

## Agenda – Finance Committee

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Meeting Venue:

Committee Room 1 – Senedd

Meeting date: 1 March 2018

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6372

[SeneddFinance@assembly.wales](mailto:SeneddFinance@assembly.wales)

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- 1 Introductions, apologies, substitutions and declarations of interest**  
(09.00)
- 2 Paper(s) to note**  
(09.00) (Pages 1 – 3)
- 2.1 PTN1 – Letter from the Minister for Housing and Regeneration to the Finance Committee – Regulation of Registered Social Landlords (Wales) Bill – 21 February 2018**  
(Pages 4 – 5)
- 3 Motion under Standing Order 17.42 to resolve to exclude the public from items 4, 5 and 6**  
(09.00)
- 4 Second Supplementary Budget 2017–18: Consideration of draft report**  
(09.00–09.15) (Pages 6 – 25)  
Paper 1 – Draft report
- 5 Auditor General for Wales nomination: Consideration of draft report**  
(09.15–09.25) (Pages 26 – 44)  
Paper 2 – Draft report  
Paper 3 – Response from local government – 22 February 2018  
Paper 4 – Draft motion



## **6 The Cost of Caring for an Ageing Population: Consideration of consultation responses**

(09.25–09.40)

(Pages 45 – 63)

Paper 5 – Summary of consultation responses

[Consultation Pack](#)

## **7 The Cost of Caring for an Ageing Population: Evidence session 1 (WLGA and ADSS Cymru)**

(09.40–10.30)

(Pages 64 – 90)

Councillor Huw David, WLGA Spokesperson for Health and Social Care and Leader of Bridgend County Borough Council

Councillor Susan Elsmore, WLGA Deputy Spokesperson for Health and Social Care and Cabinet Member for Social Care and Health, Cardiff Council

Dave Street, President, Association of Directors of Social Services Cymru

Paper 6 – Written evidence: Welsh Local Government Association / Association of Directors of Social Services Cymru

## Concise Minutes – Finance Committee

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Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Wednesday, 14 February  
2018

Meeting time: 09.01 – 12.02

This meeting can be viewed  
on [Senedd TV](#) at:

<http://senedd.tv/en/4616>

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### Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Mike Hedges AM Jane Hutt AM Nick Ramsay AM David Rees AM
Witnesses:	Mark Drakeford AM, Cabinet Secretary for Finance Matthew Denham-Jones, Welsh Government Gawain Evans, Welsh Government
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Deputy Clerk) Martin Jennings (Researcher) Christian Tipples (Researcher) Katie Wyatt (Legal Adviser)



## **1 Introductions, apologies, substitutions and declarations of interest**

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Steffan Lewis AM.

## **2 Paper(s) to note**

2.1 The papers were noted.

2.1 **PTN1 – Letter from the Welsh Revenue Authority – Cross border land titles and WRA taxpayer repayments – 30 January 2018**

2.2 **PTN2 – Letter from the Chair to the Equality, Local Government and Communities Committee – Public Services Ombudsman (Wales) Bill – 8 February 2018**

2.3 **PTN3 – Letter from the Chair to the Constitutional and Legislative Affairs Committee – Public Services Ombudsman (Wales) Bill – 30 January 2018**

2.4 **PTN4 – Letter from the Cabinet Secretary for Health and Social Services – Public Health (Minimum Price for Alcohol) (Wales) Bill – 9 February 2018**

## **3 Second Supplementary Budget 2017–18: Evidence session**

3.1 The Committee took evidence from Mark Drakeford AM, Cabinet Secretary for Finance; Gawain Evans, Director of Finance, Welsh Government; and Matthew Denham-Jones, Deputy Director, Financial Controls, Welsh Government on the Second Supplementary Budget 2017–18.

## **4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting**

4.1 The motion was agreed.

## **5 Second Supplementary Budget 2017–18: Consideration of evidence**

5.1 The Committee considered the evidence received.

## **6 Public Health (Minimum Price for Alcohol) (Wales) Bill: Consideration of draft report**

6.1 The Committee considered and agreed its draft report with minor changes.

## **7 Tax Collection and Management (Wales) Act 2016: Tax Statutory Instrument**

7.1 The Committee considered the Tax Collection and Management (Reimbursement Arrangements) (Wales) Regulations 2018 and agreed to report.

## **8 Legislative budget process**

8.1 The Committee held an informal session with Daniel Greenberg, a barrister specialising in legislation.



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MA - L/RE/0066/18

Simon Thomas AM  
Chair  
Finance Committee  
National Assembly for Wales  
Cardiff  
CF99 1NA

21 February 2018

Dear Simon,

I would like to thank the Finance Committee for its scrutiny of the Regulation of Registered Social Landlords (Wales) Bill during Stage 1 of the legislative process. I have set out responses to the three recommendations made in the Finance Committee Stage 1 scrutiny report on the Regulation of Registered Social Landlords (Wales) Bill below.

- 1) The Committee recommends that the Welsh Government outlines a strategy for how it will monitor the financial performance of Registered Social Landlords in order to minimise the risks associated with deregulation of the sector*

I accept this recommendation. Continued financial viability of RSLs is critical. Financial performance of each RSL is monitored as part of continuous regulatory oversight and informs the published annual regulatory judgements on financial viability and governance and landlord services.

There are risks when RSL Boards decide to undertake new activities. What is important, however, is how Boards identify, understand, consider and manage those risks. The Performance Standards, which RSLs must meet, includes a requirement to evidence how new business risks are identified, assessed and managed and is one of the factors taken into account in reaching regulatory judgements.

The Welsh Government will be publishing a review of the current levels of exposure to non core business activities (diversification) and will set out its intention to monitor forward plans over a rolling five year period to inform its view on the overall levels of exposure of the sector as well as individual RSLs to ensure the risk is appropriate and manageable. The review and strategy will be published in the forthcoming sector risk overview publication due in Spring 2018.

Bae Caerdydd • Cardiff Bay  
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[Correspondence.Rebecca.Evans@gov.wales](mailto:Correspondence.Rebecca.Evans@gov.wales)  
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

- 2) *The Committee recommends that the Welsh Government should allocate sufficient resources to enable the Tenant Participation Advisory Service to increase its communication with tenants to ensure that they are aware and understand the change of regime as a result of this Bill.*
- 3) *The Committee recommends that the Welsh Government should allocate sufficient resources for the production of guidance for Registered Social Landlords to ensure a consistent approach to implementing the new regime.*

I accept these recommendations. I am currently of the view there are sufficient resources in place for the reasons identified in the Regulatory Impact Assessment. I can, however, assure the Committee that resources are under constant review by officials and in liaison with TPAS Cymru and the RSL sector.

I hope this letter is helpful in setting out my response to the Committee's report. I will also be writing to the Chairs of the External Affairs and Additional Legislation Committee and the Constitutional and Legislative Affairs Committee with regard to their Stage 1 reports and will copy the letters to all three Committee Chairs.

I look forward to continuing to work with Members as the Bill progresses through the Assembly process.

Yours sincerely,



**Rebecca Evans AC/AM**  
Y Gweinidog Tai ac Adfywio  
Minister for Housing and Regeneration

# Agenda Item 4

By virtue of paragraph(s) vi of Standing Order 17.42

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# Agenda Item 5

By virtue of paragraph(s) vi of Standing Order 17.42

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Steve Thomas  
WLGA

8 February 2018

Dear Steve,

## NOMINATION FOR THE APPOINTMENT OF AUDITOR GENERAL FOR WALES

Further to my letter of 10 October 2017, I am writing to confirm that Adrian Crompton has been selected as the preferred candidate for the position of Auditor General for Wales. I enclose a copy of his curriculum vitae for information.

Following a rigorous and competitive recruitment process, the selection was made by a panel chaired by myself, alongside:

- Nick Ramsay AM (Chair of the Public Accounts Committee);
- Isobel Garner (Chair of the Wales Audit Office Board);
- Caroline Gardner (Auditor General for Scotland); with
- Manon Antoniazzi (Chief Executive and Clerk to the National Assembly for Wales) as an Independent Advisor.

The Finance Committee also held a public pre-nomination hearing with the preferred candidate on 31 January and supports his nomination for appointment. You can watch the pre-nomination hearing via the following link:

[http://senedd.assembly.wales/SiteSpecific/SeneddTV.aspx?mg\\_m\\_id=4614](http://senedd.assembly.wales/SiteSpecific/SeneddTV.aspx?mg_m_id=4614)

In accordance with Section 2(3) of the Public Audit (Wales) Act 2013, we are required to consult with yourself (as the body which represents the interests of local government bodies in Wales) prior to making a nomination for appointment.



The Assembly is scheduled to consider a motion to nominate the preferred candidate for appointment by Her Majesty in March 2018. Therefore, I would be grateful for a response by 21 February 2018.

Should you require any clarification or further information, please contact my lead official: Bethan Davies, Committee Clerk, 0300 200 6372.

[SeneddFinance@assembly.wales](mailto:SeneddFinance@assembly.wales)

Yours sincerely,



Simon Thomas AM

Chair

*Croesewir gohebiaeth yn Gymraeg neu Saesneg.*

*We welcome correspondence in Welsh or English.*



## Career history – Adrian Crompton

### May 2007 to date

#### Director of Assembly Business, National Assembly for Wales

- leadership of some 160 staff who provide the specialist parliamentary research, legal, procedural, communications and administrative support that the Assembly requires;
- personal responsibility for ensuring the effective conduct of all formal proceedings of the Assembly in its plenary meetings and committees;
- principal advisor to the Llywydd on the programme of legislative reform to increase the size of the National Assembly and fundamentally reform its electoral system;
- resource budget of around £7 million;
- member of executive boards within the organisation that provide strategic leadership, ensure good governance and decide the strategic allocation of all financial and personnel resource;
- numerous corporate responsibilities: for example, currently as chair of the principal change initiative, the *MySenedd* digital transformation programme;
- senior advisor to the **National Assembly for Wales Remuneration Board**, the independent body that sets the pay, pension and financial support of Assembly Members.

### April 2014 to date

#### Global Partners Governance Associate

Spent 2014 working for Global Partners Governance, a social purpose company strengthening parliamentary democracy and political institutions in countries around the world. This work continues today, alongside role at the National Assembly, providing expert advice and support to senior politicians and civil servants, primarily in countries in the Middle East and North Africa – Sudan, Iraq, Egypt and Jordan. This expertise and practical support is at the heart of projects nurturing democratic transition in what are some of the most difficult and challenging political environments in the world.

### September 2006 to May 2007

Head of the Members' Research and Committee Service, National Assembly for Wales

### March 2004 to August 2006

Head of the Members' Research Service, National Assembly for Wales

### July 1999 to March 2004

Committee Clerk, National Assembly for Wales

### October 2002 to October 2003 (secondment)

Advisor to the University of London Constitution Unit

### February 1998 to July 1999

Government statistician, Welsh Office/National Assembly for Wales

### May 1988 to February 1998

Research Clerk, House of Commons Library Research Division

### Other information

- University of Bath 1983-87. BSc Economics, 2:1.
- Industrial placement with IBM 1985-86.

## Career history – Adrian Crompton

- 1997 Industry & Parliament Trust Fellowship with Railtrack
- 2011 - 2017, a Board member of LINC Cymru, a socially responsible company providing social housing and care services for the elderly across south Wales.
- Member of the **Study of Parliament Group**, which brings together senior parliamentary staff and academics studying parliamentary government and political science.
- Member of the **Political Studies Association**, which promotes political engagement and research with politicians, academia, the media and other key opinion formers.

Ein Cyf /Our Ref:

Eich Cyf /Your Ref:

Dyddiad /Date:

Gofynnwch am/Please ask for:

Llinell uniongyrchol/Direct line:

Ebost/Email:

ST/SS

22<sup>nd</sup> February 2018

Steve Thomas

029 2046 8610

steve.thomas@wlga.gov.uk



CLILC • WLGA

Simon Thomas AM  
Chair of the Finance Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

Dear Simon,

Thank you for your letter setting out the appointment of Adrian Crompton as the new Auditor General for Wales. I have dealt with Adrian in his current role and have found him to be highly professional and capable. I am sure he will develop the role of the Auditor General in Wales and subject the public sector to scrutiny without "fear or favour", also his understanding of Welsh Government and National Assembly for Wales will be an asset to the organisation.

Local Government is the largest client of the WAO and we have worked closely with Huw Thomas over the years. We wish him a happy retirement.

As the largest client we also have concerns about the current focus of the WAO. For example, it is a widely held view across Councils that many of the national studies produced are neither timely or particularly insightful. Equally while the WAO may have trimmed its fees in recent years these reductions bear no relation to the financial cuts experienced by Councils. We hope that Adrian will engage with WLGA and Councils on these issues once he starts the role as Auditor General.

I hope these comments assist.

Your sincerely,

**Steve Thomas CBE**  
Prif Weithredwr/Chief Executive

Steve Thomas CBE  
Prif Weithredwr  
Chief Executive

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wlga.cymru  
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@WelshLGA

**Croesawn ohebiaeth yn y Gymraeg a'r Saesneg a byddwn yn ymateb i ohebiaeth yn yr un iaith.**

**Ni fydd defnyddio'r naill iaith na'r llall yn arwain at oedi.**

**We welcome correspondence in Welsh and English and will respond to correspondence in the same language.**

**Use of either language will not lead to a delay.**

By virtue of paragraph(s) vi of Standing Order 17.42

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# Agenda Item 7

## WLGA AND ADSS CYMRU EVIDENCE TO THE FINANCE COMMITTEE ON THE INQUIRY INTO THE COST OF CARING FOR AN AGEING POPULATION



CLILC • WLGA

**JANUARY 2018**



**ADSS Cymru**

Leading Social Services in Wales

Yn arwain Gwasanaethau  
Cymdeithasol yng Nghymru

### About Us

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.
2. The WLGA is a politically led cross-party organisation, with the leaders from all local authorities determining policy through the Executive Board and the wider WLGA Council. The WLGA also appoints senior members as Spokespersons and Deputy Spokespersons to provide a national lead on policy matters on behalf of local government.
3. The WLGA works closely with and is often advised by professional advisors and professional associations from local government, however, the WLGA is the representative body for local government and provides the collective, political voice of local government in Wales.
4. The Association of Directors of Social Services Cymru (ADSS Cymru) is the professional and strategic leadership organisation for social services in Wales and is composed of statutory Directors of Social Services, and the Heads of Service who support them in delivering social services responsibilities and accountabilities; a group of more than 80 social services leaders across the 22 local authorities in Wales.

### Introduction

5. We welcome the opportunity to comment on the Finance Committee's inquiry into the cost of caring for an ageing population. The demographic challenges facing Wales have been well documented. Across the UK nations Wales has seen the slowest overall population growth, but has the largest and fastest growing population of older people (aged 65 and over). A 2016 OECD report confirms that although the burden of chronic and complex conditions associated with increased life expectancy is increasing across the UK, it is higher in Wales than England<sup>1</sup>. Another key indicator, the levels of poverty (linked with ill health), is also higher in Wales than the other UK countries.

<sup>1</sup> OECD Reviews of Health Care Quality: United Kingdom 2016 - Raising Standards (available here: <http://www.oecd.org/unitedkingdom/oecd-reviews-of-health-care-quality-united-kingdom-2016-9789264239487-en.htm>)

6. This comes at a time when local public services have faced over £1bn in cuts since the introduction of austerity measures in 2010. With service pressures running at anywhere between £150m and £300m a year, the financial position is becoming unsustainable. Councils are using their medium term financial strategies to plan for future savings requirements but there are clearly risks in terms of financial resilience, not least the burgeoning costs of social care and increasing need.
7. Social care has been identified as a sector of national strategic importance by Welsh Government Ministers and 'Prosperity for All' has identified social care as one of its priority areas with the ability to have the greatest potential contribution to long-term prosperity and well-being. This comes at the same time as the Parliamentary Review into the long-term future of Health and Social Care in Wales has reported that the case for change is compelling, with a need to create seamless health and care services for the people of Wales. We believe that an examination of the long-term future of health and social care is vital to be able to look at how we can create a sustainable and properly funded health and social care system. This will be central to developing a new approach in Wales that is fit for future generations, particularly given the current financial and demographic pressures placed on the system.

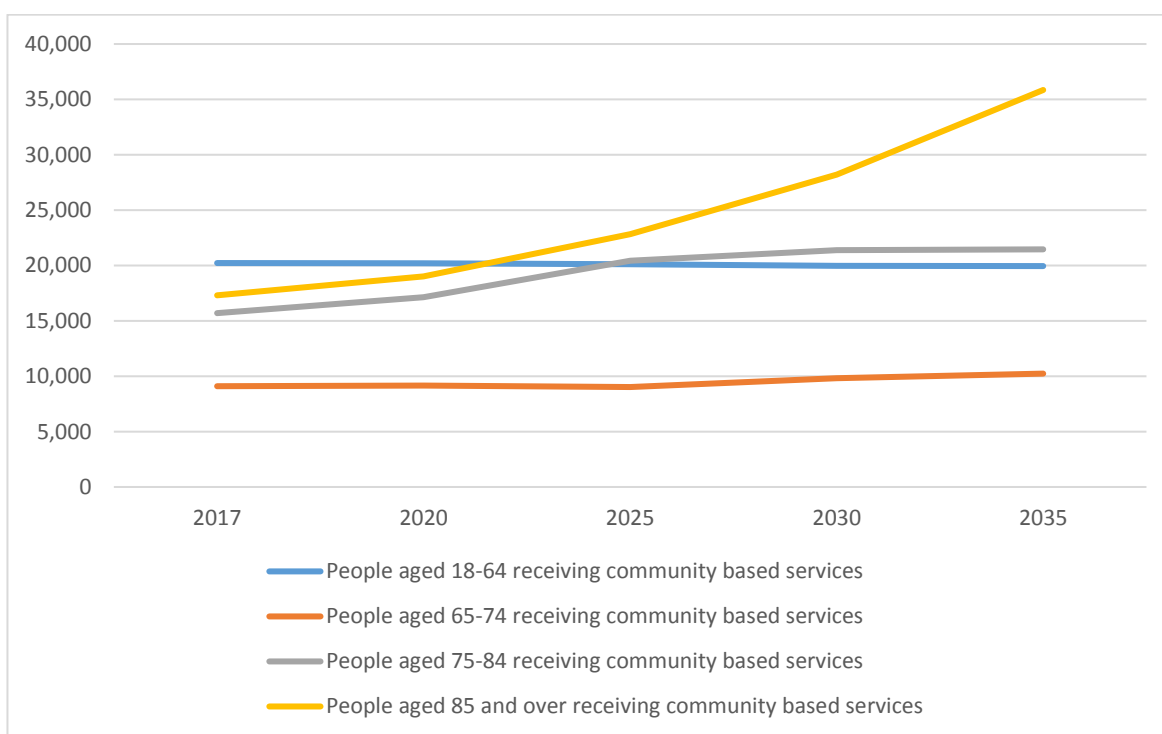
## **Patterns in Demand**

8. The wider challenges facing social care have been well documented. As a result of demographic changes primary and community care services are facing increasing and more complex demands; more people are diagnosed with one or more preventable health condition; and frail, older people increasingly have more complex needs. This comes at a time when we continue to experience severe austerity in funding for public services across the UK.
9. Currently, approximately 70% of adults (aged 18+) in receipt of social services will be over the age of 65 and nearly a third will be over the age of 85. In addition, we know that in the wider population around 28% of those aged 85 and over are in receipt of support from social services, compared with just under 3% of people aged over 18. This highlights the significant impact that an ageing population, with increasingly complex needs, will have on services.
10. The most recent report from Wales Public Services 2025, 'A delicate balance? Health and Social Care spending in Wales' focused on the difficulties local authorities are having keeping pace with spending. The report identifies that spending on social care for the over 65's is not keeping pace with the growth in the population of older people. The increasing over-65 population in Wales means that whilst day-to-day spending on local authority-organised adult social services has remained broadly flat in real terms, spending per older person has fallen by nearly 13% in real terms over the last five years in Wales, inevitably leading to impacts on services for older vulnerable people. Spending per head would have to increase by at least £129 million (24%)

(2016-17 prices) between 2015-16 and 2020-21 to return to the equivalent level of spending in 2009-10, which amounts to a 2.5% year-on-year increase.

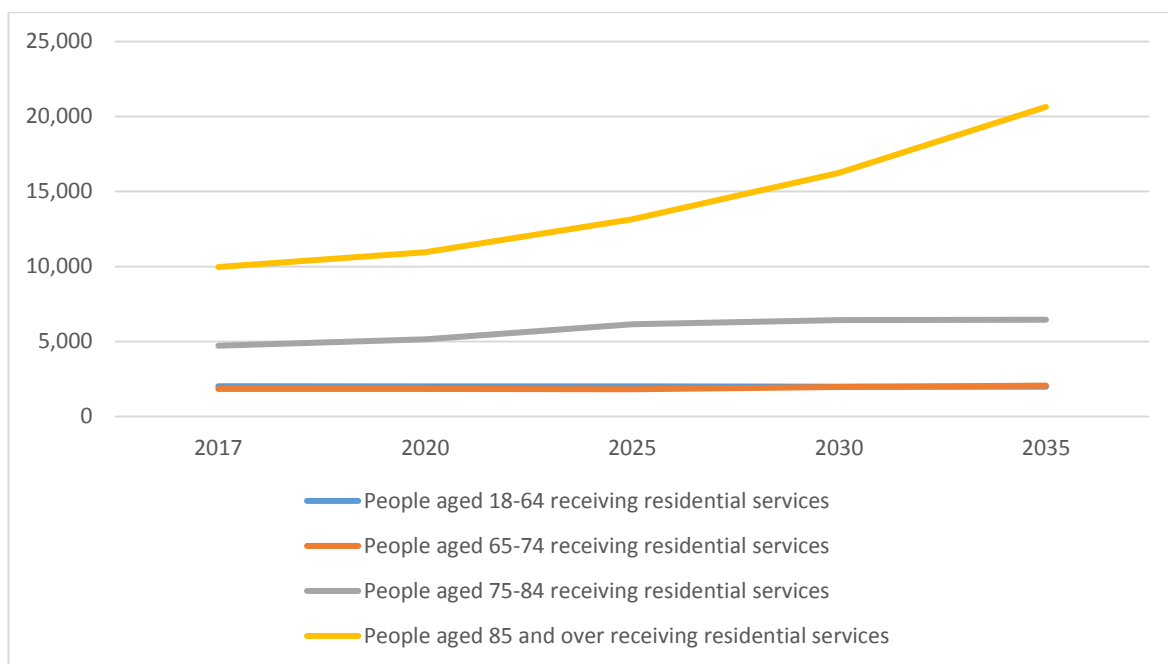
11. The report complements the findings from the Health Foundation report, 'The path to sustainability: Funding projections for the NHS in Wales to 2019-20 and 2030-31', recognising the twin challenges of financial and demand pressures faced by health and social care in Wales. The Health Foundation report also recognised that the health of the population depends on far more than just the quality of health care services. Key determinants of health are largely outside the control of health services and so the quality of, and spending on, social care has one of the strongest impacts on the demand for health care. It has been estimated that pressures on adult social care alone will rise by around 4.1% a year in real terms between 2015 and 2030-31, due to demography, chronic conditions and rising costs. This will require the social care budget to almost double to £2.3bn by 2030-31 to match demand.
12. Population projections estimate that by 2035, the number of people aged over 65 living in Wales will increase by 33%. The largest increase will be in the number of people aged over 85 which is forecast to rise by 107% according to the Institute of Public Care's Daffodil system. The impact of these increases on some aspects of social services can be seen in Figures 1 and 2 below which demonstrate the projected increase in demand, particularly for those aged over 85, that will be placed on both social care community-based services and residential services in future years.

**Figure 1:** People aged 18+ receiving community-based services, by age, projected to 2035



(Source: Daffodil)

**Figure 2: People aged 18+ receiving residential services, by age, projected to 2035**



(Source: Daffodil)

13. The changing demographics will also impact on unpaid carers. An ageing population with improved life expectancy for people with long term conditions or complex disabilities means the need for more high-level care provided for longer. We are likely to see more older people in a caring role, with the number of carers over 85 predicted to double in the next 20 years. Increasing hours of care often results in the general health of carers deteriorating incrementally. Unpaid carers who provide high levels of care for sick, or disabled relatives and friends, are more than twice as likely to suffer from poor health compared to people without caring responsibilities. Caring responsibilities can have an adverse impact on the physical and mental health, education and employment potential of those who care, which can result in significantly poorer health and quality of life outcomes. These in turn can affect a carer’s effectiveness and lead to the admission of the cared for person to hospital or residential care, placing further pressure on our already over-stretched system.
14. All regions have published their Regional Population Needs Assessments and are currently developing their Population Area plans. All identify the important and vital role that unpaid carers undertake and are committed to improving access to suitable breaks and respite that meet the varied, often complex needs of the people they care for. Many regions are mapping or exploring more flexible options that meet specialist needs, such as autism or dementia. It is acknowledged that planning for carers services needs to consider the potential future needs of older carers and find ways of supporting older carers to plan ahead.

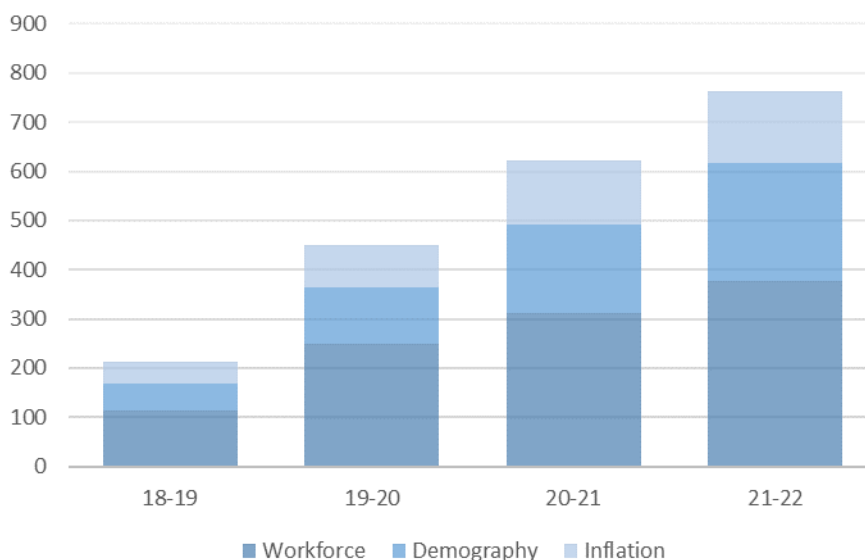
## **Overall Cost Pressures faced by local government**

15. The higher-level longer-range forecasts produced by the Health Foundation and Wales Public Services 2025 are supported by the shorter-term estimates of the WLGA. A large proportion of

supply-side pressures over the coming years are attributable to either direct workforce costs for councils, or indirect costs of third party providers. In previous years, there have been substantial cost increases such as £60m in employers' National Insurance payments due to the introduction of Single Tier Pensions in 2016-17, and £18m for the Apprenticeship levy in 2017-18. Looking forward, there are significant pressures from increased employer contributions to the Local Government Pension Scheme (£100m by 2021-22).

16. While the future of public sector pay is currently a matter of national debate, the anticipated 2% pay increase, following years of a 1% increase, are compounded by the impact of the Pay Spine Review which could add a combined 2.5% to the costs of payroll each year over a two-year period depending on the negotiations between Employers and the Unions. Altogether payroll costs will be £378m higher by 2021-22.
  
17. Figure 3 below shows the current assessment of expenditure pressures for local government. Total expenditure pressure for 2018-19 is higher than previous estimates at £212m. Just over half of this is the unavoidable financial pressure of pay and pensions. By 2021-22 this is estimated to rise to £762m with workforce pressures (£378m) higher than demographic pressures (£239m). Other inflationary pressure will account for £145m at the end of the same period.

**Figure 3:** Cumulative pressures up to 2021-22, by source, £m

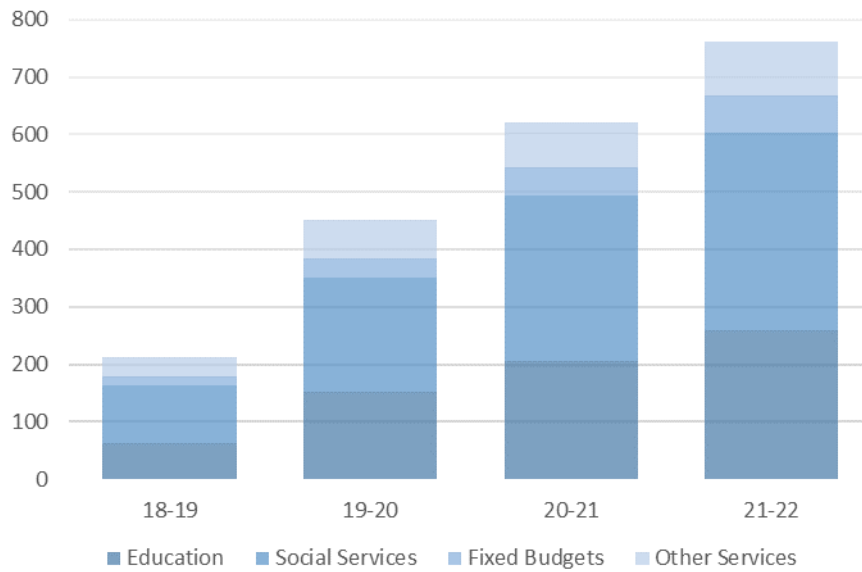


**Source:** Base estimates: RO and RA returns (2014-15 to 2015-16)

18. Figure 4 below shows that a greater proportion of pressure is building up in social services. An additional pressure of £99m next year becomes £344m by 2021-22. Cost drivers in the education service rise from £64m next to £258m over the same period. Fixed elements of the budget – capital financing, fire levies and the Council Tax Reduction Scheme (CTRS) – rise from £17m to

£66m by the end of the period. The remaining services are the ones most at risk and areas that have borne the brunt of austerity.

**Figure 4:** Cumulative pressures up to 2021-22, by service, £m

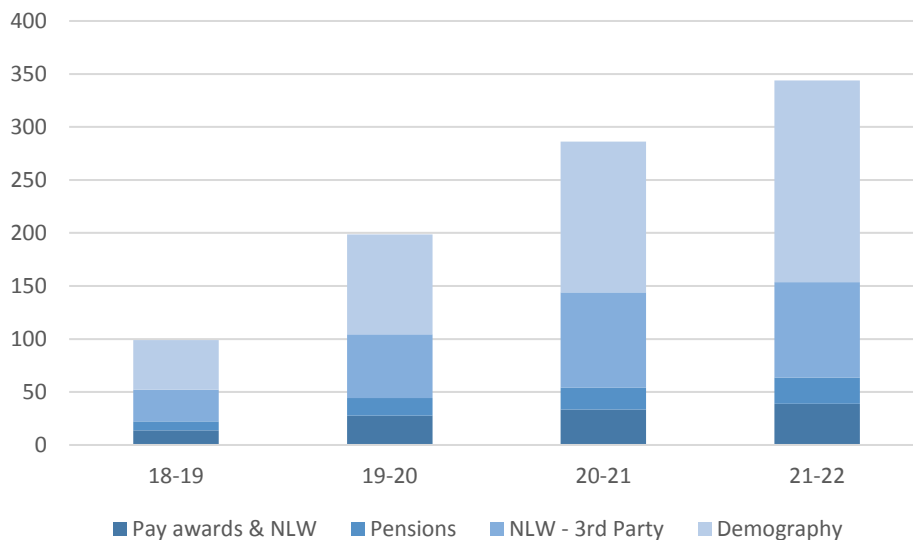


**Source:** Base estimates: RO and RA returns (2014-15 to 2015-16), NLW impact: WLGA Survey (2016)

### Pressures specific to social services

19. In the WLGA model, we take the broader estimate of demand factors across all social services from earlier work of Wales Public Services 2025 which demonstrated that pressures drive around 2.9% growth each year. This is an increase of approximately £47m annually up to 2021-22.
20. Figure 5 below shows that within social services budgets, demographic pressures account for roughly half of the forecast growth next financial year, a proportion that increases gradually up to 2021-22. Direct and Indirect workforce pressures account for the remainder.

**Figure 5: Elements of social care pressures up to 2021-22, by service, £m**



21. Pressures due to social care continue to pose the most risk to council's financial sustainability in the medium to long term. The current funding arrangements will not cover the expected increases in cost and demand facing social services. Local government's spending pressures will total around £212m in 2018-19 which will have to be either fully absorbed by councils (or cuts made elsewhere) or partially offset by council tax increases.
22. A knock-on impact of the pressures being faced within social care has meant that the provider market has been fragile for some time and all the signs are that the difficulties will only increase. For example, 13 of the 22 Welsh local authorities have reported domiciliary care contracts being handed back to them. For some areas of Wales it can be very difficult to access domiciliary care to respond to complex cases or because of the rurality of the area, with local authority provision having to fill the gap, often with difficulty.
23. There are a series of factors that have increased or will further increase the costs of providing care services, including:
  - National Living Wage
  - Sleeping in judgement
  - Pension changes
  - Travel costs
  - Impact of HMRC changes
24. The pressures on social care are the most significant, immediate and direct for local authorities but we need to recognise the importance of other council services, which are all involved in helping to meet the demands placed on both health and social care services. Services such as libraries and leisure centres have increasingly been playing a part in supporting older people to stay well and independent. We also know that suitable housing can significantly improve life in

older age, while unsuitable housing can be the source of multiple problems and costs. There will continue to be a need for high-quality nursing and residential care for those who need it, as well as a need to consider alternatives such as enhanced support at home. Appropriately designed housing that can adapt to people's changing needs as they age has a number of benefits, including reducing demand on health and care services. We firmly believe that there is a real need for investment in housing for older people to both improve existing provision and plan new and creative ways of delivering suitable accommodation, tailored to the needs of whole sectors of our communities. Enabling us to be able to meet the changing needs and demands being placed on our services.

25. We retain a firm belief that investment in preventative services must be the core priority for Welsh Government, in line with the philosophy of both the Social Services and Well-being Act and the Wellbeing of Future Generations Act and in terms of sound budgetary policy. Many preventative services in local government, such as leisure centres, parks, adult education, youth work and community facilities are provided at the discretion of local councils. Unfortunately, in recent years it is these preventative services that have faced the brunt of cuts to local authority budgets as statutory services such as education and social services have been protected. The recent report by Wales Public Services 2025, 'Austerity and Local Government in Wales: an analysis of income and spending priorities, 2009-10 to 2016-17', highlighted the significant impact that eight years of austerity have had on local public services. Cuts in the smaller but vital services have been deep, with question marks over their future sustainability if a further period of cuts were to continue.
26. At the same time in the NHS, available funds have been targeted at delivering improved performance in secondary care services, most notably to address referral to treatment waiting times. Pressure on hospital services has never been greater and NHS organisations have therefore struggled to redirect resources into preventative services based in primary and community settings.
27. The Welsh Government's investment in the Intermediate Care Fund (ICF), now the Integrated Care Fund, has been welcomed by local government and has led to the introduction of a number of preventative services across Wales, with older people with complex needs and long-term conditions being one of the priority areas for the fund. All regions have reported that the ICF has developed a culture of collaboration with improved communication and decision making across all sectors. There is an enhanced understanding of what different partners can provide, with improved knowledge of good practice within the region that can be developed and shared more widely. The fund has also increased capacity to improve outcomes for people and to deal with demand for services. Some areas of good practice include single point of access, the establishment of intermediate care teams (ensuring the provision of co-ordinated services across health and social care), rapid response teams, social care or third sector staff working alongside health staff in hospital to prevent delayed discharges, extending the range of rehabilitation /



reablement services (including the use of intermediate care flats as part of a wider health, social care and community complex).

28. Its success comes from providing dedicated resources, supported by focused leadership, joint decision-making and governance, to enable public services to concentrate and deliver transformational change. The introduction of the ICF has evidenced the benefits of joint planning and joint decision making and we believe more can be done. For example, by increasing the funding available through the ICF or by bringing oversight of the Primary Care Fund under the newly established Regional Partnership Boards, as the ICF currently is, to enable us to fully examine opportunities for integrated working.
29. All accept that it is not just about chasing pots of money. It's about identifying money and people that are not already entangled in sector pressures or rules that can be used to achieve something new while at the same time trying to at least maintain, if not improve the level and quality of existing services.

## **Arrangements for Funding Social Care**

30. On-going financial austerity measures for local authorities mean that there is little scope for cost pressures to be reflected adequately in prices paid for care in the near future. Increases in costs cannot be absorbed by care providers indefinitely (nor cross-subsidised by self-funders) and unless a more strategic and sustainable solution is found, there will be significant consequences across the social care market.
31. Social Care Wales have developed a five-year strategic plan covering care and support at home in Wales. This plan recognises the need for a systematic change to the way care and support at home is provided. The strategy identifies the need for Welsh Government to realign funding and to explore the options available to increase and maximise the resources invested in care and support at home.
32. The Care Inspectorate Wales (formerly Care and Social Services Inspectorate Wales) review of domiciliary care supports this view, noting that whilst simplifying and standardising processes will make some parts of the system more efficient and may save some money, it will not be enough on its own. More money needs to be made available in the system so that in years to come there is a resilient, competent workforce and quality provision of care.
33. While medium-term financial planning is firmly embedded and improving in local authorities, longer term thinking is still at a nascent stage, though there are positive signs the Wellbeing of Future Generations Act is proving to be a useful lens through which to view future service provision. Some authorities are starting to undertake strategic programmes of 'whole-authority' work. For example, 'Future Monmouthshire' aims to pose a set of questions about the

authority's core purpose, relationships with communities, citizens and stakeholders and its appetite for economic growth and local prosperity.

34. One of the aims of programmes like this is to develop a new operating model in order to equip authorities to meet their goals amidst increasing change and uncertainty. The new operating model will have a clear purpose: to create the capacity and foresight to develop solutions to some of the biggest challenges, ensuring that authorities understand the shifting needs and priorities of communities and positioning themselves as enablers for change.
35. We cannot continue as we have done in the past eight years of austerity where the additional funding for social care has to be found from a mixture of council tax increases and funding from discretionally areas. In his Financial Resilience Report, the Auditor General has calculated that between 2010-11 and 2016-17, there was a real-terms reduction of £761 million (17%) in aggregate external finance (core grant) for local government. This has had varying impacts across local public services with some experiencing real terms reductions of over 50%, and spending at levels not seen since the 1990s.
36. Given the significant pressures being faced there is a growing consensus that social care is such a significant challenge that new thinking on funding is required. The crisis facing social care was quite rightly a major issue during the general election campaign, and reflects how deeply concerned the public are about how we care for older and disabled people. Fundamental changes to the way we fund social care are needed if we are to deliver a long-term sustainable system that works for everyone in society and meets their needs with safe and high-quality services. Difficult, brave and possibly even controversial decision-making will be required to secure the long-term future of care and support, not just of older people, but people of all ages.
37. This is not a new debate, in 2013 for example, the then Deputy Minister for Social Services commissioned research from LE Wales on paying for care in the Welsh context which included data on current charging, present and future population composition, and trends in income and capital. Two research reports were published, the first in April 2014. The report provided data on population trends in Wales and projections of current and future demand for care services. It also included data on expenditure on, and income from, care services, and on charging arrangements across Wales. The report also looked at alternative models for paying for care and considered the arrangements in other countries including France, Germany, Sweden, Japan and Australia. The second LE Wales report, published in October 2014, provided projections of demand for, and the costs of, care under a number of scenarios over a 25-year period from 2013 to 2037. This second report also set out the possible impacts of a variety of policy options for both residential and non-residential care. Five policy options were considered:
  - Option 1: All care costs are paid through government expenditure
  - Option 2: Set Government contribution
  - Option 3: Weekly maximum on self-funders' contribution
  - Option 4: Lifting housing assets threshold

- Option 5: Lifetime cap on care charges

The report also looked at some potential financial services products and state funding options, such as a social insurance fund.

38. In their recent paper for the IWA, Solving Social Care, both Professor Gerry Holtham and Tegid Roberts suggest a common insurance fund to pay for the growing costs into the future. Another suggestion by the Financial Times commentator, Merryn Somerset Webb proposes capping the fees of the asset management industry to free up funds for social care. Both are interesting interventions into this debate and need serious examination.
39. We have welcomed the Cabinet Secretary's recent proposal to use the Welsh Government's new tax-varying powers to look at funding a social care levy. There is a need to focus on long-term funding solutions such as this proposal and look at how to build political and public support for them. Extra funding for social care can empower councils to prioritise prevention work which is key to reducing the pressures on the health service and keeping people out of hospital in the first place so they can lead fulfilling and independent lives in their communities and close to their loved ones, which will reduce costs to the public purse.
40. An essential foundation for long-term reform is greater awareness amongst the public of why social care matters in its own right. Everyone who has a stake in our care system should help build this awareness. Similarly, progress is only likely to be made if there is cross-party consensus on a way forward. There is a need for an open and frank discussion around the proposals and options, with a need to fully engage with the public on the issue led by Welsh Government.
41. It is important to remember that the policy options that we consider do not change the total cost of the care system, rather they change the way in which those costs are paid for and by whom and that while planning for the future, and to pave the way for long-term reform, we must address more immediate short-term pressures, such as the fragility of the care provider market.

## **Conclusion**

42. We believe there is a clear need for Welsh Government to fully recognise and address the immediate funding pressures facing the social care sector. Whilst the relative protection in funding provided to local authority social services has been welcomed, on too many occasions the approach to providing additional funding for the NHS has been to take from one to pay for the other, with social care experiencing reduced budgets in order to protect the NHS. The demand for NHS services cannot be isolated from the quality of other public services – the sustainability of the NHS is intertwined with the sustainability of other public services, most crucially social care.

43. We recognise all the built-up pressures and demands on the Welsh budget. The position in the NHS is also fully acknowledged. It is the case however that the health budget has had a level of significant protection which has seen increases over the past 5 years. The local government budget conversely is now back at its 2004-05 levels. Bearing in mind the scale of the pressures in this paper this fact must be at the forefront of budget considerations over the next five years.
44. Social services are one of our most vital public services, supporting people of all ages across a wide spectrum of need to live as independently as possible and providing valuable protection from harm in vulnerable situations. In a world of increasingly limited resources and ever increasing demand, there is a need for the Welsh Government to turn their ambition of social services being a sector of national strategic importance into a reality. Investment will improve outcomes for the most vulnerable people in society helping to ensure the sustainability of the social care market and having a significant positive impact on people's lives.

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**FOR FURTHER INFORMATION PLEASE CONTACT**

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