

Agenda – Finance Committee

Meeting Venue:

Committee Room 2 – The Senedd

Meeting date: 19 April 2018

Meeting time: 09.30

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6372

SeneddFinance@assembly.wales

1 Introductions, apologies, substitutions and declarations of interest

(09.30)

2 Paper(s) to note

(09.30)

(Pages 1 – 7)

2.1 PTN1 – Letter from the Wales Audit Office – Voluntary Exits 2016–17 review of exit payments – 19 March 2018

(Page 8)

3 The Cost of caring for an ageing population: Evidence session 5 (WLGA and ADSS Cymru)

(09.30–10.20)

(Pages 9 – 39)

Councillor Huw David, WLGA Spokesperson for Health and Social Care and Leader of Bridgend County Borough Council

Councillor Susan Elsmore, WLGA Deputy Spokesperson for Health and Social Care and Cabinet Member for Social Care and Health, Cardiff Council

Dave Street, President, Association of Directors of Social Services Cymru

Paper 1 – WLGA and ADSS Cymru: Written evidence

10.20–10.30: Break



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

4 Cost of caring for an ageing population: Evidence session 6 (Older People's Commissioner for Wales)

(10.30–11.10)

(Pages 40 – 75)

Sarah Rochira, Older People's Commissioner for Wales

Paper 2 – Older People's Commissioner for Wales: Written evidence

5 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting and the meeting on 25 April 2018

(11.10)

6 The cost of caring for an ageing population: Consideration of evidence

(11.10–11.20)

7 Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017: Tax Statutory Instrument

(11.20–11.30)

(Pages 76 – 77)

Paper 3 – The Land Transaction Tax (Transitional Provisions) (Wales) (Amendment) Regulations 2018

[The Land Transaction Tax \(Transitional Provisions\) \(Wales\) \(Amendment\) Regulations 2018](#)

[The Land Transaction Tax \(Transitional Provisions\) \(Wales\) \(Amendment\) Regulations 2018 – Explanatory Memorandum](#)

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 1 – Senedd

Meeting date: Thursday, 15 March 2018

Meeting time: 09.31 – 12.39

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/4620>

Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Jane Hutt AM Nick Ramsay AM David Rees AM
Witnesses:	Alison Gerrard, Wales Audit Office Anthony Barrett, Wales Audit Office Nicola Evans, Wales Audit Office Martin Peters, Wales Audit Office Ann-Marie Harkin, Wales Audit Office Suzy Davies AM, Commissioner Manon Antoniazzi, Chief Executive & Clerk of the Assembly Nia Morgan, Director of Finance
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Deputy Clerk)



	<p>Joanne McCarthy (Researcher)</p> <p>Owen Holzinger (Researcher)</p> <p>Ben Harris (Legal Adviser)</p> <p>Gareth Howells (Legal Adviser)</p>
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1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Steffan Lewis AM and Mike Hedges AM.

2 Paper(s) to note

2.1 The papers were noted.

2.1 PTN1 – Letter from the Cabinet Secretary for Finance to the Chair – Horizon 2020 in Wales Annual Report 2017 – 7 March 2018

2.2 PTN2 – Letter from the Cabinet Secretary for Finance to the Chair – Capital Investment Bonds – 8 March 2018

2.3 PTN3 – Letter from the Assembly Commission to the Chair – Scrutiny of the Assembly Commission Draft Budget 2018–19 – 9 March 2018

3 Public Audit (Wales) Act 2013: Evidence session (Wales Audit Office)

3.1 The Committee took evidence from Alison Gerrard, Board Member, Wales Audit Office; Anthony Barrett, Assistant Auditor General; Martin Peters, Head of Law and Ethics, Wales Audit Office; and Nicola Evans, Head of Finance, Wales Audit Office on the Public Audit (Wales) Act 2013 fee regime.

4 Motion under Standing Order 17.42 to resolve to exclude the public from items 5 and items 8–11

4.1 The motion was agreed.

5 Public Audit (Wales) Act 2013: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Inquiry on the Remuneration Board's Determination Underspend: Evidence session 1 (Wales Audit Office)

6.1 The Committee took evidence from Anthony Barrett, Assistant Auditor General; and Ann-Marie Harkin, Financial Audit Lead for the audit of the Assembly Commission's accounts, Wales Audit Office in relation to its inquiry on the Remuneration Board's determination underspend.

7 Inquiry on the Remuneration Board's Determination Underspend: Evidence session 2 (Assembly Commission)

7.1 The Committee took evidence from Suzy Davies AM, Commissioner for Budget and Governance; Manon Antoniazzi, Chief Executive and Clerk to the Assembly; and Nia Morgan, Director of Finance, Assembly Commission in relation to its inquiry on the Remuneration Board's determination underspend.

8 Inquiry on the Remuneration Board's Determination Underspend: Consideration of evidence

8.1 The Committee considered the evidence received.

9 Public Services Ombudsman (Wales) Bill: Consideration of Stage 1 Committee reports

9.1 The Committee considered the Stage 1 reports on the Public Services Ombudsman (Wales) Bill from the Equality, Local Government and Communities Committee and the Constitutional and Legislative Affairs Committee.

10 Assembly Procedure for Section 116C Orders in Council

10.1 The Committee considered a letter from the Business Committee regarding proposed changes to Standing Orders in relation to an Assembly Procedure for Section 116C Orders in Council and agreed to respond.

11 Devolution of fiscal powers to Wales: Consideration of draft report

11.1 The Committee agreed the draft report with minor changes.

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Wednesday, 21 March
2018

Meeting time: 09.01 – 11.26

This meeting can be viewed
on [Senedd TV](#) at:

<http://senedd.tv/en/4621>

Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Mike Hedges AM Jane Hutt AM Nick Ramsay AM David Rees AM
Witnesses:	Kate Cubbage, Carers Trust Wales Victoria Lloyd, Director of Influencing and Programme Development, Age Cymru Mary Wimbury, Care Forum Wales Mario Kreft, Care Forum Wales Sanjiv Joshi, Care Forum Wales
Committee Staff:	Bethan Davies (Clerk) Katherine Thomas (Deputy Clerk) Martin Jennings (Researcher) Joanne McCarthy (Researcher)



	Christian Tipples (Researcher)
	Ben Harris (Legal Adviser)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Steffan Lewis AM and Sarah Rochira, Old People's Commissioner for Wales.

2 The Cost of caring for an ageing population: Evidence session 3 (Age Cymru and Carers Trust Wales)

2.1 The Committee took evidence from Victoria Lloyd, Interim CEO, Age Cymru; and Kate Cubbage, Senior External Affairs Manager, Carers Trust Wales on its inquiry into the cost of caring for an ageing population.

2.2 Carers Trust Wales agreed to provide further details on:

- the changes to commissioning services resulting from greater complexities of need; and
- the loss of respite beds.

3 The Cost of Caring for an Ageing Population: Evidence session 4 (Care Forum Wales)

3.1 The Committee took evidence from Mary Wimbury, Chief Executive, Care Forum Wales; Mario Kreft, Chair, Care Forum Wales; and Sanjiv Joshi, Board Member, Care Forum Wales on its inquiry into the cost of caring for an ageing population.

3.2 Care Forum Wales agreed to provide a copy of a recent Knight Frank report.

4 The Cost of Caring for an Ageing Population: Evidence session 5 (Older People's Commissioner for Wales)

4.1 Apologies were received from Sarah Rochira, Older People's Commissioner for Wales. The evidence session will be rescheduled for a future meeting.

5 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting

5.1 The motion was agreed.

6 The Cost of Caring for an Ageing Population: Consideration of evidence

6.1 The Committee considered the evidence received.

7 Consideration of forward work programme

7.1 The Committee considered its forward work programme for the summer term.

8 Legislative budget process – scoping paper

8.1 The Committee considered a scoping paper on a legislative budget process and agreed to undertake an inquiry.

9 Tax Collection and Management (Wales) Act 2016: Tax Statutory Instruments

9.1 The Committee considered the statutory instruments and agreed to report.

Agenda Item 2.1



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

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Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
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Reference: SOD/SD

Date issued: 19 March 2018

Dear Simon

Voluntary Exits 2016-17 review of exit payments

I refer to the Committee's report on the Annual Report and Accounts, Estimate etc. of the Wales Audit Office, dated November 2017.

Recommendation 4 asked us to report back to the Committee on the potential issues with the voluntary exit scheme as soon as resolved. I am able to advise that our review has now concluded.

The review was triggered by Cabinet Office guidance arising from the UK Government having lost a Judicial Review of the changes to the Civil Service Compensation Scheme in 2016. The guidance required us to review the decisions made in relation to Voluntary Exits covered by the 2016 scheme terms and determine, as employer, whether we would have made higher payments had the 2010 scheme terms been in force at the time.

Voluntary Exit schemes are discretionary, with flexibility for employers to offer anything between the equivalent statutory minimum and the maximum standard tariff. The decision on the terms offered under Voluntary Exit is at the discretion of the employer and there is no right to be offered specific terms.

Our review concluded that exit payments calculated at a higher rate would not have been affordable to the Wales Audit Office and therefore we would not have made payments at any higher rate than those made. We have advised the Cabinet Office, along with former colleagues who exited under the 2016 scheme terms, of our review and its outcome.

I hope this is helpful.

Yours sincerely

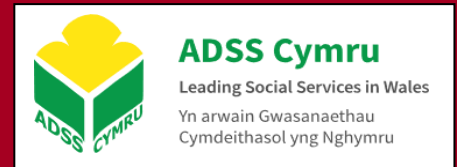
Steve O'Donoghue
Director of Finance & HR

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

JANUARY 2018



CLILC • WLGA



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 England¹. Another key indicator, the levels of poverty (linked with ill health), is also higher in Wales than the other UK countries.

¹ 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>)

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.

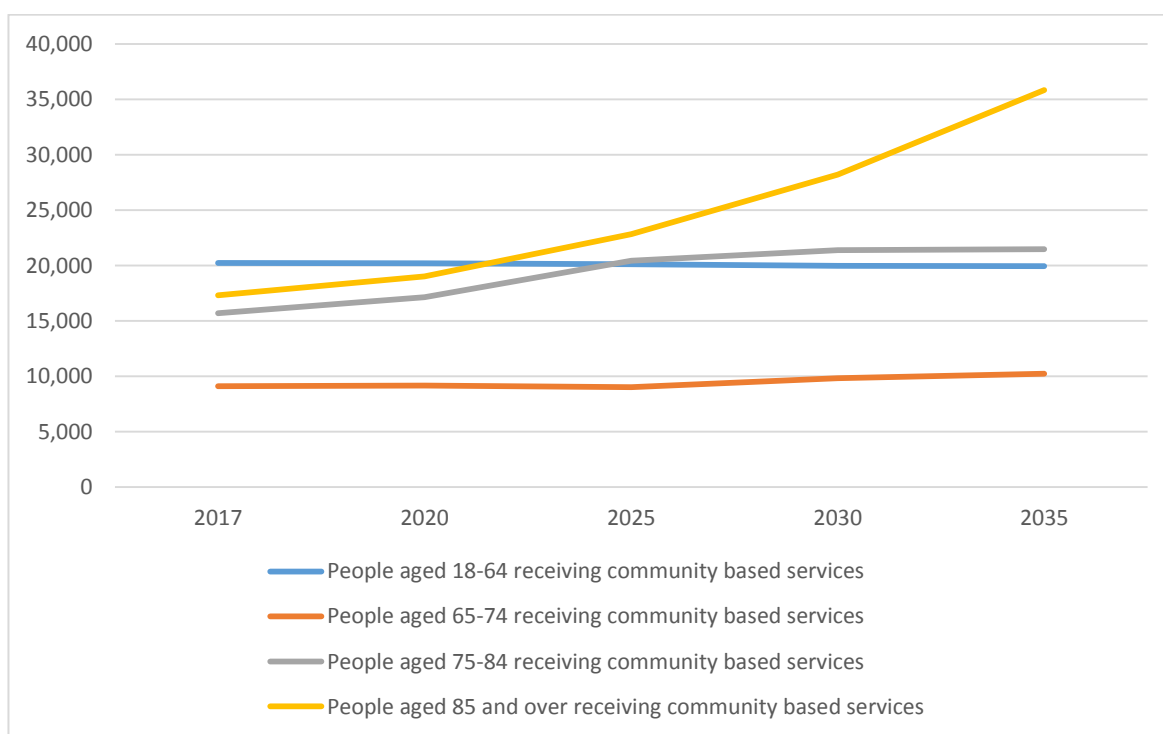
Patterns in Demand

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 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.

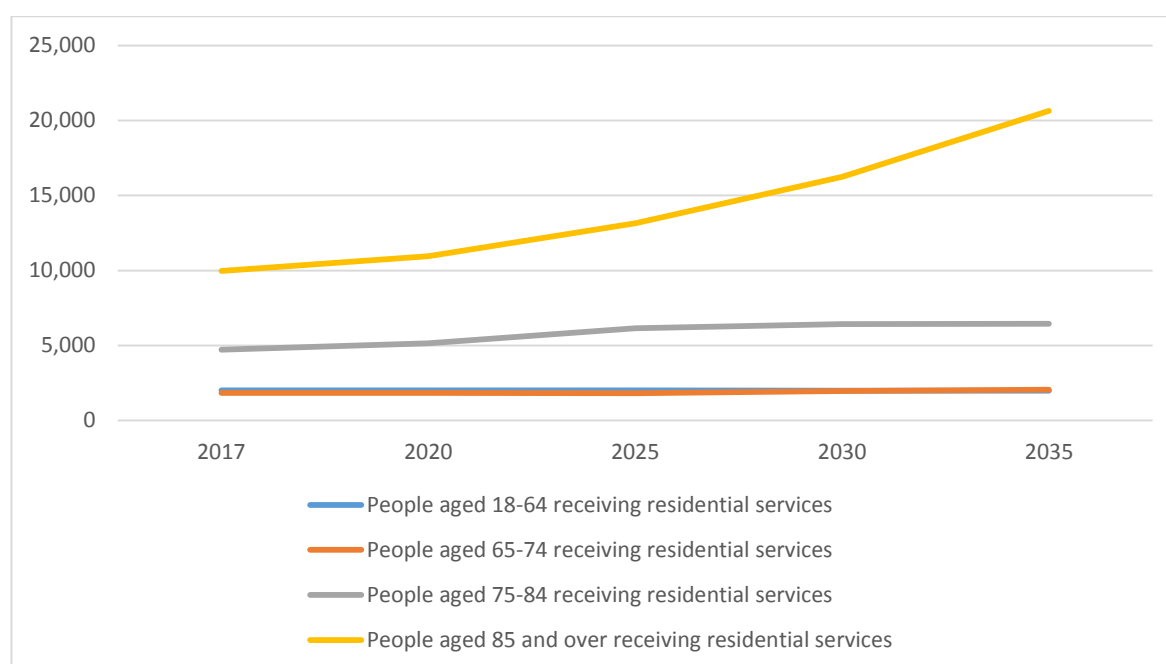
11. The report complements the findings from the Health Foundation report, 'The path to sustainability: Funding projections for the NHS in Wales to 2019-20 and 2030-31', recognising the twin challenges of financial and demand pressures faced by health and social care in Wales. The Health Foundation report 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.

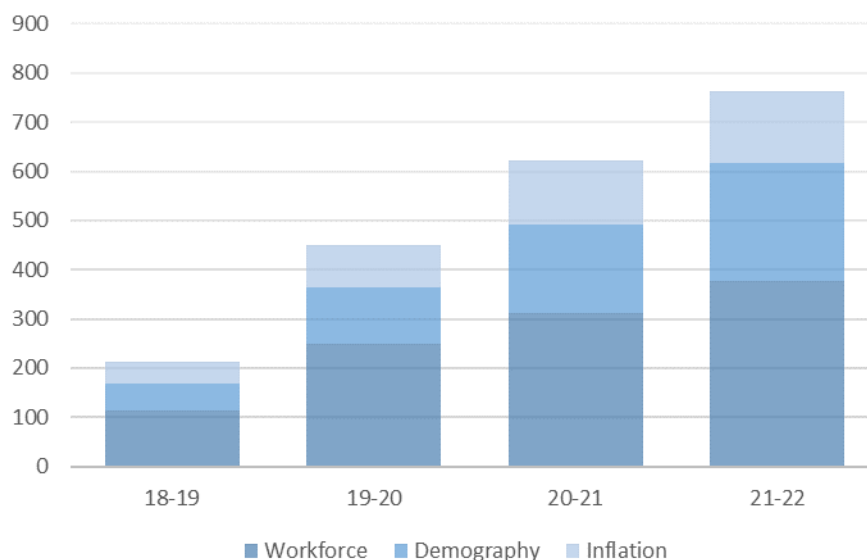
Overall Cost Pressures faced by local government

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

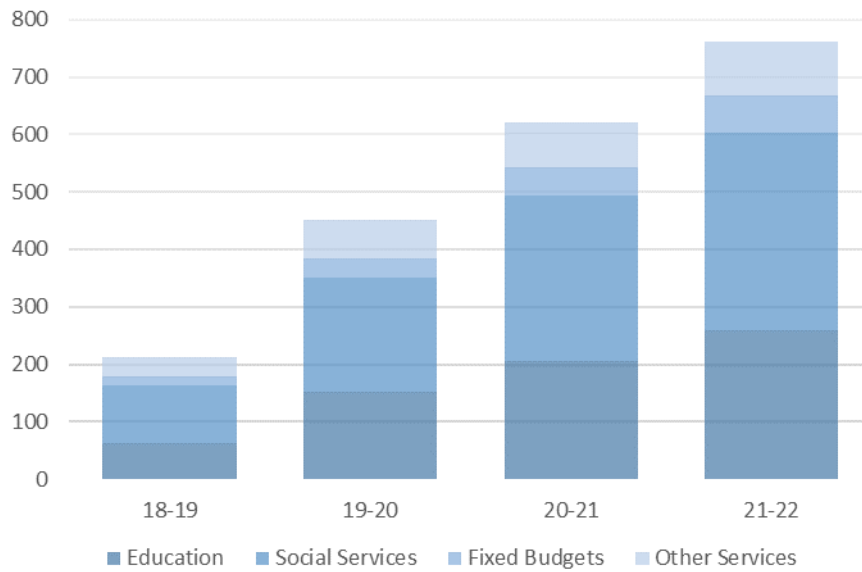


Source: Base estimates: RO and RA returns (2014-15 to 2015-16)

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

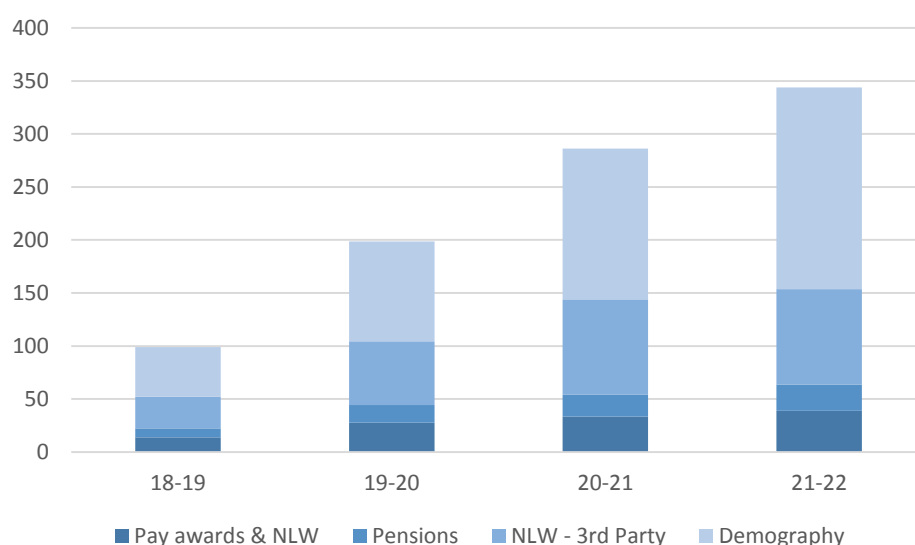


Source: Base estimates: RO and RA returns (2014-15 to 2015-16), NLW impact: WLGA Survey (2016)

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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Agenda Item 4



Older People's Commissioner for Wales
Comisiynydd Pobl Hŷn Cymru

**Response from the Older People's
Commissioner for Wales**

to the

**National Assembly for Wales' Finance
Committee Inquiry into the Cost of Caring
for an Ageing Population**

January 2018

For more information regarding this response please contact:

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About the Commissioner

The Older People's Commissioner for Wales is an independent voice and champion for older people across Wales, standing up and speaking out on their behalf. She works to ensure that those who are vulnerable and at risk are kept safe and ensures that all older people have a voice that is heard, that they have choice and control, that they don't feel isolated or discriminated against and that they receive the support and services they need.

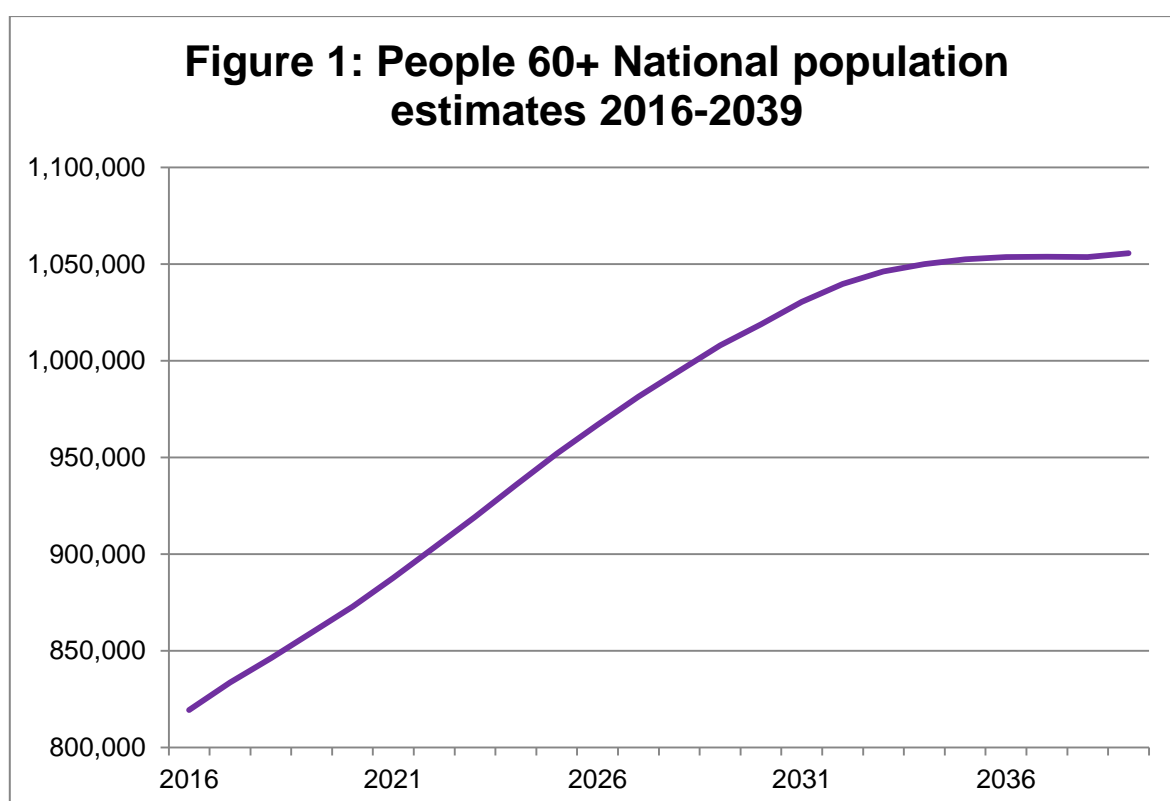
The Commissioner's work is driven by what older people say matters most to them and their voices are at the heart of all that she does. The Commissioner works to make Wales a good place to grow older - not just for some but for everyone.

The Older People's Commissioner for Wales:

- Promotes awareness of the rights and interests of older people in Wales.
- Challenges discrimination against older people in Wales.
- Encourages best practice in the treatment of older people in Wales.
- Reviews the law affecting the interests of older people in Wales.

Introduction

1. Wales is a nation of older people. Of a population of over 3.1 million, approximately 800,000 are over the age of 60.¹ It is also a nation with a significant number of 'older older' people, i.e. those over the age of 85. Parts of Wales, such as the north and the south Wales valleys, have some of the highest levels of older people within the UK.
2. This proportion has been significantly increasing over the past decade and is set to continue to increase until the 2030s, when demographic projections indicate that this increase will begin to slow (Figure 1).² Researchers from Newcastle University have shown that whilst we will be living longer than ever before, there will be a considerable increase in the number of older people living with multiple diseases.³ 'Healthy' life expectancy increases are not keeping pace with the increases in life expectancy.



3. Whilst infirmity and decline should not automatically be assumed as an inevitable part of ageing, there are a range of indicators about the current population of older people that have an impact upon their use of public services. More than two thirds of older people live with a

long standing health condition,⁴ half have a life limiting disability, one in six live in poverty,⁵ over 40,000 are victims of domestic abuse every year,⁶ over 7,500 are the victims of financial crime each year⁷, significant numbers are lonely and isolated,⁸ and over 45,000 have a form of dementia.⁹

4. The majority of older people continue to live in their own homes but as time goes on, they will require increasingly complex and time-intensive packages of support, often from a wide-range of agencies. Older people will often need support for activities such as bathing, washing, eating, dressing, taking medication and the wider monitoring of their physical, mental and emotional health. They will also need support to ensure that they remain included within wider society, including mobility support to enable them to continue to go out and social support to retain their connection to their communities.
5. Some older people will be able to remain in their own homes but will be dependent on support from family members and unpaid carers. The contribution currently made by unpaid carers is estimated at £8bn a year within Wales, more than the total spent annually on health and social care services.¹⁰ A study published in 2015 predicted that the number of people needing care would outstrip those 'available' to provide it by 2017.¹¹ Furthermore, of six million people in the UK caring for an older relative, over two million are themselves aged over 65, with more than 400,000 over 80 years of age.¹²
6. Significant numbers of older people will eventually not be able to remain in their own homes, moving into extra care or into the care home sector. The physical and emotional needs of people living within these sectors have increased significantly and rapidly over the last five years and will continue to do so.
7. Research has shown that both the domiciliary and residential care markets are very fragile and we do not yet have a sufficiently clear picture of what the level of demand for these services will be. Shortfalls in service provision have cost implications, for example in relation to creating a greater need for unscheduled care and delaying

discharges from hospital, as well as undermining the achievement of overall wellbeing outcomes for individuals.

8. Older people are also significant users of healthcare services. Primary care is the first port of call for many older people with approximately 80% of contacts taking place in this sector.¹³ Older people want to have care provided as close to home as possible, for reasons of accessibility and person-centred care. It is essential that action is taken to ensure a holistic approach to older people's physical and emotional health and wellbeing. It is clear from my report into older people's experiences of accessing and using GP services in Wales that older people face a number of challenges in accessing services within primary care at a cost to both them and the public purse.¹⁴ Unscheduled care is also a significant issue for older people, particularly accessing inpatient services via A&E. These also have a cost to individuals and the public purse.
9. It is very important that older people are not seen as a 'burden' on public services, nor the cause of many of the challenges that public services currently face. Older people are a significant asset, worth £1bn a year to the Welsh economy¹⁵ and they have a rightful expectation of care and support at the time of their greatest need. Failing to sufficiently invest in the right kind of care will ultimately increase the long-term cost for public services. Whilst social care is a cost within public services, it is also important to see it as an investment in the social capital of Wales.

Creating Sustainable Health and Social Care Services in Wales

10. It has been clear for many years that the demographic changes taking place in Wales will have a significant impact upon the need for, and nature of, support from public services. However, changes were not made when the wider economic environment was more conducive to support the long-term change that was needed. We now have a range of challenges crystallising within public services at a time of huge economic uncertainty, both in relation to domestic austerity and the potential economic impact of Brexit.
11. This failure to effectively plan for the long-term has left the health and social care sectors in a position where they are required to meet increasing levels of demand, which is becoming increasingly complex, whilst radically redesigning their models of care. At the same time, they have had an increase in the duties placed upon them from a range of legislation without a significant increase in the resources available to them. The increase in pressure on the statutory sector has also meant that the third sector has had to contribute more towards preventative services and commissioned services within limited budgets.
12. Whilst the debate is frequently framed in the context of the challenges faced by public services and their longer-term sustainability, it is important not to forget the impact on the lives of older people. There are older people who are in hospital unnecessarily, who move into residential care earlier than they would have needed to and those who receive a level of care which barely meets their needs or are unable to access the services and support they need. This not only causes great distress but also exacerbates ill health and demand for support, creating a vicious cycle of enhanced need and dependency.
13. It is too early to judge the impact that the Social Services and Well-being (Wales) Act 2014 will have on the long-term sustainability of the social care sector. However, one of the key aspects will be the effectiveness of the Population Assessments in respect of planning for, and responding to, identified future demand. It is not yet clear

whether the data that underpins the recently published Population Assessments and the accompanying National Population Assessment report is sufficiently robust to provide an adequate assessment of how services will need to change to meet the needs of future generations.

14. In my view, there are a number of key areas which must be addressed to create more sustainable health and social services in Wales.

Investment in preventative services to reduce demand

15. Whilst it is clear that Wales has focused on the prevention agenda significantly in recent years, many older people still report that a crisis has to occur before they receive the help and support they need. Older people have told me that the help and support they need to prevent deterioration in their health is becoming increasingly difficult to access and it is clear to me that significant further investment is required in a range of preventative services.
16. Often the definition of 'preventative services' is too narrow and the vital role of wider community services, which are taking a significant financial hit, is not sufficiently recognised, in part due to the pressure on budgets in Local Authorities. Community services, such as transport, leisure and public toilets, significantly contribute towards maintaining older people's health, independence and wellbeing and help to prevent them accessing costly statutory services. Research has found that healthcare only accounts for 10% of a population's health.¹⁶ It is therefore vital that further investment is made into other services that can positively impact on individuals' physical, mental and emotional health.
17. Furthermore, it is also clear that we are not investing enough in the third sector, which can be very flexible to local need and easily accessible, but it is increasingly being used to replace secondary support services, rather than focus on primary prevention.
18. There is now considerable debate about the need for individuals to take more responsibility for their own health. This is easily said by a system when it is in crisis, yet not so easily done. There is a clear

need to improve health literacy across Wales, recognised by the Parliamentary Review into Health and Social Care.¹⁷ Wales also has long standing public health issues, which we have been slow to tackle or have ignored for too long, for example, drug and alcohol abuse in older people and a lack of long-term investment in services such as mental health, which undermine older people's abilities to make the right choice and take the right actions.

19. Whilst it can be difficult to significantly invest in these preventative models and services in the current financial settlement, it is clear that the future cost of not investing will be substantial. There must be a long-term vision that recognises there may be a considerable time lag before the benefits of containing demand for health and social care services will be felt but accepts the necessity of doing so to create a healthier population and more sustainable services.

Effective Workforce Management

20. Despite decades of workforce planning, the health and social care sectors are without sufficient numbers of staff with the right skills. This begs the question as to how effective Wales's longer-term workforce planning is across both health and social care.
21. At present, there are significant staff shortages within the social care sector; this applies particularly to domiciliary care staff but also specialist nursing staff within the care home sector.¹⁸ Even if the money was available to drastically increase recruitment, there are not sufficient numbers of people with the right skills available. As a result of these staff shortages, people cannot be discharged from hospital and vulnerable people receive unacceptable levels of care.
22. Compounding this problem are the high turnover rates of staff in the social care sector, particularly within domiciliary care, estimated by the CQC to be at 28% annually,¹⁹ and almost certainly higher within certain geographic areas of Wales. The reasons for this are multifactorial but include low pay, poor terms and conditions and the undervaluing of social care as a profession.²⁰
23. Too often, vulnerable people are cared for by staff that don't have the necessary skills and competencies to ensure their quality of care

is at the standard it should be. I recognise the Welsh Government's intention to address this within the social care sector, through the registration of workers, but this will take a decade to take effect and does not address the variable skill base within the NHS.²¹

24. Whilst I welcome recent Welsh Government recruitment campaigns for GPs²² and nurses,²³ more must be done to address the growing level of unfilled vacancies in the Welsh NHS.²⁴ As well as recruiting new staff, the Welsh NHS is finding it increasingly challenging to retain staff, due to issues around the cap on public sector pay, staff morale²⁵ and increased levels of sickness.²⁶ These factors have led to an increase in spending on costly agency staff to fill gaps, with Health Boards in Wales spending 60% more on agency staff in 2015/16 than in 2014/15.²⁷
25. These are significant challenges in their own right and whilst there is uncertainty at present around post-Brexit Wales, it is clear that health and social care services have become more reliant on EU nationals in all parts of the workforce.²⁸ It is also likely that there will be increased competition across sectors and industries should the supply of labour reduce. Without an indication at the earliest opportunity about how restrictive the post-Brexit immigration system will be, both in relation to EU and non-EU nationals, our ability to effectively workforce plan will be further undermined. It is noted that the Migration Advisory Committee is not due to publish its recommendations until September 2018.²⁹

Financial pressures

26. There has also been a sharp and significant increase in demand across health and social care, in part because of the increasing acuity levels of people requiring care and support and the complex nature of the support they require but exacerbated by a system that has struggled to release costs to focus on high impact, early interventions.
27. Cost pressures have also increased within the health and social care systems as a result of the introduction of the living wage³⁰ and staff shortages leading to the use of agency staff.³¹

28. In recent years, there has been an increasing focus on quality of care (including the impact it has), the redesign of services and securing a sufficient workforce base, both in terms of numbers and skills. This includes new regulation and inspection processes, staff ratios and training requirements, and more explicit quality criteria and outcomes. Whilst these are all essential developments, they do place cost pressures within the health and social care system.
29. The increase in care home costs for individuals has highly outpaced the growth in older people's incomes over the last five years, with the average annual costs of residential care in Wales standing at £30,940.³² The ongoing cost pressure on an already fragile care home market must be addressed to avoid further destabilisation. There is also an emerging issue in the disparity of fees paid in the care home sector between Local Authority and self-funding residents. The higher costs charged to self-funders are in effect being used to cross-subsidise the costs of individuals placed by Local Authorities.³³

Supporting Carers and Volunteers

30. There are at least 370,000 carers in Wales who care for their partners, neighbours and family members.³⁴ It has been clear that without our carers our public services would be bankrupt within weeks. Carers must be seen as an integral and valued part of the care system.³⁵ Investing in our carers is vital to reducing demand upon services, both in terms of the people cared for but also because of the significant health and mental impact on carers themselves.³⁶
31. A study published in 2015 predicted that the number of people needing care would outstrip those 'available' to provide it by 2017.³⁷ Whilst other sources of support and developments in new technology will fill some of the gap, there will need to be an increase in the level of service provided by health and social care services.
32. Despite the difficulty and complexity of the work they do, many carers do not receive the level of support they need. The Social Services and Well-being (Wales) Act 2014 gives all carers the right to an assessment and consideration for a package of support but

many carers are not being offered an assessment and experience a 'postcode lottery' of receiving care and support.³⁸

The importance of embedding an outcomes-based approach

33. The range of health and social care services provided to older people has always been extensive, but it is only over the past few years that Wales has moved to a clear focus on delivering outcomes. This is reflected in the outcomes indicators now in place for the Welsh NHS³⁹ and the national outcomes framework that sits behind the Social Services and Well-being (Wales) Act 2014.⁴⁰
34. These, coupled with the stronger focus on integration and early intervention, should reduce the scope for unnecessary care and support in the future and reduce the need for longer-term and more expensive care.

Separation of health and social care

35. The historic structural separation of health and social care as distinct services no longer adequately reflects the reality of many older people's lives and nor does it reflect the growing focus on the integrated approach being taken by service providers, both at a strategic and operational level. Formal integration would incur significant costs and disruption to the system but there is clearly significant work underway to look at transactional ways in which greater integration can be achieved. This ranges from joint governance structures, through joint planning, to a growing number of integrated services, and more recently a growing focus on pooled budgets.
36. Further integration of health and social care services in this way, also involving housing, transport and the third sector, can help older people retain their independence and provide them with better care and support that meets their needs. Further integration must be made on the basis of improving the delivery of care and support, rather than restructuring health and social care organisations.
37. I support the Parliamentary Review of Health and Social Care's recommendation to create 'one seamless system for Wales' to break

down barriers between organisation to provide more integrated and person-centred care and support.⁴¹

A failure to share and roll out good practice

38. Over the past six years as Commissioner, I have seen and supported the development of a wide range of innovative services across Wales, often delivered at low cost but to significant impact for individuals. It is clear, however, that good practice does not travel well enough and this leads to missed opportunities to deliver better outcomes and reduce health and social care's overall cost. It is also clear that the role of the third sector is still not fully understood in developing these creative services, and is still not a full and equal partner in the strategic conversations and changes taking place. It is also clear that too narrow a focus of health and social care is taken and that other sectors, such as housing, are still not seen as an integral part of addressing some of the challenges facing health and social care.

The use of technology

39. One of the key areas where improvement is needed for the future is in the use of digital technology to assist in the delivery of health and social care services. Whilst there have been some advances made in Wales through the NHS Informatics Service, there have been delays in implementation⁴² and progress has been patchy. There is a need for a more systematic and sustained approach that seeks to take full advantage of the benefits to individuals and the public purse.⁴³

40. Introducing further digitalisation and use of technology into the health and social care system can help to improve service delivery, provide better outcomes for patients⁴⁴ and make more effective use of human and financial resources.⁴⁵

41. Systems such as Artificial Intelligence (AI) can be used in a preventative way to help to predict which individuals or groups could be at risk of illness and enable the health and social care sectors to take action to prevent more costly health problems in the future.⁴⁶ AI could also help address the efficiency and funding gap that could

emerge in the health and social care sectors by automating tasks, triaging patients to the most appropriate services and allowing people to self-care and self-medicate.⁴⁷

42. There has been a concerted effort to share patient data in Wales through the NHS Informatics Service, and in particular the Welsh Community Care Information System, which shares data between health and social care professionals.⁴⁸ Sharing data in this way and using AI-assisted diagnostics can provide better outcomes for individual patients, who will now only have to tell their story once, and avoid misdiagnosis and adverse incidents occurring.⁴⁹ Recent research by the BBC found that Health Boards in Wales are paying tens of millions of pounds each year in damages and legal fees for medical negligence; if some of this can be reduced by the sharing of patient data and assisted diagnostics, then the money can be freed up to be used to treat patients instead.⁵⁰
43. I do recognise that there are challenges involved, not least in a financial sense, of integrating technology into the health and social care sectors. It has been recognised that digital change is often seen as slower in healthcare than in other sectors and that any changes would need to address cultural as well as operational issues.⁵¹ There is also the challenge of convincing the public of the benefits of technology and AI in the delivery of health and social care, which currently does not have significant support.⁵² There is also a risk that technology is seen as an easy, quick-fix and is used in a way that is not appropriate for the individual. Not all care and support can be provided with the assistance of technology but it will become an increasingly important tool going forward.
44. I welcome that the Parliamentary Review of Health and Social Care has recommended a series of actions that the Welsh Government should take to further incorporate technology into the delivery of health and social care and would urge the Committee to review how these recommendations can reduce funding pressures and improve outcomes for patients and service users.⁵³

Funding Health and Social Care Services

45. From the above, it is clear that the health and social care systems face an unprecedented set of challenges, which are all crystalising at the same time. It is also clear that there is significant work already underway, albeit it should have been started a decade ago, at a national, regional and local level to transform the way that health and social care is provided, the impact it has and the quality that underpins the way in which it is delivered.
46. Much work has also been taken to reduce structural inefficiencies, although some still remain and are reflected in mechanisms, such as those that underpin Continuing Healthcare, poor workforce planning and insufficient investment in key preventative services. Whilst some of these issues are structural, a significant number are linked to the inability of health and social care to release costs upfront to invest in new models. It is not possible for me to specifically quantify the size of these structural inefficiencies, nor whether further action could be taken to release costs to invest in high impact areas.
47. However, I hold the view based on my work of the past six years, that there is a fundamental and underpinning issue that there is not a sufficient level of resources across the health and social care sectors to address all the issues identified above and there is an inadequate recognition that spending in other key sectors has a direct impact on older people's ability to stay healthy, active and independent. It is not always all about money but there comes a point when the overall level of funding does matter and does become directly correlated to the quality of care people receive.
48. The question of how to pay for care has occupied substantial political, policy and media activity over the past 20 years, yet still the issue has not been resolved and becomes more pressing every year. Core NHS spending now accounts for over half of the Welsh Government's total resource budget, compared to 39.1% in 2009/10.⁵⁴
49. Despite proposals being put forward to tackle the issue of paying for social care,⁵⁵ there has been little progress at a national level, as the

Welsh Government insists it must wait to see the impact of consequential derived from UK decisions before it can proceed. It must be questioned how long this position is sustainable.

50. It is clear that maintaining a sustainable health and social care sector, which meets increasing demand, will require significant additional resources in the years to come.⁵⁶ The NHS in Wales could be facing a 'funding gap' of about £700m by 2019-20, equivalent to 10% of its annual budget.⁵⁷ The Health Foundation has calculated that NHS spending in Wales needs to rise by 3.2% a year in real terms to keep pace with cost pressures. This spending increase can be met with a combination of increased funding and efficiency savings. However, since 1997 the NHS has achieved an average of 1% efficiency growth a year, meaning that the majority of budget growth would need to come from increased funding.⁵⁸
51. The outlook for the social care sector in Wales is even more pressing, with a projected increase in cost pressures of 4.1% a year. If funding does not keep up with this increase in demand, many people will be left without the care and support that they need.⁵⁹
52. The performance of the wider economy will be one of the most important influences on funding for the NHS and social care. The possible economic effects of the UK's decision to leave the European Union are not yet clear.⁶⁰
53. The British Medical Association have also looked at how the Barnett Formula affects the level of funding that the Welsh NHS receives and have calculated that the Welsh NHS could be underfunded by as much as £500m a year.⁶¹ Whilst some of this may be compensated for in the Fiscal Framework negotiated by the Welsh and UK governments,⁶² the Barnett Formula still remains based on relative population, rather than need.
54. If the future funding of health and social care cannot be guaranteed by economic growth, efficiency savings or further reform of the Barnett formula, then there must be a wider discussion about other ways to increase the available resources. There are different views around how this could be addressed but it is my view that the Welsh Government should consider using its newly acquired powers over

taxation to introduce a hypothecated levy that would support the health and social care systems.

55. The Welsh Government's proposals for a Social Care Tax should be explored in further detail and consideration given to the nature of the tax.⁶³ The approach taken by the UK Government to allow Local Authorities to introduce a 'social care levy' should not be adopted in Wales, as increases in council tax benefit more affluent Local Authorities, whereas the most deprived parts of Wales are in greater need as they have fewer people who can afford to pay for their own care.⁶⁴
56. I would propose exploring the option of a hypothecated tax for health and social care, similar to the original purpose of National Insurance Contributions. Whilst there are drawbacks to hypothecation, including lower yields in times of recession when arguably the funds would be needed most, it does offer a way to increase the transparency of spending and make tax increase more palatable to the public.⁶⁵ The House of Lords Select Committee on the Long-term Sustainability of the NHS has provided a robust overview of the case for and against hypothecation.⁶⁶
57. A health and social care tax should be closely correlated to clear and explicit outcomes and an expectation of quality that people can have of health and social care services. The approach should build on one of the founding principles of the NHS, which sees people pay in according to ability and take out according to need.⁶⁷ There is significantly strong support across Wales for a tax-funded NHS, which is free at the point of use and provides comprehensive care for all citizens.⁶⁸
58. A case can be made with the public for an increase in their contribution through taxation to the health and social care sectors. Given the option between further reduced levels of care and increased taxation to fund the NHS, a survey in 2017 found that this would be supported by 64% of the public.⁶⁹
59. Health and social care is funded in a variety of different ways across the world. A report to the Welsh Government by LE Wales on the future of paying for social care provides a detailed overview of the

systems of funding for social care in other UK nations, France, Germany, Sweden, Japan and Australia. Whilst there is some merit to looking at international examples, it is vital that the system adopted in Wales is bespoke to the needs of the people of Wales.⁷⁰

Conclusion

60. It is clear that there are significant challenges facing health and social care services in Wales and without action the availability and quality of services will decline. The Welsh Government must heed the advice of the Parliamentary Review into Health and Social Care and bring forward a long-term plan for health and social care services.
61. As part of this process, there must be robust conversation about how to create a sustainable level of funding for these services, which includes the possibility of exploring a hypothecated levy.
62. I look forward to following the Committee's Inquiry and continuing to contribute towards the debate around the future of health and social care services in Wales.

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Agenda Item 7

By virtue of paragraph(s) vi of Standing Order 17.42

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