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Public Services News

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Queen Elizabeth's Hospital in Gateshead.
There are warnings that the National Health Service faces catastrophe.

Contents:

Conservative Party Conference: Policy Announcements

Theresa May, the Prime Minister of the United Kingdom, gave her 'keynote' speech at the Conservative Party Conference on 4th October 2017. She used the occasion to make several announcements about public services.

She told the Conservative Party conference that she wishes to renew the 'British Dream' and that the corner stone of this is to mend the 'broken' housing market. To this end, she has promised an extra £2billion for the affordable housing budget, increasing it to £9billion; and said that councils and housing associations would be able to bid for grants from this budget. This will include new homes for social rent and new council houses. She told the conference that:

"For 30 or 40 years we simply haven't built enough homes. As a result, prices have risen so much that the average home now costs almost 8 times average earnings. And that's been a disaster for young people in particular.

"I will dedicate my premiership to fixing this problem … to restoring the British dream… We will encourage councils as well as housing associations to bid for this money … And in those parts of the country where the need is greatest, allow homes to be built for social rent, well below market level… Getting government back into the business of building houses. A new generation of council houses to help fix our broken housing market."

Teresa May had announced earlier that there would be a £10billion increase in the budget for the 'Help to Buy' scheme but did not identify how it would be funded. This followed analysis by the Chartered Institute of Housing that showed that 79% of the United Kingdom government's housing budget is already spent on subsidising home-ownership. It has also prompted the Adam Smith Institute to criticise the scheme because increasing subsidies for home-ownership while doing nothing to increase supply would simply increase house prices making home-ownership less affordable. Others have suggested that, in view of the chronic shortage of affordable housing to rent and increasing homelessness, the government's priority should be affordable housing to rent – preferably social housing.

Subsequently, it was announced that social rents would be allowed to increase by the consumer prices index plus 1% each year from 2020 to 2025. This returns to the policy that was announced in 2014 but reversed in 2015. I had expected the government to announce a lower increase and the announcement has been welcomed in the sector.

Teresa May announced that on student finance the fee cap would remain at £9,250 per year and, more significantly, that repayments would begin when graduates started earning £25,000 a year, up from the current level of £21,000 a year. However, this has not satisfied everyone in the sector. For example, Alistair Jarvis, Chief Executive of 'Universities United Kingdom' told 'Public Finance' that:

"Universities UK would like to see the government going further by reintroducing maintenance grants for those most in need and reducing interest rates for low and medium earners. We also need to do more to reverse the worrying decline in the numbers of part-time and mature students."

Student tuition fees are discussed further below.

She also pledged an independent review of the Mental Health Act and a change to the organ donation system, that would bring England in line with Wales where there is an 'opt out' system.

Describing the National Health Service as a 'world class' service, she said that the government would increase funding per head over the course of the current parliament. However, in view of changing demographics and increasing demand for health services most commentators consider that the National Health Service requires substantial increases in funding each year merely to continue to offer the same service to an increasing number of patients.

She confirmed the government's commitment to free schools, with a plan for building 100 new free schools every year of this parliament. She said that:

"Free schools work. And it's the right thing to do."

Phillip Hammond, the Chancellor of the Exchequer, announced additional investment in the 'Northern Powerhouse' of £300million for railways and £100million for roads. This announcement has been welcomed in the North but it still leaves most of the United Kingdom government's budget for transport committed to London. For example, the London Crossrail development alone is costing £14.8billion! There is still cynicism about the project (see article on Cumbria County Council below).

Sajid Javid, the Secretary of State for Communities & Local Government announced a package of measures to protect the rights of tenants in the private rented sector. These included requiring landlords to register with an ombudsman scheme and all letting agents to be regulated as well as incentivising landlords to tenancies of at least twelve months. Some critics consider that these are timid measures and more needs to be done to protect tenants in the Private Rented Sector.

It was also confirmed that Universal Credit would continue to be rolled out.

However, some important issues that are required to sustain public services have not been mentioned since the election and were not mentioned in the speech.

One of these is Adult Social Care where there is a need to provide sufficient resources and effective integration with health, housing and other services. Another pressing issue is supported housing. I had a letter published on this subject in 'Inside Housing' in June. In the letter I conclude that:

"If confidence is to be restored, housing is to be provided for vulnerable people, and unmanageable pressure on health and social care services is to be avoided, the new government will have to act with urgency to address the funding of supported housing."

The minority Conservative government presented its Queen's Speech to Parliament on 21st June 2017. It had been expected that not all the proposals that had been included in the Conservatives' manifesto would be included in the Queen's Speech due to the government's lack of a majority and divisions within the Conservative Party.

This Queen's speech was unusual for several reasons: It was delayed because of the political situation and, as the Queen's speech of 2018 has been cancelled, it covers two years. It also dispensed with some of the usual ceremonials because of having been re-scheduled. It includes proposals for 27 bills but is generally regarded as being rather 'light'. While most Queen's speeches are remarkable for what they include this one is generally regarded as being remarkable for what it does not include.

I have written a briefing paper that summarises the Queen's speech and the reaction to it, and provides some commentary, with specific reference to its implications for housing and local government. Your copy can be freely downloaded from: http://awics.co.uk/files/module_document_pdfs/queen_s_speech_2017_-_the_implications_for_housing_and_local_government_-_briefing_paper.pdf

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Reforms to Student Finance

Theresa May announced that student tuition fees would be 'frozen' at £9.250 a year and that graduates would not have to start repaying their student loans until they started earning £25,000 a year – up from the current level of £21,000 a year; and that the current level of tuition fees would be frozen.

Student tuition fees have been controversial for some time. Labour introduced them in 2005 with the Conservatives opposing them as a 'tax on learning'; in 2010 the Liberal-Democrats made abolishing them a central plank in their manifesto but then entered a coalition government with the Conservatives that increased them to £9,000 a year; in the 2017 general election Labour campaigned to abolish them!

At the time that tuition fees were increased the government made a corresponding reduction in its grants to universities with the intention of ensuring that the effect was cost neutral on universities.

How the system works is that students do not pay for tuition while at college, but borrow the money required or tuition and living expenses from the Student Loan Company. Interest is them charged on these loans at the level of the retail price index plus 3% (currently 6.1%) and students start to repay the loans when their earnings increase to £21,000 a year. After thirty years any unpaid loans are written off. The government now has £100billion of student debt on its balance sheet and it is estimated that this will increase to £200billion. Some commentators argue that as the Bank of England base rate is currently 0.25%, charging students a rate of interest of 6.1% is rather expensive!

However, in the case of most graduates the size of the loan and the rate of interest is irrelevant. Their repayments are limited to 9% of their earnings above £21,000 and continue for only thirty years. For example, a graduate who earns £31,000 a year would repay £900 a year of their loan ((£31,000 - £21,000) x 9%). Over thirty years this would be £27,000 after which the balance would be written off. Whether the loan was £50,000 or £500,000 and whatever the rate of interest, the graduate would still pay £27,000.

Postgraduate students take out further loans that must be repaid at a rate of 6% of their income more than £21,000 a year. If a person has both an undergraduate and a postgraduate loan they will therefore pay 15% of their income in repayments at the margin. If they are on the higher tax band of 40% it could be considered that they are paying an effective 55% marginal tax rate!

Analysis by the Institute for Fiscal Studies has shown that students graduate with an average of £50,000 of debt and that 75% of them will never pay back the cost of their studies. This gives the government a problem with potential 'bad debts'. It has therefore been 'selling' its student loans at less than face value to private investors. This protects the government from unbudgeted 'bad debts' and means that the private investors will make a profit if they recover more debt than was assumed when the price was calculated. All pre-2010 loans have now been 'sold' in this way.

However, as it is expected that the proportion of post-2010 loans that will be repaid will be low the government has not been able to 'sell' any of these loans. It is to be hoped that they have made a prudent provision for 'bad debts' alongside the value of these loans on their balance sheet!

The Institute for Fiscal Studies have analysed the government's latest proposals and find that the government's reforms to the student finance system will save graduates significant amounts of money but increase costs to the taxpayer by around 40%.

The Institute for Fiscal Studies said that the increase in the level of income above which graduates will have to repay their loans would save middle-earning graduates up to £15,700 over their lifetimes, but it adds around £2.3billion a year – or 40% – to the public cost of providing higher education.

The think-tank also estimated that the changes will mean around 83% of graduates will not have paid back their student loans by the time the debt is written off 30 years after graduation, up from 77%.

The Institute for Fiscal Studies concludes that the freeze on tuition fees only has a very small impact in the short-run and will only reduce repayments for the very highest-earning graduates; and says that:

"Freezing tuition fees in cash-terms reduces university funding and saves the government £0.3bn a year in the long run… The impact on universities is small in the short-run but will grow the longer the freeze is kept in place… This creates uncertainty about future university income and makes it difficult for universities to make long-term plans."

The United Kingdom Economy

Some interesting economic statistics were published in September. United Kingdom government debt now stands at £1.88trillion (equivalent to 89% of Gross Domestic Product) and it is still increasing. Interest on this debt now costs about £50billion a year and that will also increase – quite significantly if interest rates are increased to reduce inflation and / or protect the value of sterling. Public expenditure is now at 42% of Gross Domestic Product compared with 40% before the financial crisis of 2008. This means that, in practice 'austerity' has not meant reducing public expenditure in total but has meant making reductions in budgets for services such as local government, housing and the police; and making reductions in welfare entitlements; while increasing expenditure elsewhere and paying for it through increased borrowing!

The Office for National Statistics' economic data for the second quarter of 2017 shows that Gross Domestic Product in the United Kingdom grew by 0.3% due to an increase in expenditure on services of 0.5% offset by a decline of 0.5% in manufacturing and a decline of 0.9% in construction. This underlines the structural weakness of the United Kingdom economy with its low productivity and dependence on government and consumer spending that is reliant on unsustainable levels of public and private borrowing. During the same period, the Eurozone economies grew by 0.6%. Darren Morgan, Head of Gross Domestic Product at the Office for National Statistics said that:

"The economy has experienced a notable slowdown in the first half of this year."

The government had been hoping that exports would help to take up the slack left by weakening consumption. With prices rising faster than wages, households have kept up their spending by borrowing more and drawing down their savings. The Office for National Statistics calculates that Britons saved only 1.7% of their income in the first quarter of 2017/18, the lowest savings rate since comparable records began in 1963. In the intervening 54 years, the ratio has averaged 9.2%.

Furthermore, for the first time since the 1970s, disposable income has fallen for three quarters in a row. Several economists have called the decline in savings unsustainable and regard it as the cause of the reduction in consumer confidence.

Business confidence also appears to have slumped after June 2017 according to a survey by the Institute of Directors. They found that a combination of a weak minority government and a lack of clarity over the terms of 'Brexit' is causing companies to delay investment decisions. According to the 'Financial Times', investment in the car industry fell 30% during 2016/17 and is dropping at an even faster rate during 2017/18. More recently, Monarch Airlines has gone into receivership partly because of uncertainty caused by 'Brexit'.

'In Facts' reports that in addition to uncertainty over what future access United Kingdom exporters will have to the European single market and on what terms, employers cannot be sure they will be able to hire expert staff from the European Union on whom they depend. One recent survey has found that most skilled European Union workers employed by FTSE 250 companies are likely to leave the United Kingdom before 'Brexit'.

In September 2017, the Bank of England issued its latest assessment of risks to the financial system that included its strongest warning yet about the United Kingdom's increasing consumer debt. The Bank calculates that Britain's banks could incur £30billion of losses on their lending on credit cards, personal loans and for car finance if interest rates and unemployment rose sharply.

Last June, the United Kingdom government lost its AAA credit rating (the highest available) and was downgraded to AA1. However, Moody's have now downgraded the credit rating further to AA2 following Theresa May's speech about 'Brexit' in Florence last week. Kathrin Muehlbronner, an analyst with Moody's told 'Public Finance' that:

"Moody's expects weaker public finances going forward."

My prediction is that further down-gradings will follow and that, combined with the weakness of sterling and increased inflation rates, this will result in interest rates being increased from their current extremely low levels. Furthermore, I don't think that the current discussion about whether the United Kingdom government will meet its financial liabilities when it leaves the European Union will strengthen its credit rating!

Andrew Burns, Director of Finance & Resources at Staffordshire County Council (where I used to be Assistant County Treasurer) is President of the Chartered Institute of Public Finance & Accountancy this year and in his address to their conference recently he predicted that 'austerity' would continue into the 2020s. He therefore urged local authorities to have:

"Resilience to deliver annual savings and manage significant financial shocks, while still pursuing ambitious goals and promoting prosperity."

The economy appears to be increasingly dependent on high levels of public and private borrowing, with demand from exports and investment weak. In my view, this will prove to be unsustainable and a contraction in the economy appears inevitable. This would be disadvantageous for public services as government would face a 'perfect storm' of declining revenues, increasing capital financing costs and less access to borrowing.

The public sector pay cap has been in the news recently. It was first introduced as a pay freeze by the former coalition government and was then 'relaxed' to a 1% pay cap. As a result, while private sector pay has now recovered to 2008 levels, private sector pay is lagging. Furthermore, with inflation predicted to increase to 4%, the retention of the 1% pay cap this year would represent a real term pay reduction of 3% for all public-sector workers. With the government having just lost its majority partly due to concerns about austerity, with many public services reporting difficulties with recruitment and retention, and with recent terror attacks and the fire at Grenfell Tower focusing public attention on the valuable contribution made by public sector workers, the government has changed direction slightly. It will now accept pay increases in the public sector of more than 1% where this is recommended by pay review bodies. The Scottish Government has said that it intends to lift the public sector pay cap in Scotland. This news is clearly to be welcomed by all those with an interest in public services. However, with inflation now running at 3%, any pay increase of less than 3% is a real-terms pay reduction. Furthermore, pay increases are to be accommodated within existing budgets meaning that increased pay will have to be accompanied by reductions in staff numbers.

Nowhere is the problem with recruitment and retention more pressing than in the National Health Service where it is reported that more nurses are leaving the service than are joining and that the problem is especially acute with nurses of European Union origin who are reported to be leaving in large numbers because of 'Brexit'. Commenting on recent statistics, Janet Davies, Chief Executive and General Secretary at the Royal College of Nursing, told 'Public Finance' that:

"These figures are the starkest warning yet that nurses have put up with too much for too long. Our members have had enough, and as a result the profession is shrinking."

She said the average nurse was now £3,000 worse off in real terms compared to 2010 and urged the government to lift the public sector pay cap.

'In Facts' has calculated that increased inflation caused largely by the decline in the value of Sterling, has increased interest on government debt by £9billion – enough to give every public-sector worker a 5% bonus! About a quarter of the government's debt is in the form of bonds linked to inflation so if prices rise, interest on this debt goes up.

Their calculation is as follows: In June 2016, retail price inflation – the measure that determines government interest payments – was 1.6%. It has now increased to 3.9%, a rise of 2.3%. The government has £388billion of inflation-linked debt. In a full year, interest on this debt would therefore be £8.9billion higher than if inflation had stayed at the June 2016 level.

As the total public sector pay bill is £179billion, they calculate that the government's extra interest payments would have been enough to fund a 5% bonus.

National Health Service is facing 'catastrophe'

The National Health Service is one of Britain's most popular institutions. It is also a very large institution, spending over £100billion a year and employing over a million people. However, the organisation of the National Health Service is often seen to be complex, its financial management arrangements difficult to understand and the financial challenges that it faces numerous. It is often said that the National Health Service is in 'crisis'.

Political support for the National Health Service appears to be strong. For example, Theresa May, in her speech to the Conservative Party Conference in 2017 said that:

"The National Health Service doesn't just bring us into this world, make us well if we fall ill, and nurse and care for our families through their final hours. It doesn't just bear witness to moments of joy and to times of intense sorrow. It is the very essence of solidarity in our United Kingdom. An institution we value. A symbol of our commitment to each other, between young and old, those who have and those who do not, the healthy and the sick."

While it is usual to refer to the 'National Health Service' there are, in fact, four different National Health Services in the United Kingdom; with the United Kingdom government managing National Health Service England and the devolved administrations in Northern Ireland, Scotland and Wales managing the National Health Service in those countries. There are therefore differences between the four jurisdictions. Funding is linked in that the expenditure on National Health Service England by the United Kingdom government feeds into the 'Barnett formula' that determines funding for the devolved administrations that they can use to fund the National Health Service in those areas.

A recent article in the 'Lancet' magazine (a medical journal) has suggested that 'Brexit' would be 'potentially catastrophic' for the National Health Service; and that the process of withdrawal could overwhelm Parliament and the civil service. It was said that:

"The future is especially uncertain following the 2017 general election, which left the Government with a minority in Parliament… There are deep divisions with the Cabinet and we have no confidence that central Government is yet in a position to address the consequences for health."

Researchers have analysed the three potential outcomes of the Brexit negotiations ('soft', 'hard' or 'failed' 'Brexit') on the National Health Service and have concluded that each poses a substantial threat to the National Health Service.

They conclude that even a 'soft Brexit' that retains access to the European Union's single market while restricting free movement is likely to have a big impact on health care; especially because it would become increasingly difficult to recruit sufficient health and social care staff. They write that:

"The workforce of the National Health Service is heavily reliant on European Union staff… Financing of health care for United Kingdom citizens in the European Union and vice versa is threatened, as is access to some capital funds, while 'Brexit' threatens overall economic performance. Access to pharmaceuticals, technology, blood and organs is jeopardised."

Professor Martin McKee, a member of the team from the London School of Hygiene & Tropical Medicine, said that:

"Our analysis of how Brexit will affect the National Health Service, although the United Kingdom's desired outcome remains unclear, is that Brexit in any form poses major risks to almost every part of the National Health Service, with a 'no deal' scenario potentially catastrophic."

Estimates for 2017 suggest that 60,000 people from the European Union work in the National Health Service and 90,000 are employed in adult social care, with a concentration of staff in London and the south east. These regions would be especially vulnerable to labour shortages, said the authors.

Another risk highlighted in the report is the potential loss of funding to the National Health Service, both as a direct result of European Union grants being discontinued, and indirectly from impacts on the United Kingdom economy.

Professor Tamara Harvey of the University of Sheffield and one of the report's authors, said that:

"I remain deeply concerned about the effects of leaving the European Union on all aspects of the United Kingdom's economic, social and cultural life, including health… If we must leave the European Union, I hope this analysis will help interested stakeholders and our elected representatives to hold our government to account to deliver a 'healthy 'Brexit'."

Nick Fahy, a former European Commission staffer who is now at the University of Oxford and is another author of the report said that:

"Health is often thought to be a purely national matter, relatively insulated from the consequences of Brexit… That is not the case; as this analysis shows, leaving the European Union will have wide-ranging impacts on health and the National Health Service. These must be addressed now if the consequences of Brexit are not to be borne by the sick and vulnerable."

What concerns me most about all of this is that it appears that the government has yet to carry out an impact appraisal of the effects of Britain leaving the European Union on the National Health Service – or, indeed, on any other public service. I would have thought that such impact assessments should have been carried out and published before the referendum and certainly should be carried out and published now!

I have written a briefing paper about the National Health Service finances. The purpose of this briefing paper is to provide an overview of the finances of the National Health Service in England and of the financial challenges that are faced and to provide some commentary.

It concludes that:

- The United Kingdom spends a lower proportion of its gross domestic product on health services than most developed countries. The United Kingdom spends about 8%. France, Germany, the Netherlands and Sweden are among those that spend over 10%.
- All major political parties in the United Kingdom claim to be committed supporters of the National Health Service.
- The financial pressures on the National Health Service caused by demographics, increasing costs and financial constraints are well understood, not only by health professionals but also by politicians and the public; although it may be that these pressures are exacerbated by the current approach to management.

- Evidence from opinion polling and actual voting shows that the public favour increased expenditure on the National Health Service.

I find it difficult to reconcile these facts with the fact that successive governments have allowed the financial problems to develop that are described in this briefing paper. And there are a lot of additional challenges ahead because of the decision for the United Kingdom to leave the European Union.

There is some evidence that improvements could be made in the management of the National Health service both generally and by improving joint working with partners such as local authorities and housing associations. There is also evidence that much of the 'demand' that the National Health Service struggles to meet is actually 'failure demand' – that is, demands that are made by patients because their needs were not met at the first point of contact.

However, the level of resources remains the main issue. An effective National Health Service needs to be adequately resourced.

Your copy of my briefing paper may be freely downloaded from here: http://awics.co.uk/files/module_document_pdfs/national_health_service_finances_-_briefing_paper.pdf

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The Scottish Government's New Fiscal Powers and Budgetary Process

The Scottish Government recently assumed new fiscal powers including the power to vary income tax that are expected to lead to a massive cultural change in budget processes. This was the conclusion of a Review Group of 'independent experts' that published its report in June 2017. The report put forward four thematic objectives:

- Wider influence in shaping the budget.
- Better transparency and public understanding.
- Greater capacity to respond to challenges.
- Better benchmarking against properly measured outputs and outcomes.

The report recommended a more strategic approach to the budget, including the publication of economic data in an annually updated medium-term financial strategy in the spring and a fiscal framework out-turn report each autumn. This would lead to a new approach with committees taking account of the budget implications of policies and budget planning made subject to year-round parliamentary and public scrutiny rather than being examined only during the weeks between the budget statement and Bill.

The Scottish Government has responded with a new Budget process that will be adopted as of the 2019/20 Draft Budget. In line with the Budget Process Review Group recommendations, it will offer Parliament a year-round approach to Budget scrutiny within the framework as set out in the Review Group report including the following:

- Full Year Approach: a broader process in which committees have the flexibility to incorporate budget scrutiny including public engagement into their work prior to the publication of firm and detailed spending proposals.
- Continuous cycle: scrutiny should be continuous with an emphasis on developing an understanding of the impact of budgetary decisions over several years including budgetary trends.

- Output / outcome focused: scrutiny should also be evaluative with an emphasis on what budgets have achieved and aim to achieve over the long term, including scrutiny of equalities outcomes.
- Fiscal Responsibility: scrutiny should have a long-term outlook and focus more on prioritisation, addressing fiscal constraints and the impact of increasing demand for public services.
- Interdependent: scrutiny should focus more on the interdependent nature of many of the policies which the budget is seeking to deliver.

It is anticipated that the budget process will become just one part of an expanded financial discussion that will include the wider fiscal framework, a medium-term financial strategy, a fiscal framework out-tern report and, in a spending review year, the statement of objectives or framework documents.

The Draft Budget for 2018/19 will be published in December 2017, subject to parliamentary approval. In keeping with last year's process, the Budget Bill timetable has been amended to provide additional time for Parliament to scrutinise the budget proposals. Derek Mackay MSP, the Scottish Finance Secretary, says this demonstrates good governance and partnership working. Welcoming the recommendations of the Budget Process Review Group, Derek Mackay agreed that publishing the Scottish Budget prior to the United Kingdom Budget would be 'counter-productive' due to the levels of economic and fiscal uncertainty. He has therefore sought agreement that the Scottish Budget be published three working weeks after the Chancellor delivers the United Kingdom Autumn Budget on 22 November 2017. Derek Mackay said that:

"The Budget Process Review Group has been a positive example of Parliament, Government and Civic Scotland working together in the interests of the people of Scotland, and I welcome the recommendations they've put forward. The report confirms it would be counter-productive to publish the Scottish Budget ahead of the United Kingdom Autumn Budget, due to the impact that it may have on Scotland's public finances. (So) I have written to Finance Committee to agree a timetable for our 2018/19 Draft Budget and begin implementing the review group recommendations. I propose setting out our Budget plans on 14 December – three weeks after the Chancellor is due to deliver the Autumn Budget – which is in keeping with previous years.

"I look forward to working with the Finance Committee and the wider Parliament as we seek to secure a Budget that will deliver for all of Scotland."

One of the 'independent experts' was Don Peebles, the Head of the Chartered Institute of Public Finance & Accountancy in Scotland. He told 'Public Finance' that:

"The move from a single-year focus to thinking over the longer-term – that's a massive step.

"The wider cultural change is going to come from two places. One is greater public involvement in the process, beyond the normal stakeholders and lobby groups. The other is the government, with the assistance of Parliament, which is going to mean a longer-term outlook on finances and well-being. At the moment, the government produces the budget to a specific timetable, and Parliament undertakes budget scrutiny at a fixed point in time. For the public, there is little interaction and dare I say it – little understanding of the process. That interaction is going to change because the tax setting process for income tax is going to be predominantly here in Edinburgh… The relationship that people have with Westminster, which is mature, is going to change into a more mature one with Holyrood.

"I'd like to think it's more likely to mean greater awareness and understanding of what the intended outcomes are from the government's perspective, what resources there actually are, and what has to be done by the respective parties to meet those outcomes.

"What we mean by a whole-year approach is a greater awareness on the part of committees that finance and financial consequences are ingrained into what they are considering. Finance is a part of, not apart from, normal policy issues.

"The fact that the United Kingdom government has revised its timetable to bring the budget from the spring into the autumn means an additional complication.

"That was what we thought about in setting out a minimum timescale for publication of the (Scottish) budget after the United Kingdom budget, which means not only that there has to be a budget produced within a few weeks but also appropriate time for scrutiny. In recent years, especially in spending review years, the time for scrutiny has sometimes been compressed to an unacceptable level."

Prosperity for All in Wales

In September 2017, the Welsh Government published 'Prosperity for All' - a national strategy to deliver its key priorities for the rest of this Assembly term, and set the right foundations to tackle the big challenges faced by the nation. Building on the headline commitments in the Programme for Government, the strategy is designed to drive integration and collaboration across the Welsh public sector, and put people at the heart of improved service delivery.

It starts with the bold statement that:

"Prosperity is not just about material wealth – it is about every one of us having a good quality of life, and living in strong, safe communities."

The strategy sets out a vision and actions covering each of the key themes in the Programme for Government:
- Prosperous and Secure,
- Healthy and Active,
- Ambitious and Learning, and
- United and Connected.

The strategy elaborates on each of the key themes as follows:
- Prosperous and Secure – Our aim is to drive a Welsh economy which spreads opportunity and tackles inequality, delivering individual and national prosperity. We will enable people to fulfil their ambitions and enhance their well-being through secure and sustainable employment. We will break down the barriers many face to getting a job, and create the right environment for businesses to grow and thrive.
- Healthy and Active – Our aim is to improve health and well-being in Wales, for individuals, families and communities, helping us to achieve our ambition of prosperity for all, taking significant steps to shift our approach from treatment to prevention.
- Ambitious and Learning – Our aim is to instil in everyone a passion to learn throughout their lives, inspiring them with the ambition to be the best they possibly can be. A prosperous Wales needs creative, highly skilled and adaptable people, so our education from the earliest age will be the foundation for a lifetime of learning and achievement.

- United and Connected – Our aim is to build a nation where people take pride in their communities, in the Welsh identity and language, and in our place in the world. We are building the vital links that make it easier for people to come together, for the economy to grow, and for us to become a confident nation at ease with itself.

The Strategy also identifies five priority areas: Early years, Housing, Social Care, Mental Health and Skills and Employability; that have the potential to make the greatest contribution to long-term prosperity and well-being. These are areas where it has been shown that earlier intervention and more seamless services can make a real difference to people's lives. The strategy elaborates on each priority area as follows:

- Early Years: an individual's experiences in childhood play a significant part in shaping their future, and are critical to their chances of going on to lead a healthy, prosperous and fulfilling life.
- Housing: the bedrock of living well is a good quality, affordable home which brings a wide range of benefits to health, learning and prosperity.
- Social Care: compassionate, dignified care plays a critical part in strong communities, ensures that people can be healthy and independent for longer, and is a significant economic sector in its own right.
- Mental Health: one in four people in Wales will experience mental ill health at some point in their lives, getting the right treatment at an early stage, coupled with greater awareness of conditions, can in many cases prevent long term adverse impacts.
- Skills and Employability: the better people's skills, the better their chances of getting fair, secure and rewarding employment, and the stronger the skills base is in Wales, the more chance we have of attracting new businesses and growing existing ones to improve prosperity.

The strategy states that these are by no means the limit of government's activities, and that the Welsh Government will not lose sight of the day to day running of vital public services, while adapting and improving them to reflect this new approach.

The Strategy says that there is a need for public services in Wales to work differently as follows:

"This strategy is far more than a list of actions that we will take. This represents a new way of working, one that recognises the challenges we face today, the Wales we want for the future and the steps that need to be taken to make it a reality. The Well-being of Future Generations Act acknowledges the contribution that everyone can make and gives us a basis for driving a different kind of public service in Wales.

"At the heart of this strategy is a recognition that public services and voluntary sector partners want to work together towards common objectives, to focus on the needs of people, at all stages of their lives and in all parts of Wales. There are already many innovations that support us working this way, such as the Public Service Boards which bring together all those delivering services in communities, to work with them to understand local needs and priorities and decide how they are best delivered."

In launching the strategy, First Minister Carwyn Jones said that:

"Yesterday we celebrated the 20th anniversary of the Yes vote that brought devolution to Wales. Devolution has been a journey of political maturity, a story of growing confidence and a firm determination to deliver for Wales.

"Today we publish a new national strategy designed to bring together the efforts of the whole public sector towards this Government's central mission of delivering Prosperity for All.

"Prosperity is about far more than material wealth and cannot be delivered by economic growth alone. It is about every person in Wales enjoying a good quality of life, living in a strong, safe community and sharing in the prosperity of Wales.

"This strategy takes our commitments in Taking Wales Forward, places them in a long-term context, and sets out how they will be delivered in a smarter, more joined up way that cuts across traditional boundaries, both inside and outside government."

Further information about 'Prosperity for All' is on the Welsh Government's website at: http://gov.wales/newsroom/firstminister/2017/170919-new-national-strategy-for-a-more-prosperous-wales/?lang=en

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Cumbria County Council Leader warns of 'perfect storm'

What do Angela Merkel, the German Chancellor and Councillor Stewart Young, the Labour Leader of Cumbria County Council have in common?

The answer is that they both came to power in 2005, have both presided over a series of coalition administrations, and were both re-elected to head a fourth coalition administration in 2017 despite seeing their party lose votes and seats!

Upon his reappointment as Leader of Cumbria County Council, Stewart Young said that the County Council should brace itself for tough times. He warns that the county's economy is facing a 'perfect storm' of problems posed by 'Brexit', delays over the nuclear development of Moorside and continued cuts in Government funding, as follows:

"It is the Brexit thing. Every day there is some other aspect of Brexit that comes to light that you maybe have not thought about that has consequences for Cumbria… We have three areas in particular which are going to be hugely affected.

- *I know people are hoping the government will continue to pay the same level of subsidy as Europe but I can't see that.*
- *The tourism industry relies on a lot of its workforce to come from the European Union.*
- *In the nuclear industry, if we withdraw from Euratom then unless we can get agreements in place with twenty foreign governments, then the movement of nuclear waste in and out of the United Kingdom will become illegal… We would not be allowed to do (reprocessing) under international law.*

"The strategic economic plan that the Local Enterprise Partnership drew up is predicated on the investment in the west coast. Any delay to that has a huge impact. As reprocessing stops there will be losses of thousands of jobs and a lot was hinging on the fact that there would be alternative jobs which are now at risk.

"We are almost facing a perfect storm in terms of our economy because of these various factors which are out of our control. They are all happening around the same time. Any one of those things would be challenging but when they occur at the same time they are very challenging. We are in unprecedented times. The challenges are enormous and local government is facing an existential threat."

He says the council must deal with funding cuts of up to £40million over the next three years and try to maintain services while improving the provision for children, the elderly and the infirm in the county. He says of his new term of office:

"It is a continuation of the arrangement we had before the election with the Liberal democrats. We already had our plans in place, now we need to deliver. Some of those plans are in adult social care. We are still planning to build new care homes in Carlisle and Whitehaven. We're looking for a big expansion of extra care housing - specially adapted housing for the elderly. We will need to deliver that. In children's services we are under an improvement notice from the Department for Education and we are expecting Ofsted to come back later in the year. Our ambition is to get that notice lifted, so we need to keep a focus on that. In Ofsted-speak, we want to be rated good.

"There are a lot of things we want to do over the next four years… There is a lot of focus on economic development and funding for infrastructure and most of that is lobbying…. We know what infrastructure we need we know we want all of our roads improved, we want the railways improved, what we haven't got is the money… A lot of that is about lobbying. In terms of what we can control and what we have resources for, we have clear plans in place."

An added complication, he says, is that plans for future funding of local authorities that were drafted before the general election have not been finalised:

"By 2020 our government grant will have disappeared but the arrangements to replace that haven't been agreed and we are told are now not going to be agreed… They will have to come up with some kind of fix, but it just creates this uncertainty which makes it very difficult to plan because you really don't know how much money you will have… You can predict two years ahead but after that you have no idea."

Councillor Young is cynical about the 'Northern Powerhouse', calling it the 'Northern Poorhouse' and saying that:

"It is a brand isn't it? I always look for the substance behind the hype and there is a distinct lack of substance. There is no doubt that the main drivers of the Powerhouse see it as a vehicle for Manchester to be an alternative hub to London which is something I would welcome. But to pretend it is something that encompasses the whole of the north of England... There isn't any money behind it. It is almost as though every positive announcement made gets badged as though it was somehow due to the Northern Powerhouse… We would brand some of our schemes as part of the Northern Powerhouse if we thought it would be helpful, but there is not an entity called Northern Powerhouse or a pot of money for it.

"The Government want Carlisle city council to release land for 10,000 new houses, but as a highways authority, we have said you could not possibly do that without a southern bypass around the city. It is not joined up. The district councils put in bids for these developments but most of the infrastructure is the responsibility of the county council. Which is one of the problems of having a split responsibility."

Meanwhile the Local Government Association has published a report entitled 'Beyond Brexit' that argues that the UK government should match the level of European Union funds (£8.4billion from 2014 to 2020) given to Councils after 'Brexit'.

Councillor Kevin Bentley (Conservative), the Deputy Leader of Essex County Council and Chair of the Local Government Association's 'Brexit Task & Finish Group' told 'Public Finance' that:

"Since the referendum, one of the biggest concerns for Councils has been the future of vital European Union regeneration funding. Councils have used European Union funds to help new businesses start up, create thousands of new jobs, roll out broadband and build new roads and bridges."

Despite the UK Government's assurances that everyone will be able to have everything they want after 'Brexit' I fear that the economic situation and continued 'austerity' will lead to Councillor Bentley being disappointed. I would expect central government funding for economic development to be minimal after 'Brexit'.

Evidence based Politics!

It is often said that all political careers end in failure because, to get elected, politicians must promise things that they know they cannot deliver. Allied to this is a tendency to base arguments on sentiment rather than evidence or logic. In some cases, misleading or inaccurate information also appears to be used. Examples of this can be found in recent general election campaigns and in last year's referendum on Britain's membership of the European Union.

My Member of Parliament, Rory Stewart (Conservative) writes an occasional column in the local newspaper, the 'Cumberland & Westmorland Herald'. In a recent edition, he wrote that:

"By focusing more on the detail of real problems, and less on instant solutions, we (politicians) could begin to restore some patience, trust and common purpose in our politics. And perhaps, instead of hating ourselves for our inability to achieve the impossible, we could begin to focus instead on getting things done."

If politicians were to focus more on real problems, facts, evidence and practical solutions; I would find this very welcome. However, it appears to me that the current direction of travel is generally in the opposite direction!

There has never been a greater need for good quality information and analysis.

Private Finance Initiative

John McDonnell MP, the Shadow Chancellor made an interesting announcement about Private Finance Initiative schemes at the Labour Party conference earlier today, saying that:

"The scandal of the Private Finance Initiative has resulted in huge long-term costs for taxpayers while providing enormous profits for some companies… Over the next few decades, nearly £200billion is scheduled to be paid out of public sector budgets in Private Finance Initiative deals. In the National Health Service alone, £831million in pre-tax profits have been made over the past six years… I can tell you today that when we go into Government. We'll bring these contracts and staff back in-house… Never again will this waste of taxpayer money be used to subsidise the profits of shareholders, often based in offshore tax havens "

The Private Finance Initiative was introduced by the Conservatives in the 1990s and continued by Labour from 1997 to 2010. Under the scheme there were considerable investments in services including the National Health Service, Education, Highways and Housing. Some of my clients have Private Finance Initiative schemes and while some complain that they are not ideal others are happy with how they operate. However, during recent years these schemes have attracted criticism from across the political spectrum as being too complex and costly; and few new schemes have been started since 2010.

Private Finance Initiative schemes are contracts under which private companies agree to provide significant capital investment and ongoing services to public bodies for periods of up to thirty years in return for significant payments. The early termination of large and profitable contracts would involve the government (or other public body involved) having to pay significant early termination charges. It is possible that these costs would outweigh the savings in most cases. It is interesting that no costings have been provided for this policy and that the BBC is reporting that 'Labour sources' are saying that they would 'review' rather than 'bring… in-house' these contracts!

AWICS Surveys

At AWICS we value feedback from our clients and from users of our website. This is for two reasons:

- We actively seek feedback from clients so that we can evaluate what we are doing now and use the information to improve our services in future.
- We like to have a dialogue with clients and users of our website so that we can understand their developing needs and provide services to meet them as part of a long-term commercial relationship.

We have therefore developed a series of surveys and questionnaires that can be found at: http://awics.co.uk/questionnaires-and-feedback

These include a survey about our seminars. Whether or not you have attended one of our seminars recently, I would be grateful if you could assist us by completing our short survey. It can be found at: https://form.jotformeu.com/71926426584364

Editorial Note

The Public Services News is published by AWICS Limited. This edition was edited by Adrian Waite. Articles are written by Adrian Waite unless otherwise stated. However, the views expressed are not necessarily those of Adrian Waite or AWICS unless expressly stated.

Housing Business Planning in an Uncertain Environment - Seminar

We are holding seminars on 'Housing Business Planning in an Uncertain Environment' during November 2017. These seminars will look in depth at how local authorities can update their housing revenue account business plans.

Business Planning has been an important element of the management of council housing for some time. However, we are now operating in a very uncertain environment. There is a minority government; the Housing & Planning Act will not be implemented in full; the future funding of supported housing is under threat; and the implications of the vote for Britain to leave the European Union are not clear.

The public finances are weak; welfare reform - including reform of housing benefit - is a 'work in progress'; government policy on rent reductions, 'right to buy', new development and the integration of housing, social care & health are all unclear. Demographic change continues to put pressure on housing services. This requires a new way of business planning including a robust approach to the development of strategy, financial forecasting, sensitivity analysis, risk management and contingency planning.

The seminar will address the following questions:

- What are the key elements of a good quality housing revenue account business plan?
- What is the political, economic, social and technological environment in which local authority housing services operate? What are the key uncertainties?
- How can councils develop effective self-financed business plans that will address the new uncertain environment in a robust way? What assumptions should be made in the financial model? How can uncertainties be managed?
- What business planning techniques are now required including for strategy, financial forecasting, sensitivity analysis, risk management and contingency planning?

Who should attend?

- All those with an interest in business planning in local authority housing, including Managers in Local Authorities and Arm's Length Management Organisations, Elected Members, ALMO Board Members, Housing Accountants and Tenant Representatives.

The session is interactive, includes specific practical examples and is accompanied by a very useful book entitled: "Housing Business Planning in an Uncertain Environment"

Venues and Dates:

- London: Novotel Hotel, Waterloo – Tuesday 7th November 2017
- North: Novotel Hotel, Leeds – Tuesday 21st November 2017

The price of the seminar in London is £250 plus Value Added Tax, a total of £300. The price of the seminar in Leeds is £195 plus Value Added Tax, a total of £234. However, there is a £20 discount for people who book a month or more in advance making the cost £230 plus Value Added Tax in London and £175 plus Value Added Tax in Leeds.

For further information or to make a booking, please click here: http://awics.co.uk/housing-business-planning-in-an-uncertain-environment

Other AWICS Seminars:

Our next seminars are as follows:

- Welfare Reform 2017: The Implications for Housing
- All You Want to Know about Service Charges in Social Housing in Wales.
- All You Want to Know about Service Charges in Social Housing in England.
- All You Want to Know about Local Authority Housing Finance.

Information about all our seminars can be found at: http://awics.co.uk/seminars2017 and http://awics.co.uk/seminars-2018

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about our services and us please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk. Services that we offer include:

- Management Consultancy – http://www.awics.co.uk/ManagementConsultancy.asp
- Interim Management – http://www.awics.co.uk/interimmanagement.asp
- Regional Seminars - http://www.awics.co.uk/seminars2017.asp
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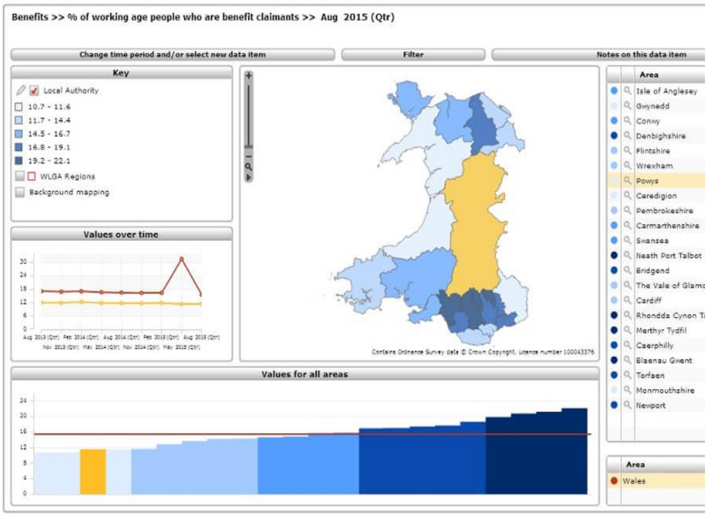
- presents data in reports, tables and maps which are all easy to export



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