysis, we focus on England, as some RDEL budget elements are devolved – such as those for Wales and Northern Ireland – or included in AME (Annually Managed Expenditure) rather than RDEL, like the Scotland budget.

In what follows, we discuss our approach to services provided by specific areas of spending. These include: the NHS, core schools, further education for 16-18-year-olds, adult education and apprenticeships, childcare, police, Legal aid, adult social care, Transport, Local Government and spending by the Department for Work and Pensions

68 We include a subset (about 80 per cent) of the total DfE budget with more detailed breakdowns across households. We also include police, legal aid, and local government which are not included int the ONS ETBs. Throughout the annex we compare each model with the results of the ETBs model where they are available. Source: ONS, The effects of taxes and benefits on household income, December 2024.

69 The bottom 5 per cent are excluded due to concerns about the reliability of data for this group in keeping with our living standards modelling. For more, see: A Clegg & A Corlett, The Living Standards Outlook 2024, August 2024.

(DWP). We set out the overall size of RDEL spending; the data and method used to estimate the distribution of which households benefit from those services; the results of the modelling, including – where available – a discussion of how our results compare to the ONS's ETBs; and a discussion of the possible limitations of our approach.

National Health Service

The NHS is part of the Department of Health and Social Care (DHSC), which is by some way the largest departmental budget in RDEL. DHSC has a budget of £202 billion in 2025-26 of which 96 per cent (£193.4 billion) is the NHS. The NHS includes a range of services – from hospital appointments to GP services – for England.

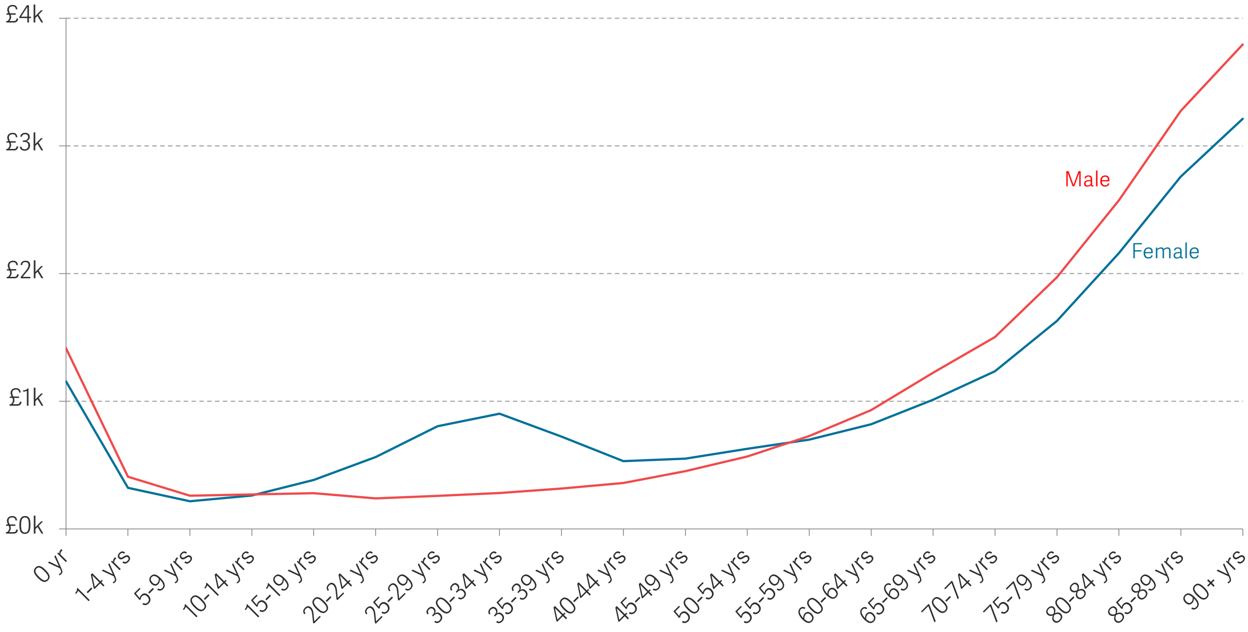
We allocate the total costs of providing NHS services to individuals reflecting their consumption across a lifecycle. We use data from NHS Digital on consumption of accident and emergency (A&E), admitted patient care (APC) and outpatient (OP) activity to estimate average spending for each person by age and gender as shown in Figure 21.[70] We combine these estimates with the OBR's estimates of total health consumption by age to create an average consumption by gender and age for the total NHS budget in 2025-26 for England.[71] We combine this per-person average spending with HBAI microdata based on age, gender, and apply an uplift based on the area's Index of Multiple Deprivation (IMDE) decile.[72] NHS Digital data reveals that households in lower-income areas consume more (both in cost and number) of NHS services than those in higher income areas for A&E and APC.[73]

While one-fifth of health spending in 2019 (20.7 per cent) was on private healthcare, and four-fifths (79.3 per cent) was on public healthcare, we do not exclude those with private health insurance from those who benefit from NHS services.[74] This is because evidence points to spending on private healthcare in the UK being additional, rather than a substitute for, publicly-funded healthcare.[75]

70 NHS Digital, Acute Patient Level Activity and Costing, 2019-20, February 2021.
71 OBR, Fiscal Risks and Sustainability – July 2022, July 2022.
72 The IMDE ranks every small area in England from 1 (most deprived area) to 32,844 (least deprived area
73 NHS Digital, Acute Patient Level Activity and Costing, 2019-20, February 2021
74 OBR , Fiscal risks and sustainability, September 2024.
75 A full discussion of private and public healthcare can be found in K Ogden & D Phillips, The distribution of public service spending, The IFS Deaton Review, May 2023.

FIGURE 21: **NHS services are used most heavily by older people**

Annual cost per person of accident and emergency (A&E), admitted patient care (APC) and outpatient (OP) activity by age: England



SOURCE: RF analysis of NHS Digital, Acute Patient Level Activity and Costing, February 2021.

In cash terms, the average NHS spending is relatively uniform across the income distribution with the lowest income quintile of households receiving 23 per cent more in cash terms than higher-income households. The finding that spending is only slightly higher for lower-income households in cash terms might appear counterintuitive, particularly given that people living in poverty often experience poorer health, and access services later leading to worse health outcomes.[76] Yet, men living in the most deprived areas of the UK are living 9.7 years less than those in the least deprived areas, while the gap is 7.9 years for women.[77] This shorter life expectancy for lower-income households partly offsets what might otherwise be higher long-term spending on lower-income households due to poorer health. On this basis, per person, and as a share of equivalised income, NHS spending is 33.7 per cent of incomes in the lowest income quintile (£8,800), compared with just 2.6 per cent (£7,200) for the highest-income quintile. Meanwhile, spending on younger individuals and pregnant women remains a meaningful area of spending, although it is smaller in scale compared to the share allocated to older adults.

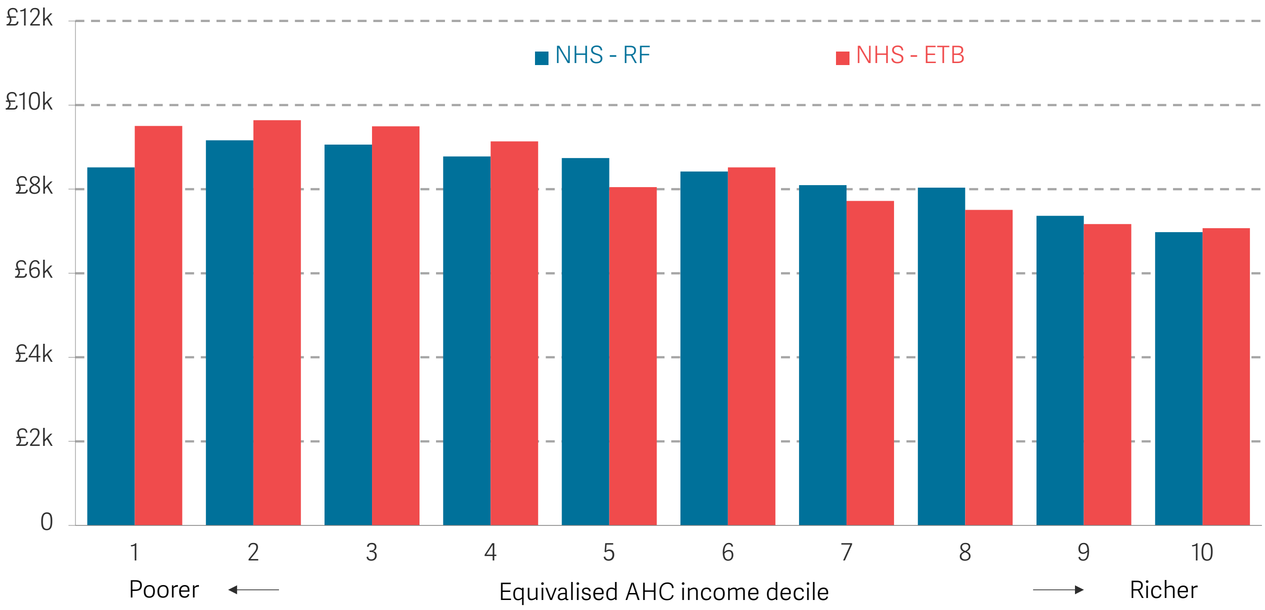
To test the model's outputs, we cross-check these finding using self-reported NHS consumption from the Understanding Society (USoc). Data from USoc suggest that NHS consumption is broadly equal across the income distribution: while 75 per cent of all households use a GP service each year (74 per cent for highest-income quintile and 76 per cent for the lowest), 41 per cent visit a hospital (40 per cent of the lowest income

76 S Mallorie, Illustrating the relationship between poverty and NHS services, The Kings Fund, March 2024.
77 M Rea & D Tabor, Health state life expectancies by national deprivation deciles, England: 2018 to 2020, ONS, April 2022.

quintile and 41 per cent of the highest).[78] We also compare our distribution with the ONS's ETBs, as shown in Figure 22, which produces a very similar distribution. In 2024, 43 per cent of NHS spending is on those aged 65 and older.[79] However, the ONS ETBs are slightly more weighted towards lower-income households. This is likely to be due to the differences with who composes the first-income decile in HBAI (used in our modelling) compared with LCFS (used by the ONS).[80]

FIGURE 22: **Health services are used by households across the income distribution, but spending is tilted towards those on lower incomes**

In-kind benefits, NHS spending by household: England, 2025-26



SOURCE: RF analysis of ONS, Effects of taxes and benefits on UK household income: financial year ending 2023, December 2024, NHS Digital, OBR, Fiscal Risks and Sustainability, July 2022, OBR EFO 2024, HMT.

Our modelling uses average health consumption by age and gender as inputs, which means that the model does not capture the full variation in individual health spending. This variation can be influenced by social determinants, such as housing and education, which have a significant impact on health outcomes.[81] This is important because, although averages can be helpful, some households will use significantly more NHS services, while others may use very few. In addition, while the model allocates data based on average spending per person, the value to households of access and differences in

78 RF analysis of Understanding Society.
79 RF analysis of OBR, Fiscal Risks and Sustainability, July 2022; ONS, Effects of taxes and benefits on UK household income: financial year ending 2023, December 2024.
80 The FRS has a larger sample size than the LCFS, so the HBAI measure of income poverty is often considered more robust than estimates based on the LCFS. As discussed in: ONS, An expenditure-based approach to poverty in the UK: financial year ending 2017, June 2018. M Brewer & C O'Dea, Measuring living standards with income and consumption: evidence from the UK, IFS, July 2012.
81 K Ogden & D Phillips, The distribution of public service spending, The IFS Deaton Review, May 2023.

the quality of care when accessing NHS services might mean that the value of the NHS to households could be higher or lower than the actual amount spent on their care.

Core schools

The Department for Education's (DfE) budget is the second largest component of RDEL, at £94.1 billion in 2025-26. The budget includes core schools, 16-18 education, apprenticeships, 19+ adult education, and childcare. We consider each of these separately and allocate the DfE budget to eligible children and adults in HBAI.

Starting with core schools, which forms the majority of the DfE budget at £64.8 billion in 2025-26, more than two-thirds of the total budget (69 per cent). This includes Government spending on primary and secondary schools (5-15 years old) as well as SEND provision. We allocate funding per pupil based on the UK's National Funding Formula (NFF) for 2025-26 which allocates school funding based on both pupil characteristics and institutional needs to children eligible in HBAI. Each pupil is eligible for a basic funding entitlement which we allocate to all those eligible by age, which forms 74.2 per cent of the core funding available to students.[82] This entitlement is lower for primary-aged pupils than for Key Stage 3, and for Key Stage 4. We then use USoc to determine the probability that a school-aged pupil in HBAI is eligible for additional funding. For example, additional funding is reserved for those whom English is a second language (1.1 per cent of total funding). Additional deprivation-related funding is allocated to those who are eligible for free school meals and the total funding per pupil is adjusted based on neighbourhood-level deprivation measures, together these account for 10.6 per cent of total schools funding.

Beyond pupil-driven funding, schools receive fixed lump sums (6.4 per cent of funding) which we allocate across children equally, applying a regional cost adjustment to account for variations in local wage levels. We apply these alongside a minimum per-pupil funding level (£4,955 for primary and £6,465 for secondary in 2025-26).

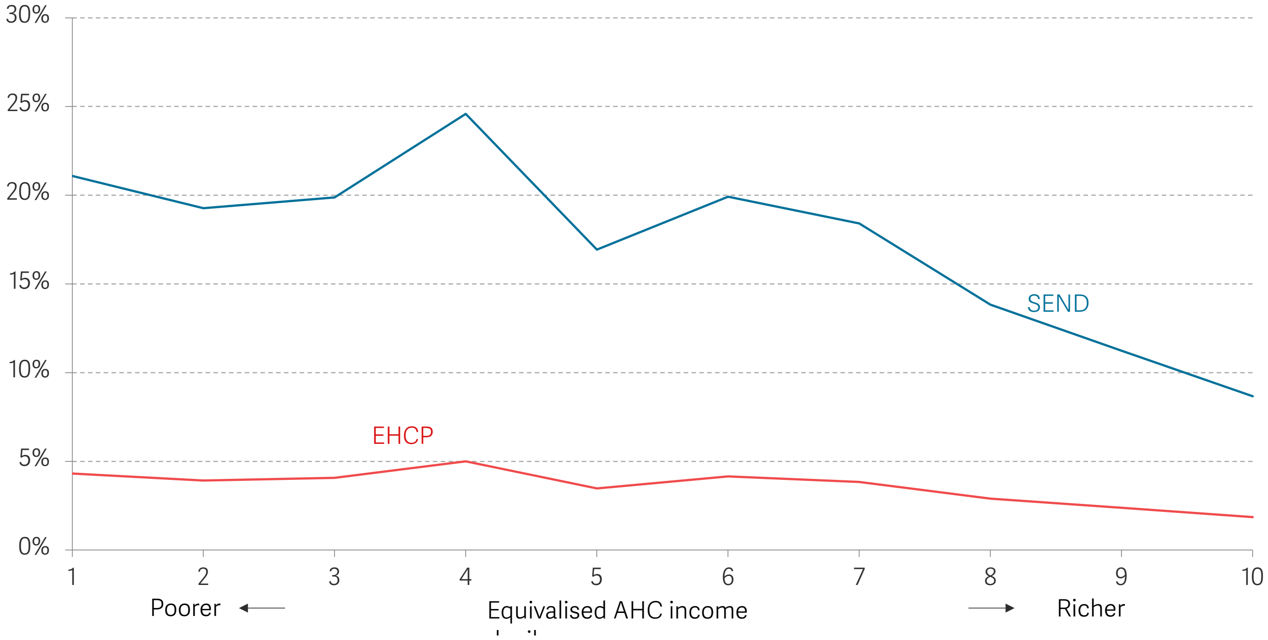
There is also high-needs funding of £11.9 billion in 2025-26 aiming to address the growing demand for SEND provision, and particularly Education, Health, and Care Plans (EHCPs) – a legally binding document that outlines a child's specific educational, health and care needs, along with the support required to help them progress.[83] To allocate high needs funding to individuals, we use USoc to estimate the probability a school-age children has SEND needs based on individual and household characteristics (as shown in Figure 23).

82 Department for Education, The national funding formulae for schools and high needs, November 2024.
83 EHCPs are legal documents in England that outline the special educational, health, and social care support required by children and young people (up to age 25) with significant special educational needs and disabilities (SEND). They are designed for individuals whose needs cannot be met through standard support provided by schools and colleges. It is created through an assessment involving the local authority, professionals, and the child's family and is reviewed annually.

Given that having SEND doesn't automatically qualify a child for an EHCP, we adjust the share of SEND children in receipt of an EHCP based on area deprivation reflecting that, although children living in lower-income households are more likely to have SEND needs, EHCPs are more likely to be allocated to children with SEND living in higher-income areas. For example, 17.5 per cent of children with SEND in the most deprived areas will receive an EHCP, compared with 22 per cent of children with SEND in the least deprived areas.[84]

FIGURE 23: **Children with SEND are more likely to be in the lower half of the income distribution**

Share of children with various educational needs by equivalised AHC income decile: UK, 2019 & 2022



SOURCE: RF analysis of Understanding Society Wave 11 and 13; T Campbell, Children in affluent areas get more special needs support, November 2023.

Finally, we exclude pupils attending private school from receiving state-school funding using data in HBAI. The data suggests that 25 per cent of children in the highest-income households attend private school, with a sharp drop off in the second-highest income decile where just 7.4 per cent of children attend private school and compared with 2.6 per cent in the lowest decile.[85]

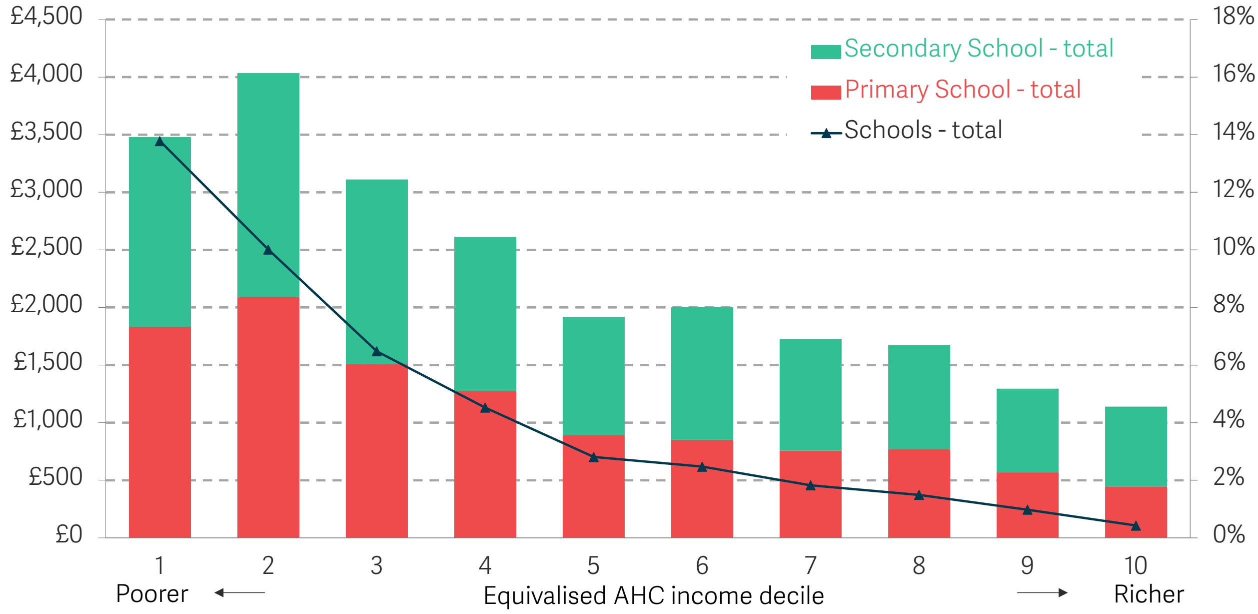
School funding for both primary and secondary schools is weighted towards low-income households. Those in the lowest income quintile receive £3,800 on average per household, three times the amount of those in the highest-income quintile who receive

84 T Cambell, Children in affluent areas get more special needs support, November 2023. See also I Lee et al., The inequity of education, health and care plan provision for children and young people with intellectual and developmental disabilities, May 2024.
85 This aligns with other research such as: J Anders & G Henseke, Housing wealth, not bursaries, explains much of private school participation for those without high income , UCL, 2021.

£1,200 on average. As a share of income, households in the lowest income quintile receive 14 per cent, while those in the highest-income quintile receive 0.4 per cent as shown in Figure 24.

FIGURE 24: **Schools funding is highly progressive**

In-kind benefits, primary and secondary school by equivalised AHC household income decile, total school spending and as a share of income: 2025-26 England



SOURCE: RF analysis of Department of Education National Funding Formula, Understanding Society, HBAI.

While this approach to allocating the costs of providing school-age education based on the national-funding formula is reasonably comprehensive, it has some limitations. In particular, it assumes that school funding is allocated to the pupil. But, in practice, schools have discretion over how they spend the funding allocated to them. It is also worth bearing in mind that our analysis focuses on children in England. While spending per pupil is similar in England, Wales and Northern Ireland, spending on schools in Scotland is 20 per cent higher per pupil than in England.[86]

Further Education for 16–18-year-olds

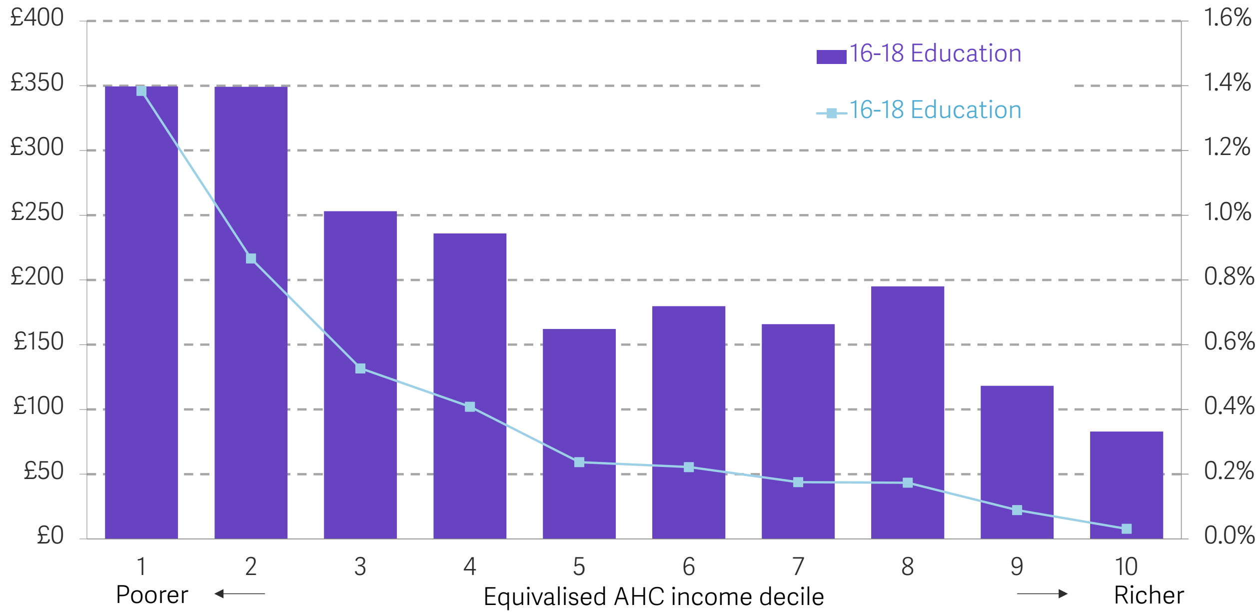
While the spotlight often falls on school education, 90 per cent of 16- and 17-year-olds are in further education at a school sixth form, a further education college, or with a training provider in 2024-25.[87] In total, DfE RDEL funding for further education was £7.3 billion in 2024-25.[88]

86 L Sibieta & D Snape, Scottish Budget 2025–26: Scottish school spending, teachers and pupil numbers, IFS, February 2025.
87 Department for Education, Main Estimates 2024-25: Estimates memorandum , 2024.
88 Explore Education, Participation in education, training and employment age 16 to 18, October 2024.

To estimate the benefits across the income distribution, we use estimates of average spending per pupil, specifically: £7,350 for further education colleges, which compares to just £5,900 for school sixth forms, and £5,500 in sixth-form colleges.[89] We apply these to qualifying students in HBAI. As in school education, we exclude students who are privately educated from Government funding. The resulting distribution is similar to the distribution of in-kind benefits received from schooling across the household income distribution. Those in the lowest-income decile receive £320 per household, while those in the highest-income decile receive £80 (Figure 25).

FIGURE 25: **Lower income households benefit most from 16-18 education**

In-kind benefits, 16-18 education by equivalised household income decile, in cash terms and as a share of income: England, 2024-25



SOURCE: RF analysis of Department for Education estimates, E Drayton et al., Annual report on education spending in England: 2024–25, IFS, January 2025, Understanding Society, Households Below Average Income.

Here we rely on average funding per child at different types of schools to allocate funding for 16-18-year-olds. This reduces the variation based on need – for example due to SEND provision – and therefore also reduces the variation of in-kind benefits received by households, potentially on the basis of income.

Adult Education for those aged over 19 and Apprenticeships

Those aged 19 and over qualify for state-funded adult education in certain circumstances and those undertaking apprenticeships can receive Government-funded training. A total of £2 billion in RDEL was spent on adult education for those aged 19+ in 2024-25, and a

89 E Drayton et al., Annual report on education spending in England: 2024–25, Institute for Fiscal Studies, January 2025.

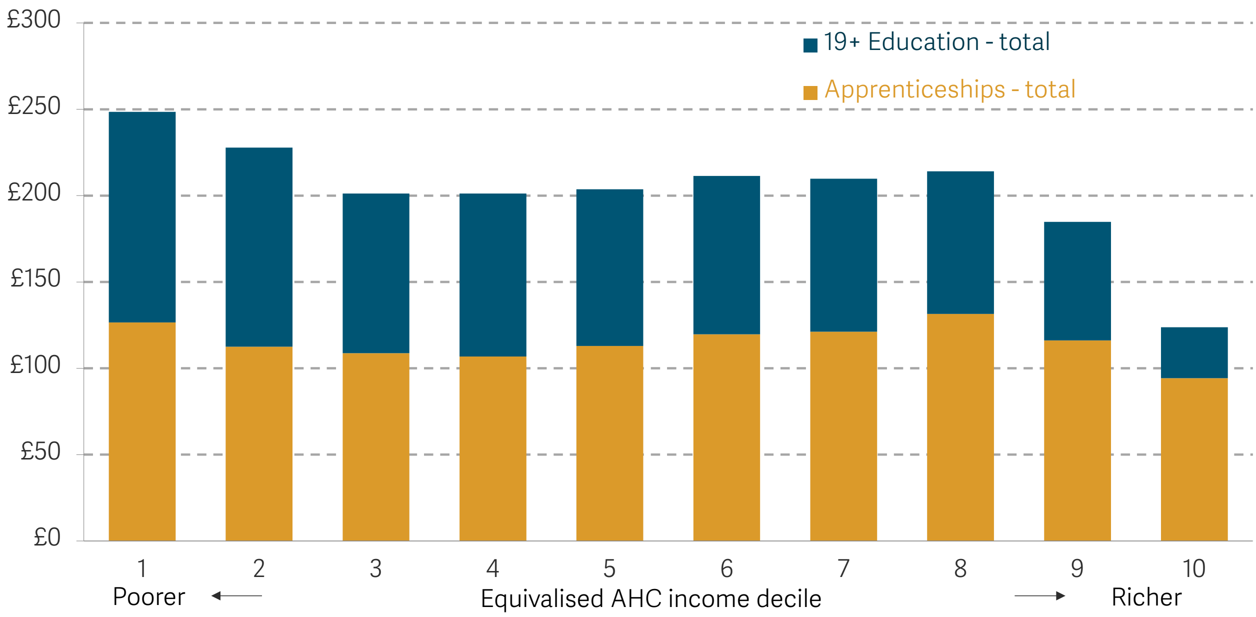
further £3 billion was spent on apprenticeships as part of the DfE budget. In 2024, a total of 1.1 million people were undertaking training or apprenticeships with 617k people in 19+ education and training, and a further 474k people participating in adult apprenticeships.[90]

To allocate funding for classroom-based adult education, and for apprenticeships, we estimate the probability that someone is an apprentice or is in adult education in USoc and apply that to the HBAI using the same observable individual and household characteristics. We allocate apprenticeship funding evenly across apprentices, assuming they benefit from training and assessments which ensures apprentices develop the necessary skills for their roles.[91] For adult education, we allocate the Adult Skills Fund to those in adult education who are also unemployed or those earning below a set income threshold in line with the 2024-25 funding rules.[92]

The resulting distribution for apprenticeships is relatively even across the distribution in cash terms with £130 going to the lowest-income decile, while £90 goes to the highest-income decile. Meanwhile, adult education is tilted towards low-income households, with £130 going to the lowest-income decile compared with just £30 going to the highest (Figure 26).

FIGURE 26: **Adult education are more tilted towards low-income households**

In-kind benefits, apprenticeships and adult education by equivalised household income decile in cash terms: England, 2024-25



SOURCE: RF Analysis of Understanding Society, Households Below Average Income.

90 Explore Education, Further education and skills, March 2025.
91 Apprenticeship funding for 2024–2025 can be spent on training costs, end-point assessments (EPA), fees for registered training providers, functional skills training (English & maths), and additional learning support (ALS) for apprentices with disabilities or learning difficulties. However, funding cannot be used for apprentice wages, travel expenses, recruitment, unrelated training, or employer overhead costs.
92 More details on the funding rules can be found in the official guidance: Department for Education, Adult skills fund: funding and performance management rules 2024 to 2025, January 2025.

This modelling doesn't take into account that types of apprenticeships pursued may vary: those from more deprived areas (the bottom deprivation quintile) are more likely to undertake intermediate and advanced apprenticeships, while those from wealthier areas (highest deprivation quintile) are more likely to pursue higher-level apprenticeships.[93] Redirecting support toward people from deprived areas and younger workers could make the system fairer and more effective – for example, by improving access to entry-level opportunities and clearer routes to progression.[94]

Childcare

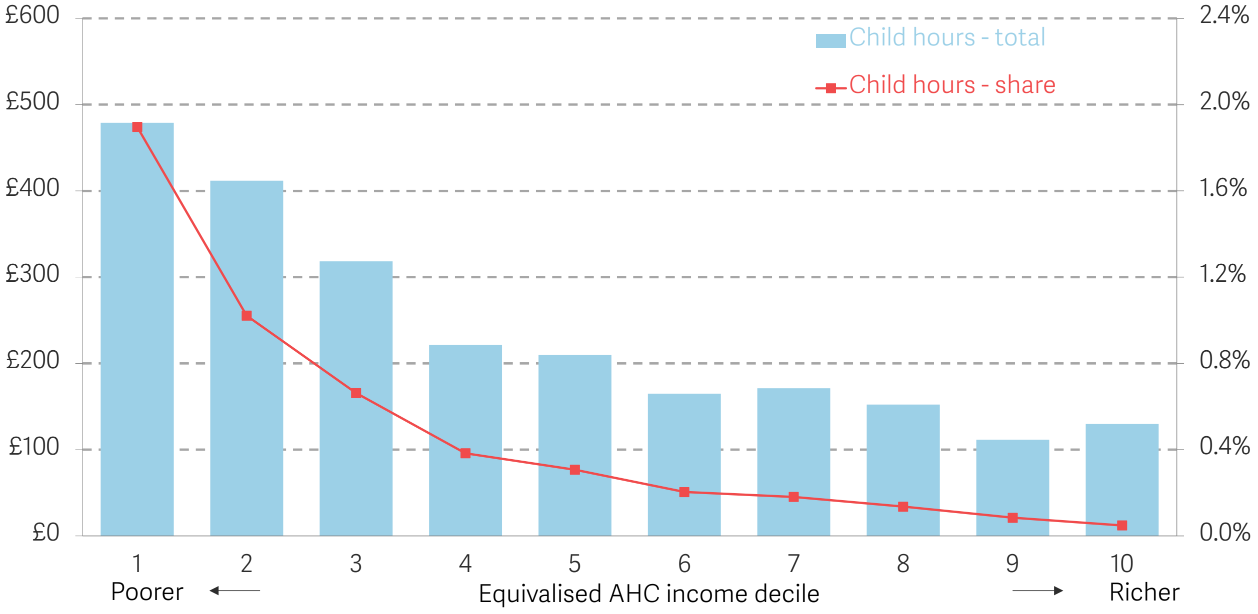
An expansion in free childcare hours in Autumn 2023 and top-up in funding by the new Government in Autumn 2024 means the RDEL budget for childcare is £8 billion in 2025-26. Spending on childcare has increased by 41 per cent over the past decade, boosting support for working parents.

To allocate spending on childcare, we use the 2025 to 2026 Early Years National Funding Formulae to allocate entitlements to those eligible in HBAI.[95] The entitlements for 3 and 4-year-old is universal 15 hours, and an additional 15 hours, for eligible working parents. For 2-year-olds there are 15 hours for disadvantaged families and an expansion to 30 hours for eligible working parents from September 2025. And, for under-2s, there are 15 hours for eligible working parents, rising to 30 hours from September 2025. Extended entitlements are available for parents earning at least the equivalent of 16 hours per week at the National Living Wage and less than £100,000 per year. While the majority (89.5 per cent) of funding is used for the base rate of childcare provision, a further 10.5 per cent of funding is adjusted for additional needs factors such as eligibility for Free School Meals, area deprivation, disability and SEND provision. The resulting distribution is strongly tilted towards low-income households, with £480 going to the lowest-income households and £130 going to the highest-income households (Figure 27).

93 RF analysis of Explore Education: Duration, Starts by Level, Age, Length of employment, January 2025.
94 S Corcoran & L Murphy, Labour Market Outlook Q3 2024: The Growth and Skills Levy, Resolution Foundation, September 2024.
95 Department for Education, 2025 to 2026 early years national funding formulae: technical note, December 2024.

FIGURE 27: **Childcare primarily benefits lower-income households**

In-kind benefits from free childcare hours by equivalised household income decile: England, 2025-26



SOURCE: RF analysis of HBAI; DfE 2025 to 2026 early years national funding formulae: technical note.

We do not include in-kind benefits from tax-free childcare (families earning up to £100,000 per parent but not receiving Universal Credit can use Tax-Free Childcare where, for every £8 paid into a childcare account, the Government adds £2, up to £2,000 per child per year, or £4,000 for disabled children). We also do not include Universal Credit (UC) Childcare Support where Parents on UC can claim back up to 85 per cent of childcare costs, in advance each month up to a cap. For parents in receipt of UC, childcare provision is complex (sometimes financial, sometimes in-kind, sometimes universal, sometimes means-tested), partial and geographically patchy. On top of that, parents face stricter work conditionality rules than non-parents, creating complex decisions for them to manage work, childcare and a household budget.[96] This omission is likely to mean that our modelling slightly underestimates the extent to which the in-kind benefits of Government-provided childcare accrue to those on lower incomes.

Police

The Home Office allocated £10.9 billion (half of the total £22.1 billion Home Office RDEL budget) to policing in England and Wales in 2024-25.[97] This amounts to 58 per cent of total police funding, with an additional £5.6 billion coming from Council Tax receipts.

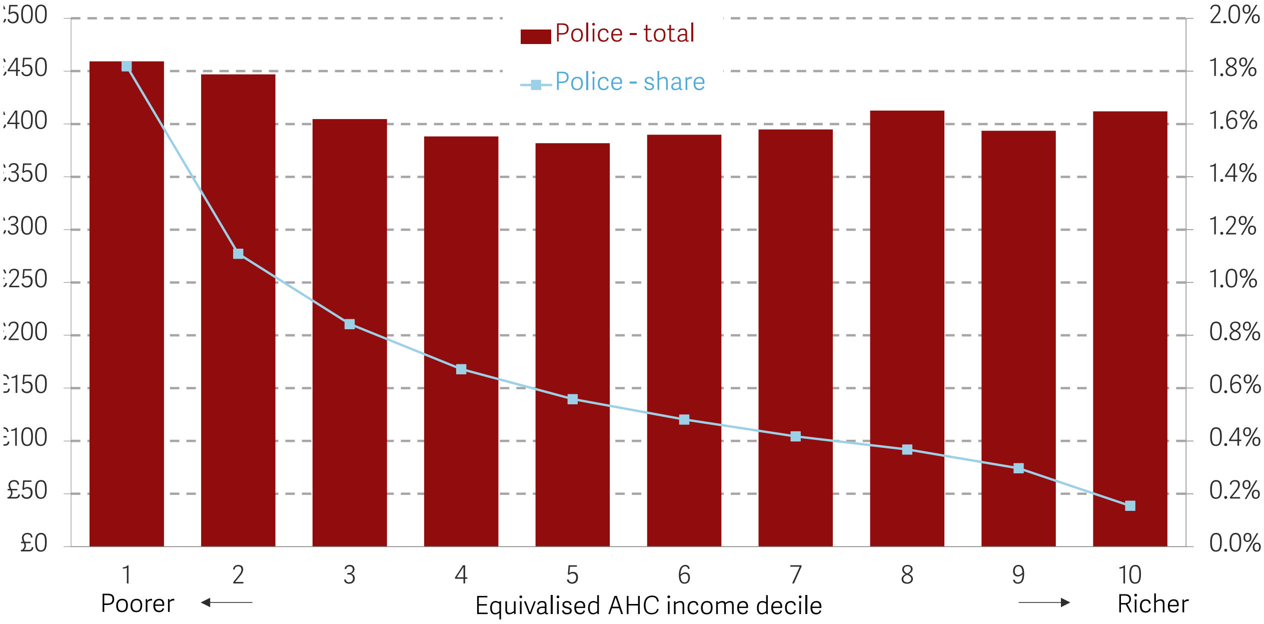
96 M Wood, R Griffiths & N Pearce, 'A big, vast, grey area': Exploring the lived experiences of childcare for parents on Universal Credit, IPR & University of Bath, February 2025.
97 Of this, £10.2 billion was spent in England. Home Office, Police funding for England and Wales 2015 to 2025, August 2024.

Funding is distributed across 39 Police Force Areas (PFAs) in England, and four in Wales, which do not align with local authority or county boundaries but collectively cover England and Wales.

On average, police spending from RDEL is £170 per person, but this differs widely across England's regions: for example, policing London costs £298 per person, compared with £208 in the North East, and just £103 in the West Midlands. When Council Tax receipts are included, the average total police spending per person rises to £256, with London at £406, the North East at £272, and the West Midlands at £130. As shown in Figure 28, the resulting distribution is broadly even in cash terms, with small variations driven by differences in household size, and geographic location: a household in the lowest-income decile receives £460 in benefits in kind from police services while the highest income decile receives £410 (Figure 28).

FIGURE 28: **Police funding benefits households roughly equally**

In-kind benefits, police by equivalised household income decile in cash terms and as a share of income: England, 2024-25



SOURCE: RF analysis of Home Office, Main Estimates; and HBAI.

There are several potential limitations to this model of police funding, although none of them are likely to change our estimates of the distribution of who benefits from public services. For example, our approach doesn't reflect differences in urban versus rural crime. It also doesn't take a view whether those who have greater assets benefit more from policing. While we do not directly measure police-service usage, we verify that this is similar across the income distribution in USoc. But our view is that the benefits from the services provided by the police do not accrue to those directly reporting having used the service over the past 12 months (as is the question in USoc), rather the benefits accrue much more widely.

Therefore, the funding allocations are based on the allocations set by the needs-based Police Allocation Formula designed in 2013-14.[98] As a result, some areas may be underfunded relative to their current demand for policing, while others may receive funding based on outdated assessments as the scale and nature of crime has changed over the past decade. Traditional crimes such as burglary and vehicle theft have declined, while cybercrime, fraud, and serious violence have risen. This shift in crime types might require different resources. But, our view is that allocating the benefits of policing to all those living in each PFA provides a good approach to estimating who benefits from policing services, even if the allocations to the PFAs themselves might be outdated.

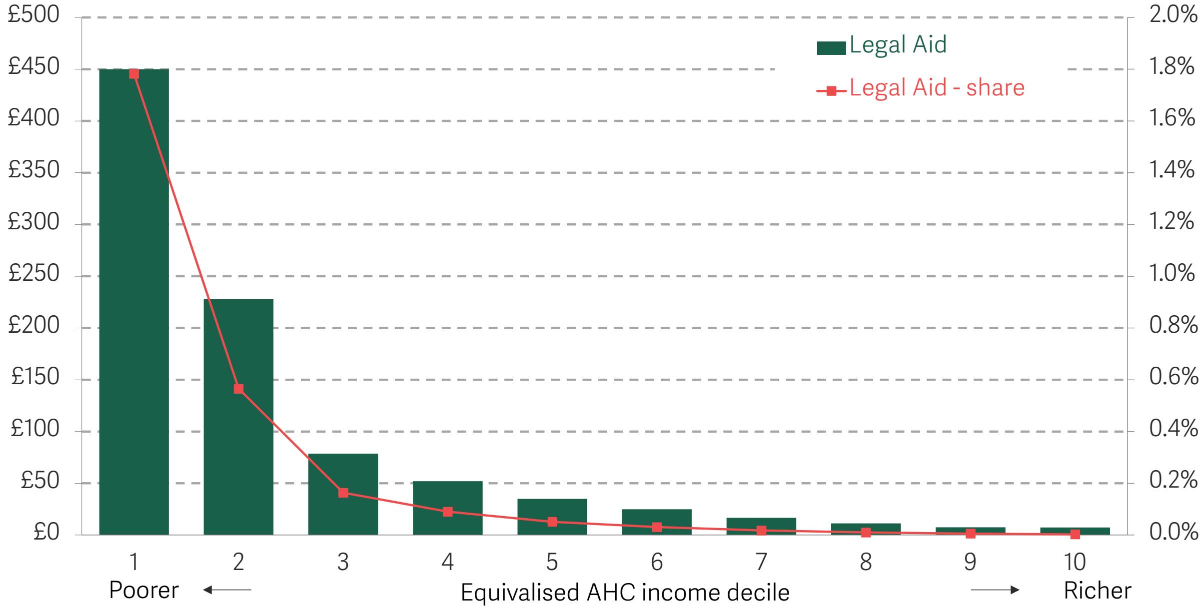
Legal aid

The legal aid RDEL budget was £2.2 billion in 2024-25. Around 44 per cent of this is civil legal aid and 56 per cent is criminal legal aid.[99] To allocate Legal aid funding to households, we apply the eligibility tests for both civil and criminal legal aid. For civil legal aid, eligibility is determined through asset and income tests. Using the Wealth and Assets Survey (WAS), we assess whether individuals qualify based on their savings and estimate the probability that someone meets these thresholds and apply that to the HBAI using the same observable individual and household characteristics, and match them to the HBAI dataset. In HBAI, we then evaluate eligibility based on gross and disposable income, as well as the probability of meeting asset thresholds from the WAS. The nearly £1 billion civil legal aid budget is then distributed equally among those who qualify, adjusting for use by gender and age.[100] In 2023-24, 57 per cent of civil legal aid clients were female compared with 36 per cent who were male (7 per cent unknown).[101] For criminal legal aid, we use legal aid equivalisation factors to assess whether households meet the gross and disposable income thresholds.[102] The £1.2 billion criminal legal aid budget for 2024-25 is then allocated among all eligible individuals, adjusting for use by gender. In criminal legal aid, just 15 per cent of clients are female compared with 82 per cent male. Due to the nature of means testing, legal aid is more concentrated in lower-income households than higher-income households (Figure 29). We estimate that three-quarters of the in-kind benefits accruing from Legal aid go to the lowest income quintile, with the lowest income quintile receiving £450 in benefits in kind while the highest-income decile receiving £10.

98 Home Office, Police grant report (England and Wales) 2024 to 2025 (accessible), January 2024.
99 Administration and central funds, which comprise 6 per cent of total legal aid funding are assumed to be split between civil and criminal legal aid in the same proportion as total funding for these areas.
100 For civil legal aid, a client's gross monthly income should be £2,657 or less. If they have more than 4 child dependants, add £222 to this figure for the fifth child and each further child. Legal aid Agency, Civil legal aid: means testing, April 2024.
101 Ministry of Justice, Legal aid Client Diversity Statistics Dashboards.
102 Legal aid Agency, Criminal legal aid: means testing, February 2025.

FIGURE 29: **Legal aid is very progressive**

In-kind benefits, legal aid by equivalised household income decile in cash terms and as a share of income: England, 2024-25



SOURCE: RF analysis of Ministry of Justice Main Estimates; Legal aid means tests.

This approach only includes Legal aid spending and so excludes other areas of spending by the Ministry of Justice. This includes £2.4 billion for the courts system in 2024-25, and £3.9 billion on prisons and probation services. The rise in the Crown Court backlog to its highest ever level is likely to negatively affect victims, witnesses, and defendants. Lengthening cases can also add to the cost of administering justice. Although this is not directly tied to Legal aid provision, the timelines of declining quality and availability of legal aid support match with these.[103]

Adult social care

The approximate RDEL spending on adult social care is £9.6 billion, made up of the Social Care Grant (£5.9 billion from MHCLG), the Local Authority Better Care grant (£2.6 billion from DHSC) and the Market Sustainability Improvement Fund (£1.1 billion from DHSC).[104] It should be noted that the Social Care Grant can also be spent on children's social care by local authorities, so this RDEL figure will be slightly higher than the actual amount spent on adult social care. Of course, the total public money spent on adult social care in the country is far higher, at over £27 billion, given the money raised

103 National Audit Office, Reducing the backlog in the Crown Court, May 2024.
104 Local Government Association, Provisional local government finance settlement 2025/25: On-the-day actual factual briefing, 18 December 2024.

from Council Tax that local authorities spend on adult social care.[105] But we only include the £9.6 billion from RDEL in our model, not any of the income raised from Council Tax.

We exclude money spent on care-home provision in our model. We do this as it is not possible to capture the incomes of recipients as they are excluded from the coverage of the HBAI data. Using data from the King's Fund, we estimate that 47 per cent of adult social care spending is on care home provision and we exclude this.106 This means that the RDEL adult social care spending figure we use as the input in our model is £5.1 billion.

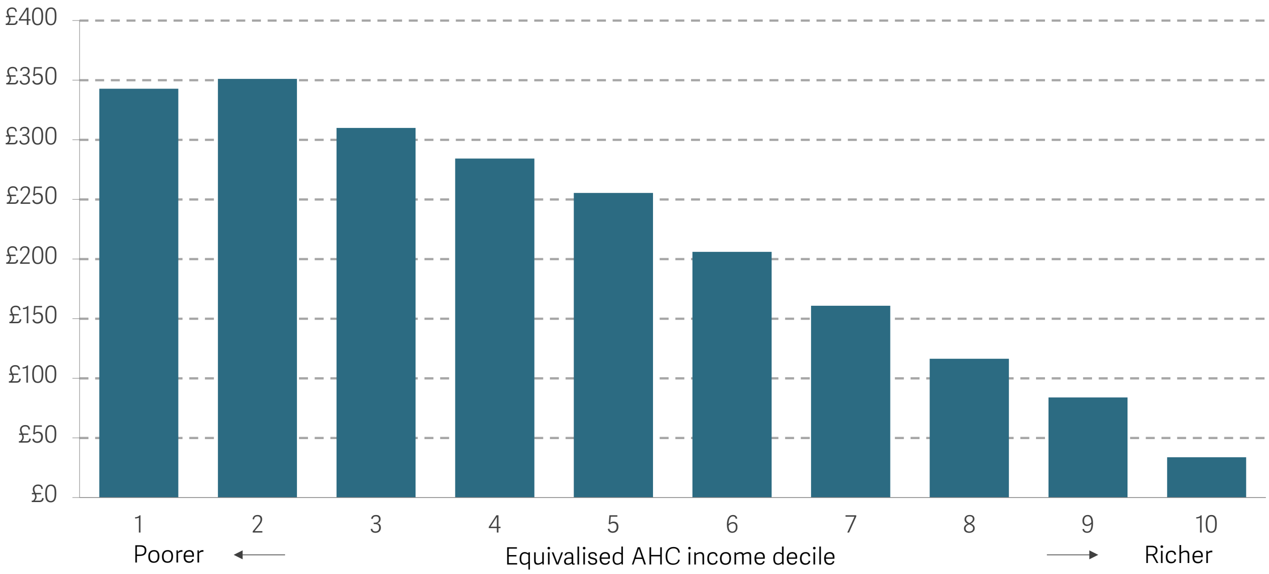
To calculate in-kind benefits by household from adult social care RDEL spending, we use three datasets. We first use the Wealth and Assets Survey (WAS) to estimate whether an individual would qualify for adult social care support (should they require it) based on their savings, matching these individuals to HBAI.[107] We then estimate the need to use adult social care using USoc data, which captures whether social care services have been used over a period of 12 months. We then match this into HBAI so we have a probability for both likelihood of usage and whether an individual would qualify for funding support, which we use to allocate the £5.1 billion.

Our results highlight how progressive adult social care spending is. The lowest-income decile receives in-kind benefits (£343) around 10 times higher than the highest-income decile (£34) as shown in Figure 30. We also see that the fall in in-kind benefits is relatively uniform across the income distribution.

105 We add the Better Care Fund to the total local authority expenditure of adult social care to get £27 billion. See table 1a here for more details: MHCLG, Local authority revenue expenditure and financing: 2024-2025 budget, England, October 2024.
106 RF analysis of S Bottery & S Mallorie, Social care 360, The King's Fund, March 2024.
107 For details on thresholds for qualification for funding support with adult social care, see here: Department of Health & Social Care, Social care – charging for care and support: local authority circular, February 2024.

FIGURE 30: **Adult social care spending is progressive**

In-kind benefits, adult social care spending by household: England, 2025-26



SOURCE: RF analysis of HBAI, WAS & USoc.

Our numbers are lower and more progressive than the ONS's ETBs. The gap between the decile that receives the most in-kind benefits from adult social care (decile 4) and the top decile is around 4 times in the ETBs. Our overall numbers for the in-kind benefits are also smaller, though this makes sense given we strip out spending on adult social care raised from Council Tax or Business Rates. There are a number of reasons why our numbers might be different to the ETBs. First, they use disability benefits as a proxy for care needs, whereas we use actual usage from USoc.[108] Second, ONS analysis does not take into account the financial means-test, whereas by using the WAS to estimate asset levels and map this onto HBAI, we are able to do so.[109] And third, our usage estimates from USoc do not distinguish between adult and children's social care. Taking all these factors together, we think we have a more accurate assessment of how progressive adult social care spending is than the ETBs given our use of a financial means-test.

Moreover, the unequal geography of ageing could have implications for the distribution of adult social care spending with older places likely to need more spending on adult social care spending on services. And while evidence shows that local authorities are not rationing their adult social care services in the oldest parts of the country, there is also evidence that social care spending on older adults is not evenly distributed after accounting for age.[110] This geographic ageing dimension is one we do not include in our model and is a further potential limitation.

108 K Ogden & D Phillips, The distribution of public service spending, The IFS Deaton Review, May 2023.
109 K Ogden & D Phillips, The distribution of public service spending, The IFS Deaton Review, May 2023.
110 C McCurdy, Ageing in the fast and slow lane, Resolution Foundation, November 2023.

Adult social care is an area that successive governments have looked at reform. The current Government has launched a new independent commission to look at adult social care, though its final report is not due to be published until 2028.[111] Any reforms are likely to have major changes on how in-kind benefits are allocated across the distribution.

Transport

The overall RDEL spend on transport that is allocated to households is around £12 billion, of which £8.7 billion relates to rail subsidy (split between Network Rail grant and net subsidies to franchisers), £2.2 billion is for bus subsidies and concessionary bus passes, and £1.2 billion is for road maintenance.

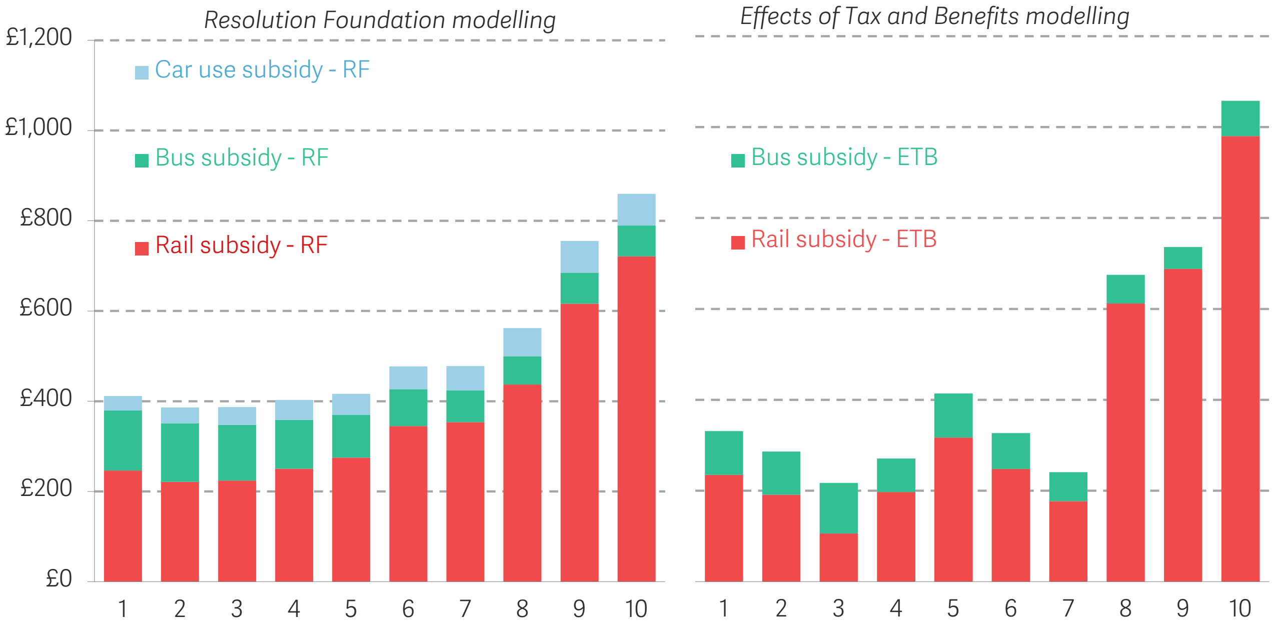
To calculate the distribution of transport we create a model of transport use, assuming that subsidy is distributed according to use. Transport use is calculated using distance travelled by mode in the National Travel Survey. A regression model predicting travel use by each mode is created in the National Travel Survey, controlling for income, region, tenure, age and gender. These predictors are then used in the HBAI dataset to assign travel use for each individual. Predicted use levels and flags for age and disability based concessionary bus fare eligibility are used to calculate the proportion of all England subsidy accounted for by each individual. Rail and bus subsidy levels are scaled to the proportion of travel by that mode which is non-business travel. Road maintenance spend is scaled to the proportion of travel by car which is non-business travel and the proportion of road miles that are travelled by cars.

Rail use subsidy levels are taken from the Office of Road and Rail industry finances statistics, normalised by passenger kilometres. This is used so that differing levels of subsidy areallocated by Network Rail Region (calculated by journey origin), mapped to Government Office Regions. Road maintenance spend is taken from Department for Transport, Public Expenditure on Transport by function. Finally, bus subsidy spend is sourced from Department for Transport, Government support for the bus industry and concessionary travel at current prices. Differing levels of bus subsidy are allocated to London and elsewhere in England. The results highlight the regressivity of transport spending, as shown in Figure 31.

111 A Holt & J Burns, Streeting defends timescale for social care form, BBC, 3 January 2025.

FIGURE 31: **Transport spending is concentrated on richer road and rail users**

In-kind benefits, transport subsidy by household, findings of RF modelling (right panel) and ONS' ETBs (left panel): England, 2025-26



SOURCE: RF analysis of ONS, Living Cost and Food Survey; ONS, Effects of taxes and benefits on UK household income; DfT, National Travel Survey; Rail Industry Finances Normalised by Passenger Kilometres; DfT, Government support for the bus industry and concessionary travel; DfT, Public expenditure on transport by function

The ONS (which assess rail and bus subsidies) has produced similar findings on both the level and distribution of rail and bus use. The main difference, however, is the lower concentration of rail and bus subsidies in the highest-income decile. This may indicate that using travel data in place of cost data provides a more accurate and higher value of subsidies for lower-income households, particularly to the extent that richer individuals are more likely to overpay for their tickets to buy first-class or last-minute seats.

One limitation of this approach is that actual subsidy varies substantially by trip, but subsidy is assumed to be flat for all bus journeys in London and for all other bus journeys in England, and for all journeys within Network Rail regions. Bus trips that cost only £2 due to the fare cap attract the same subsidy as any other journey, even if those taking these journeys likely benefit disproportionately from subsidy. Those eligible for rail discounts (such as railcards) also attract the same subsidy per kilometre travelled, but there is an argument that those receiving discounts receive more subsidy than other travellers, particularly where the amount saved is well in excess of the cost of a Railcard.

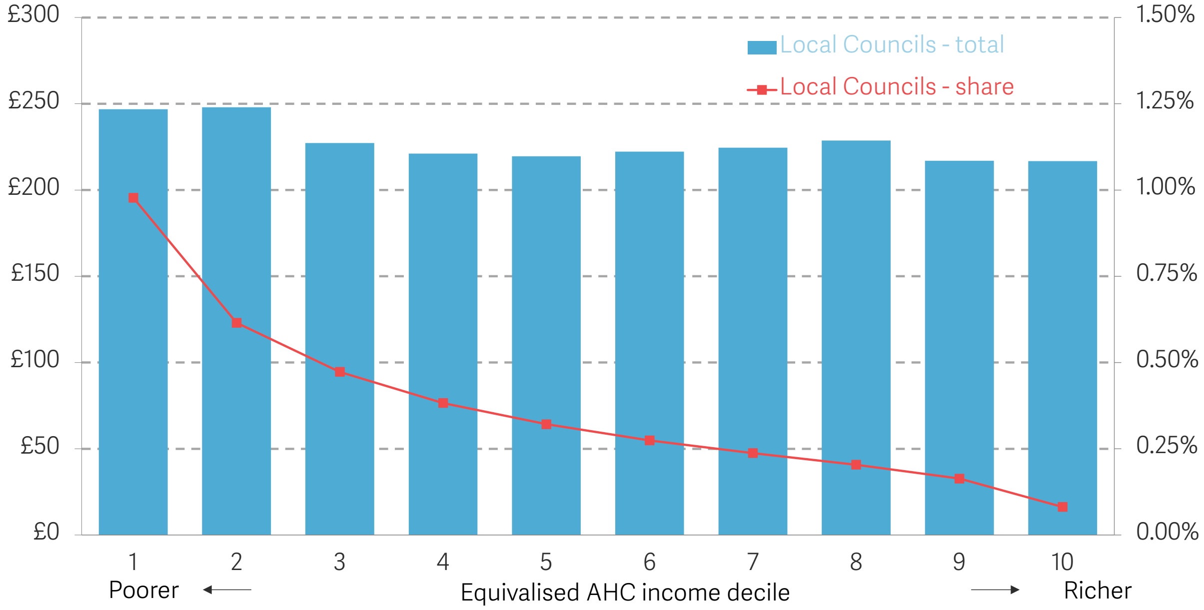
Local government

The overall RDEL figure for local government is £11.3 billion.[112] This does include social care MHCLG grants, and when we subtract those, the remaining RDEL figure is £5.4 billion.[113]

We first allocate this evenly across the entire income distribution in HBAI. We then use local government finance data from the House of Commons library, to calculate regional weights based on core spending power.[114] We use these regional weights to scale up or down the even allocation in the distribution in HBAI. Our results show a flat distribution in local government (net of adult social care) spending across the income distribution (Figure 32).

FIGURE 32: **Local government spending is shared equally across households**

In-kind benefits, local government RDEL spending by household in cash terms and as a share of income: England, 2025-26



SOURCE: RF analysis of HBAI, House of Commons Library.

Estimating in-kind benefits with local government spending is particularly challenging, not least as local authorities spend their income differently. Moreover, the complex interaction between core spending power, Council Tax, Business Rates and local government RDEL and AME, further limits the accuracy of our regional weights. Developing a more comprehensive approach to regional weights for local government RDEL was out of scope for this paper, but our sense is that additional local government

112 MHCLG, MHCLG main estimates memorandum 2024 to 2025, 17 July 2025.
113 Local Government Association, Provisional local government finance settlement 2025/25: On-the-day actual factual briefing, 18 December 2024.
114 P Brien, Local authority data: finances, House of Commons library, February 2025.

spending would also be shared equally across the income distribution in cash terms and so would have little bearing on our overall results.

Department for Work and Pensions (DWP)

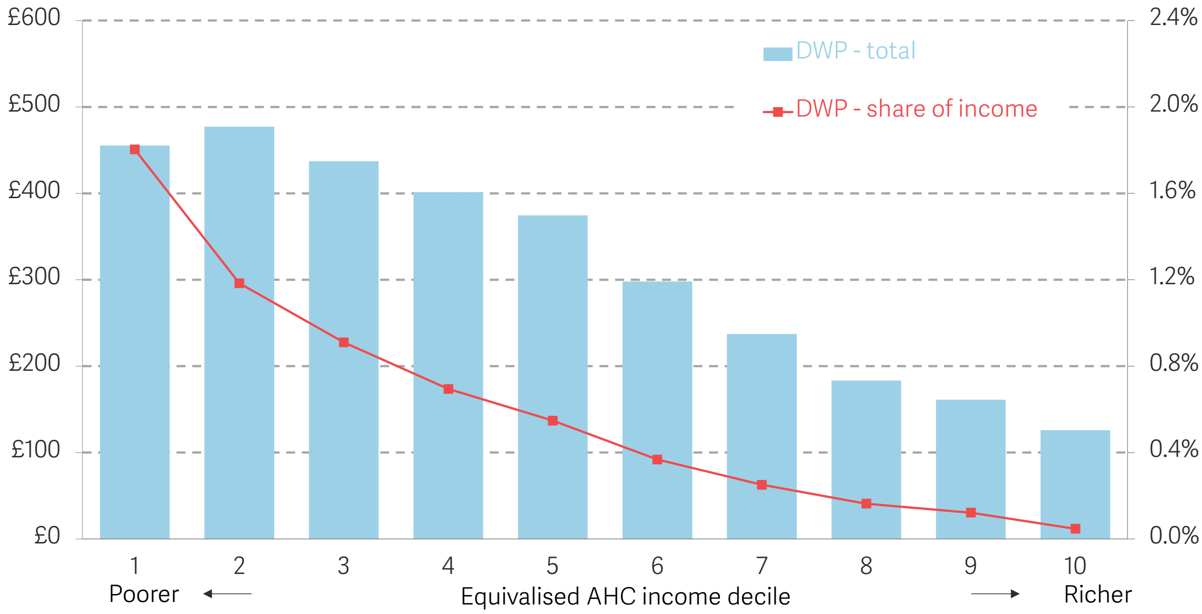
The total DWP RDEL budget was £8.5 billion in 2024-25. Of this, the majority of £6.1 billion, was core departmental spending. A further £1.2 billion in 2024-25 was spent on employment programmes, with the remainder spent on other programmes such as the money and pensions services, and support for local authorities.[115]

To distribute all DWP spending to households, we allocate DWP core funding equally to families with at least one member receiving benefits in HBAI, including the state pension. This assumes that individuals receiving multiple benefits, or higher levels of support, do not receive a proportional increase in allocated benefits. For those receiving Employment and Support Allowance (ESA) or Jobseeker's Allowance (JSA), an additional allocation is made to account for the in-kind benefits of job centres and employability programmes, divided equally among recipients. This leads to a bottom-heavy distribution, reflecting where those who receive benefits and state pension typically sit in the income distribution.

The resulting distribution is progressive, with the lowest-income decile receiving £460 in benefits in kind, while the highest-income decile receives £130 (Figure 33).

FIGURE 33: **The distribution of DWP is progressive, reflecting who receives benefits across the income distribution**

In-kind benefits, DWP spending by household in cash terms and as a share of income: England, 2024-25



SOURCE: RF analysis of HBAI & DWP Main Estimates

115 DWP, DWP Main Estimate Memorandum 2024-25, August 2025.

Annex 2: Data citations

- National Travel Survey:
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Resolution Foundation

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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