# Provisional Local Government Finance Settlement Consultation 2024/25-

## Response from The Association of Directors of Adult Social Services

**January 2024**

### Introduction

1. The Association of Directors of Adult Social Services (ADASS) welcomes the opportunity to respond to the Provisional Local Government Finance Settlement Consultation 2024/25.
2. This response does not seek to answer every question posed in the consultation. Instead, it sets out the context of the financial and demand pressures facing adult social care and then provides answers to the questions which are most pertinent to adult social care.

### Context

3. Adult social care at its best provides care, support and safeguards that enable us to lead to the lives we want to lead, contributing to communities where everyone is valued. It brings enormous social and economic benefits. Yet its contribution to our individual lives, and to our shared national life remains largely invisible and undervalued.
4. Our historic failure to value social care means that millions of people every day are living with pain or distress because their needs are unmet, families and carers are being pushed to the edge, and caring and skilled professionals are struggling with impossible dilemmas.
5. The current challenges facing adult social care and local government more broadly are well-documented. However, for the purpose of this response it is important to reiterate that:
   - There are 470,576 people waiting for an assessment of their needs, for care and support or a direct payment to begin, or for a review of their care needs.
   - In 2022/23, 63% of councils overspent on their adult social care budgets. Of these councils the proportion using reserves as a source of funding to address their overspends increased from 37% in 2021/22 to 72% in 2022/23. This one-off expenditure is unsustainable.
   - In 2023/24, 83% of councils are projecting to overspend by an average of 3.5%.
   - Nearly a third (29%) of Directors have been asked to make additional in-year savings to their budgets, totalling £83.7mn, whereas under a fifth (19%) had been required to do so the previous year.
   - Looking forward at 2024/25, Directors reported that they had been required to model nearly £1bn (£964mn) in savings, which was higher than the current year (£806mn), and the highest since 2015/16.
6. The troubling financial situation briefly indicated above draws on evidence from Directors gathered in the ADASS Autumn Survey. Yet given that the survey took place before the announcement of an unexpectedly large rise in the National Living Wage, it under-represents the severity of the situation. The central estimate given by the Low Pay Commission in its June 2023 consultation had been £11.16, but rates will actually rise to £11.44 - higher even than the high-end estimate of £11.43 - with particularly large uplifts

for younger workers and apprentices.  This increase from April 2024 will be profoundly challenging for councils whose reasonable assumptions for 2024/25 budget setting now need to be revised.

7. Around 62.5% of the wage bill in adult social care is spent on staff who are paid the National Living Wage (NLW).  The increase in the National Living Wage rate of 6.6% from April 2022 cost councils in the region of £416m in directs costs plus at least £561m in indirect costs. The impact of the 9.8% rise from April 2024 has yet to be fully costed, but councils are reporting looking at significant impacts on budgets.  A (CCN) member survey suggests that shire authorities expect the NLW rise will add an average of £6.3m each to council budgets in 2024-25.  For example, Bradford believes that it will add an additional £5m of pressures to its contracts, beyond initial modelling.  Somerset is expecting the living wage and consumer price index increases together to add a further 5.7% to care fees.
8. While councils continue work hard to develop efficiencies in their social care markets, providers are already hard-pressed.  Citing data from CQC's oversight of 'Difficult to Replace Providers' market oversight scheme from March of this year, ONS observed that profit levels for care homes for older people are close to the lowest level since 2015, with the most significant financial pressures around specialist providers where profitability declined consistently between September 2021 and March 2023.
9. ADASS has consistently argued for valuing care workers more adequately and is pleased to see that pay levels are now moving closer to that of Healthcare Assistant NHS Band 3.  Nevertheless, unexpected movements of the kind we are now experiencing underline the importance of introducing a national, costed workforce strategy for social care which can take proper account of maintaining differentials within the sector (crucial for staff retention) and competitiveness against other relevant sectors (supermarkets already pay significantly more).
10. Responding to last year's settlement consultation, ADASS remarked that the state of the sector was worsening, and it was going into 2022/23 with a 'funding package … nowhere near what is needed given people's rising needs and care providers' spiralling costs.' Ultimately, Government responded to acute in-year pressures with an additional £2bn of support.  This made a positive difference.
11. Our 2023 Autumn Survey showed that the number of people waiting for some form of assessment, direct payment or care and support to begin or review of their care needs had been reduced to 470,576, from a high of 491,633 the previous year. Adult social care utilised the funding available to increase investment in long-term care packages for older people by an average of 10.1%, and expenditure on long-term care packages for younger adults by 9.1%. Government help for workforce recruitment and retention began to bear fruit. Adult social care staff vacancy rates also began to fall (from 10.6% in 2021/22 to 9.9% in 2022/23), and Skills for Care felt able to talk about 'green shoots'. Some other pressures also eased.  Inflation was stubbornly high for much of the year but fell back from 8.7% at the start of the year to 3.9% by November.
12. Nevertheless, long-term trends and cumulative pressure on top of significant inflationary and labour market stresses present challenges on a scale that the proposed settlement cannot accommodate.  Between 2012/16 and 2021/22 the number of working-age adults requesting support increased ten times more than the number accessing it.  More people than ever asked for support last year - the number exceeded over 2.0 million for the first time in 2022/3.  More of these people have complex and therefore often costly support needs.
13. Directors in ADASS surveys have consistently ranked the rising unit cost of care packages to support people with increasing complexity of care needs as their main area of concern in terms of financial pressures (see Spring Survey 2022).

14. Rising numbers of people asking for support and the increasing complexity of needs are consequences of demographic change, but also of changes to health services - community care in particular – and of pressures on health services, including lengthening waiting lists for treatment. In our 2023 Autumn Survey, over three-quarters of Directors (76%) reported that the average size of care packages for people being discharged from hospital had increased over the previous 12 months, and 70% of Directors reported that social care staff are undertaking activity that would have previously been done by the NHS on an unfunded basis. In 2022/23, councils' spending on short- and long-term care increased by almost 11.8%. In a resource-poor system, the costs of complexity are narrowing the availability of support generally and drawing investment away from other strategic priorities.
15. Notwithstanding extraordinary funding in 2022/3 and 2023/24, then, the underlying financial situation for local authorities remains bleak and is in some respects deteriorating.
16. Adult social care budgets can only be understood in the context of councils' finances more broadly, and in particular of councils' legal obligation to set balanced budgets. ADASS therefore takes seriously the alarm of local government colleagues who warn that the proposed settlement falls far short of what is needed even to maintain existing services.
17. The increase in council Core Spending Power set out in the settlement is 6.5% - the lowest rise since 2021/2 (2022/3 – 10.2%; 2023/24 – 7.7%). The LGA warns that it leaves councils with a funding gap of £4 billion across this year and next. A survey of council chief executives and leaders in November 2023 found that one in five council leaders and chief executives in England think it is very or fairly likely their council will need to issue a Section 114 notice this year or next. This chimes with results of a survey by the CCN of Section 151 officers in 41 county and unitary authorities also published in November, which found that four in ten were unsure, not confident or not at all confident that their council would be able to set a balanced and legal budget in 2023/24.
18. ADASS would welcome further opportunities to discuss how government can maintain its commitment to longer-term improvement. Based on the views of directors gathered through its 2023 Autumn Survey, ADASS proposes three investible propositions:
    - an increased investment in and provision of mainstream homes that meet the 'accessible and adaptable' design standard, as well additional Shared Lives, extra care housing, supported living and specialist housing or extra care accommodation designed for people with dementia;
    - expanded crisis resolution and recovery services, including community-based services, intermediate care and the voluntary, community, faith and social enterprise sector to enable people to stay as healthy and independent as possible, for as long as possible; and
    - strengthened information and advice services at the right time to help people understand the different options available to them that best meet their preferences and circumstances, including options for where care and support would best be delivered, and costs they may need to meet.

**Question 1:** Do you agree with the government's proposed methodology for the distribution of the Revenue Support Grant in 2024-25?

No comments.

**Question 2:** Do you agree with the government's proposals to roll grants into the local government finance settlement in 2024-25?

19. We welcome steps to simplify and clarify local government funding arrangements, and we welcome the principles set out in July's plan for Simplifying the Funding Landscape for Local Authorities, including its commitment to reducing data burdens.

**Question 3**: Do you agree with the proposed package of council tax referendum principles for 2024-25?

20. The approach is not consistent with the principle that funding must follow need. Requiring councils to rely increasingly on their council tax revenue to meet social care needs inevitably disadvantages relatively deprived areas with smaller tax bases. We therefore welcome a further commitment to equalisation – making additional funding available for 'equalising' the variation in yield from the adult social care precept. This equalisation funding will be top-sliced from the Social Care Grant. The amount (£160mn) is unchanged from 2023-24, and given that the size of the grant is appreciably larger than last year, equalisation funding will be proportionately smaller. In this context we note that the government has not updated the adult social care relative needs formula since 2013-14, and that it incorporates assumptions from the 2001 census and patterns of care provision between 2009 and 2013. It is important to ensure that needs and resources are aligned with today's populations.
21. In continuing to present Core Spending Power figures that that assume each council will increase Council Tax and the Adult Social Care Precept to the maximum level allowable without a local referendum, government is effectively conceding that the sufficiency of its settlement depends on local politicians of all colours increasing local taxation at a time when there are well known cost of living pressures as a result of high levels of inflation. It is a *fait accomplit* presented as democratic flexibility.

**Question 4:** Do you agree with the Government's proposals to maintain the Funding Guarantee for 2024-25?

22. The majority of councils receiving the funding guarantee are shire district councils without social care responsibilities. As such, we have no comment on this question.

**Question 5:** Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2024-25?

23. As explained in the context section of this response, the funding levels proposed for 2024-25 are below what is needed to secure even the modest advances achieved in 2023-24. The proposed settlement will fall short of achieving the government's intention of 'stability and continuity', putting services at real risk of further deterioration.
24. We note that for the second year, there has been no increase in the Improved Better Care Fund. It remains at its 2021/22 level and has therefore been subjected to a significant real-terms reduction, especially considering the impact of inflation on the delivery of health and social care.
25. We note that government will set out further details on the BCF and the Discharge Fund conditions in due course, at which point we hope that these will build on the lessons of DHSC's rapid evaluations of the 2022 and 2023 Discharge Funds and the Workforce

Recruitment and Retention Funds, key points including: future funding should be distributed over a longer period, with as much advance notice as possible to allow local areas to implement interventions with longer lead-in times (73% of local authorities were either dissatisfied or with the timescales given to spend the WRRFs); any grant conditions for future funding should be as clear as possible, and explored further via other primary research and engagement with local areas; monitoring data requested from local areas should be meaningful, necessary and proportionate; and data collection should tested with local areas and be considered in the context of other funding, including the Better Care Fund where spend on discharge may overlap.

**Question 6:** Do you agree with the government's proposals for New Homes Bonus in 2024-25?

No comments.

**Question 7:** Do you agree with the government's proposals for Rural Services Delivery Grant in 2024-25?

No comments.

**Question 8:** Do you agree with the government's proposals for Services Grant in 2024-25?

No comments.

**Question 9:** Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No comments.

**Question 10:** Do you have any views about the government using levers in future local government finance settlements (those occurring after 2024-25) to disincentivise the so-called '4 day working week' and equivalent arrangements of part time work for full time pay?

No comments.