

Moving the conversation on: local government finance

Revised cost pressures figures – October 2019

[As per the 2018 technical annex](#), the initial 2024/25 (and intermediate year) funding gap estimates were developed by the LGA on the basis of the four-year Spending Review period (ending in 2019/20) and the assumption that further business rates retention would be implemented from April 2020, replacing remaining core local council grants with business rates income.

As a result of the delay to further business rates retention, and the 2020/21 funding package announced in the 2019 Spending Round, the LGA is currently undergoing a full revision of its funding gap estimates. While the major changes set out above concern the funding side of the forecast, it is an opportunity to have a fresh look at whether our estimates of minimum cost pressures needed to keep services at a 'stand still' position can also be updated.

For the time being, we reiterate that councils are facing the following cost pressures just to keep services at current quality and access levels, i.e. only dealing with minimal demand and inflation factors:

| | Average annual cost pressures |
|---|-------------------------------|
| Adult social care (including additional demographic pressure for working age adults) | £1.2 billion |
| Children's services (excludes the SEND pressures) | £0.7 billion |
| Homelessness | £0.1 billion |
| Public health | £0.1 billion |
| Other services | £0.4 billion |
| Grand total | £2.5 billion |

The source for these figures remains our 2018 analysis (with an average taken of the four years' worth of pressures for each services from 2020/21 to 2024/25).

The only addition to the methodology from 2018 is an additional estimate for working-age adult social care demand pressures. The methodology table included overleaf recaps the methodology behind our estimates and explains how this additional working-age adult social care demand estimate, worth around £300 million each year, is calculated.

Key assumptions on cost pressures

Please note the demand assumptions are all set at local authority level, but Inflation assumptions are the same nationally.

The starting baseline for pressures calculations was 2017/18 service budgets as reported by councils to the Government through Revenue Account returns, with an additional £1.4 billion underlying pressure in the adult social care provider market.

The following uplifts were then applied – figures in the summary above are the resultant average annual cost pressures for the years 2020/21 to 2024/25.

| Service area | Demand assumption | Inflation | Comments |
|------------------------------------|---|---|--|
| Children's services | <p>Looked After Children costs rise by the annual average percentage change in the number of looked after children, 2013-2017</p> <p>Child safeguarding costs rise by the annual average percentage change in the number of children subject to a child protection plan on 31 March, 2013-2017</p> <p>0-17 population projections applied to other spending lines</p> | CPI inflation | |
| Homelessness | <p>Population projections, total population</p> <p>multiplied by</p> <p>10.9</p> | CPI inflation | <p>Over the 2012-2016 period, the number of homeless households supported by local authorities grew 10.9 times faster per year than the total population. This multiplier was applied to total population projections to work out expected homelessness demand pressures.</p> <p>This assumption translates to 78%, or 65,000 extra homeless households by 2025.</p> |
| Public health | Total population projections | CPI inflation | |
| Adult social care – younger adults | Population projections, 18-64 | 55% CPI inflation, 45% expected increases in the National Living Wage | Inflation weighted to reflect that 60% of adult social care costs are labour-related, and 75% of all staff are direct care workers (Skills for care, 2017). |

| Service area | Demand assumption | Inflation | Comments |
|--|--|---|---|
| Adult social care – younger adults; additional demographic pressures | Matches demand growth in ASC for older people on a 58/42 proportion. Proportion is based on findings by the ADASS Budget survey, which found that services for working age adults account for 58% of the demographic pressures on adult social care budgets, whereas those for older people’s account for 42%. | | The population projections-based demand was netted off to ensure no double-counting. Worth approximately £300m annually. |
| Adult social care – older people | Population projections, 85+ | 55% CPI inflation, 45% expected increases in the National Living Wage | Inflation weighted to reflect that 60% of adult social care costs are labour-related, and 75% of all staff are direct care workers (Skills for care, 2017). |
| Adult social care - other | Population projections, 18+ | | ASC spending baseline and funding baseline exclude ‘core’ BCF. |
| Other services funded from core spending power in 2017/18 | Population projections, total population | CPI inflation | |