

# A Fairer Share of Not Enough:

## Adult Social Care Funding Under the Local Government Settlement

February 2026

The multi-year Local Government Finance Settlement comes alongside new allocations under the Government's Fair Funding Review 2.0. The latter aims to better match funding to levels of need across local authorities. The government has also published adult social care 'notional allocations' for each local authority based on a new methodology<sup>1</sup>.

Local authority adult social care budgets face immense pressure from rising costs and demand. But do the allocations add up? Is this the significant shakeup in overall funding needed for adult social care? Has the penny dropped that investing in social care is investing in people and economic growth? Or will the picture remain the same for thousands of disabled people, left with unmet care and support needs?

**Our verdict? There is no such thing as a fair distribution of inadequate funding.**

### Policy recommendations:

1. Funding should be increased to provide local authorities with a real-terms uplift to the notional funding allocation for adult social care of at least £1.2bn to account for the rise in the National Living Wage from April 2026.
2. The Government should go further than the £500m already earmarked, to enable the implementation of an ambitious Fair Pay Agreement in 2028. Ahead of this, interim funded measures should also be provided to boost pay of the care workforce ahead any agreement.
3. A sector-wide exercise should be launched to identify the real cost of care. Notional allocations are based on local authority current spending on adult social care, which we know to be inadequate. Learning from the previous Fair Cost of Care exercise, a more comprehensive process should include the cost of care for all who need support, including under-met need, and not just 65+ residential and 18+ homecare.
4. DHSC must meet its commitment 'work with local authorities to understand their decision-making'<sup>2</sup> recognising the role of notional allocations in supporting local planning in a manner that focuses on outcomes for people accessing care and support while promoting transparency and accountability around social care expenditure and spending decisions.

<sup>1</sup> Department of Health and Social Care - [Annex B - methodology for calculating local authority notional funding allocations for adult social care and associated figures](#) (January 2026)

<sup>2</sup> Ibid

## Local government adult social care funding falling short

Support for disabled people currently makes up almost half (49%) of local authority adult social care expenditure<sup>3</sup>. When that care and support is personalised and of high quality, it can be transformative to the lives of the disabled people that draw on it. Yet too often, many disabled people are left to bear the brunt of two interlinked failures - the lack of social care reform and inadequate local government funding. Funding shortfalls are driving backdoor cuts and a 'race to the bottom' in care commissioning. This inevitably impacts the availability and quality of vital care support. Care providers are struggling to secure the uplifts needed to reflect the real cost of care. Individuals who need to draw on care are fighting to secure the level of support needed in their care packages.

The Spending Review committed an additional £4bn of funding to social care by 2028/29. The Local Government Finance Settlement updates this figure, using updated Core Spending Power data, to £4.6 billion of additional funding available for adult social care in 2028-29, compared to 2025-26. It has been estimated by the Health Foundation that £3.4bn is needed simply to allow the sector to standstill by the time it reaches 2028/29 when accounting for increased demand and provider costs, while improving access to care and support and workforce pay would cost £8.7bn.<sup>4</sup>

ADASS' Autumn Survey found that local authorities expect to make £869m in savings in 2026/27 because funding has not increased and budgets are already overspent. 2025/6 overspends are already projected at £623m, which is 3% of the overall adult social care budget and its highest level at this time of year post-pandemic.<sup>5</sup>

These overspends are being driven by the rising cost of care and support due to increasing demand for care and support from people with complex needs as well as wider workforce challenges.

Local authorities are becoming increasingly reliant on increases to the adult social care precept (which they can raise by up to 2% when setting council tax rates for 2026/27) for social care spending. Over the last five years local authorities' funding from council tax rose by 29.6% in real terms compared to 24.4% for grant funding.<sup>6</sup> The £4.6bn additional funding for social care cited in the Settlement is dependent on local authorities raising council tax and the precept in every year by maximum rate allowed.

This funding model has been leaving more deprived local authorities worse off; less likely to be able to raise revenue through increased council tax with greater care and support needs among their residents. LSE estimated that 41% of older people in the fifth most deprived areas have unmet care and support needs, compared to 19% in the least deprived.<sup>7</sup>

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<sup>3</sup> Department of Health and Social Care- [Adult social care finance report, England: 2024 to 2025](#) (November 2025)

<sup>4</sup> Health Foundation – [Spending Review 2025: priorities for health, the NHS and social care in England](#) (June 2025)

<sup>5</sup> Association of Directors of Adult Social Services in England (ADASS) - [Autumn Survey Report 2025](#) (November 2025)

<sup>6</sup> Institute for Government - [Performance Tracker 2025: Adult social care](#) (October 2025)

<sup>7</sup> Health and Social Care Committee - [Adult Social Care Reform: the cost of inaction](#) (May 2025)

The multi-year Local Government Finance Settlement has sought to address some of these long-standing issues, as by 2028/29 core funding for local authorities in the most deprived decile will increase by 15.4% compared to 0.8% for those in the least deprived decile.<sup>8</sup> This is to be welcomed, but this redistribution has not come with sufficient funding in the settlement for adult social care, one of the largest financial pressures on more deprived local authorities. Analysis from the LGA has estimated that 10.5 per cent of local authorities with social care responsibilities will face a real terms cut in Core Spending Power for 2026/27, increasing to 14.5 per cent, over the three-year period 2025/26 to 2028/29.<sup>9</sup> A recent survey from the LGA found that two thirds of local authorities with social care responsibilities (66%) were not confident would have sufficient funding to fulfil all statutory duties by 2028/29. Half (46%) predicted this would require them to apply for exceptional financial support to set their budgets over the next three years.<sup>10</sup>

There is no such thing as a fair distribution of inadequate funding. If overall funding does not meet care and support needs, redistribution alone will still leave disabled people without essential care or place their safety at risk. Overall funding remains inadequate to meet the care and support needs of disabled and older people across the country, while the newly introduced notional allocations focus on current expenditure, without also considering how this can diverge from care and support needs in these areas. Analysis of local authority expenditure and relative care need has found that 31 local authorities spent 10% less than their needs-based allocation. Also of concern are two councils for whom no notional allocations have been provided due to failures to provide revenue data for previous years. This risks weakening transparency and accountability on social care expenditure for local residents in these areas.<sup>11</sup>

Gross expenditure on adult social care by local authorities for 2024/25 was £29.4bn, almost a fifth of all local authorities' total expenditure for a year. As social care spending makes up a significant proportion of overall spending and is funded only in part by ringfenced funding, the increasingly precarious status of local government finances has significant implications for delivery of care and support.

Local authorities are becoming increasingly dependent on emergency support, with one in six of those with social care responsibilities receiving Exceptional Financial Support from the Government to meet their statutory duties and set a balanced budget for 2024/25.<sup>12</sup> As unlike the NHS, all local authorities have a legal duty to balance their books.

This precarious financial position of many local authorities leaves little latitude to fund rising costs and is leading to protracted negotiations with care providers over fee uplifts. As a result, providers are simply choosing not to tender for contracts, to hand back contracts

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<sup>8</sup> Institute for Fiscal Studies - [Government confirms big redistribution of funding to more urban and more deprived councils in England](#) (December 2025)

<sup>9</sup> LGA - [Consultation on the Provisional Local Government Finance Settlement 2026/27](#) (January 2026)

<sup>10</sup> LGA - [Emergency government bailouts needed by third of councils over next three years](#) (February 2026)

<sup>11</sup> Department of Health and Social Care - [Annex B - methodology for calculating local authority notional funding allocations for adult social care and associated figures](#) (January 2026)

<sup>12</sup> LGA - [Council emergency bailout deals risk becoming "normalised" as budget overspends continue to rise, LGA warns](#) (October 2025)

and in some cases simply exit local markets, leaving an altogether worse standard of care and support on offer, which in some cases risks falling below regulatory requirements.

61% of Adult Social Care Directors reported to ADASS that providers in their local area had either closed, ceased trading or handed back contracts since 1 April 2025. This was estimated to impact 4,254 drawing on social care, which disrupts continuity of care, worsening health and wellbeing, limiting independence and leading to increased costs for local authorities.<sup>13</sup>

The multi-year nature of this funding, coupled with a move away from a complex mix of short-term pots of funding to address specific needs in the social care system, a pattern termed ‘crisis, cash, repeat’ by the Institute for Government, is to be welcomed.<sup>14</sup> The decision not to ringfence most funding for social care, and rely instead on notional allocations for local authorities presents a real risk of this funding not reaching disabled people. Further clarity is needed on the consequences if local authorities’ spending decisions diverge significantly from these notional figures.

Any additional stability provided by this multi-year funding risks being cancelled out by additional costs brought on by local government restructures, alongside integrating social care into to neighbourhood health models. The Government has indicated that the latter will not be cost-neutral for the social care sector as this move will require transitional funding as well as greater investment in workforce skills and capacity to promote new ways of working.<sup>15</sup>

Local authorities’ spending decisions should be monitored in line with notional allocations but also to ensure that they are working towards delivering on the three priority outcomes for social care.<sup>16</sup> The Adult Social Care Survey, although based on a limited sample, which does not provide a full picture of the experience of care recipients, has shown a slight increase in dissatisfaction among those who draw on care in recent years, while CQC assessments of how local authorities are meeting their duties under the Care Act have rated a third as ‘requires improvement’ or ‘inadequate’.<sup>17,18</sup>

## Provider pressures

From April 2026 the National Living Wage (NLW) will rise by 4.1% from £12.21 to £12.71. This increase will be welcomed by social care workers, as over half (57%) of those working for independent providers, an estimated 765,000, were paid less than the most recent NLW rate.<sup>19</sup> The Nuffield Trust has estimated that the forthcoming increase in the NLW means that the social care sector requires an additional £1.2bn simply to standstill in 2026/27.<sup>20</sup>

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<sup>13</sup> Association of Directors of Adult Social Services in England (ADASS) - [Autumn Survey Report 2025](#) (November 2025)

<sup>14</sup> Institute for Government - [Adult social care: Short-term support and long-term stability](#) (March 2023)

<sup>15</sup> Department of Health and Social Care - [Impact statement: 10 Year Health Plan for England](#) (January 2026)

<sup>16</sup> Department of Health and Social Care - [Annex C - metrics and data for 2026 to 2027](#) (December, 2025)

<sup>17</sup> Nuffield Trust - [Patients’ overall experience of NHS and social care services](#) (December, 2025)

<sup>18</sup> Institute for Government - [Performance Tracker 2025: Adult social care](#) (October, 2025)

<sup>19</sup> Skills for Care - [The state of the adult social care sector and workforce in England 2025](#) (October 2025)

<sup>20</sup> Nuffield Trust - [Nuffield Trust response to Autumn Budget](#) (November 2025)

While this is the lowest increase in the NLW since 2021, over course of the last decade, growth of the NLW in cash terms has almost been double that of average earnings (82.2% vs 45.1%).<sup>21</sup> Despite this, the care sector remains one typified by low pay and issues with recruitment and retention, with vacancies standing at 111,000.<sup>22</sup> These year-on-year unfunded increases to staffing costs have also placed pressures on providers when fees are not uplifted accordingly.

The 2024 Sector Pulse Check report noted that workforce related costs was the top financial pressure for providers, cited by 92% of those surveyed, which in almost all cases (96%) was driven by the 2024/25 increase in the NLW of 9.8%.<sup>23</sup> It is becoming increasingly common for local authorities' fee uplifts to fail to cover these rises, which was the case for 85% of providers surveyed.<sup>24</sup>

Providers are now facing a double whammy of NLW rises, coupled with increases to employers' National Insurance contributions (eNICs), rising from 13.8% to 15%. Estimates suggest that local authorities' fees rose on average by 5%, which was outstripped by these increased staffing costs which drove up provider costs by 8-10%.<sup>25</sup> This disparity is likely driven in part by the fact that many local authorities have now removed the legal requirement to adjust prices in line with NLW changes, leaving social care providers to absorb additional costs. In 2024/25 Leonard Cheshire received a 0% inflation award on more than £5m of contract values held across the organisation, and where uplifts have been provided these are not universal but vary across "categories" of care packages.

The 2025/26 local government financial settlement provided local authorities with £502m to offset the rise in their own direct staffing costs due to the eNICs increase, but this did not extend to social care providers, who are left to foot a bill, which the Nuffield Trust has estimated as costing £665m.<sup>26,27</sup>

## Back door cuts to care funding

Requests for adult social care in England stood at 2.02m in 2024/25.<sup>28</sup> As of 31 March 2025, 372,113 people were waiting for care to start, direct payments or their care needs assessed, including 195,788 people waiting for assessment.<sup>29</sup>

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<sup>21</sup> Low Pay Commission - [LPC summary of evidence 2025](#) (November 2025)

<sup>22</sup> Skills for Care - [The state of the adult social care sector and workforce in England 2025](#) (October 2025)

<sup>23</sup> Hft and Care England – [Sector Pulse Check, Adult social care sector annual review: A snapshot of the key financial and workforce challenges in 2024](#) (January 2025)

<sup>24</sup> Ibid

<sup>25</sup> King's Fund - [Fixing social care: the six key problems and how to tackle them](#) (October 2025)

<sup>26</sup> Ministry of Housing, Communities and Local Government - [Guidance: updated explanatory note on the Employer National Insurance Contribution Grant 2025 to 2026](#) (February 2025)

<sup>27</sup> Nuffield Trust - [Social care providers at risk of collapse as analysis reveals cost to sector of employer national insurance hike](#) (November 2024)

<sup>28</sup> Department of Health and Social Care- [Adult social care activity report 2024 to 2025: commentary](#) (October 2025)

<sup>29</sup> Association of Directors of Adult Social Services in England (ADASS) – [Spring Survey Report](#) (July 2025)

With local authority budgets increasingly strained, we believe some local authorities are resorting to ‘back door cuts’ to their statutory social care provision. This is taking the form of delays to assessments or reassessments which might have resulted in more costly care packages. Care providers are also facing cases of lengthy fee renegotiations due to reassessments of individuals resulting in lower fee decisions. Local authorities are increasingly placing caps on provider fees, above which uplifts are not provided, resulting in potentially discriminatory outcomes for disabled people with more complex needs.

Pressures on NHS budgets are further impacting the funding of care packages. The ADASS Spring Survey highlighted an ongoing pattern, whereby Directors of adult social care services reported that the NHS is reviewing continuing healthcare (CHC) recipients’ needs and finding they no longer qualified.<sup>30</sup> This has resulted in councils having to fund their care.

Leonard Cheshire is increasingly placed in the difficult position of subsidising placements for people drawing on some of our care services due to the increased rate of termination of Continuing Healthcare (CHC) funding without alternative funding in place. In such circumstances, this has led to drawn-out negotiations between NHS and local authority commissioners over who should pay for this care, with Leonard Cheshire services footing the bill for extended periods until a solution is found. We have been subsidising placements of some individuals for over a year because of the funding gaps and are currently funding £22k of such placements a week.

The previous government’s Fair Cost of Care exercise clearly demonstrated that local authorities in England were underfunding older people’s residential and nursing care.<sup>31</sup> Yet the exercise was limited as it only assessed 65+ residential and 18+ home care. A comprehensive sector-wide process should be launched to assess the real cost of care, and associated shortfall in fees paid across all adult social care services.

### **Fair Pay Agreement: Too little and too late?**

Just over half (52%) of the care workforce report being satisfied with their pay, lower than other similarly low-paid roles (62%).<sup>32</sup> Care providers and staff alike are clear that better pay outside the sector is the primary challenge for recruitment and cause for staff leaving.<sup>33</sup>

The announcement of £500m to be invested in the social care sector by 2028 in time for the first Fair Pay Agreement (FPA), was one that Leonard Cheshire and many others across the sector welcomed. Nonetheless we are concerned that this is arriving too late and falls too far short of what is needed to tackle the issue of low pay across the sector and address the endemic problems of recruitment and retention.

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<sup>30</sup> Association of Directors of Adult Social Services in England (ADASS) – [Spring Survey Report](#) (July 2025)

<sup>31</sup> Care England - [Understanding the Shortfall Between Market Sustainability and Improvement Fund Rates and the Fair Cost of Care for Older People Residential Services](#) (2024)

<sup>32</sup> Resolution Foundation - [Care to negotiate? Making a success of the Adult Social Care Negotiating Body](#) (December 2025)

<sup>33</sup> Ibid



This investment is also overshadowed by additional announcements made in the Autumn Budget. The continued freezing of tax thresholds until 2031 will have a significant impact on the care workforce who will miss out on an estimated 0.7% of pay, costing an estimated £230m take-home pay over 2026/27. By 2028/29, when the first FPA comes into force this will have delivered a cumulative loss across the care workforce of £1.4bn, a sum significantly higher than the £500m committed to the FPA to date.<sup>34</sup>

The illustrative example in the Government's impact assessment of the FPA estimates that once in place, an agreement could lead to 30,000 fewer workers leaving their roles in 2028/29 as turnover would fall to 20.8% (relative to 24.2% in 2023/24).<sup>35</sup>

Turnover in the social care sector is already higher than most sections of the UK economy, and while this has fallen from its pre-pandemic peak of 33.2%, it remains stubbornly high, and providers are likely to face further turbulent conditions ahead of 2028.<sup>36</sup> The closure of the UK care worker immigration route has ended international recruitment of staff which could seriously disrupt local care markets, as analysis has found that in 2023/24 up to 60% of the care workforce in some local authorities were recruited from overseas.<sup>37</sup>

A greater sum than the £500m announced, will be needed to move the sector towards national conditions, pay bands and pension entitlements equivalent to those in local government or the health service. The Fabian Society estimated increasing the wage floor in social care to NHS band 3 could cost £1.5bn, with an additional £343m needed to fund pensions, without which a first agreement may lack the ambition necessary to set workforce pay in a new direction.<sup>38</sup>

## Social care funding: an investment in local communities

In 2018 an NAO report emphasised that *"Social care cannot continue as a Cinderella service,"* this is true not just in pay and conditions relative to the NHS, but also its role in supporting the transition to care in the community, enabling employment and empowering local economic growth.<sup>39</sup>

The social care sector employs 1.59 million people which accounts for 6% of the nation's workforce and makes it a larger employer than the NHS.<sup>40</sup> Across the North East, this is even higher, as roles in the care sector account for one in every thirteen jobs.<sup>41</sup> In 2024/25 the sector was estimated to contribute £77.8 billion gross value added (GVA) per annum to the

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<sup>34</sup> Care England – [Understanding the Silent Pay Cut](#) (January 2026)

<sup>35</sup> Department of Health and Social Care – [Fair pay agreement consultation impact assessment](#) (October 2025)

<sup>36</sup> CIPD – [Benchmarking employee turnover: What are the latest trends and insights?](#) (June 2024)

<sup>37</sup> Politics Home – [London councils hit hardest by closure of social care visa](#) (September 2025)

<sup>38</sup> Fabian Society – [Seizing the opportunity. The Fair pay agreement in social care](#) (May 2025)

<sup>39</sup> National Audit Office – [The adult social care workforce in England](#) (February 2018)

<sup>40</sup> Skills for Care – [The state of the adult social care sector and workforce in England 2025](#) (October 2025)

<sup>41</sup> Fabian Society – [Seizing the opportunity. The Fair pay agreement in social care](#) (May 2025)

country's economy.<sup>42</sup> Research also suggests that increasing spending on care creates more jobs per pound of investment than any other area of public spending.<sup>43</sup>

Investing in social care delivers clear financial returns, as the Government's FPA impact assessment makes clear, even when failing to factor in positive economic impact of more working-age disabled adults entering or returning to the employment through better provision of social care.<sup>44</sup>

Previous research by Frontier Economics commissioned by Leonard Cheshire found that investing in social care reform could generate an additional £6 - £20 billion in annual income for the UK economy through enabling employment and enhancing the earning potential of disabled people across the country.<sup>45</sup>

The reality across local authorities, however, is sadly far from this picture. Healthwatch England estimate that up to 1.5m working age disabled people might not be getting the care for which they are eligible.<sup>46</sup> While a third of Adult Social Care Directors (34%) feel they have little or no influence on decisions involved in the shift towards neighbourhood health. Starting to correct for this will mean no longer overlooking the role social care can play in delivering improved outcomes across local communities.<sup>47</sup>

## Conclusions

Accompanying the Local Government Finance Settlement, the government published a policy paper outlining its adult social care priorities for local authorities from 2026 to 2027<sup>48</sup>. The paper set out three priority outcomes:

- People who draw on care and support, and their carers, experience high-quality adult social care provided by a skilled workforce.
- People who draw on care and support are supported to promote their independence, where possible, and have choice and control over their support.
- People who draw on care and support experience joined-up health and social care services at a neighbourhood level.

Failure to address the funding pressures on social care will undermine the Government's ambition to meet these outcomes. It will also undermine the government's localism and devolution agenda. Local government funding reform cannot be undertaken in isolation to social care reform and vice versa.

It's important to reframe our thinking on social care funding. For too long social care has been viewed through the lens of a cost burden and a problem to be fixed. With a once-in-a-

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<sup>42</sup> Skills for Care - [The state of the adult social care sector and workforce in England 2025](#) (October 2025)

<sup>43</sup> New Economics Foundation – [A care workforce fit for Britain](#) (January 2023)

<sup>44</sup> Department of Health and Social Care - [Fair pay agreement consultation impact assessment](#) (October 2025)

<sup>45</sup> Leonard Cheshire - [Care for Equality](#) (July 2021)

<sup>46</sup> Healthwatch England - [Missing millions: Exploring unmet social care need for disabled adults](#) (July 2024)

<sup>47</sup> Association of Directors of Adult Social Services in England (ADASS) - [Autumn Survey Report 2025](#) (November 2025)

<sup>48</sup> Department of Health and Social Care - [Adult social care priorities for local authorities: 2026 to 2027](#)



generation opportunity to reform adult social care including the establishment of a National Care Service informed by the Casey Commission, now is the time to reframe social care as a core part of our nation's infrastructure and an investment in our communities and in Britain's economic growth.

Social care cuts across different departmental objectives in both local and national government. While it is traditionally funded from MHCLG and DHSC budgets, further funding could be unlocked through wider cross-government working, jointly funding projects to meet shared agendas. For example, investing in social care will help deliver DWP's Get Britain Working agenda and DSIT has a key role to play in driving digital and tech innovation in social care.

Most importantly, behind all the economic figures and political agendas, are real people. Disabled people, older people, carers and a dedicated but strained care workforce. A continued lack of social care funding will leave disabled and older people without vital support and may cost lives. Further funding must be made available to address the rising cost of care with a real-terms uplift to take into account previous and forthcoming NLW rises. More must also be done ahead of the Fair Pay Agreement in 2028 to ensure social care workforce issues are not further exacerbated by then. Disabled people who draw on social care don't have the luxury to wait until then for meaningful change.

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### **About Leonard Cheshire**

Leonard Cheshire is one of the UK's leading charities supporting disabled people. We support individuals to live, learn and work as independently as they choose, whatever their ability and to play our part in creating a fair and inclusive society. Led by people with experience of disability, we are at the heart of local life — providing opportunity, choice and support in the communities across the UK. This includes providing social care through supporting living and registered care homes.