

**RESPONSE TO THE NATIONAL ASSEMBLY FOR WALES
FINANCE COMMITTEE
INQUIRY INTO THE COST OF CARING FOR AN AGING POPULATION**

Who are we?

Care Forum Wales is the leading professional association for independent sector social care providers in Wales with over 450 members. Of particular relevance to this enquiry is the fact that our membership includes those who provide care homes and domiciliary care services for older people. Our members come from both the private and third sectors and we aim to engage and professionally support independent providers, to spread good practice, and help members provide a high quality service.

Our members include a variety of structures: large corporate groups, home-grown small and medium enterprises (SMEs), registered social landlords, and voluntary or charitable bodies.

Our members include organisations providing support to older people in a variety of ways:

- Residential care homes
- Nursing homes
- Domiciliary care providers, which provide social care to people in their own homes
- Extra care housing providers, offering varying levels of support facilities for tenants living in their own apartments.

The purpose of the inquiry is to assess, in the context of the major economic and strategic challenges facing the Welsh Government in its development of policy, the financial impact of the cost of caring for an ageing population

The Social Services and Wellbeing Act (Wales) gives an emphasis on early intervention and prevention and re-ablement, but we need to be realistic about the amount of paid-for care that will still be required. We need a system where we know what standards we expect and those are commissioned, paid for and inspected against. The public debate needs to move on from who inherits what when the older person who needs care is gone and instead discuss the standard of care they should receive, what it realistically costs and how we pay for that.



To examine patterns in demand for social care services for those of pension age and the related costs of delivery of residential and non-residential care, taking account of the role of informal carers who provide unpaid services to those requiring care

Our response focusses on the role of our members in providing paid for residential and non-residential care. That we are living longer is incontrovertible: Social Care Wales' National Population Assessment Report https://socialcare.wales/cms_assets/file-uploads/SCW-NPAR-ENG.PDF anticipates a 119% increase in those aged over 85 by 2035, and although healthy life expectancy is rising faster than life expectancy we can expect to see a growth in the number of people affected by dementia or physical frailty. Frailty can lead to increased falls, which can lead to increased dependence and lack of agility creating a vicious circle. Understandably, policy has emphasised keeping people independent and in their own homes as long as possible. However, it is clear there will always be those who need to enter a care home – and indeed as people become frailer, this can reduce the tendency to isolation and loneliness for some people.

Keeping people in their own homes for longer means providing not just more support but more complex support. Increasingly we are seeing domiciliary care workers needing to be trained to undertake some healthcare tasks. This extra training itself has a cost and in addition the nature of the tasks can also, for example, increase insurance premiums for providers. Additionally staff with increased skills and responsibility for higher level tasks will understandably expect some recognition of that in their own reward package. Some commissioners seem to find difficulty in recognising that they are not just commissioning a standard domiciliary care worker, but commissioning people to take on higher level tasks requiring more training and a greater taking of responsibility.

Similarly as we are able to keep people in their own homes for longer, those who do enter care homes are on average significantly frailer. This is leading to a requirement for both more and better trained staff in care homes, but this has not been sufficiently recognised in fees by public sector commissioners. It could be seen as a hidden efficiency saving over the ten to fifteen years and a significant factor in the pressure on providers and lack of sustainability of those relying on public sector fees.

To examine the financial pressures on the social care system, such as increases in wages, automatic pension enrolment and staff recruitment and retention difficulties, including the related financial impacts arising from the UK leaving the European Union



Providing care is a people intensive business. 60-70% of provider costs relate to staffing, with domiciliary care costs even more dependent on staffing costs than care homes where the building is also a significant proportion of the costs. Over recent years we have seen decisions of UK Government put a significant upward pressure on staffing costs with pensions auto-enrolment, changes to sickness pay and significant increases in the legal minimum wage. While all good social care providers recognise that in order to recruit and retain staff they need to offer terms and conditions above the legal minimum, the reality is that most public sector commissioners pay rates based on the assumption that staff will be paid at or near the legal minimum. It is an ongoing source of frustration for independent providers that local authorities and health boards will recruit staff they have trained because they offer them better terms and conditions than those same local authorities and health boards enable providers to pay through the fee levels they commission at.

The significant increases in the legal minimum wage mean that providers have had to prioritise resources to keep up wages for the lowest paid staff, but this has had an effect of eroding differentials and making it harder to reward staff appropriately for taking on additional roles or undertaking training to improve their skills. Recruitment and retention is an issue in the sector for care workers, but also for nurses and managers. Providers are competing with supermarkets and the hospitality industry for care workers who can often earn more stacking shelves. We know that the NHS itself struggles to recruit nurses and it is even harder for independent providers who cannot match the benefits in terms of sick pay, maternity pay, pensions etc. Meanwhile there are not enough qualified social care managers to fill every vacancy in Wales and the requirement for managers from England to undertake additional qualifications is not helpful. The uncertainty around immigration status post-Brexit is already having an effect in terms of recruitment as many providers need to recruit from overseas to fill posts. When the income thresholds were introduced it became impossible to recruit care workers from outside the EU; it would be disastrous if the same were to happen with those from within the EU. But the uncertainty around immigration status going forward is already having an effect and putting potential recruits off. The difficulties in recruitment are leading to increasing numbers of providers needing to use agency staff, who come at a high cost, patchy reliability and in the worst cases can create concerns about safety. The sector also has difficulty recruiting sufficient Welsh speakers to meet the needs of our elderly population, particularly outside areas with a significant Welsh speaking population of working age. Welsh speakers are in high demand and can thus obtain terms and conditions over and above what most care providers are able to raise.



There are of course other pressures on costs too. For example, care homes have seen significant increases in food and fuel costs. The cost of borrowing for capital expenditure to build, equip and maintain care homes is also significant and we have seen fluctuations based on concerns about the riskiness and viability of the sector going forward.

To consider the financial impact of current Welsh Government policies - including recent social services legislation and reforms to social care funding - on local authorities, care providers and service users

In the previous section we have commented on the pressures and difficulties in recruiting and retaining an appropriate workforce. The regulations under the Regulation and Inspection of Social Care (Wales) Act will create a registered workforce. While we support this in principle, and want to see an increasingly professionalised workforce, we do have concerns that this will add pressure to the ability to recruit and retain the workforce needed on current terms and conditions. These measures will also create additional costs for the sector in terms of training, administration and registration fees.

The Regulation and Inspection of Social Care (Wales) Act also requires increased physical standards for new build care homes and extensions, with every room requiring an ensuite including a shower as well as increased space requirements. These will obviously increase the costs of any new additions to care home stock. In general we are only seeing new provision being built for the private payer market and it is likely under these requirements, without a change in public sector fees that this will continue. The recent Competition and Markets Authority report <https://www.gov.uk/government/publications/care-homes-market-study-summary-of-final-report/care-homes-market-study-summary-of-final-report> which looked at care home provision across the UK was very clear “The current model of service provision cannot be sustained without additional public funding; the parts of the industry that supply primarily local authority (LA)-funded residents are unlikely to be sustainable at the current rates LAs pay. Significant reforms are needed to enable the sector to grow to meet the expected substantial increase in care needs.” It is not just the costs of borrowing per se that restrict new care home building, but the restricted proportion of a care homes costs that banks will lend, meaning that other money must be sourced from other sources, and restrictive covenants on areas such as profit, occupancy which can be punitive even for an outwardly successful enterprise. It may be that the recognition of the sector as a sector of national strategic importance may open up borrowing opportunities to help.



The Welsh Government has also taken decisions to cap the domiciliary care costs paid by an individual and increase the capital limit which is retained by those in care homes. While understandable and attractive to individuals and families, both these policies have taken money out of the care system which has not been replaced.

To consider future social care needs and related costs, including the projected increase in the proportion of the population of Wales of pension age

While there are savings to be made and duplications that could be removed from the system the likelihood is that the projected population increase will lead to increased needs and increased requirements for paid-for care. We must be ambitious about what standards we want for that care but also realistic about what it will cost. Providers are adept at providing what is requested and paid for but frustrated by an increasing and understandable pressure to improve standards without the means to fund doing so.

To assess the fiscal levers available to the Welsh Government to reform the arrangements for funding social care. This will include the consideration of alternative models, including international examples, for the funding of social care to ensure a good quality, fair and sustainable service in a time of increasing demands on the health and social care systems

We welcome the consideration of a social care levy by Welsh Government as part of the consideration of tax varying powers. We would caution that it is important not just to decide how to raise money, but also what it is spent on. Merely increasing, for example, the capital limit retainable by those in care homes, would not inject more much-needed resources into the sector to, for example, recognise the increased professionalisation of staff and improve their terms and conditions accordingly.

As a society we need to decide what we want from care, commission it, pay for it and inspect it. We think it would be a step forward and assist transparency and understanding for the public if the Care Inspectorate Wales (CIW) were to include value for money reporting in their inspection reports as Estyn do for education settings. This would enable greater public understanding of the true costs of care and what could and should be provided at what price.

Fees are of course a difficult issue for commissioners. In many areas local authorities are in a monopsony position: they are by far the biggest buyer of care services with a small market of private self-funders and some NHS commissioned continuing healthcare. In such a market there needs to be an intervention to ensure fair fees are set: fair to both providers and tax



payers. There is ongoing work by Welsh Government in this area under its Care Homes Steering Group. We would endorse the recommendations of the Competition and Markets Authority report there is greater assurance at national level about future funding levels, by establishing evidence-based funding principles, in order to provide confidence to investors. We believe there needs to be a level of national oversight and review in order to ensure a system where commissioners are not simply focussed on the lowest costs, but actually consider strategically what they want to commission at what cost and that new cost burdens are managed appropriately. For example, we believe commissioners should consider whether and over what timescale they wish to move to all qualified staff in the sector being paid at least the real living wage. These strategic decisions should be built into the fee-setting methodology.

It is also vital that a settlement is reached with providers following the Supreme Court case on Funded Nursing Care <http://www.bbc.co.uk/news/uk-wales-politics-40802237> which at the time of writing has still not been resolved, meaning providers have been subsidising a significant shortfall of funding while local authorities and health boards have disagreed about who should pay it. We also need to resolve the anomaly in some parts of Wales, where when an individual's needs increase to the extent that they move from Funded Nursing Care to Continuing Healthcare the fee paid to cover meeting their needs remains the same or in some cases goes down.

To consider the findings and conclusions of the Parliamentary Review.

We welcome the Parliamentary Review and its emphasis on a seamless service for the citizen and recognition that that should include independent providers. In particular we support the added focus on the workforce, which recognises long term recruitment issues and improving training, support and capacity to innovate for staff. This again needs to include those working in the independent sector with a focus on rewarding appropriately to recruit and retain.

It is of course the case that the remit of the Parliamentary Review specifically excluded funding, but this will need to be addressed as part of its implementation.