

## Local Authority Social Care Funding – Who Settles Up?

February 2024

The 2024/5 local government finance settlement for England was published on 5 February 2024. Despite allocating some additional funding to the amount set out in the provisional draft, it failed to adequately address the ongoing and deepening crisis in social care. With up to 1 in 5 local authorities warning of bankruptcy concerns<sup>1</sup> and more than a third (39%) of adult social care providers considering exiting the market<sup>2</sup>, the situation is precarious. A perfect storm of workforce shortages, rising demand and rising costs, combined with years of delays to social care reform, are creating a chasm between social care demand and delivery.

Without further central government funding, local authorities will be forced to deliver real terms cuts. This will mean disabled and older people are left without essential care in the year ahead, while providers are being set up to fail.

### What we are calling for

There is a window of opportunity to rectify the gap in local authority adult social care funding before the Spring Budget in March 2024.

**The local government finance settlement failed to reflect the rising cost of care with a real-terms uplift in ring-fenced funding for adult social care. At least £2bn is needed to fund the increase in National Living Wage from April 2024 alone. In its February 2024 *Financial distress in local authorities* report, the Levelling Up, Housing and Communities Committee called on the Government 'to recognise the need for more funding to local authorities for delivery of adult social care, in the order of several billions each year.'<sup>3</sup>**

In addition, the government must commit to a long-term plan for social care investment to counter the pattern of piecemeal funding dubbed 'crisis, cash, repeat' by the Institute for Government<sup>4</sup>.

<sup>1</sup> Local Government Association (LGA) - ['Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement'](#) (December 2023)

<sup>2</sup> Hft and Care England - [Sector Pulse Check, A snapshot of finances and workforce in the adult social care sector in 2023](#) (January 2024)

<sup>3</sup> Levelling Up, Housing and Communities Committee - [Financial distress in local authorities](#) (February 2024)

<sup>4</sup> Institute for Government - ['Adult social care: Short-term support and long-term stability'](#) (March 2023)

## Increasing but unmatched costs

Disabled people make up almost half (49%) of local authority adult social care expenditure<sup>5</sup>, and when this care and support is of high quality it enables disabled people to live with independence and equality. Currently, however, too many disabled people are left unable to access the essential social care that they need, while providers face funding constraints and increasing pressure to deliver quality personalised care.

Funding is urgently needed to stabilise adult social care, fund the increase in care workers' wages and deliver wider social care reforms. 83% of councils are projecting to overspend by an average of 3.5% on adult social care in 2023/24. The Association of Directors of Adult Social Services (ADASS) reflects that increasing costs are due to inflation, increasing need and complexity of need, workforce challenges, increases to the National Living Wage and challenges facing the NHS.<sup>6</sup>

In lieu of adequate funding, Directors of Adult Social Services are expecting to deliver savings of £964m in 2024/25, or an average of 5% of their budgets.<sup>7</sup> According to the National Audit Office, funding may not be reaching areas that need it most because government has not updated the formula used to distribute most local government funding for adult social care through the Social Care Grant since 2013-14<sup>8</sup>.

Although local authorities have capacity to increase the adult social care precept by up to 2% in 2024/25 when setting council tax rates, this is far from sufficient to meet the funding needed to maintain existing levels of care and support. In 2021 Age UK calculated that council tax would need to rise by 10% in order to maintain levels of care and support through this funding mechanism<sup>9</sup>. It is also ineffective at delivering funding needed across all local authorities, as wealthier areas are better able to raise revenue through increased council tax but will also have less demand for means-tested care.

Gross expenditure on adult social care by local authorities for 2022/23 was £23.7 billion, which was expected to account for a fifth of all local authorities' total expenditure for a year. As social care spending makes up a significant proportion of overall spending and is funded only in part by ringfenced funding, the increasingly precarious status of local government finances has significant implications for delivery of care and support. There is no guarantee how much of the 7.5% (or 5.2% when inflation and population growth are taken into account<sup>10</sup>) 2024/5 increase in Core Spending Power will be passed on to social care, with council budgets and services already stretched to breaking point. All six local

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<sup>5</sup> NHS Digital - [Adult Social Care Activity and Finance Report](#) (2023)

<sup>6</sup> Association of Directors of Adult Social Services in England (ADASS) - [Autumn Survey Report 2023](#) (November 2023)

<sup>7</sup> Ibid

<sup>8</sup> National Audit Office - [Reforming adult social care in England](#) (November 2023)

<sup>9</sup> Age UK - [New analysis finds Council Tax would have to rise by an average 10% next year to allow social care just to 'stand still'](#) (October 2021)

<sup>10</sup> House of Commons Library - [Local Government Finance Settlement 2024/25](#) (5 February 2024)

authorities that have issued Section 114 notices declaring bankruptcy have social care responsibilities and one in five fear doing so over the next two years<sup>11</sup>.

Without the capacity to provide meaningful uplifts to care packages to take into account rising costs, local authorities will in effect be delivering real terms cuts to packages for providers, reducing their capacity to deliver high quality personalised care.

## National Living Wage

In the 2023 Autumn Statement the government announced a much-needed rise in social care workers' wages via a National Living Wage (NLW) increase. From April 2024 the NLW will rise by 9.8% from £10.42 to £11.44. The NLW increase is crucial in a low-paid sector facing severe recruitment and retention issues, with 152,000 vacancies currently.<sup>12</sup> However, the government has failed thus far to accompany the NLW rise with proportionate funding for social care.

ADASS estimated the 9.7% NLW increase in April 2023 would cost councils £1.8bn (based on £1.02bn in direct costs and at least £774m in indirect costs) for adult social care in 2023/4<sup>13</sup>. The figures account for the costs of council-run services and independent provision purchased by councils or by individuals with direct payments. It is therefore prudent to say the 9.8% 2024/25 NLW increase will cost more – which we estimate to be circa £2bn. An unfunded increase in NLW risks exacerbating the social care workforce crisis through compression of care worker wages if providers are unable to maintain pay differentials between job roles.

The 2023 *Sector Pulse Check* report (Hft and Care England) revealed that workforce-related cost pressures, driven by increases in the NLW, were a key pressure for 81% of social care providers. 79% said that local authority fee increases did not cover the increasing costs of workforce pay in 2023<sup>14</sup> – when the NLW rose by 9.7% in April of that year.

Contractually many local authorities have removed the legal requirement to adjust prices in line with NLW changes, leaving social care providers to absorb additional costs. With a sector in crisis, this is not sustainable. More providers are going to fail, leaving many more people nationwide without even the most basic care that they need to live independent lives.

## Back door cuts to care funding

Emerging 2024/25 local authority budgets are including 'efficiencies' in adult social care budgets, at a time when costs and demand are rising. There is nowhere left to cut in adult social care, and the result will be cuts to delivery.

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<sup>11</sup> Local Government Association (LGA) - [Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement](#) (December 2023).

<sup>12</sup> Skills for Care - [The state of the adult social care sector and workforce in England](#) (October, 2023)

<sup>13</sup> Association of Directors of Adult Social Services in England (ADASS) - [Spring Survey 2023](#) (2023)

<sup>14</sup> Hft and Care England - [Sector Pulse Check, A snapshot of finances and workforce in the adult social care sector in 2023](#) (January 2024)

For the first time requests for adult social care reached over 2 million in 2022/3<sup>15</sup>, reflecting greater demand for services than ever. 470,576 people are waiting for care to start, direct payments or their care needs assessed, including just under a quarter of a million people (249,589) waiting for assessment<sup>16</sup>. Yet this increased demand is not being met with proportionate increases in funding.

Nearly a third of Directors of Adult Social Services have been asked to make additional in-year savings to their budgets because of the challenging financial environment facing adult social care and councils.<sup>17</sup> Following the Autumn Statement in November 2023, 7 in 10 councils polled by the County Council Network said they are likely to cut adult social care services due to funding pressures<sup>18</sup>. The local government settlement does not alleviate these pressures.

With local authority budgets increasingly strained, we believe some local authorities are resorting to 'back door cuts' to their statutory social care provision. This is taking the form of delays to assessments or reassessments which might have resulted in more costly care packages. We are also facing cases of lengthy fee renegotiations due to reassessments of individuals resulting in lower fee decisions. Due to local authority funding pressures, there is often a race to the bottom when it comes to care commissioning. This leads to prioritisation of the cheapest bidder for care placements, sometimes at rates below the cost of quality care. Analysis of the government's fair cost of care exercise by Care England found a £1.5bn funding gap between what local authorities pay social care providers and the real cost of care<sup>19</sup>.

Pressures on NHS budgets are further impacting the funding of care packages. Via the ADASS Spring Survey, 79% of directors of adult social care services reported a trend in the NHS reviewing continuing healthcare (CHC) recipients' needs and finding they no longer qualified<sup>20</sup>. This has resulted in councils having to fund their care.

## The economic case

Real-term cuts to social care funding will come at the expense of the health, wellbeing and independence of disabled and older people. This is morally wrong, and it also makes no economic sense. Economic arguments are not the reason to reform social care funding, but equally they should no longer be the barrier to reform. Skills for Care estimates that social care in England had a minimum total economic value in 2020/21 of £50.3 billion<sup>21</sup>. Leonard Cheshire conducted research with Frontier Economics on the benefits that the right social

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<sup>15</sup> NHS Digital - [Adult Social Care Activity and Finance Report, England, 2022-23](#) (December 2023)

<sup>16</sup> Association of Directors of Adult Social Services in England (ADASS) - [Autumn Survey Report 2023](#) (November 2023)

<sup>17</sup> Association of Directors of Adult Social Services in England (ADASS) - [Autumn Survey Report 2023](#) (November 2023)

<sup>18</sup> County Councils Network - ['Councils in 'significantly worse financial position' after the Autumn Statement, with seven in ten now unsure if they can balance their budget next year'](#) (December 2023)

<sup>19</sup> Care England - [1.5 Billion Reasons to Care](#) (1 August 2023)

<sup>20</sup> Association of Directors of Adult Social Services in England (ADASS) - [Spring Survey 2023](#) (2023)

<sup>21</sup> Skills for Care - [The value of adult social care in England](#) (2021)

care would bring by improving labour market access for disabled people. Our research demonstrates that investing in social care across the country could generate an additional £6-£20 billion in annual income for the UK economy<sup>22</sup>. The economic benefits alone of social care reform are therefore clear both for individuals and for wider society.

The social care sector makes up 6% of the nation's workforce and therefore the exchequer will benefit from increased tax, national insurance receipts and reductions to in-work benefits payments as a result of the April 2024 increase to the National Living Wage. It is only fair that this revenue is passed on to local authorities to support increased social care costs.

## Conclusions

Behind all the figures are real people. Disabled and older people, carers and a strained workforce. **A continued lack of adequate social care funding will leave disabled and older people without vital support in the year ahead and may cost lives.**

The government must address the rising cost of care with an uplift in ring-fenced funding that reflects the real costs of adult social care. Without action, there is a real and looming crisis ahead.

**For more information on this briefing please contact:**

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## About Leonard Cheshire

Leonard Cheshire is one of the UK's leading charities supporting disabled people. We support individuals to live, learn and work as independently as they choose, whatever their ability and to play our part in creating a fair and inclusive society. Led by people with experience of disability, we are at the heart of local life — providing opportunity, choice and support in the communities across the UK. This includes providing social care through supporting living and registered care homes - caring for over 2,500 disabled people at 100 Leonard Cheshire services - and supporting disabled people with employment opportunities.

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<sup>22</sup> Leonard Cheshire – [Care for Equality - Making the case for inclusive social care reform](#) (2021)