**Alison McGovern MP**

Minister for Local Government

Ministry of Housing, Communities and Local Government

11 September 2025

### Fair Funding Review 2.0

Dear Minister,

I am writing to you in response to the Fair Funding Review 2.0 consultation. We have chosen to set out our views via this letter rather than directly via the consultation portal to ensure that we could include additional context and evidence as appropriate. This response builds upon our [letter of representation to the local authority funding reform: objectives and principles consultation](https://www.adass.org.uk/wp-content/uploads/2025/02/ADASS-Letter-of-representation-to-consultation-on-local-gov-funding-reform.pdf) which was sent in February 2025.

The membership of the Association of Directors of Adult Social Services (ADASS) is in a large part drawn from serving Directors of adult social care employed by councils and their direct reports. As such, we recognise that different councils will have contrasting views on different aspects of the Fair Funding 2.0 consultation proposals dependent upon the make-up of their local population, geography and cost drivers for care and support.

### Context

It is important to reiterate our stance that there should be no losers in financial terms for councils with adult social care responsibilities. The need for more, not less, funding for adult social care is clearly demonstrated by Health Foundation modelling which estimates that an unreformed adult social care system will have a funding pressure of [£8.3bn by 2032/33](https://www.health.org.uk/reports-and-analysis/analysis/adult-social-care-funding-pressures).[[1]](#footnote-2)

Our annual surveys since Covid-19 clearly demonstrate that the financial situation facing adult social care continues to be extremely challenging, with little sign of pressures abating. Our most recent survey report showed that councils overspent on adult social care by £774mn nationally in 2024/25, which is the highest in the past decade since we started measuring financial pressures in this way.[[2]](#footnote-3)

The Chancellor’s 2024 Autumn Budget is likely to lead to a less sustainable outlook for care providers as a result of increased Employer National Insurance Contributions (ENICs) and the annual increase in the National Living Wage, with further pressures added by the Employment Rights Bill and the cessation of the international care visa. The inability of councils to fully fund increased provider fees is evidenced by our 2025 Spring Survey report and in DHSC’s MSIF 2025/26 Care Provider Fees document, which show that councils are only able to offer an average increase in provider fees of just over 5% in 2025/26.  In reality, care providers are likely to require uplifts to fees over 8-10% to fully account for these financial pressures. The inability to better meet provider costs is in large part a consequence of the funding pressures set out above, coupled with wider council funding pressures in areas such as Special Educational Needs and Disability (SEND) services. In short, the funding made available from councils is not keeping pace with costs and the needs of people who draw on care and support.

The additional £4bn of dedicated funding for adult social care that councils will have access to over the three-year period is, at best, likely to only be sufficient to meet existing cost pressures. From our analysis, the council tax and adult social care precept increases, if fully utilised by all councils, will provide approximately £3bn by the final year of the Spending Review, whilst the uplift to the NHS minimum contribution to the Better Care Fund will deliver £350-400mn in funding. This leaves, at best, around £600-650mn unallocated. If the Government is to deliver a Fair Pay Agreement in the final year of the Spending Review to support increased recruitment and retention, this funding is likely to fall short of bringing entry frontline care pay up to the Real Living Wage at a minimum. This analysis does not take into account any financial or legislative implications from the independent commission into adult social care being led by Baroness Casey or potential changes to the Better Care Fund.

If the commitment on Fair Pay Agreements, as well as any other reforms, are not fully funded by Government it will only serve to exacerbate the financial pressures on councils and adult social care, to the detriment of those people who draw on care and support, their families, carers and the frontline workforce. Also, the ability of councils to play an active role in the Government’s missions to build an NHS fit for the future, to shift care from hospitals to communities, and from treatment to prevention will not be realised if adult social care is not adequately funded.

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The recent Spending Review announcement from the Chancellor confirmed that local government will get a multi-year budget settlement for the first time since the pre-Covid period. This approach will provide councils with a sense of stability and certainty to plan over several years, rather than having to wait for a new settlement from Government year on year. However, as set above, we believe that the additional £4bn that councils will have access to over the three-year period is, at best, likely to only be sufficient to meet existing cost pressures.

We are supportive of the Government’s proposals to phase changes in over a three-year period to ease the transition, as well as the use of funding floors to limit losses for those receiving less funding under the new system than they do currently. Such an approach will give those councils that will lose funding in cash-terms more time to evolve their service offer to fit within revised budgets.

ADASS has called for the Adult Social Care Relative Needs Formula (ASC RNF) to be updated using the most up-to-date information available for several years to ensure that funding is aligned to need. The formulae determining the share of central government funding allocated to individual councils were last revised in 2013/2014, and the underlying statistical modelling is even older. Needs and cost drivers have changed considerably in the last decade. As such, we agree that adult social care should continue to have a bespoke formula to reflect need and cost drivers. We will work with MHCLG and DHSC on the development of reporting requirements for adult social care. We will continue to advocate for any reporting requirements to be light touch in order to minimise bureaucracy for councils.

ADASS has consistently argued that central government’s funding of local government’s social care functions is overly complex, adding costs without substantially improving transparency. We have previously called for the consolidation of adult social care grant funding into a single ring-fenced pot to simplify the funding and reporting landscape for councils, something we wish to reiterate through this correspondence. As such, we agree with the principle of simplifying the grant funding landscape for adult social care. However, we do not agree with the proposal set out in the Fair Funding Review 2.0 consultation for Government to include ‘adult social care grants in the Settlement Funding Assessment’ and to publish notional funding allocations for adult social care to ‘set out the Government’s expectation for how much local authorities should spend on adult social care, considering local authority expenditure, alongside income and funding available for adult social care’.[[3]](#footnote-4)

The removal of ringfences from adult social care grants risks, as a result of wider council funding pressures, reducing the resources available to adult social care to deliver on the Government’s previously stated policy ambitions for these grants. Those ambitions include increasing fee rates for providers, workforce capacity and retention, reducing waiting times for care, improving discharge performance, and promoting joint working between councils and the NHS. Any reduction in funding for adult social care at a local level will risk exacerbating the pressures set out above further to the detriment of those people who draw on care and support.

We agree with the Institute for Fiscal Studies (IfS) response to the consultation on the matter of notional allocations for adult social care that stated *’assessments of how much councils need to spend on adult social care (and indeed all services) are just that – assessments – and are potentially subject to error. Councils may have better information on the relative need for spending across different services in their areas’*.[[4]](#footnote-5) As such, if Government decide to utilise the notional allocation approach for adult social care, we feel that additional work is required with the sector and key partners to ensure that these allocations are based on the most appropriate and accurate data.

Government should give further thought with key sector partners about how need and cost drivers for adult social care will evolve over the coming years. As the IfS states ‘*Using the shares of spending on different services in 2023–24 to weight different services when assessing overall spending needs may mean that councils most affected by growing pressures on social care, special needs home-to-school transport, and temporary accommodation, struggle to keep pace with those rising demands’*.[[5]](#footnote-6) Specifically for adult social care, we note that the adult social care weighting in the overall needs assessment calculation for councils will be 37.54%, which is based upon 2023/24 spend data reported through the RO return. To ensure that weighting is based on the most up to date information available, we would recommend that 2024/25 data is used as this is expected to be published prior to the provisional local government settlement for 2026/27.

Clarification is required on how the impact of self-funder populations have been considered in the development of ASC RNF proposals, in particular, how such considerations will be played into future proofing the proposed formula. As the Economics Observatory have stated ‘*rising costs will mean that more people will require publicly funded care than before, as they are likely to deplete their assets to pay for care at a faster rate’*.[[6]](#footnote-7) This is supported by figures in the Adult Social Care Finance and Activity Report, which shows the number of requests for support received by local councils from self-funders with depleted funds aged 65+ in 2017/2018 was 3775 people compared to 6970 people in 2023/2024 – an 85% increase. The costs of care for self-funders are only likely to increase as a result of the Government’s proposed Fair Pay Agreement for adult social care.

We note that Government has acknowledged within the consultation document that ‘areas developing reorganisation proposals will need to do so in light of the finance reform proposals set out in this consultation’.[[7]](#footnote-8) It’s important to reiterate our view that was set out in a recent letter to you and the Minister for Care that it is essential that newly established councils are financially viable from the outset. Failure to achieve this will hinder the ability of new councils to address ongoing and intensifying pressures facing adult social care budgets. Related to this, one area that requires further thought in relation to local government reorganisation and fair funding is ordinary residence decisions. Buildings-based care settings, such as care homes, tend to be located where land prices are lowest. As a result, when local government reorganisation takes place, it is highly likely that some new councils will have a higher concentration of people with higher cost and complex social care needs. However, these new councils will not have access to additional funding through existing or proposed funding formulae or through council tax income to account for such an eventuality.

We are committed to working with Government on developing fair funding proposals to ensure that adult social care is sustainable for years to come. If you wish to discuss this matter further, then please get in touch with Michael Chard, Director of Policy and Analysis ([michael.chard1@adass.org.uk](mailto:michael.chard1@adass.org.uk)).

Yours Sincerely

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Jess McGregor

ADASS President

1. [The Health Foundation, *Adult social care funding pressures*,](https://www.health.org.uk/reports-and-analysis/analysis/adult-social-care-funding-pressures) Sept. 2024 [↑](#footnote-ref-2)
2. [ADASS Spring Survey 2025](https://www.adass.org.uk/wp-content/uploads/2025/07/ADASS-Spring-Survey-Final-15-July-2025.pdf), July 2025 [↑](#footnote-ref-3)
3. [The Fair Funding Review 2.0 - GOV.UK](https://www.gov.uk/government/consultations/the-fair-funding-review-20/the-fair-funding-review-20#devolution-local-government-reorganisation-and-wider-reform) [↑](#footnote-ref-4)
4. [Fair Funding Review 2.0: the impacts on council funding across England | Institute for Fiscal Studies](https://ifs.org.uk/publications/fair-funding-review-20-impacts-council-funding-across-england) [↑](#footnote-ref-5)
5. [Fair Funding Review 2.0: the impacts on council funding across England | Institute for Fiscal Studies](https://ifs.org.uk/publications/fair-funding-review-20-impacts-council-funding-across-england) [↑](#footnote-ref-6)
6. [How is the cost of living crisis affecting provision of social care? - Economics Observatory](https://www.economicsobservatory.com/how-is-the-cost-of-living-crisis-affecting-provision-of-social-care#:~:text=Rising%20prices%20and%20staff%20shortages,up%20from%2010.1%25%20in%20January.) [↑](#footnote-ref-7)
7. [The Fair Funding Review 2.0 - GOV.UK](https://www.gov.uk/government/consultations/the-fair-funding-review-20/the-fair-funding-review-20#devolution-local-government-reorganisation-and-wider-reform) [↑](#footnote-ref-8)