

Budget 2025/6 & Policy developments

Impact on the social care sector

Natasha Curry, January 2025



Budget measures



Employer National Insurance:

- Increased rate by 1.2 percentage points from 13.8% to 15%
- Threshold income reduced from £9,100 to £5,000

Minimum wage changes:

- 6.7% increase in National Living Wage for 21+
- 16% increase in Minimum Wage for under 21s

Employment Allowance increase:

- First £10,500 of NIC bill exempt up from £5000
- Widened eligibility



What will this mean for ASC?



Estimated cost to adult SC independent provider sector*:

- NLW: additional **£1.85 billion** in 2025/26
- NICs: additional **£940 million** in 2025/26
- Combined impact of c. **£2.8bn**

If local authorities increase fees to fully cover costs of state-funded care:

- Require additional **£2 billion** in 2025/26

Funding for Social Care in budget/provisional LGFS:

- **£880 million** in grant (shared with children's social care – c60% on ASC)
- **Est. £650 million** from ASC Precept
- Total ASC funding: **c. £1.2 bn**
- *Other additional council funding (not SC specific):*
 - *(£515 million additional funding for LA NICs that could be used for commissioned services)*
 - *Est Max £2.2bn from Council Tax for all council services*

*see <https://www.nuffieldtrust.org.uk/news-item/will-the-autumn-budget-push-the-social-care-sector-beyond-breaking-point> for full method & assumptions

Wider employment policy

(cost uncertain)

Bolstering employee rights in Employment rights bill e.g:



- Right to guaranteed hours
- Right to request flexible hours (but also the right to refuse)
- Day one right to statutory sick pay & consultation on rate of sick pay

Fair Pay Agreement for social care:



- Establish a negotiating body for pay, terms & conditions
- Fair Work Agency to enforce agreement & rights



Also on the horizon



[Home](#) > [Health and social care](#) > [Disabled people](#)

Press release

New reforms and independent commission to transform social care

Immediate investment and reforms to improve adult social care, and Louise Casey appointed to head independent commission and build cross-party consensus.

From: [Department of Health and Social Care](#), [Stephen Kinnock MP](#) and [The Rt Hon Wes Streeting MP](#)

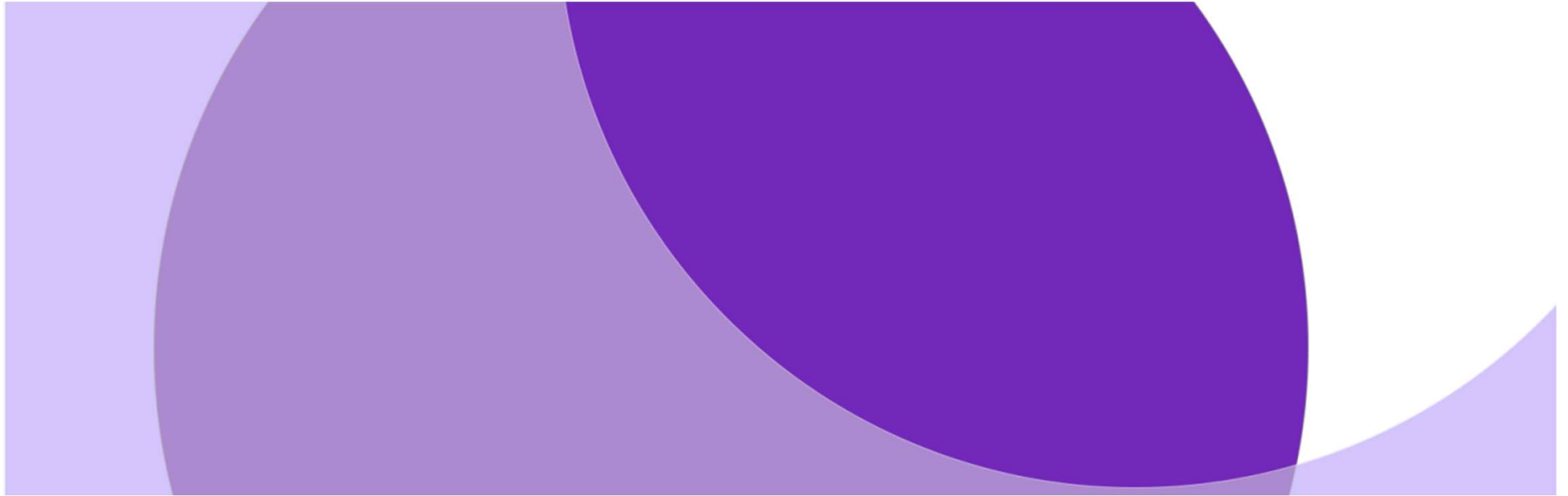
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Casey Commission:

- Phase 1: reporting mid 2026 to “*identify the critical issues facing adult social care and set out recommendations for effective reform and improvement in the medium term*”
- Phase 2: reporting mid 2028 to “*make longer-term recommendations for the transformation of adult social care*”

Comprehensive Spending Review:

- ‘Spring’ 2025 to set budgetary envelope to April 2029 (?)
- Submit representations here: [1. Executive Summary | Spending Review 2025 - Phase 2](#)



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