

The Impact of COVID-19 on the Financial Sustainability of Local Government in Scotland

SUBMISSION FROM SOCIAL WORK SCOTLAND¹, TO THE SCOTTISH PARLIAMENT'S LOCAL GOVERNMENT & COMMUNITIES CALL FOR VIEWS

04.09.2020

Q.1. How has COVID-19 impacted the local government sector, in particular, council finances? Which council responsibilities are most impacted?

As the Committee's 2019 inquiry into the long-term financial sustainability of Scottish local government² confirmed, council finances were under considerable pressure before the pandemic. Restricted in their ability to raise funds themselves, councils have become increasingly reliant on the annual local government settlement agreed with the Scottish Government. Over the past five years to 2018-19 that settlement has not kept pace with the demand for council services, with overall funding falling in real terms for local government. Within these totals, additional funding has been largely concentrated in specific, ring-fenced areas, delivering on Government manifesto commitments (e.g. expansion of Early Learning and Childcare hours). While such policy developments are welcome, the move to 'targeted investment' (ring-fencing) at the expense of sustaining 'general local authority revenue' has forced councils, as policy and spending demands increase, to make deeper cuts in 'unprotected' areas.

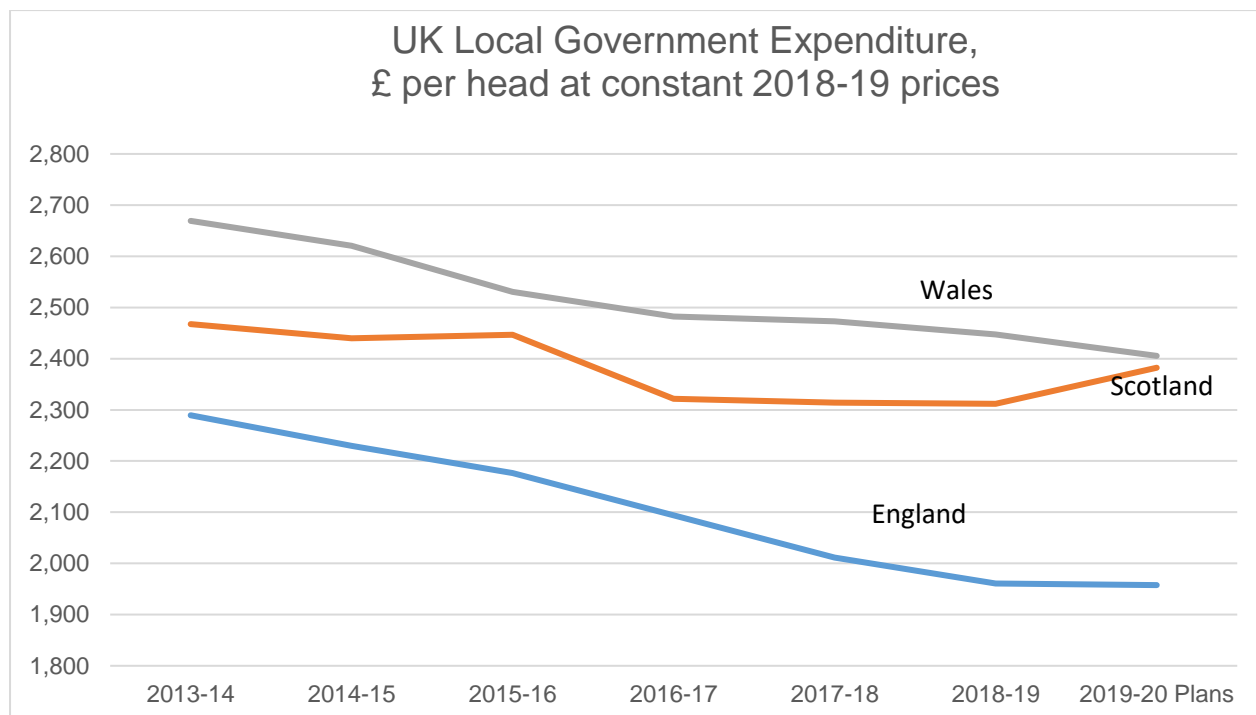
To illustrate the pre-COVID-19 financial situation for local populations, the graph below presents local government expenditure on a per head of population basis, from 2013-14 (after police and fire functions had been transferred out to national bodies) to 2018-19 (with planned expenditure shown for 2019-20). On these figures (from PESA 2020³) local government spend in Scotland reduced by 6% in real terms per head between 2013-14 and

¹ Social Work Scotland is the professional body for social work leaders and managers, working closely with partners in all sectors to shape policy and practice, with a view to continuously improving the quality and experience of social services in Scotland. We are a key partner in the current national Adult Social Care Reform Programme, creating an operational framework for Self-directed Support across Scotland for consistent delivery of social care that is personalised, rights-based and which supports active citizenship. Another of our current projects is aligned to a Scottish Government programme (Health and Justice Collaboration Board) to test and implement frameworks for the delivery of integrated adult social services in Scottish prisons.

² <https://www.parliament.scot/parliamentarybusiness/CurrentCommittees/112320.aspx>

³ HM Treasury, Public Expenditure Statistical Analyses 2020, CP 276, July 2020, Table 7.5. These figures are derived from the local authority financial returns.

2018-19. Outturn for 2019-20 is not yet available in this data set, but planned spend was due to increase.



Of particular relevance to Social Work Scotland has been local government budgets relating to social work and social care.). As Audit Scotland noted in December 2018:

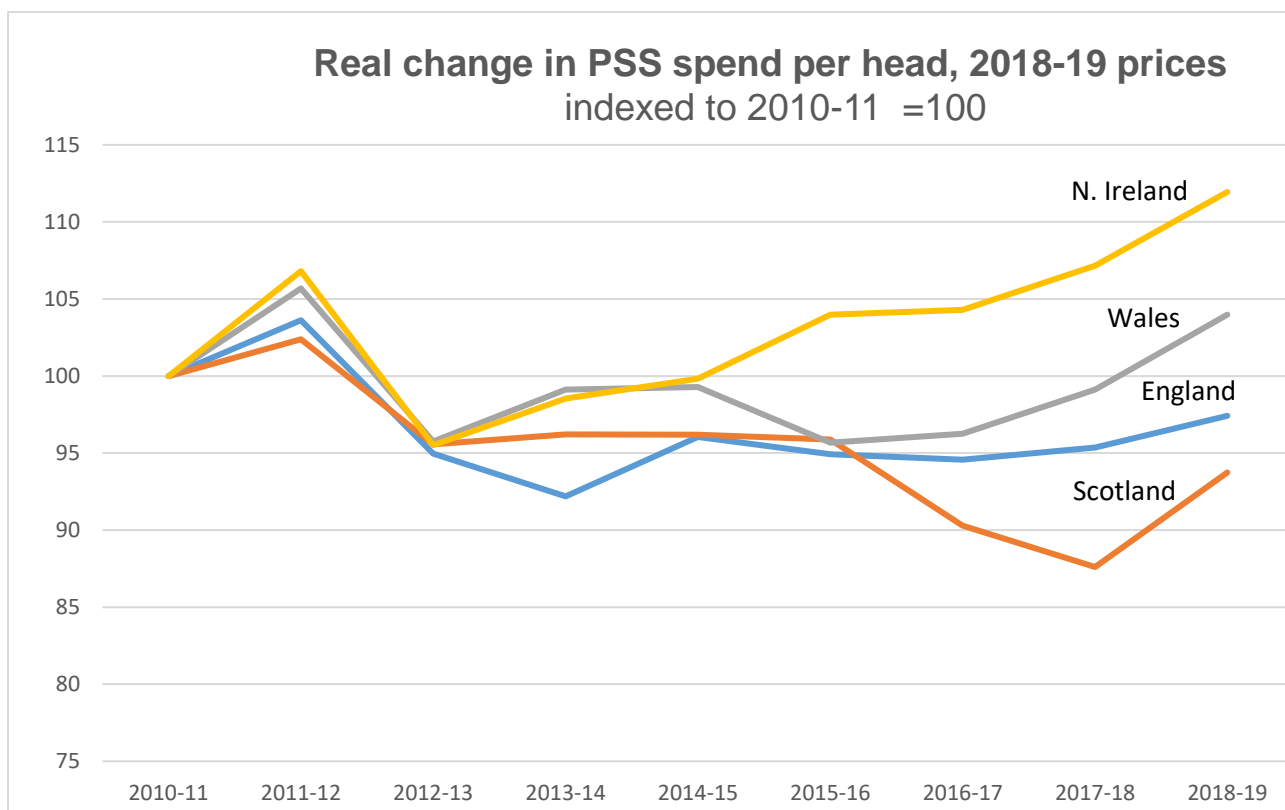
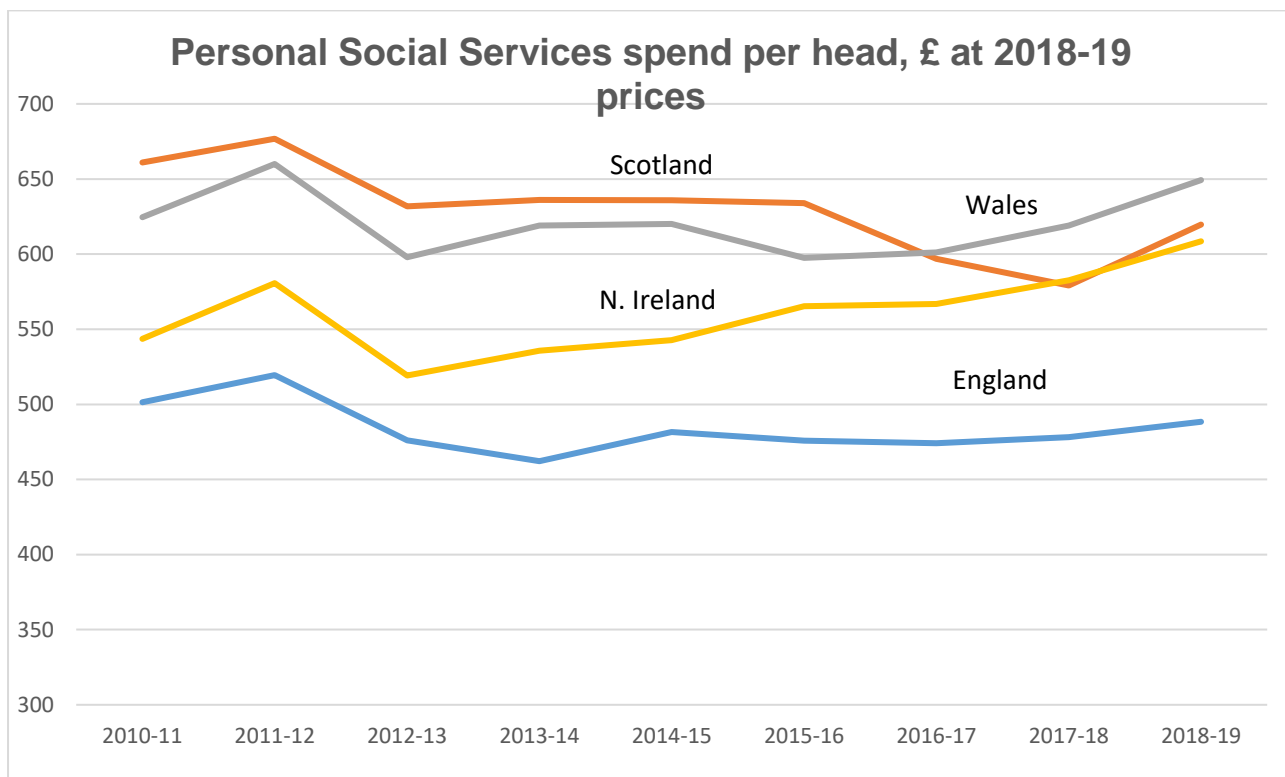
*Councils' social work departments are facing significant challenges because of a combination of financial pressures caused by a real-terms reduction in overall council spending, demographic change, and the cost of implementing new legislation and policies. [...]*⁴

The report goes on to restate the finding of Audit Scotland's 2016 report that, unless there is radical reform in way council and Integrated Joint Boards deliver services, councils' social work and social care spending would need to increase by between £510 and £667 million by 2020 (a 16–21 per cent increase on the £3.1 billion spent in 2014-15). Yet in the absence of substantive reform, such investment has not been forthcoming.

Using the Treasury's Public Expenditure Statistical Analyses (PESA), which provide net service expenditure data (current plus capital) for personal social services (in this context, a term equivalent to social work and social care), it shows that Scotland spent £3.4bn on social care in 2018-19; the only UK nation to be spending less (-3%) in real terms than it was in 2010-11. (Detailed figures are in an appendix to this submission.)

⁴ Audit Scotland (December 2018) ['Impact Report' on Social Work in Scotland](#), p.6

Despite significant policy developments over this period spend per head in real terms was 6% smaller in 2018-19 compared to 2010-11; the largest percentage reduction among the UK nations (see the second of the graphs below).



Spend per-head figures provide a better indication of the availability of public services to council residents than whole budget numbers. (A budget may increase, but if the numbers requiring support also increase, available spend per person may actually fall.) However, while spend per-head takes into account total population change, it does not reflect population ageing. And as has been noted extensively in other submissions to the Committee, the increasing number of people aged 75 years and over, and of 85 and over, have greatly increased the need for social care services for older people. Improvements in medical care have also increased the demand for services among children and working-age adults with moderate and severe learning disabilities. Expansion of council duties towards looked after children (such as Continuing Care) have extended support throughout young adulthood.

Unfortunately, in the run up to COVID-19, investment in social work and social care was not sufficient to keep up with the increasing demand. The Scottish Government's Health & Social Care Medium Term Financial Framework (October 2018) estimates that 4% growth per year is required for social care from 2016-17, including pay and price inflation; for demographic change alone the annual growth figure is 2.8%.

Into this context, COVID-19 has created new challenges for local government, increasing its financial fragility in general, and for its social work and social care services specifically. Over recent months local authority social work teams have had to redesign services and redistribute resources at a scale and pace never seen before, ensuring staff can work safely and effectively from home or with personal protective equipment. Homeless people have been accommodated, and Humanitarian Assistance Centres established to provide food and services for those most in need. Systems have been created to support those shielding, and hundreds of offenders released from prison early. As the situation in Scotland's care homes became clear, new structures of oversight and assurance have been built. Now, as we move through the route-map out of a national lock-down, the re-opening of regular services (day centres, respite, Children's Hearings, schools, etc.) introduce another layer of issues; not least an operational challenge in having to sustain multiple access and support options simultaneously, to meet the varied needs of local populations.

Scottish Government has been bold and determined in its efforts to shore up public services, allocating significant extra funds at various stages. But the challenge for local government, and for social workers within that, is in estimating levels of need and demand for services in a constantly changing environment, where the public's behaviour is unpredictable, and government policy driven by competing priorities (e.g. infection control vs. revival of the economy). Services are stretched. And as universal services continue to re-open, referrals to social work are expected to increase; for example, child protection interagency referral discussions are currently at levels significantly above the average for August and September⁵; as courts re-open we expect to see new Unpaid Work hours to be allocated to offenders, adding to the current back-log of over 700,000 hours⁶; assessments

⁵ Drawing on weekly local authority reporting to SOLACE and Scottish Government; figures unpublished.

⁶ [Social Work Scotland letter to the Cabinet Secretary for Justice](#), 15 July 2020

for social care support, withheld by individuals or families over lock-down, are now being requested. Unpaid carers, both “informal” (largely families and neighbours) and “formal” (volunteers), have made a massive contribution to carrying the social care sector through the lock-down and initial stages of the route-map; as the furlough scheme ends and offices reopen, a proportion of that personal care and support will be removed, requiring a response from national and local government and Health and Social Care Partnerships.

Work on the costs of Covid-19 for local government in England published in August by the Institute for Fiscal Studies⁷, found that social care accounted for 41% of financial pressures (p14), due to “increases in spending as a result of additional demand, increased payment rates and other support for providers, workforce sickness and other pressures, the cost of personal protective equipment and other costs” (page 53). There is no reason to think the situation is different for Scottish local government. And while the emergency investment from Scottish Government has undoubtedly gone some way to meet the costs of the pandemic, it is too early to tell if it will be sufficient to meet all of the increased costs (including those which are to come, in the delivery of a post lock-down, COVID-aware system). Meanwhile, local government income has been lost from the closure of leisure facilities and other services carrying charges, and by delayed payments of council tax. The financial situation for Scottish local government is perilous.

Q.2. Which parts of local government have been least affected or most resilient?

We concur with the views of the Accounts Commission/Audit Scotland, in their evidence to the Committee on 28 August, that “very few, if any, council services have been unaffected by the impact of the pandemic through lockdown and social distancing”. Every part of local government has been pressed into service as part of the COVID-19 response, with staff and resources redeployed, priorities changed. What has been remarkable is how resilient and flexible the system as a whole has been, drawing strength in the breadth of skilled professionals, budgets, etc. at its disposal. As we begin, post-COVID, to consider further reform to our public services (such as the introduction of a National Care Service), we believe it is important that weight is given to local government’s capacity to adapt in times of crisis. A critical factor in our assessment of proposals must be whether any future system will have the capacity, as local government does, to withstand and flex to a significant external event, such as a pandemic.

Q.3. What help will councils need in future from the Scottish Government or others to overcome the ongoing financial strain?

The first priority for the Scottish Government will be to identify with COSLA all additional spend and income reductions that council have experienced, so that any shortfall in the COVID-19 funding already provided can be clarified, and met. As the Accounts Commission stated in their evidence to the Committee on 28 August, “we cannot say that

⁷ Institute for Fiscal Studies (August 2020): COVID-19 and English council funding: how are budgets being hit in 2020–21. <https://www.ifs.org.uk/publications/14977>

the [Government funding] increase in itself has significantly relieved the pressure on the sustainability of local government”.

The Scottish Government’s *Summer Budget Revision* stated that local authorities were being provided with an additional £155m for social care COVID-19 support. However, the Programme for Government 2020 (*Protecting Scotland, Renewing Scotland*) states: "During the pandemic, we put in place a number of interim measures to support the social care and support system. This includes £100 million of funding to meet any additional costs of COVID-19 and support the sustainability and resilience of the sector" (page 74). We have asked Scottish Government for clarification as to whether the £155m been reduced to £100m; or whether £100m been provided to date, with a further £55m still to come in 2020-21. However, either way, commitments have been made by Ministers to the public, for example the resumption of care packages and reopening of day-care services. These commitments require follow-through investment to match the costs associated with delivery.

The impact of Covid-19 has perhaps been most visible in care homes. Joint research by Professor David Bell of Stirling University with colleagues in other universities shows that, during the weeks ending 13 March to 26 June, care homes accounted for 47% of deaths in Scotland recorded as associated with Covid-19, compared to 30% in England. In Scotland, 65% of care homes reported Covid-19 infections, compared to 44% in England⁸. However, a better measure is “excess deaths” compared to the expected deaths based on the average for the period in the last five years; the research found there was “a 76% increase in mortality over the pandemic period in English care homes compared to 62% in Scotland”. Earlier work by the Office for National Statistics⁹ has shown that, measured by total age-standardised excess mortality (in all settings, not just care homes), Scotland ranks third highest in Europe, after England and Spain.

Local government and its partners (Integrated Joint Boards, providers) are going to need considerable ongoing help to recover, rebuild and – if reform is forthcoming – relaunch adult social care. The Account Commission / Audit Scotland’s reports into social work, social care and integration, over the past few years, have underlined the need for continued reform *and* investment. One without the other is highly unlikely to deliver meaningful improvement for communities.

Finally, before the Covid19 pandemic, the Accounts Commission had already expressed concerns about reduced council reserves, and their “ongoing use [of reserves] to manage funding gaps”¹⁰. Linking with our response to question 1, the increased use of reserves is clear evidence that funding for local government is not keeping pace with the population’s

⁸ *COVID-19 mortality and long-term care: a UK comparison*, available at: <https://ltccovid.org/2020/08/28/covid-19-mortality-and-long-term-care-a-uk-comparison/>

⁹ ONS 2020 :Comparisons of all-cause mortality between European countries and regions: January to June 2020; available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/articles/comparisonsofallcausemortalitybetweeneuropeancountriesandregions/januarytojune2020>

¹⁰ *Local Government in Scotland. Financial overview 2018/19*, Audit Scotland (December 2019)

demand for services (both in respect to demographic changes, and the Scottish Government's legislation placing new duties onto councils).

Q.4. What can the local government sector do, in the short and long term, to manage the financial impact of the crisis? What positive examples can councils and others share about the good work done at local government and community level to lessen the crisis?

In respect of the positive examples from local government, much has been written over recent weeks documenting the extraordinary lengths councils have gone to in order to maintain services and support for communities. We would note the recent achievements of homelessness teams, working closely alongside social landlords and the charitable and private sectors, to accommodate rough sleepers throughout the pandemic, and to provide greater security to people with precarious housing. Elsewhere, justice social work teams have adapted rapidly to ensure continued, effective supervision of offenders in the community, and have helped facilitate the early release of prisoners (reducing pressure and infection risk within the prison estate). Social work managers from local authorities have stepped into care homes to provide additional leadership and capacity at a time of acute pressure, while others have been approved as foster carers in order to provide safe, loving homes for children who could not remain with their families.

The Accounts Commission have already mentioned community hubs in their oral evidence to the Committee:

*A lot of councils and their partners have created community hubs to enable services to come together to provide the most effective support for people who have been shielding, people who require support with food deliveries and key workers who need help with organising childcare and so on. A lot of that happened with real speed. [...] In setting up community hubs, moving thousands of people to work from home and collaborating with partners from the third and voluntary sectors as well as other public service bodies, councils have done tremendous work.
[Official Report, 28.8.20, Columns 12 and 15]*

Q.5. How soon do you think the sector will be back to normal? Or is this time for a “new normal” in the way we deliver some council services or practice local democracy? If so, what will it look like?

In our opinion the framing around COVID-19 of “back to normal” and a “new normal” are unhelpful. Prior to COVID-19 there was significant variation across the country in respect to people's experience of public services, and the level of ‘change’ forced on some local areas by the pandemic has been less than others.

For those working in social work and social care, the past twenty years (and arguably longer) have been a continuous process of change, adjusting first to policy backed with investment, then post the financial crisis, to policy underpinned by austerity. In this context,

COVID-19 has been an exaggerated, accelerated version of “normal”, demanding energy be ploughed into adaptation and innovation. Of course, elements of the past six months are new, such as social distancing, extensive use of PPE, track and trace, etc, and will need to be continued until vaccination or exposure creates sufficient immunity. But in the expansion of home working or greater use of digital platforms for service delivery (among other examples), COVID-19 has simply truncated processes which were already ongoing, forcing us into decisions sooner, rather than later.

Our priority now is in re-locating the individual person back at the centre of public services, reaffirming the principles of personalisation, choice and control. This was not the ‘normal’ prior to COVID-19, but it was the aspiration, and although the environment has changed it should remain the focus of our collective efforts.

Finally, we would draw the Committee’s attention to a number of critical issues which, while all pre-dating COVID-19, now require immediate action if public services are to remain sustainable into the future.

- (1) **Funding of Social Work and Social Care.** Austerity had a negative impact on all public services, but social work and social care have been particularly hard hit, situated as they, to a significant degree, within local government. Social Work Scotland welcomes the inclusion of funding within the terms of reference for both the Independent Review of Adult Social Care, and the Promise following the Independent Care Review, and we will urge the Chairs and their advisory group to look at the system as a whole, including social work as well as social care..
- (2) **Health and Social Care Integration.** Integration is an ongoing task, and the pandemic has provided valuable evidence on the extent of progress to date. In the months ahead attention must be squarely focused on the development of structures which best serve the delivery of personalisation, the realisation of human rights, and empowered, well-supported professionals.
- (3) **Local Government funding formula.** Picking up on the Accounts Commission oral evidence to the Committee on 28 August, the “Grant Aided Expenditure” methodology has been largely frozen since the 2007 Scottish Government-COSLA Concordat. We believe the existing funding formula is in urgent need of reform – especially for social work and care. We agree with the Accounts Commission that insufficient weight is placed on poverty as a driver of demand; however, it is important to recognise that the area deprivation measures referred in Audit Scotland’s *Local government in Scotland - Overview 2020* report (June 2020, page 15) need to be combined with household deprivation data, since, we understand, less than half of deprived households are in the most deprived areas.
- (4) **Climate Change.** The pandemic has provided us with an unwelcome but invaluable opportunity to stress-test our public services in the context of a global external emergency. That learning must now be deployed in the planning for other such

externalities, such as future pandemics, and climate change. More informed work can now take place on the adaptations to housing, infrastructure and models of professional practice which are likely to be necessary, and on the adoption of new technologies. Preparedness will provide Scotland with the best chance of success in dealing with future crisis.

For further information, please do not hesitate to contact:

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DATA APPENDIX

Total Expenditure on Personal Social Services, Scotland and rest of UK

Personal Social Services spend, £millions (at outturn prices)									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
England	22,972	24,380	22,972	22,887	24,380	24,510	25,221	26,036	27,335
Scotland	3,028	3,170	3,028	3,115	3,170	3,202	3,105	3,076	3,370
Wales	1,658	1,787	1,658	1,754	1,787	1,741	1,801	1,894	2,038
Northern Ireland	854	931	854	901	931	984	1,016	1,067	1,145
UK	28,512	30,268	28,512	28,657	30,268	30,437	31,143	32,073	33,888
Personal Social Services spend, £millions (at 2018-19 prices)									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
England	26,390	27,587	25,469	24,895	26,153	26,068	26,204	26,591	27,335
Scotland	3,479	3,587	3,357	3,388	3,401	3,406	3,226	3,142	3,370
Wales	1,905	2,022	1,838	1,908	1,917	1,852	1,871	1,934	2,038
Northern Ireland	981	1,053	947	980	999	1,047	1,056	1,090	1,145
UK	32,755	34,249	31,611	31,171	32,470	32,372	32,357	32,757	33,888
Scotland as % of UK	11%	10%	11%	11%	10%	11%	10%	10%	10%
Personal Social Services spend per head, £ at 2018-19 prices									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
England	501	519	476	462	481	476	474	478	488
Scotland	661	677	632	636	636	634	597	579	620
Wales	624	660	598	619	620	597	601	619	649
Northern Ireland	544	581	519	536	543	565	567	583	609
UK	522	541	496	486	503	497	493	496	510
PSS spend per head, £ at 2018-19 prices, indexed to 2010-11=100									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
England	100	103.6	95.0	92.2	96.0	94.9	94.6	95.4	97.4
Scotland	100	102.4	95.6	96.2	96.2	95.9	90.3	87.6	93.7
Wales	100	105.7	95.8	99.1	99.3	95.7	96.2	99.1	104.0
Northern Ireland	100	106.8	95.5	98.5	99.8	104.0	104.3	107.2	111.9
UK	100	103.7	95.1	93.2	96.3	95.3	94.4	95.0	97.7
Personal Social Services spend per head, £ at 2018-19 prices									
Scotland as % above or below UK	27%	25%	27%	31%	27%	27%	21%	17%	21%

Sources: first table, from PESA 2015-20, Tables 10.1 to 10.4. All other tables derived using ONS population data and GDP deflators in PESA 2020. (Calculations by Mike Brown, Treasurer, Social Work Scotland).