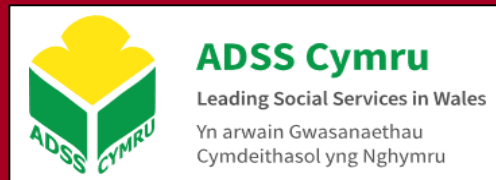


WLGA AND ADSS CYMRU EVIDENCE TO THE HEALTH, SOCIAL CARE & SPORT COMMITTEE'S SCRUTINY OF THE WELSH GOVERNMENT'S DRAFT BUDGET



CLILC • WLGA

SEPTEMBER 2018



About Us

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities and the three fire and rescue 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. As the national leadership organisation for social services in Wales, the role of the Association of Directors of Social Services (ADSS Cymru) is to represent the collective, authoritative voice of Directors of Social Services, Heads of Adult Services, Children's Services and Business Services, together with professionals who support vulnerable children and adults, their families and communities, on a range of national and regional issues of social care policy, practice and resourcing.

Introduction

5. Given the significant role that local government plays in providing essential services to citizens and communities in Wales we welcome the opportunity to provide comments to feed into the Health, Social Care and Sport Committee's scrutiny of the Welsh Government's draft budget.
6. Local government provides vital services to residents. Very often it is those people who are most vulnerable and need support across a range of services to improve life chances that rely on local

services the most. The fact that councils deliver more than 1,300 various statutory duties and responsibilities demonstrates how much we do as a sector.

7. As the most efficient part of the public sector, councils have played their part in reducing the national deficit. However, according to the Association for Public Sector Excellence, UK local government's spending as a share of the economy is falling sharply. In 2010/11, UK local government's current expenditure accounted for 8.4 per cent of the economy. By 2015/16, it had fallen to 6.7 per cent. By 2021/22, it will be down to 5.7 per cent.¹ Overall, Welsh local authorities will have seen cuts of over £1 billion 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.
8. 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 reported that the case for change is compelling, with a need to create seamless health and care services for the people of Wales, with the recommendations being taken forward through new long term plan for health and social care, 'A Healthier 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.

Overall Cost Pressures faced by local government

9. Figure 1 below demonstrates the changes in local government funding since the onset of austerity measures in 2010. Over the last 8 years Council's core grant funding has reduced by 22% after adjusting for inflation. If you take schools out, core funding has fallen by 35%. The reality is that the relative protection of NHS spending has come at the expense of those council services provided to the most vulnerable in our society.
10. Figure 2 below shows how this reduction in funding has impacted on local government service areas.

¹ [http://www.apse.org.uk/apse/assets/File/Neighbourhood%20Services%20\(web\).pdf](http://www.apse.org.uk/apse/assets/File/Neighbourhood%20Services%20(web).pdf)

Figure 1.

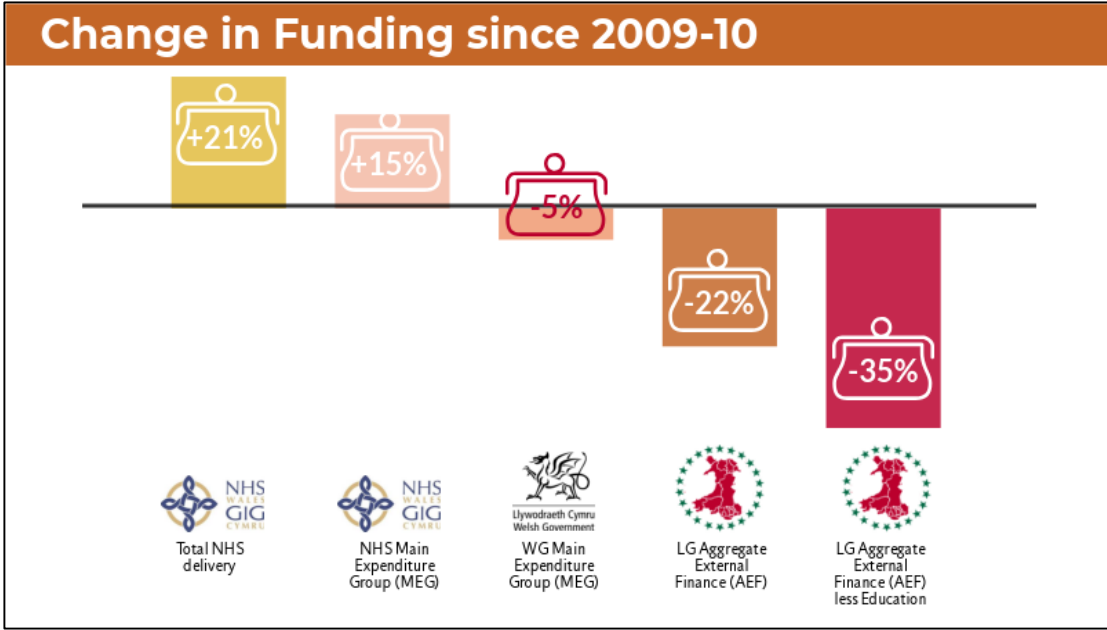
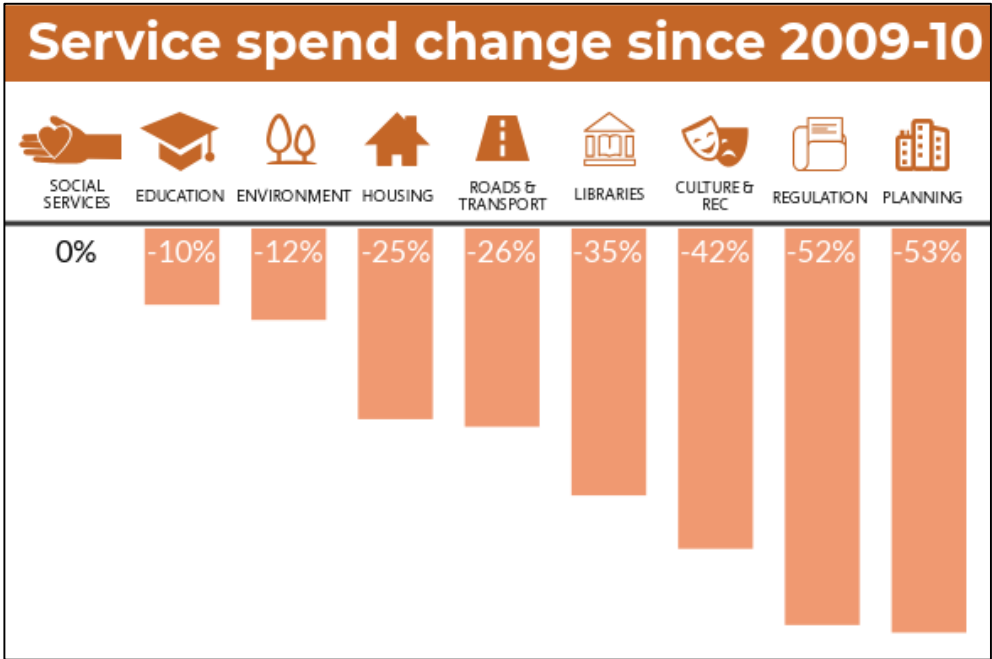


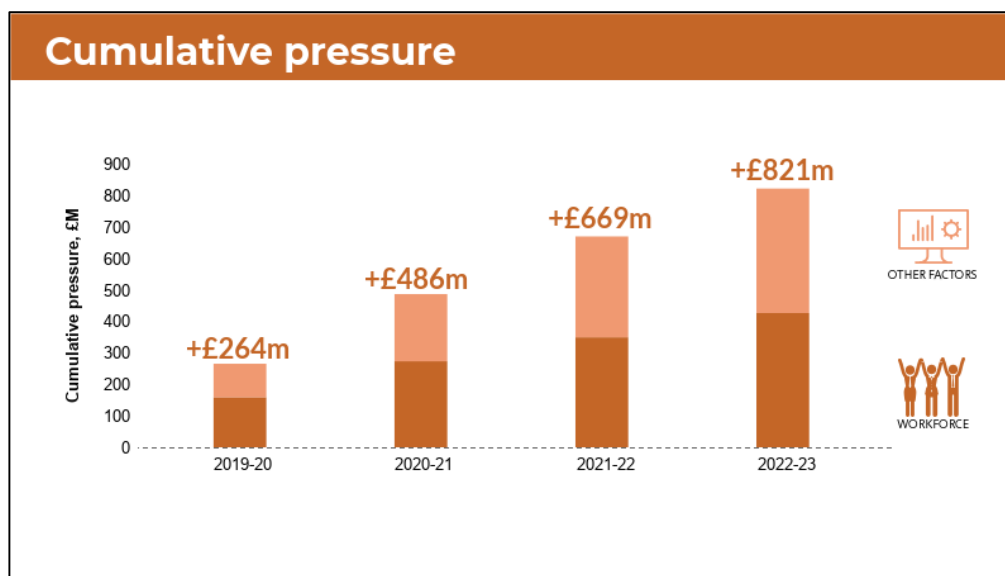
Figure 2.



11. The statutory services of social services and education have been protected as far as possible by local government. This has meant that other non-statutory preventative community based services, such as leisure, parks, adult education, housing, transport and community facilities all of which support people’s wellbeing and help to delay the point at which an individual’s needs warrant a more intensive and costly intervention have faced the brunt of cuts to local authority budgets out of necessity. The 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.

12. Local government has kept the worst consequences of austerity at bay in recent years but its impact is now catching up with councils, threatening services that improve our lives and our communities. Councils have responded on multiple fronts. They have pursued an efficiency agenda rigorously. They are sharing staff, buildings and delivering services together. Some have had to use money that was set aside for other investments to support day-to-day services. Wherever they can, councils have looked at different ways of delivering services and support to citizens, or taken action to reduce demand rather than making cuts.
13. However, figure 3 below demonstrates the cumulative financial pressures that will continue to mount for local government over the next four years. Just to stand still on providing current services, local government would need a revenue increase of £264m (5% of net spend) in 2019-20 and 4% the year after. During this period unavoidable workforce costs will increasingly drive inflationary pressures and in 2021-22 and the year after, the overall inflationary pressures will run at around 3% in each year. Despite the best efforts of local government against the scale of the reduction outlined, these efforts can only go so far. Without a more fundamental review of how we fund services there is little wriggle room for further cuts. The current model is not sustainable, annual incremental budgeting just stores up problems for the future.

Figure 3. Cumulative local government pressures



14. Further information on the financial pressures facing local authorities in Wales can be found in the WLGA's publication 'Fair and Sustainable Funding for Essential Local Services'².

Social Care Pressures

15. The local government funding position has serious consequences for wellbeing. It constrains social care which, in turn, constrains the voluntary sector and care providers. The response has been to protect social care relative to other council services. But those other services are crucial to support people's wellbeing, such as bus services, libraries and road maintenance. In this way, sorting out

² Available at: <https://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1754>

the long-term funding of social care therefore goes hand-in-hand with helping to sort out the long-term funding of local government. And that can only help improve people's wellbeing.

16. As with local government overall, social care funding is at its absolute limit, threatening the great progress that has been made in challenging circumstances. Innovation, prevention and performance may be some of the hallmarks of the last few years as social care has sought to insulate itself from the full impact of austerity. But looking ahead, the scope to continue in this way is greatly reduced.
17. The demographic challenges facing Wales 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. 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 England³. Another key indicator, the levels of poverty (linked with ill health), is also higher in Wales than the other UK countries.
18. By 2039, the number of people aged over 85 is set to more than double (127%), with the number of people aged between 65 and 84 projected to increase by 27%. Currently around 70% of adults (aged 18+) in receipt of social services are over the age of 65 and nearly a third 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.
19. At the same time Children's Services in Wales are coming under increasing pressure. Nearly 16,000 children received care and support from local authorities in Wales last year. Just under 6,000 children were 'looked after' by local authorities, a figure that has increased by nearly a quarter over 10 years. Over the same period Council's expenditure on Children's Services has increased to meet the increasing demand, with a real terms increase of 30% spend on Looked After Children's Services. Services for the care and protection of vulnerable children are now, in many areas, being pushed to breaking point. The huge financial pressures councils are under, coupled with the spike in demand for child protection support, mean that the limited money councils have available is increasingly being taken up with the provision of urgent help for children and families already at crisis point, leaving very little to invest in early intervention. Hence a spiral of uninterrupted and increasing need for services is driving a mounting complexity of challenges for the most vulnerable children.
20. Rapidly increasing and complex needs, along with constrained funding is placing significant pressure on both adult and children's social care services. Councils and social care staff have coped

³ 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>)

extremely well up to now despite the exceptional pressures, however this is not sustainable in the face of further budget cuts.

21. The Wales Public Services 2025 report, '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.
22. 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.
23. 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 £264m in 2019-20 (£102m for social services) which will have to be either fully absorbed by councils (or cuts made elsewhere). As with other service areas, the main inflationary drivers are increasingly workforce costs. In the next financial year, the additional resources required for pay deals, pension contributions and the National Living Wage come to £54m and demographic pressures will add another £49m. The cumulative pressure by 2021-22 is £358m.
24. The recent announcement of additional consequential funding coming into Wales as a result of the UK Government's decision to provide an extra £20bn a year by 2023 to the NHS in England provides us with an opportunity to look at providing much needed additional funding to local government which would enable Welsh councils to plan with some surety over the next three years. Any additional funding needs to allow local authorities flexibility to best meet local demand and needs, focussed on improving outcomes for their citizens and communities. Recent funding made available for social services from Welsh Government has only been for specific pieces of

work and to support new initiatives rather than to be able to meet increasing demand and current pressures.

‘A Healthier Wales: our Plan for Health and Social Care’ and longer term funding

25. We have welcomed the recent Parliamentary Review and are working with Welsh Government and partners to take forward its recommendations through the long-term health and social care plan, ‘A Healthier Wales’. We particularly support the need for increased integration and a more seamless pathway for citizens, with health and social care working more closely together to achieve this. It is hoped that if we are able to make the changes set out in the Review then we would better manage demand through a more preventative approach but also improve the experiences and outcomes for our citizens. The approach needs to be multi-faceted and will need local and national leadership and we have welcomed the inclusive approach taken by Welsh Government in the development of their long term plan.
26. It is important to note however that ‘integration’ is not an end in itself but a means of achieving the aims of: improving health and wellbeing outcomes for individuals and communities; improving the planning and delivery of services; and making the best possible use of health and council resources. Neither is integration a panacea for the financial challenges of the health service and local government. Joining up care and support and intervening and offering early support to keep people well is a more efficient use of resources but efficiency alone is not enough to ensure the long-term sustainability of the health and care system.
27. While local leaders can do their best to use the resources they have to support local joined-up working, there is a clear demand for national government to provide sufficient funding to support integration and give local leaders the space to develop and deliver their own plans. We have welcomed the Cabinet Secretary’s announcement of a £100m Transformation Fund to support some of the work around the development of new models of service and the role that the Regional Partnership Boards will play in taking much of this work forward, providing the opportunity to use these Boards as the vehicle for integrated approaches across health and social care and looking at how the £100m transformation fund is best used to support the development of new models of services across regions. We believe that the Boards should be the key mechanism for joint planning and decision-making, ensuring shared leadership across health and social care.
28. However, we are also mindful that the transformation fund announced is time limited, for a two-year period, and whilst a welcome addition to the Integrated Care Fund does not provide a long-term solution, nor sufficient additional funding in the longer-term to resolve the issues and pressures facing social care and local government. Funding pressures on social care have severe consequences for the NHS, increasing demand on hospitals and more costly acute care. This goes both ways and what the NHS does or does not do can impact equally on social care. Reductions in services such as incontinence treatment, stroke rehabilitation and NHS continuing care increase

pressures on social care. We know these problems are only going to get worse as demand grows with the needs of our ageing population. This all points to the need to urgently reform our current arrangements and take on the complex task of developing a long term sustainable funding framework for social care.

29. It is therefore welcomed that the long-term plan identifies the need to achieve a sustainable funding model for health and social care, recognising that health and social care currently consume a growing proportion of the Welsh Government's budget, at the expense of other public service areas, which also have a great influence on the health and wellbeing of the people of Wales.
30. In light of the now delayed UK Government's Green paper on social care, the LGA have recently published their own green paper to kick-start a desperately-needed debate on how to pay for adult social care. WLGA have had our first detailed discussions with the LGA to explore a Welsh dimension to their Green Paper and Gerry Holtham's work on a common insurance fund will feed into this. The LGA are undertaking an eight-week consultation across all councils on options for how the system could be improved and the radical measures that need to be considered given the scale of this funding crisis. They are examining solutions for social care in the long-term including:
 - Increasing income tax for taxpayers of all ages – a 1p rise on the basic rate could raise £4.4 billion in 2024/25
 - Increasing national insurance – a 1p rise could raise £10.4 billion in 2024/25
 - A Social Care Premium - charging the over-40s and working pensioners an earmarked contribution (such as an addition to National Insurance or another mechanism). If it was assumed everyone over 40 was able to pay the same amount (not the case under National Insurance), raising £1 billion would mean a cost of £33.40 for each person aged 40+ in 2024/25.
 - Means testing universal benefits, such as winter fuel allowance and free TV licences, could raise £1.9 billion in 2024/25
 - Allowing councils to increase council tax – a 1 per cent rise would generate £285 million in 2024/25
31. It is vital that we, in Wales, consider this approach and ensure that we have seamless planning, commissioning and sustainable funding of services for the future rather than using piecemeal measures to get us from one year to the next. The need to resolve the long-term future of care and support is now urgent.
32. 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.

Prevention

33. 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. At the same time as seeing many preventative services in local government facing severe cuts, 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.
34. It is imperative that we stem the decline of local preventative services and that we find a way to make some significant investment into new and existing preventative services based in primary and community settings. The WLGA has previously called for the establishment of a new Preventative Care Fund for Wales. This fund, focussed throughout the life-course, would enable some double running of new investment in preventative services alongside 'business as usual' in the current system until savings are realised and reinvested back into the system. Appendix 1 provides further detail on how this fund may look.
35. Preventative spend requires an understanding of the root cause of the problem and tackling that, not just the symptoms of the problem. If there is a lack of understanding and a lack of willingness to address the root causes then services will be faced with a never ending and increasing number of these cases for future generations. Simplistically, common root causes if not addressed will exacerbate the situation and if addressed and funded there will still be a 'backlog' of those currently affected by their conditions which also needs funding until the preventative measures have their full effect.
36. Another issue is the time that it takes to realise significant savings or improvements in social outcomes. One of the few studies that attempts to quantify the preventative impact of the Social Services and Well-being Act is the LE Wales' Paying for Social Care report. Over a 24-year period the costs of Adult Social care are estimated to increase by 114% in the base line scenario, under the preventative scenario they increase by 108%. Whilst this should provide some savings in the long term holding off the need for more costly interventions, which are worth realising, these preventative services still need to be supported and developed, requiring additional investment. It is unlikely however that they will release the significant savings expected, particularly within the context of a population living longer, increasingly with multiple conditions which need support for longer.
37. The Welsh Government's investment in the Integrated Care Fund (ICF), has been welcomed by local government and has led to the introduction of a number of preventative services across Wales. 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).

38. 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 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.
39. In terms of the Welsh Government's agenda around wellbeing, the WLGA believe that the time is right for a full examination of the transfer of the public health improvement role, into local government. This would provide an opportunity for local authorities to have a significant influence and more joined up approach over the broader determinants of people's health – their local environment, housing, transport, employment, and their social interactions – all of which are linked to local authorities core roles and functions and can play an important part in improving the health and well-being of their citizens.

Conclusion

40. 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 local government and 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.
41. 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. It is essential that we develop a balanced approach that does not give one part of the system primacy over the other in dealing with the pressures facing social care and health in the short and long-term with health and social care treated with parity in the budget considerations, recognising that health and social care are equal partners in the aspiration of delivering one seamless health and social care system for Wales organised around the individual and their family.
42. 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.

Appendix 1 - Preventative Integrated Care Fund for Wales

The WLGA has welcomed the Integrated Care Fund established by Welsh Government (originally the Intermediate Care Fund) but has also called for this Fund to be accompanied by a separate transformation fund with the aim of implementing new prevention strategies that will drive real change and improvements in the availability of preventative services. Increasing demand and financial pressures mean there is an urgent need to focus and invest more on prevention, reducing the demand for more complex and expensive services and making the most efficient and effective use of health and social care resources. We would like to see a Preventative Integrated Care Fund established, which builds on the success factors from the Integrated Care Fund (e.g. joint decision-making; focused interventions based on need and demand) to develop more preventative services, speed up service integration, particularly in relation to primary and community based services so that communities can benefit from a more coordinated and holistic approach to health management, social care and well-being.

While local government already receive funding for social care, and they have the freedom in principle to spend other sources of income on these types of preventative initiatives, they cannot do it within existing budgets at the scale required and during this prolonged period of austerity. It is also difficult for local authorities to build a business case to invest scarce resources in initiatives where the financial benefits will in the main accrue to other agencies such as the NHS or the benefits system, or where the financial return won't be realised for many years.

We recognise that providing additional financial support is exceptionally challenging, especially given the financial pressures across the public sector. However, the alternative is that without resources specifically for community, primary and secondary prevention, there is a risk that we won't see the radical step change required to reduce impacts on the NHS and social care.

We need to shift from a service that reacts when people have acute need or a crisis to one which focuses on prevention to reduce demand for acute services. We believe a new and additional fund specifically for this purpose is necessary to provide a stable funding environment for existing services to make the shift to a system geared more towards prevention – which would include easing the transition from hospital to community-based services.

The introduction of a Preventative Integrated Care Fund would enable some double running of new investment in preventative services alongside 'business as usual' in the current system, until savings can be realised and reinvested into the system – as part of wider local prevention strategies.

There is general recognition of the benefits of prevention – and it is now codified in the Social Services and Well-being (Wales) Act – but very little has been done at the scale that will be necessary to see meaningful impact.

There is a need for flexibility at the local level, provided through additional funding, to enable local authorities and partners to make the scale of changes necessary, with a focus on transformation of

preventative services rather than a fund that maintains the existing provision of services. This includes a need to consider:

- Integrated primary and community based teams
- Strong community services linked with social care provision
- Examining how our nursing and residential home residents can be cared for in a fundamentally different way.
- Carving out space and time for people to do the work