

Written evidence submitted by HM Treasury (ASC0147)

Foreword

Thank you for offering me the opportunity to collaborate with the Health and Social Care Select Committee on this inquiry.

I note that the Department of Health and Social Care (DHSC) have previously provided a comprehensive written response to the Committee on this inquiry as the lead department for Adult Social Care (ASC).

The written evidence I am providing, below, relates to the following two questions being considered by the Committee which have particular relevance to HM Treasury's remit:

- *What contribution does adult social care make to the economy and HM Treasury and how might this change with action on reform?*
- *To what extent are the costs of inaction on adult social care reform considered by the Government when evaluating policies, including within the Budget and Spending Reviews? How should these costs be assessed and evaluated?*

Introduction

1. The Government recognises the vital importance of Adult Social Care in helping people to live as independent and fulfilling a life as possible. Adult Social Care has the power to improve the quality of life among older adults, help working age disabled people to participate in society and access employment, and support unpaid family carers.
2. The government has provided a 6.8% cash terms increase in councils' Core Sending Power in 2025-26, with up to £3.7 billion of additional funding to be provided to social care authorities in 2025-26.
3. The Government has already announced significant steps in relation to Adult Social Care reform. We have launched an independent commission into Adult Social Care as part of our critical first steps towards delivering a National Care Service. Chaired by Baroness Louise Casey and reporting to the Prime Minister, the Commission will work with care users and their families, staff, politicians, and the public, private and third sectors to make recommendations for how to rebuild the care system to meet the current and future needs of the population. The first phase, reporting in 2026, will identify the critical issues facing adult social care and set out recommendations for effective reform and improvement in the medium term. It will recommend tangible, pragmatic solutions that can be implemented in a phased way to lay the foundations for a national care service. The recommendations of this phase will be aligned with the government's spending plans which will be set out at the Spending Review.
4. Furthermore, the Government has already introduced legislation to bring about a Fair Pay Agreement (FPA) in the Adult Social Care sector to tackle long-term workforce challenges in care and ensure care workers are recognised and rewarded for the important work they do, and we are taking forward a range of initiatives in 2025-26, including support for unpaid carers, funding more home adaptations, promoting better use of care technologies and professionalising the adult social care workforce.

What contribution does adult social care make to the economy and HM Treasury and how might this change with action on reform?

5. As set out in our Plan for Change, economic growth is this Government's number one mission, which will fund our public services, enable investment in our hospitals and schools, and, most importantly, raise living standards for everyone.
6. HM Treasury is aware of the considerable contribution Adult Social Care makes to the economy.
7. The dedicated care workforce, which totalled an estimated 1.59 million people in 2023-24 - a greater number than the NHS - provide essential support to enable those who receive care to live as independent and fulfilling lives as possible. This Government is committed to supporting the care workforce, which is why we have introduced legislation to deliver the first ever FPA for the sector. DHSC set out the benefits of this in their Impact Assessment, including how the FPA can improve pay and conditions in the sector, allowing for improvements to care workers' economic security and standard of living.
8. ASC not only plays a crucial role in supporting people in society, but also our wider economy. It has an important role to play in allowing both working age adults receiving care and those providing informal care to be economically active and in paid employment, where this aligns with their individual needs and objectives. As part of our approach to mission-led government, HM Treasury works with DHSC and the Department for Work and Pensions (DWP) to explore how we can best support working-age disabled people and those providing informal care to engage in the economy.
9. The Government also provides funding to support those who provide unpaid care for their family and friends. There are an estimated 4.7 million people in England providing unpaid care. From April 2025, the Government will increase the Carer's Allowance weekly earnings limit from £151 a week to £196 – the equivalent of 16 hours at the National Living Wage. This represents the largest increase in the earnings limit since Carer's Allowance was introduced in 1976. Together, the financial support provided to this large cohort will make an important contribution to both individuals and the economy. Moreover, support for unpaid carers is part of our first objective for the Better Care Fund in 2025-26, to support the shift from sickness to prevention in the health and social care system.
10. As the Government's economics and finance ministry, HM Treasury takes into consideration the potential economic impacts of all prospective policy decisions, working alongside other departments. This includes planning for and evaluating reforms in Adult Social Care.

To what extent are the costs of inaction on adult social care reform considered by the Government when evaluating policies, including within the Budget and Spending Reviews? How should these costs be assessed and evaluated?

11. HM Treasury is guided by the principles of placing the public finances on a sustainable footing; ensuring the stability of the macro-economic environment and financial system,

enabling strong, sustainable and balanced growth; and increasing employment and productivity, ensuring strong growth and competitiveness across all regions of the UK.

12. To facilitate spending decisions, including at Budgets and Spending Reviews, departments are required to submit their budget requests, detailing how much money they will need and how it will be used, to me in my role as the Chief Secretary to the Treasury. I review these requests with Treasury officials, assessing how they align with the Government's priorities, and make sure they offer good value for money for the taxpayer by working together with departments to understand the requests. I then meet with Secretaries of State to discuss and agree a final budget, including how it will be spent and what outcomes it should deliver. The Chancellor of the Exchequer then approves and allocates final budgets to each department. Adult Social Care spending, including around potential reforms, is considered in this way.
13. The Spending Framework is designed to ensure public spending is controlled in support of the Government's objectives and provides good incentives for departments to manage spending to ensure value for money for taxpayers. HM Treasury follows the principles of Managing Public Money, which provides guidance on the responsible use of public resources. However, I should be clear that in a challenging fiscal environment there will always be trade-offs between policy areas.
14. HM Treasury works with other departments to assess and evaluate policies, and follows the principles outlined in The Green Book – guidance issued by the department on how to appraise policies, programmes and projects. It provides guidance on the design and use of monitoring and evaluation before, during and after implementation, with the appraisal of alternative policy options being an inseparable part of detailed policy development and design – including considering a “do nothing” option. The Treasury's five case model is the means of developing proposals in a holistic way that optimises the social/public value produced by the use of public resources. Part of the five case model requires departments to consider the economic dimensions of proposals, including an understanding of the risks and their costs, and how are they best managed.
15. As the Committee would expect, as HM Treasury ministers and officials evaluate and design policies, we consider various factors in the round, including balancing affordability with economic and social benefits. Policy discussions will consider how we can maximise these benefits. For instance, as we consider policy design for the FPA, we will work with DHSC to consider how to maximise the economic benefits within the limits of the fiscal envelope.

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