



Department  
of Health &  
Social Care

## Appendix 2

*From Stephen Kinnock MP  
Minister of State for Care*

*39 Victoria Street  
London  
SW1H 0EU*

10 January 2025

Dear Leader,

### **Adult Social Care - Local Authority Expenditure and Budget-Setting**

We value the crucial role local authorities play in delivering adult social care services to people who need care and support - thank you. The Department is aware of the pressures facing adult social care and we recognise there will be difficult decisions to be made, but we appreciate everything you are doing in these challenging circumstances.

As you will most likely have seen, on 3 January, we announced that Baroness Casey of Blackstock will lead an Independent Commission on building a National Care Service, making recommendations for how to rebuild the adult social care system to meet the current and future needs of the population. We have also set out a further series of reforms designed to begin addressing the very real, and ongoing, challenges faced by the adult social care system, including an immediate injection of an additional £86 million through the Disabled Facilities Grant.

We are also grateful to local authorities for submitting their recent Market Sustainability and Improvement Fund (MSIF) returns, which highlight the continued hard work and prioritisation of adult social care services in their area.

Following the publication of the provisional Local Government Finance Settlement (pLGFS), and confirmation that MSIF will be continuing into 2025/26, I am writing to set out our expectations as local authorities now set their budgets for 2025/26.

### **Looking ahead to 2025/26**

Following the increase to the National Living Wage and changes to Employers' National Insurance Contributions announced at the Budget, fee rate uplifts will continue to be a key factor in ensuring market sustainability and will remain a core focus of MSIF in 2025/26. It is expected that, when commissioning services, local authorities should ensure fee levels for care and support services take account of the actual costs of care in their area, including inflationary and all other pressures. We were pleased to see the increase in fees last year which support market sustainability and provider viability.

It is important that providers are given as much certainty as possible regarding pressures ahead of April, so we would strongly encourage local authorities to continue early and constructive conversations with providers on fee rates and capacity for 2025/26. We know this happens already in many places and thank those who have already started to engage with their providers.

The government will make available up to £3.7 billion of additional funding for social care authorities in 2025/26, which includes an increase of £880 million through the Social Care Grant. We will continue to monitor local authority budgets and spending in 2025/26, with an expectation that local authorities make appropriate use of all the sources of income to support the pressures in adult social care.

Local authorities should also continue to assure themselves that invoices are being paid to providers in a timely manner, and that their systems are set up to support this.

Over the coming weeks and months, DHSC will work closely with local authorities to monitor the market sustainability of the sector, including any provider viability concerns. **If you have concerns in your local area, please do reach out to the Department at [MSIFCorrespondence@dhsc.gov.uk](mailto:MSIFCorrespondence@dhsc.gov.uk) to discuss further.**

### **Review of local authorities' 2024/25 MSIF returns and spend expectation results since 2022/23**

We are encouraged to see that **fee rates increased by an average of 12.1% across adult social care service types in 2023/24**, above the provisional estimate of 9.2% set out in initial returns. This was set out in the fee rate data published on 7 October and highlights the success of MSIF in supporting local authorities to ensure that fee rates are sustainable and rising with inflationary pressures - this also helps with closing the underfunding gap which has been a considerable problem in the sector. It is also promising to see that provisional fee rates for 2024/25 indicate an average uplift of 6.3%, albeit with variation between local authorities.

However, there is variation between local authorities and service types within the fee rate data. **Annex A** sets out the average fee rate increases by local authorities in 2023/24 and their provisional increases for 2024/25. The 2024/25 fee rate data publication can be found here: <https://www.gov.uk/government/publications/market-sustainability-and-improvement-fund-2024-to-2025-care-provider-fees>

Our analysis of the 2024/25 Revenue Account data shows that, after accounting for funding provided in-year, **across 2023/2024 and 2024/25, local authorities' budgeted spending on adult social care has increased nationally by 22.9%**. We are pleased to see this response to the cost pressures that the sector has faced. This is greater than the increase implied by the spend expectation, which would have seen budgeted spend increase by 19.4% since 2022/23. This highlights the huge importance you place on adult social care as a vital service for citizens as well as, undoubtedly, the growing demand in your communities, meaning more people can access care and achieve better outcomes. **Annex B** shows the position of each local authority in relation to the expectation and sets out how local authorities' performance against it has been calculated.

We would like to thank you in advance for the investment you are putting into care and support services to ensure that those accessing care get the best possible outcomes for their needs.

Yours sincerely,