Homecare
Association

Response to provisional local government finance settlement 2025-26

Submitted online 15 January 2025

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Who is this an official response from?	Other Representative Group.
Name of organisation:	Homecare Association
What is your position?	Head of Policy, Practice and Innovation.

1. **Do you agree with the government's proposals for the Settlement Funding Assessment, including payment of Revenue Support grant and the basis of calculation of tariffs and top ups, in 2025-26?**
    - Yes
    - No
    - No View

    The Consumer Price Index (CPI) for the twelve months to September 2024 increased 1.7%. A CPI increase in the Revenue Support Grant amounts to around £50 million extra and is inadequate.

    Adult and Children's Social Care accounts for about £38.6 billion of Local Authority spending in England – or around 30% of net expenditure (with Adult Social Care around 19%).

    For employers paying the National Living Wage, the cost of delivering Homecare in 2025-26 will be 9-10% higher than it was in 2024-25 (see our minimum price calculation). This is largely because of the implications of the Autumn Budget, including increases in the statutory minimum wage and employers' National Insurance Contributions. The Nuffield Trust estimates that changes in the minimum wage and National Insurance Contributions will add around £2.8 billion to the operating costs of the social care sector.

Funding provided to local government covering the employers' National Insurance increase only covers the public sector and not contracted public services, like social care. National Living Wage increases also disproportionately affect the social care sector, given a significant proportion of the sector operates at or close to the wage floor. This follows years of underfunding.

As we will come to in question 6, the increase in social care grants does not adequately compensate for how low the increase in the Revenue Support grant is.

A CPI increase, therefore, implies a real terms cut in local authority social care budgets.

Our recent research with the Care Provider Alliance shows the consequences of this could include that:

- 73% of providers will have to refuse new care packages from local authorities or the NHS.
- 57% of providers will hand back existing contracts to local authorities or the NHS.
- 77% of providers will have to draw on reserves.
- 64% of providers will have to make staff redundant.

When services reduce or close, the impact is significant. There will be more pressure on unpaid carers and loved ones, more admissions to hospital, longer wait times for discharge from hospital and increasing unmet need.

2. **Do you agree with the government's proposals to consolidate grants into the local government finance settlement in 2025-26?**
    - Yes
    - No
    - No View

    We are content for the Discharge Fund to be rolled into the Local Authority Better Care Grant. We support this on the basis that funding for social care continues to be ring-fenced.

3. **Do you agree with the proposed package of council tax referendum principles for 2025-26**?
    - Yes
    - No
    - No View

While we do not wish to comment on the Council Tax referendum principles, we are concerned that the Government will only increase the Revenue Support Grant by CPI (1.7%) when homecare delivery costs are increasing by 9.9%. This implies that there is a stronger reliance on Council Tax for income. Not all councils will be able to increase their Council Tax by the amounts needed, especially those areas with greater deprivation and higher need for state funded care. This fuels a postcode lottery in terms of access to care, as outlined by the CQC in their latest State of Care report.

4. **Do you agree with the government's proposals to introduce the Recovery Grant for 2025-26**?
    - Yes
    - No
    - No View

Our Homecare Deficit research suggests that fee rates paid to social care providers can be lower in areas of higher deprivation. As an interim measure, we support the use of the Recovery Grant. However, we would urge the Government to consider and address regional inequalities in access to social care as part of its wider Local Government funding considerations.

5. **Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2025-26?**
    - Yes
    - No
    - No View

Social care needs additional funding to:

a) Meet rising costs. The Nuffield Trust has estimated that National Insurance Contribution and National Living Wage increases alone will increase costs to the social care sector by £2.8 billion. Our Minimum Price for Care suggests a 9-10% increase in costs for homecare providers this year. We believe that for homecare alone, there is a funding deficit of £1.8 billion. This is because of historic underfunding, and recent Budget measures.
b) Pay the full cost of delivering care services, meet rising demand for care and improve access to care. In 2023, the Health Foundation estimated that covering the full cost of care, meeting demand and improving access would require £8.4bn in 2024/25, followed by an annual real-terms increase of 6% each year after that.

The government's settlement includes an £880 million increase in the Social Care Grant. While the cost increases we have mentioned relate to adult social care only, the Social Care Grant covers both adult and children's social care. Children's social care is also facing significant cost pressures. We understand that, in the past, around 40% of this Grant has been spent on children's social care. This would mean that ~£528 million will go towards adult social care.

Local Government will also see £50 million increase in the Revenue Support Grant and £600 million in Recovery Grant, around 19% of which (if this follows net spending on adult social care) could go to social care. Councils could raise £650 million by increasing the Adult Social Care Precept. Councils could raise up to £970 million from Council Tax, which, again, around 19% of may go to adult social care. This could raise around £958 million for social care, but only if local authorities choose to increase their tax and adult social care precepts to the maximum levels. Many will not do so, and it is unreasonable to assume they will.

The Settlement document does not transparently explain the £3.7 billion increase in funding referred to comes from. We question whether the £3.7 billion figure (and 3.5% increase in core Local Government Funding that the Government has referenced) includes up to £2.2 billion in Council Tax income for all authorities. Some authorities do not deliver social care at all. This also does not recognise the fact that local authorities may spend this money elsewhere as it is not ringfenced, and/or they may not raise Council Tax. It covers Children's Social Care funding (including the new £250 million Children's Social Care Prevention Grant) that will not be available for adult social care. Children's social care faces its own cost pressures. Consequently, we do not believe that there is genuinely £3.7 billion in new funding available to address the challenges we have identified.

The Homecare Association remains extremely concerned about where the rest of the funding for the £2.8 billion needed to implement the Autumn Budget policy changes and meet the 9-10% increase in costs in adult social care will come from, or where funding needed to address rising demand will come from. We believe it is necessary for these costs to be reflected in the Local Government Finance Settlement.

Providers cannot absorb the costs we have outlined. Data from LaingBuisson show that councils and the NHS purchase 79% of homecare services. It is not possible for providers to account for a 9-10% increase in costs through increasing prices to the private part of the market alone. Many do not contract with private clients at all. The government must ensure public sector purchasers can cover cost increases for the services they are paying for. The sector contains many small businesses (85% of all care providers have fewer than 50 employees) and margins are low. Sector profitability has declined over the past ten years. Providers cannot rely on reserves.

The Market Sustainability and Improvement Fund has been in operation during 2024-25 and has not been sufficient or effective in addressing long-standing disparities between how much it costs to deliver care and how much public sector commissioners pay for it. Our 2024 research suggests that in 2024/25, providers needed an additional £1.08 billion to cover delivery costs at National Living Wage levels. We now believe this is £1.8 billion. We call on the Government to implement a National Contract for Care services that sets a minimum price for care services. This will ensure public sector commissioners pay the full cost of care.

The Employment Rights Bill and Fair Pay Agreement will have additional cost increases for providers. The sector cannot afford these.

This Provisional Local Government Finance Settlement is billions of pounds off a sustainable settlement for the social care sector and we urge the government to take further steps.

6. **Do you agree with the government's proposal to allocate £250 million in a new Children's Social Care Prevention Grant to invest in family help?**
    - Yes
    - No
    - No View

Our members tend not to be closely involved in this aspect of Children's Social Care.

7. **Do you agree with the government's proposals for New Homes Bonus in 2025-26?**
    - Yes
    - No
    - No View

This does not directly relate to our area of interest.

8. **Do you agree with the government's proposals to repurpose grants in order to target funding where it is needed most in 2025-26?**
    - Yes
    - No
    - No View

On the ending of the Rural Services Delivery Grant: we would like to note that rurality can increase social care costs as homecare workers will need to spend more time travelling between houses. We would encourage the Government to consider this in future funding reform.

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 identify which protected characteristic you believe will be impacted by the proposals, and provide evidence to support your comments.

- Yes
- No

The government states that “We expect that the increase in adult social care funding will have a positive equalities impact for protected groups, such as older age groups or people with disabilities, who are more likely to use these services.” We believe this is entirely incorrect. Government policy decisions in the Autumn Budget have led to unfunded cost increases, and, therefore, we believe the Government has effectively reduced funding for the sector, not increased it.

Many disabled and older people depend on social care services. The Provisional Finance Settlement implies a real terms cut in social care budgets. This will have devastating consequences for:

- the 2 million older adults that Age UK estimate have unmet social care needs.
- the 1.5 million working age disabled people Healthwatch report have unmet social care needs.
- over 400,000 people who ADASS report are waiting for assessments, reviews, care or direct payments.
- more than 800,000 people who already receive long-term, publicly funded care who may have their packages reassessed by Councils who are looking to make savings.
- the 5 to 10 million unpaid carers who Carer’s UK estimate may have to support a loved one – without paid for care services, they may not be able to take a break.
- the 1.59 million people (79% women) who, according to Skills for Care, are working in social care for very low wages because of underfunding.
- international workers who are facing issues of exploitation because of the state of the sector after years of underfunding.

People accessing services are at more risk than ever before of service failure and poor access to reliable, high-quality services.

10. **Do you agree with the government’s proposal to not extend the IFRS 9 statutory override beyond its current end date of 31 March 2025? Please specify the financial impact, if any, on your council and any implications with respect to financial sustainability.**

- Yes
- No
- No View

This does not directly relate to our area of interest.