

## Written evidence submitted by The Chartered Institute of Public Finance and Accountancy (ASC0101)

Adult social care reform: the cost of inaction

Call for evidence by the Health and Social Care Committee

A Submission by: The Chartered Institute of Public Finance and Accountancy

Further information about CIPFA can be obtained at [www.cipfa.org](http://www.cipfa.org)

### 1. Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) welcomes the opportunity to respond to the Health and Social Care Committee's call for evidence: Adult Social Care Reform: The Cost of Inaction.
- 1.2 CIPFA is the professional body for people in public finance, with 14,000 members across the United Kingdom in organisations where public money needs to be effectively and efficiently managed.
- 1.3 We are responding to this call for evidence because CIPFA has a keen interest in how adult social care finance is managed. Adult social care is the largest area of discretionary spending in local authorities in England. In 2023/24, gross current expenditure on adult social care by councils was £27 billion.<sup>1</sup> The sustainability of local authorities and the public services they deliver hinge on effective adult social care financial management. In our response, CIPFA draws on our original adult social care research, carried out with close engagement with Directors of Adult Social Care and Directors of Finance from local authorities across England. These publications include: the numerous editions of [Performance Tracker](#) produced by the Institute for Government and CIPFA; [Charging for Adult Social Care Demand: Reform and Rotes Forward](#); and [Managing Rising Demand for Adult and Children's Social Care: Lessons from English Local Authorities](#); as well as various adult social care [briefings](#) and [consultation responses](#).
- 1.4 The cost of inaction in adult social care reform is significant. For decades, governments of all colours have failed to act despite being aware of: the problems in the sector; recommendations to resolve the challenges; and the consequences of inaction. For decades, adult social care reform has been a political football that has been used to devastating effect: consider the 'death tax' and 'dementia tax' rows in 2010 and 2017 respectively. The high cost associated with creating a sustainable adult social care system has disincentivised action, despite the fact that inaction has cost more over the longer-term than if the right investments had been made at an earlier opportunity. This holds true today, where continued inaction will result in greater expense, less value for money, service instability and unsustainability in the future.

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<sup>1</sup> [Adult Social Care Activity and Finance Report, England, 2023-24 - NHS England Digital](#)

1.5 In our response, we describe how inaction to reform adult social care has resulted in a failed, poor value for money government approach of ‘crisis-cash-repeat’, and vicious cycles wherein the cost of delaying adult social care reform is that enacting reform becomes increasingly difficult in the face of worsening, avoidable current pressures.

## 2. The cost of inaction and ‘crisis-cash-repeat’

2.1 Under the Care Act 2014, upper-tier local authorities in England have the statutory duty to meet the care and support needs for adults who meet the eligibility criteria set out in section 18. Local authorities fund adult social care from the Social Care Grant, charging for services, and taxes raised locally. The cost of inaction to reform adult social care for local authorities and its impact on the public has been significant and multifaceted.

2.2 As CIPFA and the Institute for Government have previously stated in Performance Tracker, since 2015, the government has relied on a model of ‘crisis-cash-repeat’ for adult social care. ‘Crisis-cash-repeat’ refers to the government failing to implement reform, a crisis occurring in the sector, the government responding with short-term emergency funding measures, and the cycle repeating itself. This approach has been ineffective and has not represented value for money for the public pound. When the government should have invested in building a reformed system with robust foundations, instead they spend more money in the longer term holding up an inadequate system.

2.3 The cost of inaction to reform the social care workforce is one example of the crisis-cash-repeat model. Delay on workforce reform has meant that for years there have been significant gaps in the sector, which comes at significant cost to local authorities and the adult social care services they provide. [Skills for Care](#) estimates that in 2023/24, the adult social care vacancy rate in local authorities was 7.2%. The turnover rate for local authority adult social care staff was 13% in 2023/24, equating to approximately 14,000 local authority adult social care leavers. Inaction on the social care workforce’s pay, terms and conditions, career progression, and training and development has contributed to the high vacancy and turnover rates.

2.4 In the winter of 2022/23, the government announced £750 million funding for adult social care, comprising the £500 million Adult Social Care Discharge Fund, and £250 million of emergency winter funding. This funding aimed to increase capacity in adult social care to reduce delayed discharges. Adult social care capacity is primarily driven by the number of people providers can employ. The short-term, one-off nature of the funding did not give councils and providers the scope to sustainably expand the workforce. Councils and providers actually paid most of the funding to existing employees in the form of one-off bonuses to encourage them to remain in post, and employed expensive agency staff. Had this funding been better planned over a longer period of time, its efficacy and value for money would have been significantly increased. Instead, inaction led to an expensive crisis response that did not address the well-documented workforce challenges in the longer term.

2.5 Another example of the inefficacy of the ‘cash-crisis-repeat’ model is the Workforce Recruitment and Retention Fund, which allocated £462.5 million to help grow the social care workforce during the pandemic. There was a statistically insignificant increase in the number

of staff recruited, though retention was improved. However, the expanded capacity of 2.9 million hours cost the government £160 per additional hour - 16 times the median hourly rate paid to care workers in March 2023. The government's own evaluation highlighted the short-term nature of the funding and its 'limited legacy'.<sup>2</sup> The government must take a longer-term view and move away from the short-termism that has characterised government funding decisions over the last decade.

- 2.6 The cost to local authorities of inaction and the resultant crisis-cash-repeat model in the above examples is that councils continue to face a crisis in workforce recruitment and retention. This leads to local authorities employing more costly agency staff to fill gaps, and can impede their ability to meet their statutory duties to meet the care and support needs of adults. The impact this has on the public is less effective services and longer waiting times to access services.

### 3. The vicious cycles of inaction

- 3.1 Inaction on adult social care reform has created vicious cycles that exacerbate pressures and hinder future action on reform, and adult social care pressures have been worsened by a failure to reform. Two examples of reforms that are not happening as a result of adult social care pressures are greater investments in prevention, and adult social care charging reform.
- 3.2 Inaction on adult social care reform has been accompanied by a reduction in local authority spending power. As we pointed out in Performance Tracker, local authority spending power fell by 10% between 2009/10 and 2021/22, largely due to reductions in central government grants. This fall in spending power meant that local authority resources had (and continue) to be prioritised toward statutory services at the expense of discretionary, preventative services. Inaction on reform and reduced spending power have contributed to increasing demand for services, as needs are not being effectively prevented, reduced, or delayed at an earlier stage because of resource constraints. There is a vicious cycle, in which a failure to invest in preventative activity contributes to increased demand, and less and less funding can be directed towards preventative activity as councils must direct their resources towards statutory services with increasing demand.
- 3.3 Inaction on adult social care reform has produced another vicious cycle, wherein inaction has contributed to current pressures, and the current pressures impede the ability to later act on reform. This cycle can be demonstrated by the example of a local authority service reform that could not happen: adult social care charging reform. Recommendations to reform how adults pay for adult social care in England can be traced back to the [Fairer Care Funding](#) (Dilnot) report in 2011, but successive governments failed to act on the recommendations. Had the charging reforms been implemented in the years following the Dilnot report, the social care system would have been fairer, resources would have been targeted at those with the greatest lifetime need thus achieving improved value for money, and the system would have been more sustainable and resilient. Failure to act for almost a decade on these recommendations meant that when the government decided to enact charging reform between 2021 and 2023, local authorities were too stretched by current pressures and the recovery from the pandemic to implement the reforms.

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<sup>2</sup> [Workforce Recruitment and Retention Funds: outcomes and findings - GOV.UK](#)

3.4 These examples show that the cost of inaction is that future action is made more difficult; it becomes more difficult to achieve value for money for investment of the public pound; and the public experience worse outcomes. This not only has a significant negative effect on public financial management, but leads to more people living in poorer health with reduced wellbeing and independence, which in turn has knock-on, negative economic impacts.

#### 4. Conclusion

4.1 The cost of inaction on adult social care reform has been significant. Successive governments have failed to enact necessary reform to create a resilient and sustainable system that can meet the increasingly complex needs of an ageing population.

4.2 For too long, successive governments have relied on a 'crisis-cash-repeat' model where emergency measures are taken in haste without addressing underlying challenges in the system. This failed approach results in poor value for money for the public pound.

4.3 Inaction on adult social care reform has also led to vicious cycles. The failure to move from sickness to prevention, accompanied by reduced local authority spending power as a result of central government grant cuts, has led to increasing demand and a focus of resources towards statutory services. The focus of limited resources towards statutory services has meant less investment in preventative, upstream activity, and the cycle continues.

4.4 Second, there is a vicious cycle wherein delay to adult social care reform exacerbates current pressures and makes it more difficult to enact reform down the line.

4.5 The current government must urgently act to reform adult social care. It will require bold decision making and sustained clarity of vision. There is no time for further delay.

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