

## **Finance Committee - Inquiry into the Cost of Caring for an Ageing Population Evidence Paper Submitted by the Minister for Children and Social Care**

### **Introduction**

The Finance Committee has invited me to give oral evidence on 23 May as part of its inquiry into the cost of caring for an ageing population. This evidence paper sets out the issues effecting social care and support for older people and how we are addressing these from a social care policy perspective.

This paper covers:

- the fact that social care should be considered in the wider context of integrated health, social care and wellbeing;
- the demographic challenge of an ageing population;
- how the Welsh Government is responding to this from a social care perspective in terms of legislative changes, the formation of regional partnership boards, support for the social care workforce and unpaid carers, and the provision of additional funding; and
- how we are seeking to put the future of social care on a more sustainable basis through new innovative funding models.

### **Integrated Health, Social Care and Wellbeing Services**

Social care is vital, supporting people to live as independent and fulfilling lives as possible irrespective of their individual circumstances. This is particularly important in an ageing population. In the last year for which data is available (2016-17), local authorities provided over 110,000 forms of care and support to around 62,000 people aged 65 and over, supporting them to meet their wellbeing outcomes and to maintain their independence. This is care and support provided to around 10,000 more people of this age compared to that in the previous year, delivered in some cases directly by local authorities, while in other cases delivered by the independent sector or the third sector.

However, successfully meeting this increased demand for care and support should not be looked at in isolation. Social care should be provided as part of a seamless system which joins up health, social care and wellbeing services. As a result people should be put at the centre with the care they require, whether it is healthcare or social care, arranged and provided around their needs. This was a key recommendation from the Parliamentary Review of Health and Social Care, driving change and improvement in prevention and wellbeing, delivering better quality care with its vision for a whole system approach that is more effective, efficient and sustainable for future generations in Wales. So while the Committee's inquiry is focussed on social care, and this evidence paper responses in that vein, this wider agenda should not be overlooked.

### **The Future Challenge**

You will have seen the evidence paper provided by the Cabinet Secretary for Finance highlighted the projected population growth in Wales over the years up to 2040, particularly in those over the age of 85. The proportion of the population aged 65 or over is projected to increase from 20.4 per cent in 2016 to 22.9 per cent by 2026, then to 26.3 per cent by 2036. Whilst this is a cause of celebration in that more of us are living longer, it raises the question of what care and support will be required for this significant increase in our ageing population.

There is no direct evidence that indicates what the level of demand for social care would be in the longer term for an older population. Welsh Government did commission in 2015 LE Wales (an economics and policy consultancy) to undertake research in relation to the future of paying for social care. Its subsequent report suggested that if existing prevalence rates for various care needs and health conditions were applied to the changing demographic structure of the population, this would imply significant increases in the need for social care and support.

What this did not take account of were improvements in the provision and coverage of health and social care services over the same period, including the effects of increased and more effective prevention. It will take time for the benefits to be realised in the change of service delivery culture of providing prevention where possible, rather than defaulting to care and support packages. However this, and improvements in health and social care services, could play a significant role in counteracting these pressures. As a result it is difficult to determine the precise implications in care terms from a growth in this section of the population given it is unknown what impacts improvements in the wellbeing of older people, or their life expectancy, will have on people's ability to live independently. Nevertheless we are responding to this challenge now.

### **How We Are Responding To This Challenge**

We are not only responding to the financial pressures local authorities are experiencing, but are reshaping the way in which care and support is delivered. I provide examples of this below:

#### Changes in the Way Care is Provided and Delivered

Our ground breaking Social Services and Well-being (Wales) Act 2014 changed for the first time in a generation the way in which social care is provided in Wales. Now, under the Act, people's needs are considered in the context of the wellbeing outcomes they wish to achieve rather than just providing available local authority services or social care services. Aligned with this the Act puts a greater emphasis on prevention so as to reduce the need now and in the future for more costly intensive care packages, either completely or at least for longer periods.

The 2014 Act also provided for new regional partnership boards. These bring health boards, social services and other partners together on the health board footprint to provide for the delivery of integrated care and support. This includes making more effective use of resources and skills. Statutory guidance we issued under the Act makes clear that integrated care and support in relation to older people is a priority area of integration for these boards.

In parallel with this legal framework the Welsh Government has provided over £150 million in revenue since 2014-15 to regional partnership boards via the Integrated Care Fund. This "*Programme for Government*" commitment is to support their delivery of a wide range of innovative and integrated services that help older people to maintain their independence, avoid unnecessary hospital admissions and where they do need to go into hospital, to return home quicker. In 2018-19 we are adding to this by providing regional partnership boards with a further £50 million revenue. Regional partnership boards are required to establish pooled funds in relation to their care home functions and these pooled funds will support joint commissioning arrangements for care homes for older people, which are essential to improve their wellbeing and deliver better value for money.

### Improving the Social Care Workforce

Good quality and reliable social care to meet the demands of an ageing population can only be provided if Wales has a valued and well motivated social care workforce.

We are aware of recruitment and retention difficulties in parts of the social care sector where competition from other sectors with similar, or higher pay, and better conditions can lead to high turnover levels and a negative perception of being a social care worker. Employers have also highlighted other factors which are impacting on resources in the sector, such as the increase in the national minimum wage and pension auto-enrolment.

To tackle these issues the Welsh Government recently introduced measures, through regulations under the Regulation and Inspection of Social Care (Wales) Act 2016, to improve terms and conditions for workers and the quality of care. These include requirements on domiciliary care providers to provide more transparency in their use of zero hours contracts, to offer their staff a choice of fixed hour contracts after a three month period of employment, and to clearly delineate between care and travel time. Added to this £19 million of additional recurrent funding is being provided through local authorities to support care providers to meet some of the financial impacts of the national minimum wage. This investment is part of a tri-partite commitment between the Welsh Government, local government and employers to make progress on this issue.

We are also committed to raising the profile of social care workers, so that social care becomes a positive career choice where people are valued and supported. As part of this Social Care Wales (SCW), as the workforce regulator, is working closely with key stakeholders to develop a workforce strategy which identifies current and future resource and capability needs, and how these will be met. SCW will also be leading a national attraction, recruitment and retention campaign to help promote a positive image of care and to attract and retain more people into the sector.

These measures will lead to a more valued and respected social care workforce to meet the challenges ahead and help reduce scarce resources being spent on the replacement and training of staff who are lost to other sectors.

That said in September 2017 the Welsh Government published its policy paper, 'Brexit and Fair Movement of People,' which outlines evidence based proposals for how migration between the EU and the UK should be managed after the UK leaves the EU. As mentioned in this dependent on the transition arrangements agreed, we believe the existing issues around recruitment and retention could be further exacerbated by this process. This is particularly in relation to domiciliary care workers and registered nurses in care homes.

We continue to work with key stakeholders, including SCW, to quantify the potential impacts of Brexit on the social care sector in Wales and to consider options for their management. This includes making effective use of the £50 million European Transition Fund which the Welsh Government has established in order to support Brexit preparations in Wales.

### Unpaid Carers

Alongside the paid workforce are the less visible, often unrecognised, heroes of social care; unpaid carers. The economic value of the contribution made by unpaid

carers saves the public purse enormous sums every year. The Office of National Statistics UK census in 2011 estimated there to be over 370,000 carers in Wales, around 12% of the population. In almost every category Wales has the highest proportion of carers in the UK, whether it is the highest proportion of older carers, the highest proportion of carers providing over 50 hours of care a week or, the highest proportion of carers under the age of 18.

The Welsh Government appreciates the immense value and benefit unpaid carers provide, not only to the loved one they care for but also the huge contribution they make to relieve the pressure on the social care sector. If we are to respond to the increasing demands from an ageing population we must continue to value and support unpaid carers where ever possible.

As a result we have enhanced the rights of unpaid carers through the Social Services and Well-being (Wales) Act 2014 and in the subsequent national priorities we have established, will ensure the delivery of those enhanced rights to carers throughout Wales.

### Funding of Social Care

The Health Foundation used work by the London School of Economics to project the cost of publicly funded adult social care in Wales. This shows costs could increase by 80% in real terms between 2015 and 2030. These estimates correlate with the shorter term analysis in the Wales Public Services 2025. These cost projections are acutely sensitive to assumptions about future trends in mortality, rates of disability, the unit cost of social care, and care and support recipients' preferences. It is not unreasonable, however, that there is likely to be a significant increase in demand for social care as the baby boom generation ages.

In an environment of increasing pressures and competing demands for finite resources we have sought to protect funding for social care in Wales. This is evidenced by the 8% increase in cash terms directed towards spending on social services between 2010-11 and 2016-17 (compared to a 3% increase to the Welsh Government's overall resource budget over the same period). This is in stark contrast to the situation in England, where social services have suffered huge cuts over the last six years, falling by 5% in real terms.

As a result in 2017-18 the Welsh Government invested an additional £55 million in social services through the Revenue Support Grant and specific grants, with this funding being included on a recurrent basis in the local government settlement from 2018-19. In addition, a subsequent £10 million was made available to local authorities in 2017-18 to enable social care services to support people in their homes and communities, and to help manage winter pressures.

For this year we have take further action to protect investment in social care services. The provision of £42 million for social care announced as part of the Budget for 2018-19 is additional money included in the settlement to maintain social services' core spending at 2017-18 levels.

### **Funding Social Care in the Future**

In the context of increasing demand for social care and support we recognise the need to place funding for social services on a more sustainable footing. This is particularly important given the overall financial pressures on the Welsh Government's budget at a time of continuing austerity.

You will have noted from the Cabinet Secretary for Finance's evidence paper the previous considerations of the issue of paying for social care, including consideration of models used in other countries. While we have taken some actions in this area, and these have been successful, they have not to date been able to address more than just the element of funding which derives from recipients paying for the care and support they receive. We need to address the wider funding required to meet the full cost of care and support provided and as a result, this is reflected in our commitment in '*Prosperity for All*', we are "*developing innovative funding models to ensure funding is available to help meet future demand for social care*".

The Cabinet Secretary for Finance has stated his commitment to undertaking further work on how Welsh Government fiscal levers could be developed to address the challenge of funding increased demand for social care as part of the work on four new taxes. As he outlined in his evidence paper work on this has already begun with the consideration of a proposal by Professor Gerald Holtham to develop a social care levy to create a social care fund. I understand he is also considering whether Welsh rates of income tax, which will be collected from April next year, could also play a role.

To complement this we are in the process of commissioning the Association of Directors of Social Services Cymru to present a cross-local government view of the future pressures, and hence funding priorities, for social care over the next 10 years. This is to begin to provide the evidence as to how money raised through a levy, or any other mechanism, should be used, taking account of our response to the Parliamentary Review of Health and Social Care and the future delivery of social care. This is planned to report later this summer.

In addition the First Minister has asked me to chair an inter-Ministerial group to provide the social care policy perspective to go alongside these financial considerations of a social care fund. This will bring together Ministerial colleagues in health, social care, finance, local government and housing to consider the social care policy issues impacting on the creation of a fund and its use, and its acceptance by the public as being a potential method of funding social care in the future. I am intent to hold a first meeting of this group shortly.

### **Summary**

The consideration of alternative models to fund social care in the future is very much at an early stage and will take some time to come to conclusions about the future. In the meantime you will see we have used the full range of legislative powers, policy initiatives and additional funding to address the current and future demands for social care.