



WLGA and ADSS Cymru evidence to the Health, Social Care and Sport Committee on the Welsh Government Draft Budget 2018-19

About us

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities and three fire and rescue authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. 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

4. Since the introduction of austerity measures in 2010 local public services have faced at least £1bn in cuts across Wales. At the same time the public sector workforce has been impacted, initially by a two-year pay freeze, followed by a 1% cap over the last five years. In this setting the WLGA's new Leader, Cllr Debbie Wilcox, has argued that "the philosophy of austerity that has dominated political discourse since 2008 has collapsed, to the point where hardly anyone still believes it."
5. We fully recognise the scale of the cuts to the Welsh Government budget over this period. We also recognise the concerns of the Cabinet Secretary for Finance and Local Government about the potential for another £3.5 billion of cuts. If this was actioned, it would have a £175m impact on the Welsh budget. With massive service pressures 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. Social care has been identified as a sector of national strategic importance by Rebecca Evans AM, the Minister for Social Services and Public Health and it is vital that funding is provided to reflect this view.

6. The WLGA and ADSS Cymru are firmly of the view that the current levels of financial stress faced by councils cannot continue. The Cabinet Secretary has expressed an ambition for greater financial certainty and the principle of multiyear financial settlements that will have to be balanced against UK-level uncertainty. This is vital in the next period as cuts become more difficult to deliver and the construction of a deal on this principle would be welcomed.
7. Faced with the biggest budgetary challenges of any part of the Welsh public sector, local authorities have continued to demonstrate good financial management, effective stewardship of public money and the delivery of efficient public services. However, this process cannot be indefinite. For example, if the inescapable costs attributable to payroll that are highlighted later are realised then there will be inevitable cuts to frontline services, and this will be evident to the public.
8. Considering the above it is vital that we construct a clear pathway forward over the next period to mitigate the potential of further cuts. This has been recently confirmed by the Wales Audit Office who in their report 'Savings Planning in Councils in Wales' concluded,

"With the majority of future savings likely to come from service change and new ways of working, which are harder to achieve and require longer lead-in times, this situation may worsen and compromise councils' financial resilience in the longer term."

Financial Performance of Social Services in Wales

9. Pressures due to social care continue to pose the most risk to council's financial sustainability in the medium to long term. Indeed, there is a growing consensus that social care is such a significant challenge that new thinking on funding is required. The 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.
10. 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 will continue to experience severe austerity in funding for public services across the UK. Population projections estimate that by 2035, the number of people aged over 65 living in Wales will increase by 35%. The largest increase will be in the number of people aged over 85 which is forecast to rise by 113% according to the Institute of Public Care's Daffodil system. Currently around 29% of those aged 85 and over are in receipt of support from social services, compared with under 3% of people aged over 18. Several authorities are also reporting a big spike in the number of looked after children due to increased referrals and court judgements which have a significant financial impact. The average cost per child of provision of looked after children services, including placement, is approximately £43k.
11. The recent Health Foundation report 'The path to sustainability: Funding projections for the NHS in Wales to 2019-20 and 2030-31', recognises 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 budget to almost double to £2.3bn by 2030-31 to match demand.

12. 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 complements the findings from the Health Foundation analysis, recognising the twin challenges of financial and demand pressures faced by health and social care in Wales.
13. 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 £134 million (24%) between 2015-16 and 2020-21 to return to the equivalent level of spending in 2009-10, which amounts to a 3.7% year-on-year increase.
14. In addition to the demographic pressures suggested by these national reports, local authorities continue to highlight specific challenges being faced by both Adult and Children's Services which collectively add significant additional financial pressures. A survey has been undertaken of WLGA members and there are some common issues emerging:

Price pressures associated with National Minimum Wage increases – This leads to upward price inflation to areas including residential / nursing home rates, domiciliary care rates and supported living rates. This pressure will continue to increase over the medium term. Whilst the additional funding identified from WG will help, there is still likely to be a significant shortfall which will add to the uncertainty already being experienced across the market for social care provision.

Pressures associated with changes to the Social Service Charging Framework - One local authority for example is anticipating a pressure of £100k associated with respite placements, following changes introduced under the Social Services and Well-being Act. Despite additional funding of £4.5m included in the WG settlement to meet changes in the residential care capital threshold some local authorities are forecasting potential shortfalls, which will increase as the capital limit rises in future years. One local authority is forecasting a potential shortfall of £175k for 2017-18.

Changes to Deprivation of Liberty Safeguards (DoLS) following the Cheshire West Judgement – This has resulted in a significant increase in the number of DoLS assessments required of people living in care homes and in the community. The settlement included additional funding of £184k to cover this additional responsibility, however some authorities have identified that this is insufficient to meet the additional costs.

15. Another significant factor highlighted by local authorities is around the increases in numbers of Looked After Children (LAC). Over the last decade the number of children in the care system in Wales has risen, with a 25% increase in children looked after and a 32% increase in children placed in the child protection register compared with 10 years ago. This increase has been reflected in the expenditure on Children's Services over the same period. Between 2007 and 2016 the revenue expenditure on children's and families' services has increased by 51%. This increase has brought spend on children's and families' services in line with that of expenditure on both adults under 65 and on older people, with children's and families'

services now making up a third of social services expenditure. The most significant area of spend within children's and families' services is in relation to services for Looked After Children, which has seen a 66% increase in expenditure over the same period of time. This increase in spend demonstrates the commitment that has been made by local authorities to meet the demands being placed on services by the rising numbers of looked after children, but highlights the significant challenges in being able to maintain this level of funding going forwards, particularly in light of the increasing pressures being faced. Although recent years have seen a stabilising of overall numbers of looked after children a number of authorities are reporting substantial increases in the number of looked after children in their care which continues to place significant pressures on budgets. Additional pressures are seen around the increasing complexity of cases as well as increases in cost for foster placements due to increased demand and the need for specialised placements. Other elements such as increases to the national minimum allowance for foster carers further increase financial pressures being placed on authorities.

16. In response local authorities are looking at different ways of mitigating these additional costs including the use of reserves and additional funding to support the development of preventative 'Edge of Care' Teams. Local authorities have also revisited their prevention strategies as well as their LAC strategies in recent years. This has been a necessity, not only to face the increase in LAC population but also increasing financial pressures facing local authorities and more latterly in order to plan for and implement the Social Services & Well-Being (Wales) Act 2014. Considerable investment has been put into support teams which work directly with Children and Young People and their families to work at levels of need at intensive and remedial intervention levels. Most of these work with families to try to prevent children coming into care, work with families to return children home within weeks of becoming looked after as well as working with rehabilitation plans for those children who have been in long term care.
17. Despite local authorities' strong commitment to ensuring placement choice and stability most have struggled to recruit foster carers in sufficient numbers to provide the range and choice of placements needed, particularly for those young people with challenging behaviour and with additional needs. Local authorities also report similar shortages in the independent sector. This apparent deficit in the foster carer market raises complex challenges across Wales.
18. We have welcomed the additional funding for social services announced in the budget for 2017-18, however, we also need to acknowledge that whilst helpful this will not cover the expected increases in cost and demand facing social services. Despite the 2017-18 budget including £59m of measures to support local government (made up of: £25m of additional funding to local authorities; £25m specifically for social services; £4.5m towards the raising of the capital people can keep when entering residential care; £3m for a pilot to end town centre car parking charges; £1.5m for school transport and safer routes to schools) the local revenue funding for local government only saw a £10m increase compared with 2016-17. The remainder was made up of ring-fenced funding within the pre-existing resource envelope.
19. The additional funding that was made available as a result of consequential funding from the UK government's March budget was awarded for specific areas of work with restrictions placed on what it could be used for, rather than providing local authorities with flexibility to meet local demand and needs. The £10m funding for social services announced for 2017-18 to help meet the extra costs associated with the introduction of the national living wage has been welcomed along with the additional £9m from the further £20m announced in May.

However, if part of this additional funding is for new responsibilities then it cannot be said to be funding any existing pressure.

20. 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.
21. 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
22. 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.
23. 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.
24. CSSIW's 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.
25. 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.
26. 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.
27. As an Association we believe that long-term planning is under-developed in the Welsh public sector and this is one of the reasons that we collaborate with a number of other public sector bodies to fund Wales Public Services (WPS) 2025.

Integrated Care Fund and Preventative Care

28. 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 services that have faced the brunt of cuts to local authority budgets as statutory services such as education and social services have been protected. 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.
29. It is imperative that we stem the decline of local preventative services and that we find a way to make some significant investment into new and existing preventative services based in primary and community settings. The WLGA has previously called for the establishment of a new Preventative Integrated Care Fund for Wales. This fund, focussed throughout the life-course, would enable some double running of new investment in preventative services alongside 'business as usual' in the current system until savings are realised and reinvested back into the system.
30. Preventative spend requires an understanding of the root cause of the problem and tackling that, not just the symptoms of the problem. If there is a lack of understanding and a lack of willingness to address the root causes then services will be faced with a never ending and increasing number of these cases for future generations. Simplistically, common root causes if not addressed will exacerbate the situation and if addressed and funded there will still be a 'backlog' of those currently affected by their conditions which also needs funding until the preventative measures have their full effect.
31. Another issue is the time that it takes to realise significant savings or improvements in social outcomes. One of the few studies that attempts to quantify the preventative impact of the Social Services and Well-being Act is the LE Wales' Paying for Social Care report. Over a 24-year period the costs of Adult Social care are estimated to increase by 114% in the base line scenario, under the preventative scenario they increase by 108%. Whilst this should provide some savings in the long term holding off the need for more costly interventions, which are worth realising, these preventative services still need to be supported and developed, requiring additional investment. It is unlikely however that they will release the significant savings expected, particularly within the context of a population living longer, increasingly with multiple conditions which need support for longer.
32. 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. 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).

33. 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. But in comparative terms it does not equate to the resource base of the £5.3 billion Better Care Fund in England or at a city region level the £450 million transformation fund of the Greater Manchester combined authority. 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 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.
34. 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 sectorial 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.
35. In terms of the Welsh Government's agenda around wellbeing, the WLGA believe that the time is right for a full examination of the transfer of the public health improvement role, into local government. This would provide an opportunity for local authorities to have a significant influence and more joined up approach over the broader determinants of people's health – their local environment, housing, transport, employment, and their social interactions – all of which are linked to local authorities core roles and functions and can play an important part in improving the health and well-being of their citizens.
36. We also believe there is a need for the Welsh Government to identify additional un-hypothecated transformation and transition funding over the medium term for investment in development and implementation of preventative services.

The Pace of Change

37. One of the WLGA's concerns is the WG approach to financial planning, which has been very limited to annual incremental budget setting. The previous administration, despite being committed to an ambitious legislative programme that was driven by the First Minister's Delivery Unit, did not have a medium term financial strategy in place. The back-drop over this period was one of deep austerity where Local Government Budgets were being subjected to unprecedented cuts.
38. 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

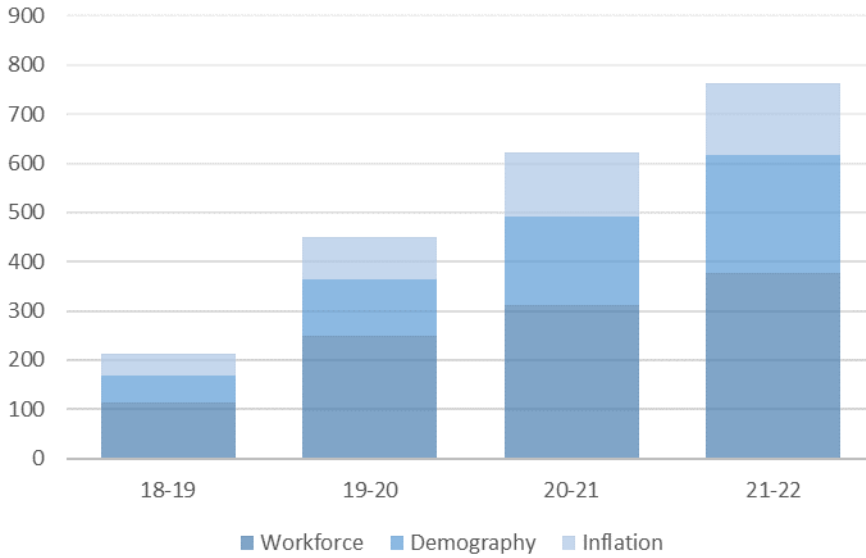
services with some experiencing real terms reductions of over 50%, and spending at levels not seen since the 1990s.

39. There is no doubt that local public services continue to bear the brunt of austerity in Wales and this is looking likely to continue well into the next Parliament. Legislation needs to be planned in a co-ordinated and coherent way recognising that significant funding or savings for new functions and responsibilities is unlikely to materialise soon. If funding for new responsibilities is required it should be very clear where the funding is coming from.
40. Many authorities are having to juggle a number of unfunded pressures with unprecedented reductions in funding. We believe that there should be full and early engagement with all stakeholders in the formulation of legislation and that the financial impacts should not be assessed in isolation but part of the whole programme. The Welsh Government should be budgeting for the whole of the Assembly term and this should be the basis of the planning horizon. There also needs to be a clear reinstatement of a set of core principles for funding new burdens.
41. The impact of legislation should also be assessed after it has been implemented so that the estimation techniques and approach might be improved. This should be done independently of government. The Finance Committee is currently undertaking an inquiry into the accuracy and reliability of estimated costs provided by the Welsh Government in the Regulatory Impact Assessments accompanying legislation and it will be important that their findings are considered in order to identify any learning that can be taken from this inquiry.

Overall Cost Pressures faced by local government

42. 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 as a consequence of 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 both increased employer contributions to the Local Government Pension Scheme (£100m by 2021-22) and to the Teachers' Pension Scheme (£19m by 2021-22).
43. While the future of public sector pay is currently a matter of national debate, anticipated 1% pay increases are compounded by the National Living Wage.
44. The potential impact of the Pay Spine Review 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.
45. Figure 1 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 1: Cumulative pressures up to 2021-22, by source, £m

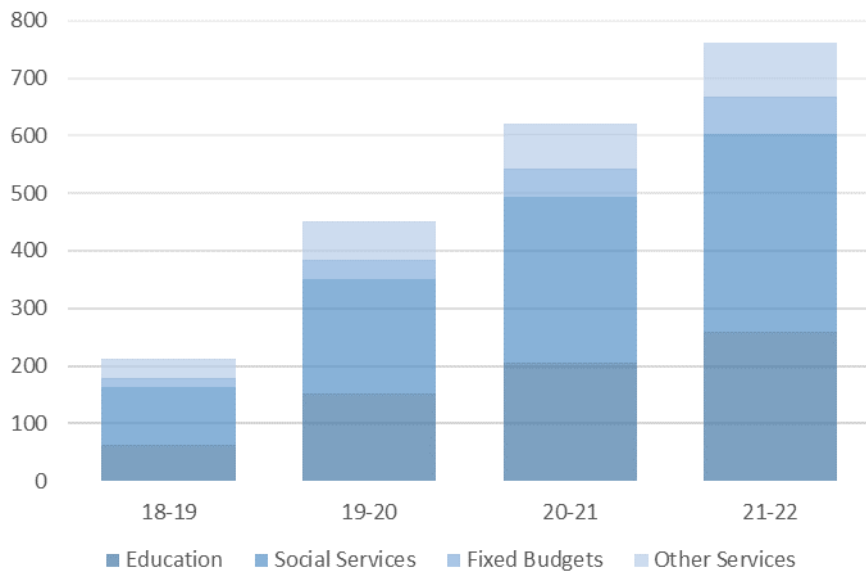


Source: Base estimates: RO and RA returns (2014-15 to 2015-16)

46. Figure 2 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.

47. Additional costs for what remains of these services will rise from £33m to £94m by 2021-22. However, these are the services that are currently being squeezed. They currently account for around 15% of net revenue spend. To accommodate the pressures highlighted in this report, that would drop to 5% under certain funding assumptions.

Figure 2: Cumulative pressures up to 2021-22, by service, £m

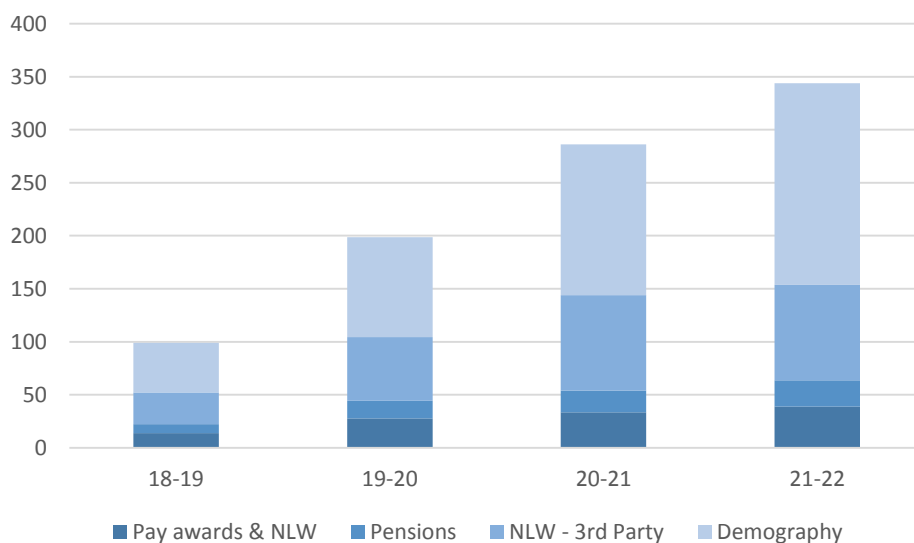


Source: Base estimates: RO and RA returns (2014-15 to 2015-16), NLW impact: WLGA Survey (2016)

Pressures specific to social services

48. The greater part of demand pressures are driven by well-documented demographic pressures. The work done for Wales Public Services 2025 demonstrated that pressures in social services budgets drive around 2.9% growth each year, which is around £47m annually up to 2021-22. This includes pressures in Children’s services.
49. Figure 3 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 3: Elements of social care pressures up to 2021-22, by service, £m



50. Across both the health and social care sectors we are dealing with staff shortages and retention difficulties. The absence of an agreed long term vision for health and social care in Wales leads to short term planning and resourcing decisions, which poses significant problems for local government and NHS organisations in planning the workforce of the future. The fragility of the social care market impacts on care quality and is contributing to discharge delays in hospitals and years of public finance constraint have led to reductions in education and training placements, increasing our dependence on overseas recruitment.
51. The interim Parliamentary Review report published in July identifies that in many areas of Wales, the viability of the social care system is being put at risk by shortages of domiciliary and residential care staff. This is largely due to pay and conditions often being less competitive than low-skilled jobs in other industries that offer a more comfortable working environment. The interim report also identifies a number of key areas that stand out as requiring attention in relation to workforce planning but recognises that the data is not strong enough, which makes workforce planning difficult. There is a need for a co-ordinated, whole-sector approach to making improvements to our health and social care workforce.
52. Policy makers and local leaders need to agree a joint long term workforce strategy for health and social care that will deliver a resilient, reshaped, well trained workforce with the necessary skills and capacity to meet the changing needs of the Welsh population.

53. The work undertaken to help shape the priorities of Social Care Wales has identified the need for a joint training programme to support multi-disciplinary approaches. This work has identified the need for Social Care Wales to include education, transport, employers, businesses, third sector, independent sector, families, carers and individuals and build a consensus approach to delivering outcomes for people. This means fresh and innovate approaches to models of care, a stronger preventative agenda, exploring integrated roles and cross sector career progression opportunities and more equitable access to training and development.
54. Long term workforce planning needs to take account of the system that we are aiming to create and should encompass the whole health and social care workforce across the public, independent and third sector. There is a pressing and increasing need to develop a workforce in both health and social care with the skills mix required to work effectively within multi-disciplinary teams and this therefore needs to be built into the education and training of health and social care professionals, including more integrated training opportunities.

Conclusion

55. We call on the Welsh Government to 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.
56. 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 alternatively 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.
57. 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.