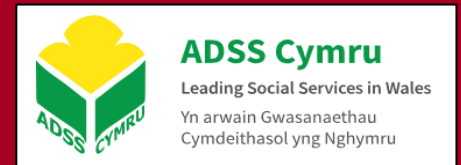


# WLGA AND ADSS CYMRU EVIDENCE TO THE FINANCE COMMITTEE ON THE INQUIRY INTO THE COST OF CARING FOR AN AGEING POPULATION



CLILC • WLGA

**JANUARY 2018**



## About Us

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.
2. The WLGA is a politically led cross-party organisation, with the leaders from all local authorities determining policy through the Executive Board and the wider WLGA Council. The WLGA also appoints senior members as Spokespersons and Deputy Spokespersons to provide a national lead on policy matters on behalf of local government.
3. The WLGA works closely with and is often advised by professional advisors and professional associations from local government, however, the WLGA is the representative body for local government and provides the collective, political voice of local government in Wales.
4. The Association of Directors of Social Services Cymru (ADSS Cymru) is the professional and strategic leadership organisation for social services in Wales and is composed of statutory Directors of Social Services, and the Heads of Service who support them in delivering social services responsibilities and accountabilities; a group of more than 80 social services leaders across the 22 local authorities in Wales.

## Introduction

5. We welcome the opportunity to comment on the Finance Committee's inquiry into the cost of caring for an ageing population. The demographic challenges facing Wales have been well documented. Across the UK nations Wales has seen the slowest overall population growth, but has the largest and fastest growing population of older people (aged 65 and over). A 2016 OECD report confirms that although the burden of chronic and complex conditions associated with

increased life expectancy is increasing across the UK, it is higher in Wales than England<sup>1</sup>. Another key indicator, the levels of poverty (linked with ill health), is also higher in Wales than the other UK countries.

6. This comes at a time when local public services have faced over £1bn in cuts since the introduction of austerity measures in 2010. With service pressures running at anywhere between £150m and £300m a year, the financial position is becoming unsustainable. Councils are using their medium term financial strategies to plan for future savings requirements but there are clearly risks in terms of financial resilience, not least the burgeoning costs of social care and increasing need.
7. Social care has been identified as a sector of national strategic importance by Welsh Government Ministers and 'Prosperity for All' has identified social care as one of its priority areas with the ability to have the greatest potential contribution to long-term prosperity and well-being. This comes at the same time as the Parliamentary Review into the long-term future of Health and Social Care in Wales has reported that the case for change is compelling, with a need to create seamless health and care services for the people of Wales. We believe that an examination of the long-term future of health and social care is vital to be able to look at how we can create a sustainable and properly funded health and social care system. This will be central to developing a new approach in Wales that is fit for future generations, particularly given the current financial and demographic pressures placed on the system.

## **Patterns in Demand**

8. The wider challenges facing social care have been well documented. As a result of demographic changes primary and community care services are facing increasing and more complex demands; more people are diagnosed with one or more preventable health condition; and frail, older people increasingly have more complex needs. This comes at a time when we continue to experience severe austerity in funding for public services across the UK.
9. Currently, approximately 70% of adults (aged 18+) in receipt of social services will be over the age of 65 and nearly a third will be over the age of 85. In addition, we know that in the wider population around 28% of those aged 85 and over are in receipt of support from social services, compared with just under 3% of people aged over 18. This highlights the significant impact that an ageing population, with increasingly complex needs, will have on services.
10. The most recent report from Wales Public Services 2025, 'A delicate balance? Health and Social Care spending in Wales' focused on the difficulties local authorities are having keeping pace with spending. The report identifies that spending on social care for the over 65's is not keeping pace with the growth in the population of older people. The increasing over-65 population in Wales

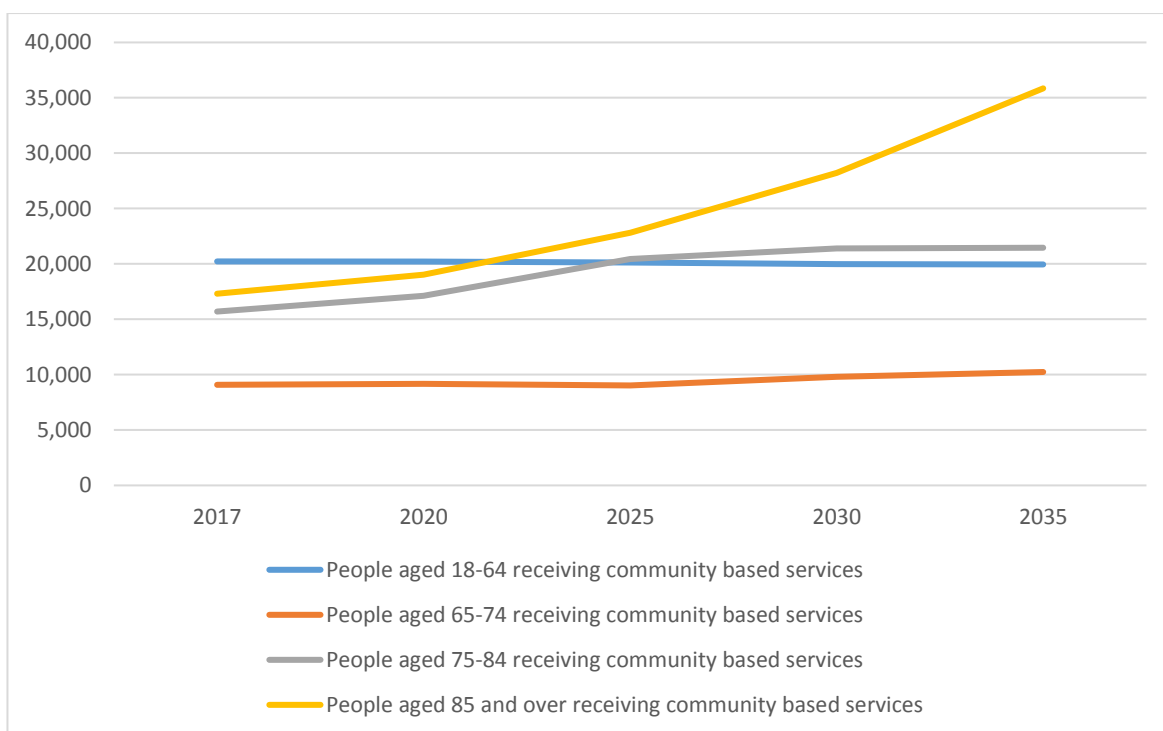
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<sup>1</sup> OECD Reviews of Health Care Quality: United Kingdom 2016 - Raising Standards (available here: <http://www.oecd.org/unitedkingdom/oecd-reviews-of-health-care-quality-united-kingdom-2016-9789264239487-en.htm>)

means that whilst day-to-day spending on local authority-organised adult social services has remained broadly flat in real terms, spending per older person has fallen by nearly 13% in real terms over the last five years in Wales, inevitably leading to impacts on services for older vulnerable people. Spending per head would have to increase by at least £129 million (24%) (2016-17 prices) between 2015-16 and 2020-21 to return to the equivalent level of spending in 2009-10, which amounts to a 2.5% year-on-year increase.

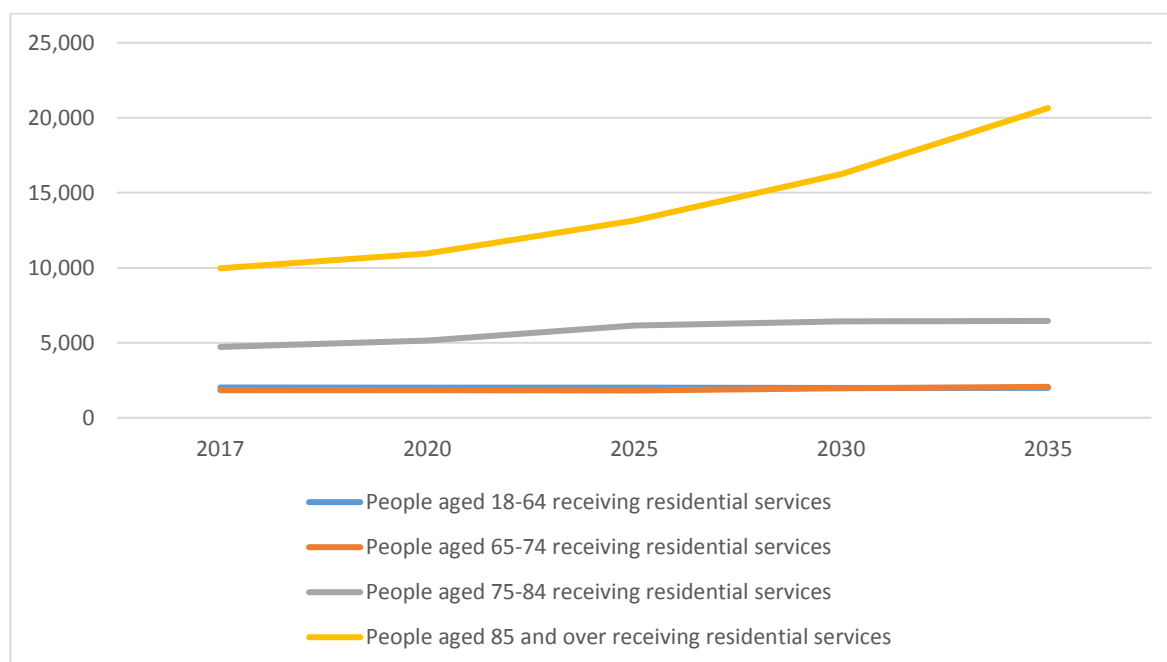
11. The report complements the findings from the Health Foundation report, ‘The path to sustainability: Funding projections for the NHS in Wales to 2019-20 and 2030-31’, recognising the twin challenges of financial and demand pressures faced by health and social care in Wales. The Health Foundation report also recognised that the health of the population depends on far more than just the quality of health care services. Key determinants of health are largely outside the control of health services and so the quality of, and spending on, social care has one of the strongest impacts on the demand for health care. It has been estimated that pressures on adult social care alone will rise by around 4.1% a year in real terms between 2015 and 2030-31, due to demography, chronic conditions and rising costs. This will require the social care budget to almost double to £2.3bn by 2030-31 to match demand.
  
12. Population projections estimate that by 2035, the number of people aged over 65 living in Wales will increase by 33%. The largest increase will be in the number of people aged over 85 which is forecast to rise by 107% according to the Institute of Public Care’s Daffodil system. The impact of these increases on some aspects of social services can be seen in Figures 1 and 2 below which demonstrate the projected increase in demand, particularly for those aged over 85, that will be placed on both social care community-based services and residential services in future years.

**Figure 1:** People aged 18+ receiving community-based services, by age, projected to 2035



(Source: Daffodil)

**Figure 2:** People aged 18+ receiving residential services, by age, projected to 2035



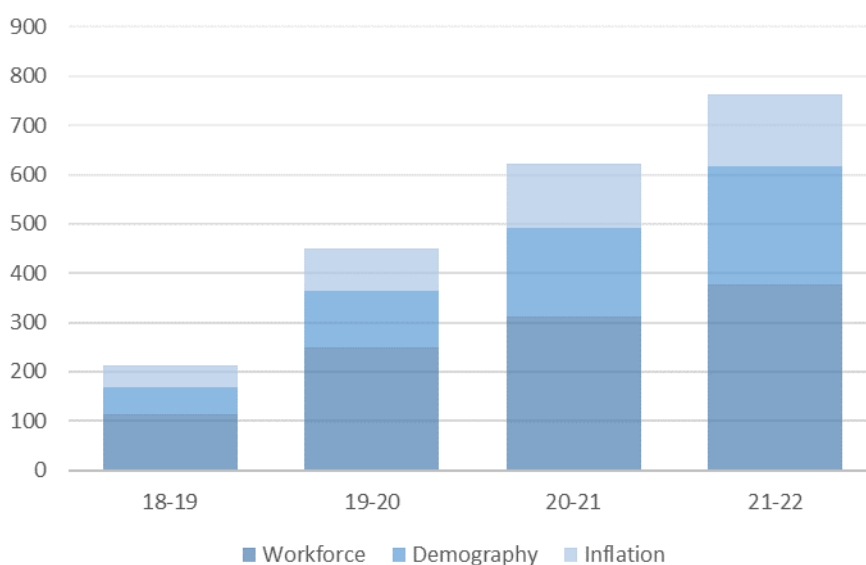
(Source: Daffodil)

13. The changing demographics will also impact on unpaid carers. An ageing population with improved life expectancy for people with long term conditions or complex disabilities means the need for more high-level care provided for longer. We are likely to see more older people in a caring role, with the number of carers over 85 predicted to double in the next 20 years. Increasing hours of care often results in the general health of carers deteriorating incrementally. Unpaid carers who provide high levels of care for sick, or disabled relatives and friends, are more than twice as likely to suffer from poor health compared to people without caring responsibilities. Caring responsibilities can have an adverse impact on the physical and mental health, education and employment potential of those who care, which can result in significantly poorer health and quality of life outcomes. These in turn can affect a carer's effectiveness and lead to the admission of the cared for person to hospital or residential care, placing further pressure on our already over-stretched system.
14. All regions have published their Regional Population Needs Assessments and are currently developing their Population Area plans. All identify the important and vital role that unpaid carers undertake and are committed to improving access to suitable breaks and respite that meet the varied, often complex needs of the people they care for. Many regions are mapping or exploring more flexible options that meet specialist needs, such as autism or dementia. It is acknowledged that planning for carers services needs to consider the potential future needs of older carers and find ways of supporting older carers to plan ahead.

## Overall Cost Pressures faced by local government

15. The higher-level longer-range forecasts produced by the Health Foundation and Wales Public Services 2025 are supported by the shorter-term estimates of the WLGA. A large proportion of supply-side pressures over the coming years are attributable to either direct workforce costs for councils, or indirect costs of third party providers. In previous years, there have been substantial cost increases such as £60m in employers' National Insurance payments due to the introduction of Single Tier Pensions in 2016-17, and £18m for the Apprenticeship levy in 2017-18. Looking forward, there are significant pressures from increased employer contributions to the Local Government Pension Scheme (£100m by 2021-22).
16. While the future of public sector pay is currently a matter of national debate, the anticipated 2% pay increase, following years of a 1% increase, are compounded by the impact of the Pay Spine Review which could add a combined 2.5% to the costs of payroll each year over a two-year period depending on the negotiations between Employers and the Unions. Altogether payroll costs will be £378m higher by 2021-22.
17. Figure 3 below shows the current assessment of expenditure pressures for local government. Total expenditure pressure for 2018-19 is higher than previous estimates at £212m. Just over half of this is the unavoidable financial pressure of pay and pensions. By 2021-22 this is estimated to rise to £762m with workforce pressures (£378m) higher than demographic pressures (£239m). Other inflationary pressure will account for £145m at the end of the same period.

**Figure 3:** Cumulative pressures up to 2021-22, by source, £m

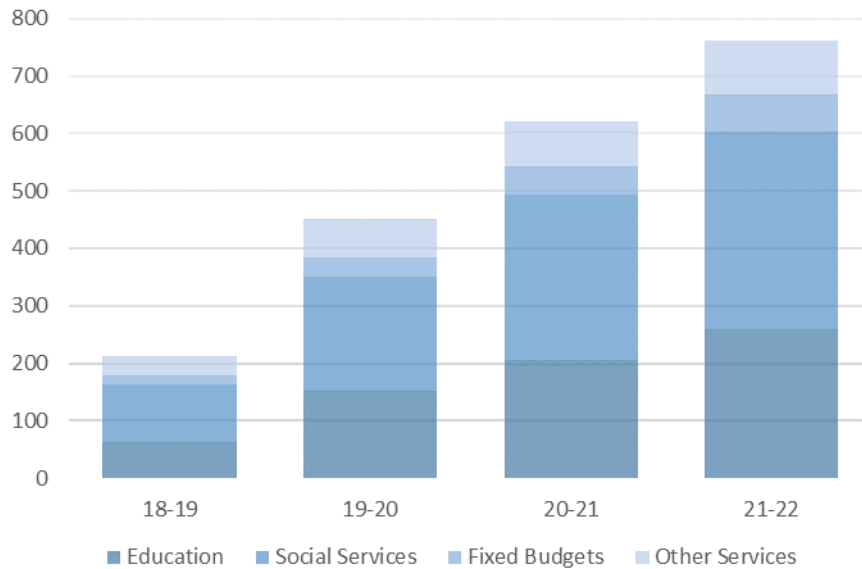


**Source:** Base estimates: RO and RA returns (2014-15 to 2015-16)

18. Figure 4 below shows that a greater proportion of pressure is building up in social services. An additional pressure of £99m next year becomes £344m by 2021-22. Cost drivers in the education

service rise from £64m next to £258m over the same period. Fixed elements of the budget – capital financing, fire levies and the Council Tax Reduction Scheme (CTRS) – rise from £17m to £66m by the end of the period. The remaining services are the ones most at risk and areas that have borne the brunt of austerity.

**Figure 4:** Cumulative pressures up to 2021-22, by service, £m

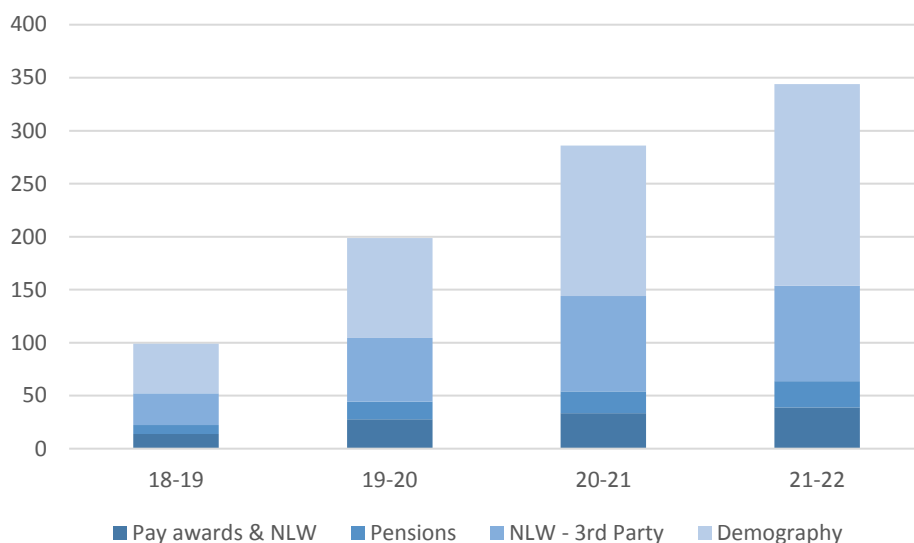


**Source:** Base estimates: RO and RA returns (2014-15 to 2015-16), NLW impact: WLGA Survey (2016)

## Pressures specific to social services

19. In the WLGA model, we take the broader estimate of demand factors across all social services from earlier work of Wales Public Services 2025 which demonstrated that pressures drive around 2.9% growth each year. This is an increase of approximately £47m annually up to 2021-22.
20. Figure 5 below shows that within social services budgets, demographic pressures account for roughly half of the forecast growth next financial year, a proportion that increases gradually up to 2021-22. Direct and Indirect workforce pressures account for the remainder.

**Figure 5: Elements of social care pressures up to 2021-22, by service, £m**



21. Pressures due to social care continue to pose the most risk to council’s financial sustainability in the medium to long term. The current funding arrangements will not cover the expected increases in cost and demand facing social services. Local government’s spending pressures will total around £212m in 2018-19 which will have to be either fully absorbed by councils (or cuts made elsewhere) or partially offset by council tax increases.

22. A knock-on impact of the pressures being faced within social care has meant that the provider market has been fragile for some time and all the signs are that the difficulties will only increase. For example, 13 of the 22 Welsh local authorities have reported domiciliary care contracts being handed back to them. For some areas of Wales it can be very difficult to access domiciliary care to respond to complex cases or because of the rurality of the area, with local authority provision having to fill the gap, often with difficulty.

23. There are a series of factors that have increased or will further increase the costs of providing care services, including:

- National Living Wage
- Sleeping in judgement
- Pension changes
- Travel costs
- Impact of HMRC changes

24. The pressures on social care are the most significant, immediate and direct for local authorities but we need to recognise the importance of other council services, which are all involved in helping to meet the demands placed on both health and social care services. Services such as

libraries and leisure centres have increasingly been playing a part in supporting older people to stay well and independent. We also know that suitable housing can significantly improve life in older age, while unsuitable housing can be the source of multiple problems and costs. There will continue to be a need for high-quality nursing and residential care for those who need it, as well as a need to consider alternatives such as enhanced support at home. Appropriately designed housing that can adapt to people's changing needs as they age has a number of benefits, including reducing demand on health and care services. We firmly believe that there is a real need for investment in housing for older people to both improve existing provision and plan new and creative ways of delivering suitable accommodation, tailored to the needs of whole sectors of our communities. Enabling us to be able to meet the changing needs and demands being placed on our services.

25. We retain a firm belief that investment in preventative services must be the core priority for Welsh Government, in line with the philosophy of both the Social Services and Well-being Act and the Wellbeing of Future Generations Act and in terms of sound budgetary policy. Many preventative services in local government, such as leisure centres, parks, adult education, youth work and community facilities are provided at the discretion of local councils. Unfortunately, in recent years it is these preventative services that have faced the brunt of cuts to local authority budgets as statutory services such as education and social services have been protected. The recent report by Wales Public Services 2025, 'Austerity and Local Government in Wales: an analysis of income and spending priorities, 2009-10 to 2016-17', highlighted the significant impact that eight years of austerity have had on local public services. Cuts in the smaller but vital services have been deep, with question marks over their future sustainability if a further period of cuts were to continue.
26. At the same time in the NHS, available funds have been targeted at delivering improved performance in secondary care services, most notably to address referral to treatment waiting times. Pressure on hospital services has never been greater and NHS organisations have therefore struggled to redirect resources into preventative services based in primary and community settings.
27. The Welsh Government's investment in the Intermediate Care Fund (ICF), now the Integrated Care Fund, has been welcomed by local government and has led to the introduction of a number of preventative services across Wales, with older people with complex needs and long-term conditions being one of the priority areas for the fund. All regions have reported that the ICF has developed a culture of collaboration with improved communication and decision making across all sectors. There is an enhanced understanding of what different partners can provide, with improved knowledge of good practice within the region that can be developed and shared more widely. The fund has also increased capacity to improve outcomes for people and to deal with demand for services. Some areas of good practice include single point of access, the establishment of intermediate care teams (ensuring the provision of co-ordinated services across health and social care), rapid response teams, social care or third sector staff working alongside



health staff in hospital to prevent delayed discharges, extending the range of rehabilitation / reablement services (including the use of intermediate care flats as part of a wider health, social care and community complex).

28. Its success comes from providing dedicated resources, supported by focused leadership, joint decision-making and governance, to enable public services to concentrate and deliver transformational change. The introduction of the ICF has evidenced the benefits of joint planning and joint decision making and we believe more can be done. For example, by increasing the funding available through the ICF or by bringing oversight of the Primary Care Fund under the newly established Regional Partnership Boards, as the ICF currently is, to enable us to fully examine opportunities for integrated working.
29. All accept that it is not just about chasing pots of money. It's about identifying money and people that are not already entangled in sector pressures or rules that can be used to achieve something new while at the same time trying to at least maintain, if not improve the level and quality of existing services.

## **Arrangements for Funding Social Care**

30. On-going financial austerity measures for local authorities mean that there is little scope for cost pressures to be reflected adequately in prices paid for care in the near future. Increases in costs cannot be absorbed by care providers indefinitely (nor cross-subsidised by self-funders) and unless a more strategic and sustainable solution is found, there will be significant consequences across the social care market.
31. Social Care Wales have developed a five-year strategic plan covering care and support at home in Wales. This plan recognises the need for a systematic change to the way care and support at home is provided. The strategy identifies the need for Welsh Government to realign funding and to explore the options available to increase and maximise the resources invested in care and support at home.
32. The Care Inspectorate Wales (formerly Care and Social Services Inspectorate Wales) review of domiciliary care supports this view, noting that whilst simplifying and standardising processes will make some parts of the system more efficient and may save some money, it will not be enough on its own. More money needs to be made available in the system so that in years to come there is a resilient, competent workforce and quality provision of care.
33. While medium-term financial planning is firmly embedded and improving in local authorities, longer term thinking is still at a nascent stage, though there are positive signs the Wellbeing of Future Generations Act is proving to be a useful lens through which to view future service provision. Some authorities are starting to undertake strategic programmes of 'whole-authority' work. For example, 'Future Monmouthshire' aims to pose a set of questions about the

authority's core purpose, relationships with communities, citizens and stakeholders and its appetite for economic growth and local prosperity.

34. One of the aims of programmes like this is to develop a new operating model in order to equip authorities to meet their goals amidst increasing change and uncertainty. The new operating model will have a clear purpose: to create the capacity and foresight to develop solutions to some of the biggest challenges, ensuring that authorities understand the shifting needs and priorities of communities and positioning themselves as enablers for change.
35. We cannot continue as we have done in the past eight years of austerity where the additional funding for social care has to be found from a mixture of council tax increases and funding from discretionally areas. In his Financial Resilience Report, the Auditor General has calculated that between 2010-11 and 2016-17, there was a real-terms reduction of £761 million (17%) in aggregate external finance (core grant) for local government. This has had varying impacts across local public services with some experiencing real terms reductions of over 50%, and spending at levels not seen since the 1990s.
36. Given the significant pressures being faced there is a growing consensus that social care is such a significant challenge that new thinking on funding is required. The crisis facing social care was quite rightly a major issue during the general election campaign, and reflects how deeply concerned the public are about how we care for older and disabled people. Fundamental changes to the way we fund social care are needed if we are to deliver a long-term sustainable system that works for everyone in society and meets their needs with safe and high-quality services. Difficult, brave and possibly even controversial decision-making will be required to secure the long-term future of care and support, not just of older people, but people of all ages.
37. This is not a new debate, in 2013 for example, the then Deputy Minister for Social Services commissioned research from LE Wales on paying for care in the Welsh context which included data on current charging, present and future population composition, and trends in income and capital. Two research reports were published, the first in April 2014. The report provided data on population trends in Wales and projections of current and future demand for care services. It also included data on expenditure on, and income from, care services, and on charging arrangements across Wales. The report also looked at alternative models for paying for care and considered the arrangements in other countries including France, Germany, Sweden, Japan and Australia. The second LE Wales report, published in October 2014, provided projections of demand for, and the costs of, care under a number of scenarios over a 25-year period from 2013 to 2037. This second report also set out the possible impacts of a variety of policy options for both residential and non-residential care. Five policy options were considered:
  - Option 1: All care costs are paid through government expenditure
  - Option 2: Set Government contribution
  - Option 3: Weekly maximum on self-funders' contribution
  - Option 4: Lifting housing assets threshold

- Option 5: Lifetime cap on care charges

The report also looked at some potential financial services products and state funding options, such as a social insurance fund.

38. In their recent paper for the IWA, Solving Social Care, both Professor Gerry Holtham and Tegid Roberts suggest a common insurance fund to pay for the growing costs into the future. Another suggestion by the Financial Times commentator, Merryn Somerset Webb proposes capping the fees of the asset management industry to free up funds for social care. Both are interesting interventions into this debate and need serious examination.
39. We have welcomed the Cabinet Secretary's recent proposal to use the Welsh Government's new tax-varying powers to look at funding a social care levy. There is a need to focus on long-term funding solutions such as this proposal and look at how to build political and public support for them. Extra funding for social care can empower councils to prioritise prevention work which is key to reducing the pressures on the health service and keeping people out of hospital in the first place so they can lead fulfilling and independent lives in their communities and close to their loved ones, which will reduce costs to the public purse.
40. An essential foundation for long-term reform is greater awareness amongst the public of why social care matters in its own right. Everyone who has a stake in our care system should help build this awareness. Similarly, progress is only likely to be made if there is cross-party consensus on a way forward. There is a need for an open and frank discussion around the proposals and options, with a need to fully engage with the public on the issue led by Welsh Government.
41. It is important to remember that the policy options that we consider do not change the total cost of the care system, rather they change the way in which those costs are paid for and by whom and that while planning for the future, and to pave the way for long-term reform, we must address more immediate short-term pressures, such as the fragility of the care provider market.

## **Conclusion**

42. We believe there is a clear need for Welsh Government to fully recognise and address the immediate funding pressures facing the social care sector. Whilst the relative protection in funding provided to local authority social services has been welcomed, on too many occasions the approach to providing additional funding for the NHS has been to take from one to pay for the other, with social care experiencing reduced budgets in order to protect the NHS. The demand for NHS services cannot be isolated from the quality of other public services – the sustainability of the NHS is intertwined with the sustainability of other public services, most crucially social care.

43. We recognise all the built-up pressures and demands on the Welsh budget. The position in the NHS is also fully acknowledged. It is the case however that the health budget has had a level of significant protection which has seen increases over the past 5 years. The local government budget conversely is now back at its 2004-05 levels. Bearing in mind the scale of the pressures in this paper this fact must be at the forefront of budget considerations over the next five years.
44. Social services are one of our most vital public services, supporting people of all ages across a wide spectrum of need to live as independently as possible and providing valuable protection from harm in vulnerable situations. In a world of increasingly limited resources and ever increasing demand, there is a need for the Welsh Government to turn their ambition of social services being a sector of national strategic importance into a reality. Investment will improve outcomes for the most vulnerable people in society helping to ensure the sustainability of the social care market and having a significant positive impact on people's lives.

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**FOR FURTHER INFORMATION PLEASE CONTACT**

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