



Department for Levelling Up,  
Housing & Communities

**Kemi Badenoch MP**

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[www.gov.uk/dluhc](http://www.gov.uk/dluhc)

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Dear Clive,

At my recent appearance before the Committee on the long-term funding of adult social care, I promised to follow up on several points raised.

### **Accounting for inflation**

You asked for further information about how inflation is accounted for as part of the Spending Review and for more information about adult social care costs.

To calculate the impact of inflation on the cost base, officials have historically:

- Divided total spending for the latest period into service areas such as adults and children's social care, waste, or cultural activities, based on annual outturn data ([www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing](http://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing)); and
- Applied the appropriate inflation metric to the estimated non-labour share of spending and a wage growth metric to the estimated labour share of spending (<https://www.gov.uk/government/publications/2021-area-cost-adjustment/2021-area-cost-adjustment-methodology-note>)

These data are provided by the OBR as part of the preparation for the relevant fiscal event. For SR21, the majority of service lines used the Consumer Price Index (CPI) as their inflation metric. At the conclusion of Spending Review 2021, the forecast growth of CPI was 3.7/2.3/2.0% and the March 2022 forecast growth is 8.0/2.4/1.7%. Similarly, most areas use average earnings growth as their wage metric. At the conclusion of the SR this was 4.0/2.5/2.3% and March 2022 forecast is 5.1/2.4/2.7%

For some areas, including highways, public health, and temporary accommodation it is more appropriate to use a bespoke metric because of the nature of the market or the goods and services provided.

For adult social care, the Department for Health and Social Care (DHSC) provide a forecast using not only CPI and average earnings, but also accounts for the impact of the National Living Wage (NLW). DHSC collate qualitative information from discussions with local authorities and adult social care providers, and commission independent projections of the long-term demand on adult social care services in England. These projections are informed by demographic drivers of demand for social care, including population size, and disability prevalence in younger and older adults. DHSC then account for cost pressures, such as inflation, by combining these projections with the latest information on CPI, the NLW, and average earnings from the OBR to project both pay (c.70% of costs) and non-pay (c.30% of costs) unit cost drivers of care. DHSC then shares this analysis with HMT and DLUHC to inform assessments of the overall sufficiency of adult social care funding. The Department for Education take a similar approach, with bespoke projections for children's social care, which take account of the unit cost of residential care and support for care leavers.

Of course, as after any Spending Review, it is important that DLUHC understands how the financial settlement is working for the sector and for individual local authorities. Officials already meet regularly with different sector groups and Finance Directors and have recently focussed their work to hear about the impact of the new inflation forecasts.

Given the unusual nature of the current inflation shock to the UK, the relationship between inflation and local authority income and expenditure may not be linear: not all costs will be linked directly to CPI and some contracts are for extended periods. There are also aspects of local authority income that we expect to rise in line with inflation and so offer some stabilisation against rising costs, in particular income from business rates. Therefore, for the current financial year and the rest of the Spending Review period, it is too early to make a clear judgement about how increasing inflation forecasts will affect local authority spending and income. Any local authority that is worried about its finances should contact the department.

DLUHC will continue to work closely with the local government sector and other government departments to understand and assess policy outcomes, including the significant package of adult social care reforms to be delivered by the Department for Health and Social Care.

## **Right to Buy**

On housing, Ian Byrne MP asked about the impact of Right to Buy (RtB) on housing for older people and disabled adults.

Under the 1985 Housing Act, certain types of properties can be exempt from the Right to Buy. Paragraphs 7, 10 and 11 of Schedule 5 of the Act provide the criteria for properties to be excluded from the scheme. The most common exceptions are properties suitable for the elderly or the disabled, or sheltered accommodation. The restrictions are imposed in perpetuity unless the local authority, or the housing association in the case of Preserved Right to Buy (PRtB), chooses to remove the covenant from that property.

For this reason, sales under the Right to Buy of Supported Housing or Housing for Older People are very low. According to data collected by the Regulator of Social Housing, of the 13,191 RtB/PRtB sales from 2017-2021, only 21 have been Supported Housing/Housing for Older People.

## **Accessibility of new homes**

Andrew Lewer MP asked when the outcome of the Department's 2020 consultation on the accessibility of new homes will be published. This is a technical and important piece of work. We have analysed all the responses which have been comprehensive and have helped inform our work on how best to raise accessibility standards of new homes. We will set out our plans in due course.

Yours sincerely,

A handwritten signature in black ink that reads "Kemi Badenoch". The signature is written in a cursive, flowing style.

**KEMI BADENOCH MP**