

From the Permanent Secretary
Sir Chris Wormald



Department
of Health &
Social Care

Dame Meg Hillier MP
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Sent via email to: pubaccom@parliament.uk

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Dear Chair,

PAC Hearing – Reforming Adult Social Care in England

As part of the government's response to the report on 'Reforming Adult Social Care in England', the Public Accounts Committee in Recommendation 2 asked the Department to set out how it is assuring itself that each additional fund aimed at supporting adult social care is achieving value for money. This letter responds to the points raised by the Committee in the recommendation.

Local authority budgeted spend on adult social care for 2023-24 is £22.3 billion. This comprises core local government funding, including council tax and business rates, as well as grant funding provided by central government. The majority of public spend on social care is managed by local government, directly accountable to local populations. DHSC and the Department for Levelling Up, Housing and Communities (DLUHC) provide additional scrutiny and assurance, as well as ensuring transparency to support local accountability. This includes the recent introduction of the Office for Local Government (OfLoG) and reforms to the collection and availability of data on social care activity.

We have also made a landmark shift in how we hold local authorities to account for their adult social care duties. New Care Quality Commission (CQC) assessments will provide clear and transparent information about local authorities' performance, enabling us to identify where improvement is needed. Assessments will highlight and spread good practice and identify where improvement is needed, enabling us to target our annual programme of support to local authorities – worth £16 million in 2023-24, delivered in collaboration with sector partners – to areas that most need it. We are also investing in a pilot training programme for senior local authority commissioners of adult social care to enhance strategic leadership and data analytical skills in commissioning. We are independently evaluating the pilot to understand its impact.

Better data, the right programme of support, and formal oversight will together drive increased transparency and accountability and help improve the performance of local authorities in improving outcomes for people who draw on care and support and



unpaid carers. In addition to this overarching assurance approach, DHSC conducts additional assurance and monitoring of specific grant funding, including new funding announced since the Spending Review 2021.

Since the last spending review, the government has made available up to £8.6 billion in additional funding over two financial years for adult social care and discharge. This includes £2.63 billion of additional ringfenced grants in 2023-24, alongside £550 million in council tax flexibilities through the adult social care precept. This additional funding was part of a wider increase in local government funding, which made available up to £60.2 billion for local authorities in England, an increase of 10.1% on 2022-23.

The government set out in the Social Care Explanatory Note¹ (published February 2023, which set out the resources available to local authorities for social care in 2023-24) that the department would compare the increase in local authorities' 2023-24 revenue account budget for adult social care with the 2022-23 budget, having assumed that the following will be allocated to adult social care:

- An appropriate share of the local authority's additional Social Care Grant allocation for 2023-24, in line with aggregate use of this funding in previous years.
- The local authority's share of the 2023-24 Discharge Fund.
- The resources raised in 2023-24 from the adult social care precept.
- We also expect local authorities to make use of the increase in income from un-hypothecated sources. We expect spending on adult social care will increase by a necessary share of this income.

In 2023-24, local authorities budgeted to increase expenditure on adult social care by £2.53 billion (12.8% in cash terms), in line with the additional funding provided by central government.

This increase in funding has supported substantive improvements in social care. Since this additional funding has been put in place, fee rates have increased by an average of 8.9% (which is greater than inflationary pressures) across various service types in 2023-24, when compared with 2022-23, and the number of supported discharges for patients assessed as no longer meeting the criteria to reside (NCTR) has increased by 10% from the end of February 2023 to the end of February 2024.

While it is important to consider the impact of additional funding in the round, as above, we are also undertaking significant assurance of the individual grants from 2023-24, ensuring that this funding is used in line with conditions. This includes

¹ <https://www.gov.uk/government/publications/social-care-funding-and-explanatory-note-final-local-government-finance-settlement-2023-to-2024/social-care-resources-explanatory-note>



monitoring and assurance of the Market Sustainability and Improvement Fund (MSIF) and Discharge Fund:

Market Sustainability and Improvement Fund

To assess performance over the course of 2023-24 and as set out in MSIF guidance, local authorities will provide the department with final reports in May 2024 setting out the level of improvements made in 2023-24 against the three MSIF target areas of fee rates, waiting times and workforce capacity and retention. The department will assure these returns against their May 2023 reports, which set out their baseline performance data, and intends to follow up with local authorities accordingly. Local authorities were also required to confirm that the MSIF 2023-24 funding had been allocated in full to adult social care in their May 2023 returns, and all local authorities complied with this.

With regards to the risk that the Committee flags of MSIF funding simply increasing profit margins, data suggests that provider profit margins are low on average. Interim data from Skills for Care shows that median care worker pay had increased by 8.8% from March to December 2023, broadly in line with the increase in fee rates reported by MSIF. This suggests that MSIF funding is helping to increase pay for the adult social care workforce, as opposed to increasing provider profits.

Discharge Fund

In order to assure discharge funding for 2023-24, health and wellbeing boards (HWBs) were required to submit a spending plan as part of their wider plan for the Better Care Fund (BCF). These plans were subject to assurance by the regional Better Care Managers to confirm that all grant conditions were met. HWBs were required to submit regular reports to confirm that they were spending the additional funding in line with their plans. This same process will be repeated in 2024-25 with further integration of the Discharge Fund into the BCF assurance process.

We are committed to evaluating the impact of funding. We undertook a rapid evaluation of 2022-23 discharge funding, which was published on 11 December 2023. This found that in most cases, funding was used to secure additional care capacity, increase the number of discharges and help reduce discharge delays, with evidence that the funding was associated with a positive impact for patients with delayed discharges. There was a significant break in the growing trend of patients with delayed discharges that coincided with the implementation of the funding.

We also commissioned the King's Fund to conduct independent qualitative research with six different local areas. These local areas had spent 2022-23 discharge funding on expanding workforce capacity and improving services.

These research findings identified some barriers and challenges that could limit the impact of discharge funding and provided lessons for future rounds of funding. For 2023-24, we acted on feedback from local systems by releasing funding at the

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beginning of the financial year rather than in the run-up to winter. We have also taken steps to reduce reporting burdens whilst still collecting sufficient information to support monitoring and evaluation. We will shortly commission an independent evaluation of the Discharge Fund in 2023-25.

This government is committed to ensuring that grant funding achieves value for money. We will continue to evaluate funding provided to local authorities to support the adult social care sector.

Yours sincerely,

A handwritten signature in black ink, consisting of the name 'Chris' on the top line and 'Wormald' on the bottom line.

**SIR CHRIS WORMALD
PERMANENT SECRETARY**