



Ein cyf/Our ref: VG/0522/21

Clive Betts MP
Chair - Housing, Communities and Local Government Committee,
House of Commons,
London,
SW1A 0AA

24 March 2021

Dear Clive,

In May 2019 you attended our Paying for Social Care Inter-Ministerial Group (IMG) meeting and helpfully explained the findings of your joint inquiry with the Health and Social Care Committee on long term funding reform of social care. We found this discussion incredibly insightful and contributed significantly to the knowledge and development of practical options for sustainably addressing paying for social care in the longer term.

Our Inter-Ministerial Group has recently announced its conclusions, which I thought would be useful to outline to your Committee as part of your evidence gathering for your new Inquiry – ‘Long Term Funding of Adult Social Care’.

Since the establishment of the IMG in 2018, our work has explored the implications for social care services of increasing population need and the development of practical options to address this. We have focussed in particular on the possibility of raising additional funding for a social care ‘promise’ in the context of Professor Holtham’s proposal for a hypothecated levy to create a social care fund.

The Covid-19 pandemic and resulting economic challenges has inevitably had a significant impact on the direction and ambition of the IMG. However, despite the challenges presented by the pandemic, we have been able to make progress in gathering important knowledge and evidence. We would like to take this opportunity to share with you our findings and main conclusions.

To underpin our work, we commissioned independent analysis about cost pressures within the social care sector in Wales in the short-medium term. The analysis considered five scenarios for the period 2020-21 to 2022-23, and although it was commissioned prior to the pandemic, the information is still relevant and useful.

Recent comparison now shows net current expenditure on social services has been rising in line with the high-cost scenario described in the analysis. Should that trend continue, net

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Vaughan.Gething@llyw.cymru
Correspondence.Vaughan.Gething@gov.wales

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.

current expenditure on social services could be up to £400 million higher in 2022-23 than it was in 2019-20, implying that growing cost-pressures lie ahead for maintaining the existing level of provision alone.

We also commissioned independent research on the detailed analysis and costing of some short-listed options for areas within the social care sector where additional investment could be utilised. The areas identified included revisions to the charging mechanisms and, improvements to workforce pay and terms and conditions, primarily to increase the retention and recruitment of staff thereby improving outcomes for people. We have also separately explored a housing option to support new models of care.

It is evident from the analysis that the potential costs associated with the charging and workforce options, as we expected, are very high. This leads to our considerations around how the social care promise could be funded. We explored some tax design principles, building on a number of concepts set out in Professor Holtham's report. These included identifying how much funding would need to be raised annually and on a recurring basis to fund a social care promise; the importance of hypothecation compared with budgetary flexibility; whether the benefit may only be available based on a contribution; and opportunities to address intergenerational fairness. In addition, we considered the collection and administration of any tax option, as well as the appetite of the UK Government for further tax devolution.

The pandemic and the actions to contain it have led to a sharp increase in UK Government borrowing and debt. In this challenging fiscal environment, the outlook for economic activity and public sector finances in Wales and the UK remains highly uncertain.

Taking account of the impact of the pandemic and the challenging economic and fiscal climate we find ourselves in, our conclusion is that the use of Welsh tax raising powers is now more of a longer term potential solution and not a likely solution in the near future. The implication of not increasing taxes is that we cannot raise or redirect resources to improve social care in the way we would have liked to have done through the social care promise.

The pandemic has amplified the fragility as well as the value of the social care sector. Our commissioned research has provided important insight into the scale of the cost particularly in relation to improving pay and terms and conditions of the social care workforce. We are committed to improvements for the workforce as this will improve the access and quality of care provided. Support for the Real Living Wage would be consistent with our fair work agenda.

Both of these reports contain a wealth of knowledge and evidence of the pressures within the sector and the cost of some options for improvements. The pandemic has exacerbated the situation. Fundamentally, the demographic challenge facing Wales and the UK means matters explored by the IMG cannot be left unaddressed.

We believe that a UK-wide answer to social care funding is preferable, as it could take account properly of the important interlinking with the tax and benefits system. We would urge the Committee to look at this from a UK perspective rather than just an England only issue.

We will watch with interest your inquiry and consider the recommendations and implications for Wales, of these in due course.

Yours sincerely,

A handwritten signature in black ink that reads "Vaughan Gething". The signature is written in a cursive style with a large initial 'V' and a distinct dot over the 'i' in 'Gething'.

Vaughan Gething AS/MS

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services