



Gwasanaethau Cyhoeddus Cymru
Wales Public Services

A delicate balance?

Health and Social Care spending in Wales

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Summary

Wales pursued a more balanced approach to NHS and social care spending than England over the period 2009-10 to 2015-16, but, even so, spending through local authorities on social care for the over 65s is not keeping pace with the growth in the population of older people. Spending may need to have increased by at least £129 million (23%) between 2015-16 and 2020-21 to get back to the equivalent spend per-head in 2009-10, which amounts to a 2.5% year-on-year increase.

Wales made a distinctive set of choices over its spending on health and social care over the period 2009-10 to 2015-16 in responding to complex challenges. Budgets were squeezed and UK Government austerity measures led to an 8.2% reduction in the funds available for day-to-day spending in Wales. Demand pressures grew, with Wales having proportionately the largest and fastest growing over-65 population across the UK countries and, linked with an ageing population, the highest burden of people with chronic and complex health conditions.

An effective interface between health and social care has been seen as crucial in responding to these challenges. Budgets for England have concentrated on increasing health spending while local government spending on social care has declined, whereas Wales pursued a more balanced approach. By health, we mean the total spending on NHS services, medical research, public health and broader health services. We also look at NHS Wales's delivery in more detail, and refer to that as appropriate.

The main points are:

- The total health and personal and social service spend per head in Wales was 6.3% higher than that of England in 2015-16, £2,733 compared to £2,571 (2016-17 prices);¹
- The spend per head of population on health in Wales (and in other devolved nations) has converged with England. In 2015-16, Wales's spend per head was still marginally higher than in England;
- Real terms total health public spending in Wales fell by 3.6% between 2009-10 and 2012-13, but subsequent budget increases have meant that spending recovered its

¹ Country and regional analysis (2016) total per head health spending and per head personal social services, in 2016-17 prices, calculated using the OBR November 2016 GDP deflators.

2010-11 real terms level in 2015-16. Current Welsh Government budget plans (2017-18) provide for an NHS spending which will be 7.9% higher than in 2009-10;

- Core NHS spending now accounts for 50.3% on the Welsh Government fiscal resource budget, compared with 39.1% in 2009-10;
- Day-to-day spending on local authority-organised adult social services has remained broadly flat in real terms in Wales, while in England it fell 6.4% over the period 2009-10 to 2015-16;
- But the increasing over-65 population in Wales means that spending per older person has fallen by over 12% in real terms over that period; and
- On current population projections, Wales would need to be spending at least an additional £129 million by 2020-21 (at 2016-17 prices) to bring the per capita spend on local authority social services for over-65s back to 2009-10 levels, which is equivalent to a year-on-year growth rate of 2.5%.

The scale of the challenge ahead for Wales (and other countries) can be seen by linking these figures with the recent Health Foundation analysis about the scale of future funding increases required for the NHS and adult social care in Wales to meet growing demand.² We will be exploring what this means for future Welsh budgets and other public services in our next paper.

² <http://www.health.org.uk/node/10831>

Introduction

This briefing note looks at trends in public spending on health and local authority funded adult social care in Wales since 2009-10 (the year before the UK Government austerity policy was launched) with some comparisons with the other UK nations. It follows up the contribution made by Wales Public Services 2025 to the Institute for Fiscal Studies 2017 Green Budget.

Public concern across the UK about the NHS is at its highest since 2003 but spending is only part of the story. This paper does not cover whether funds for health and social services could be used more effectively or efficiently or wider issues of quality. But spending levels are a key aspect of the political and public debate.

The financial and demographic context

The UK, as many other nations, is facing the challenges of financial pressures and rising demand for health and social care. The challenge is particularly deep in Wales. The UK government's austerity measures have meant that the share of the block grant to Wales from the Treasury available for day-to-day spending on services has decreased by 8.2% in real terms (2016-17 prices, IFS, 2016).^{3,4}

During this period, there has been a continuing argument that the block grant received by Wales through the Barnett Formula did not reflect its needs. The 2015 Spending Review adjusted the Welsh Barnett population share from 5.79% to 5.69% to reflect slower population growth in Wales compared to England. However, the Barnett formula does not account for age, sex, or any other needs requirements. The recent agreement of a new Fiscal Framework for Wales has gone some way to addressing a needs-based element for the future.⁵

One key feature of these needs is the demographic trends in Wales. The fastest overall population growth across the UK from 2009-10 to 2015-16 occurred in England (+5.0%) and the slowest in Wales (+2.0%). However, Wales has the largest and fastest growing proportion of older people (aged 65 and over) of any other UK nation. The population of older people in Wales grew by 77,176 people between

³ <https://www.ifs.org.uk/publications/8470> (June 2016 OBR GDP deflators used).

⁴ Unless mentioned otherwise, throughout this paper we use the November 2016 OBR GDP deflator series to give real prices in 2016-17 terms.

⁵ <https://www.gov.uk/government/publications/the-agreement-between-the-welsh-government-and-the-united-kingdom-government-on-the-welsh-governments-fiscal-framework>

2009-10 and 2015-16 and formed 20.2% of its population in mid-2015. In contrast, older people formed 17.7% of the English population in mid-2015.

A 2016 OECD report confirms that although the burden of chronic and complex conditions associated with increased life expectancy is increasing across the UK, it is higher in Wales than England.⁶ Another key indicator, the levels of poverty (linked with ill health), is also higher in Wales than the other UK countries.⁷

Public spending on health

Spending on health in the UK has been devolved since 1999. As a result, health-spending policies in Wales, Scotland, Northern Ireland and England have diverged over time.

The main changes in real-terms health public spending in the four nations between 2009-10 and 2015-16 are shown in Table 1.⁸ This public spending measure includes current and capital spending on NHS services, medical research, and broader health services.⁹ The shares of total spending on health by Wales, Scotland and Northern Ireland as a proportion of all UK spending on health have decreased between 2009-10 and 2015-16, while the English share has increased. The growth in total health spending over the same period was lowest in Wales, as was the population growth rate.

⁶ 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>)

⁷ http://gov.wales/statistics-and-research/economic-indicators/poverty_wealth?lang=en

⁸ Part of this analysis builds on work done for Chapter 5, IFS Green Budget, 2017. For more information on spending on health in England, Scotland, Wales and Northern Ireland, see IFS Green Budget, 2017, Chapter 5: <https://www.ifs.org.uk/publications/8879>

⁹ For more information about different measures of health spending, see Box 5.1 in IFS Green Budget 2017, Chapter 5 (p.153).

Table 1: Health spending and population change overview in Wales, Scotland, Northern Ireland, and England, 2009-10 to 2015-16

	Devolved nations' health spending as % of UK identifiable expenditure		Percentage change, 2009-10 to 2015-16		
	2009-10 outturn	2015-16 outturn	Real health spending	Population	Real per-capita health spending
Wales	5.1	4.8	1.8	2.0	-0.1
Scotland	9.1	8.8	4.6	2.7	1.9
Northern Ireland	3.0	2.9	7.2	3.3	3.9
England	82.8	83.5	9.9	5.0	4.7
UK*	100.0	100.0	8.6	4.6	3.9

Source: Authors' calculations using CRA 2016 (2011-12 to 2015-16 outturns), CRA 2015 (2010-11 outturn), and CRA 2014 (2009-10 outturn) releases, and the November 2016 OBR GDP Deflator.

Note: UK identifiable expenditure includes expenditure outside the UK. If it were excluded, UK percentage change for health spending in total and per-capita would become 8.9% and 4.1% respectively. Note that CRA Health outturns data include current and capital health spending.

Total health spending in Wales

Total health public spending outturns in Wales fell from £6.6bn in 2009-10 to £6.3bn in 2012-13 (-3.6%, 2016-17 prices).¹⁰ Since then, health spending in Wales increased in every year, to reach £6.7bn, or 2010-11 levels, in 2015-16. Thus, total health spending increased by a modest 1.8%, in real terms, over 2009-10 to 2015-16.

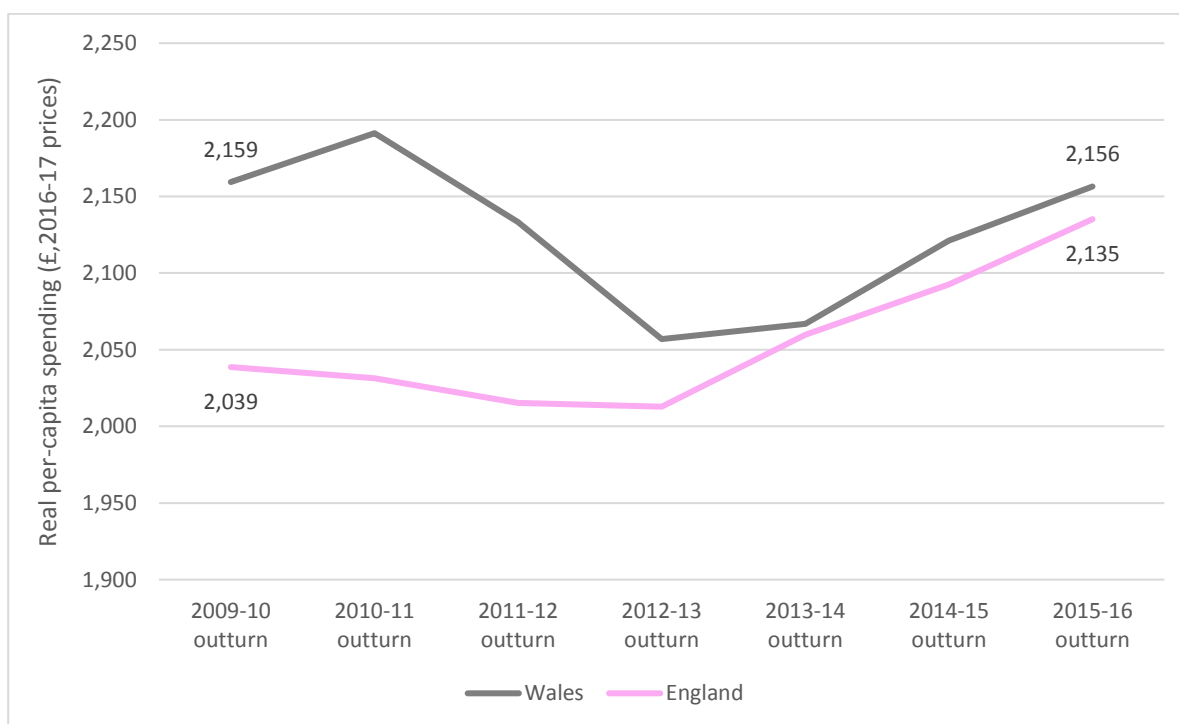
¹⁰ We look at overall and per capita total health spending using Country and Regional Analysis data. These figures include NHS spending and other spending on health, and both current and capital health spending. Note that this spending refers to identifiable expenditure, which is "incurred for the benefit of individuals, enterprises or communities within particular regions". Non-identifiable expenditure is considered to be "incurred on behalf of the United Kingdom as a whole" (CRA, 2016, p.6).

In contrast, in England, year-on-year total real public health spending increased gradually between 2009-10 and 2012-13, and much more substantially from 2012-13 onwards. In 2015-16, total real health spending reached £177.0bn, a real increase of 9.9% over 2009-10 and 2015-16.

Public spending on health per capita

Total public spending on health per capita (the total spending divided by the population) in Wales has not yet recovered to its 2009-10 levels (Figure 1). In addition, while Wales spent £120 more on health per head of its population than England in 2009-10, by 2015-16 this gap narrowed to just £21 (2016-17 prices). In England, spending was 4.7% higher in 2015-16 than that in 2009-10, despite a slight reduction in per capita health spending between 2009-10 and 2012-13.

Figure 1: Per-capita health public spending in Wales and England, 2009-10 to 2015-16 (2016-17 prices)



Source: CRA 2016 (2011-12 to 2015-16 outturns), CRA 2015 (2010-11 outturn), and CRA 2014 (2009-10 outturn) releases, and the November 2016 OBR GDP Deflator.

NHS Wales finances

Wales rejected the 'purchaser-provider' model in favour of a 'planned system'. Since the 1st of October 2009, the NHS operates through seven local Health Boards – responsible for assessing population needs and organising primary, community, secondary and specialised care – and three specialised

Trusts.¹¹ The Welsh Government is responsible for planning and direction. Health Boards have to produce 3-year integrated plans for Welsh Government approval and ensure that expenditure does not exceed funding over a period of 3 years.

Balancing the books is a continuing challenge for health providers, with increasing concerns about Foundation Trust and NHS Trust indebtedness in England. In Wales one of the Health Boards, Betsi Cadwaladr, has been in special measures since 2015 and the recent Welsh Government Second Supplementary Budget for 2016-17 includes a £76 million allocation from reserves to help address the overspends that are forecast in two Health Boards.

NHS budgets

In its 2010 budget, the Welsh Government set out to protect health spending in cash terms only (i.e. instigating a real-terms cut, meaning that health spending would not increase with inflation or other cost pressures).¹² Instead, the Welsh Government sought to protect local government funding to enable it to reduce the impact on social care spending, pursuing what was described as a ‘balanced approach’. The lowest point in NHS delivery budget allocations occurred in 2012-13, at £5.8bn (2016-17 prices, Figure 2). However, owing to pressures facing the Welsh NHS, as highlighted by the Nuffield Trust 2014 report,¹³ the Welsh Government increased spending on health from 2014 onwards, and reduced spending in other areas.¹⁴

Following the Health Foundation’s projected funding gap of £700 million for NHS Wales between 2015-16 and 2019-20 set out in its 2016 report,¹⁵ the Welsh Government substantially increased the real Wales NHS spending. The 2017-18 budget plans represent a real terms increase in NHS delivery resource spending of 7.9% compared to 2009-10. The NHS delivery resource budget has also continued to take up an increasing share of the fiscal resource DEL,¹⁶ from about 40% in 2009-10 to just over 50% in 2017-18.

¹¹ Prior to 1st October 2009, there were 22 local Health Boards that commissioned services from 9 NHS Trusts.

¹² We use Second Supplementary Budgets (SSBs) where possible to show the total resource (day-to-day) funds allocated to NHS delivery each year. However, two caveats are made: (1) the 2009-10 SSB is structured differently to subsequent budgets, and instead of NHS delivery contains a slightly different entry – NHS allocations; and (2) at present, the latest available budget for 2017-18 is the final budget, announced in December 2016.

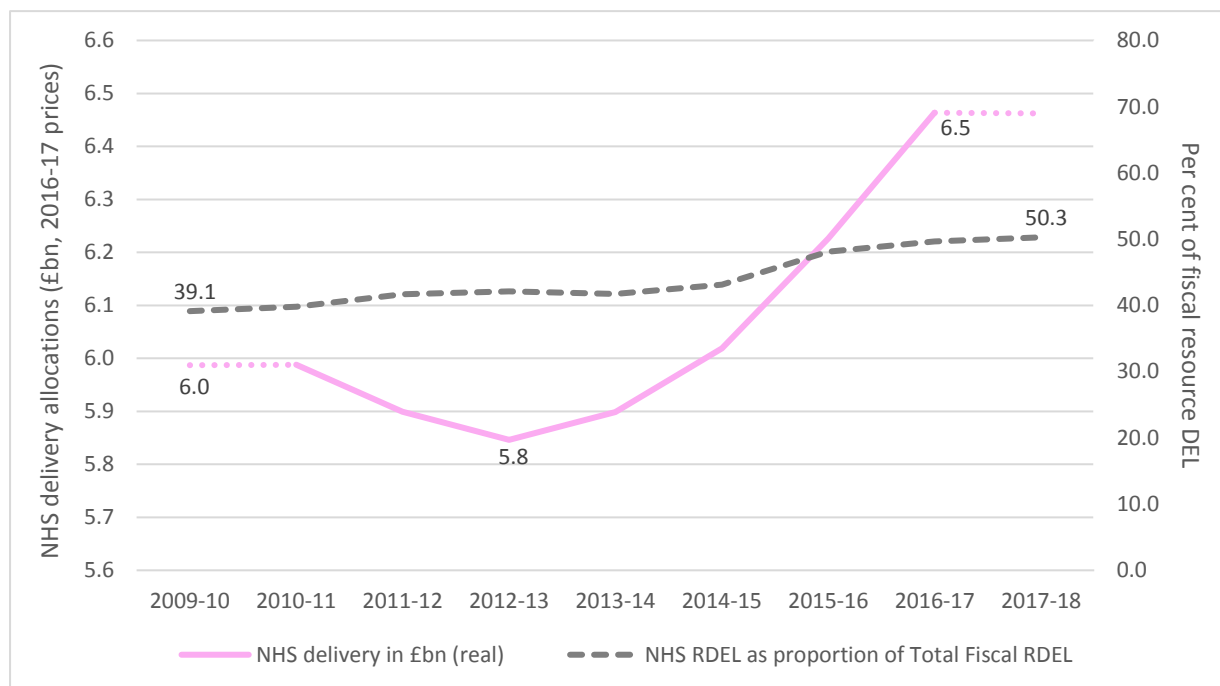
¹³ <https://www.nuffieldtrust.org.uk/files/2017-01/decade-austerity-wales-web-final.pdf>

¹⁴ http://www.audit.wales/system/files/publications/POPS_2015_eng-accessible.pdf

¹⁵ <http://www.health.org.uk/node/10831>

¹⁶ Please note that fiscal resource DEL excludes depreciation.

Figure 2: Wales NHS total delivery resource allocations (£bn, 2016-17 prices) and as a percentage of fiscal resource DEL



Note: More funding is expected to be allocated to health in the 2017-18 supplementary budgets. Furthermore, the data for 2009-10 refers to “NHS Allocations” rather than “NHS Delivery” Spending Programme Area (SPA), and is not directly comparable with data for 2010-11 onwards.¹⁷ The NHS as a percentage of fiscal resource DEL series may be partially affected by the full devolution of non-domestic rates, which was switched from DEL to AME in 2015-16.

Source: NHS Delivery and NHS Delivery as a proportion of the total fiscal resource DEL are sourced from the Second Supplementary Budgets 2009-10 – 2016-17, except for the data points in 2017-18, which are sourced from the 2017-18 Final Budget.

The IFS calculate how much English real health spending (Department of Health) would have to change in order to keep up with population growth and changing age structure. For example, in order to maintain 2015-16 levels of per capita spending, taking the changing age structure into account, through to 2019-20, real health spending in England should increase by 5 percent, or 1.2% per year.¹⁸ This analysis is based on the OBR’s age profile of public spending in the UK, which is itself based on NHS England data.¹⁹

¹⁷ For example, budgets were reclassified in 2009-10 to be consistent with ministerial portfolio changes (however, a document explaining how the health and social services MEG was changed is, to our knowledge, not readily accessible). We know that the old format 2010-11 final budget gives NHS allocations as £5,144,496 while the new format gives NHS delivery was £5,288,477. Therefore, in 2010-11 final budget, the NHS allocations SPA constituted 97.3% of the new NHS delivery SPA. This may also reflect differences in the restructuring of the NHS Wales system in 2009, from 22 local Health Boards and 9 NHS Trusts to 7 local Health Boards and 3 NHS Trusts.

¹⁸ Note that NHS England accounted for 87.0% of the Department of Health budget in 2015-16 (see IFS Green Budget, 2017, Ch.5).

¹⁹ http://budgetresponsibility.org.uk/docs/dlm_uploads/Health-FSAP.pdf

The Health Foundation estimates that in order to keep up with demographic change, cost pressures, and long-term health conditions, in the absence of any other actions to increase NHS efficiency or to reduce pressures, Wales will need to spend 3.2% per year in real terms. Demographic pressures alone account for about a third (1.3%) of the increased spending on acute services. However, in a tight fiscal climate and faced with growing social care pressures, the tradeoffs of increasing NHS Wales spending become increasingly pronounced.

Primary health care

In Wales, there has been a long-standing ambition to move care out of hospitals and into the community and to developing a primary-led approach to healthcare. Older adults in particular are more likely to use primary health care services, and as the Welsh population continues to age, primary health care will come under increasing demand.²⁰

In the long run, this ambition would suggest the need to shift resources from hospitals and the acute sector into the community. Although it is only one aspect of community-based provision, it is noticeable that expenditure on Primary Healthcare Services (reported in the NHS Wales summarised accounts) as a proportion of all Local Health Board gross healthcare service expenditure has remained broadly the same between 2009-10 and 2015-16. Indeed, it decreased slightly from 22.3% to 22.1% over this period.

It is difficult to track any changes in community services provided directly by the Health Boards (e.g. health visitors and community nurses) through the accounts. Further work will be necessary in order to assess whether any overall shift in resources has taken place between the acute and primary and community services.

²⁰<http://www.wales.nhs.uk/sitesplus/documents/986/Our%20Plan%20for%20Primary%20Care%20in%20Wales%20up%20to%20March%202018.pdf>

Table 2: Gross expenditure on healthcare services by NHS Wales local Health Boards, 2009-10 and 2015-16 (2016-17 prices)

	2009-10	2015-16
Expenditure on Primary Healthcare Services	1,446,514	1,420,569
(% of total)	22.3%	22.1%
Expenditure on healthcare from other providers	976,800	980,086
(% of total)	15.0%	15.3%
Expenditure on Hospital and Community Health Services	4,069,999	4,016,729
(% of total)	62.7%	62.6%
Total gross expenditure (2016-17 prices)	6,493,313	6,417,384

Source: NHS Wales Local Health Board summarised accounts, Statement of Comprehensive Net Expenditure 2010-11, 2015-16; 2016-17 prices, November 2016 GDP deflator.

Social care spending on older people in Wales

We now look at how local authority spending on adult social care for older people aged 65 and over has changed since 2009-10 in Wales overall, and how this compares with other spend areas funded out of local authority revenues.

Social services are devolved to Wales and the main statutory responsibility for service provision lies with local authorities. A wide-ranging reform of the way services are delivered is underway under the Social Services and Wellbeing (Wales) Act 2014, but funding still remains a key issue.

Local authority (LA) spending on adult social services includes assessment and the provision of residential and non-residential services for adults, either provided directly by councils or commissioned from private or third sector providers. As well as non-residential services such as domiciliary care, meals on wheels and day care, local authorities also make direct payments to individuals who then organise their own care arrangements.

There has been a continuing debate about free personal care in Wales, but most local authority care provision is financed through a mix of charges and local authority funding. Most non-residential services are charged for, subject to a number of regulations and a cap introduced by the Welsh Government in 2011. This will be £70 per week from April 2017. The funding of residential care has been subject to a long-running debate across the UK. In Wales, most people entering residential care are currently expected to contribute towards costs, subject to a capital threshold, due to rise from £24,000 to £30,000 from 2017-18.

Announcements about social service spending have featured more commonly in Welsh Government budgets since 2009-10 than in UK budgets. Budgets have included additional funding for social services through the local government revenue settlements in 2015-16 (£10 million), 2016-17 (£21 million) and 2017-18 (£25 million), although this funding is not formally ring-fenced and has been provided within the context of a real-terms fall in overall local authority funding. The recent budget round also included £10 million in 2017-18 to help social care providers with costs associated with the National Living Wage.

The other main relevant funding development has been the Intermediate Care Fund (ICF) (similar to the Better Care fund in England), established in 2014-15, for joint projects covering health, social services, housing and third sector to support older people maintain their independence, and as of

2016-17, integrated services for people with learning disabilities, autism and children with complex needs. The resource allocation for 2017-18 will be £60 million (cash terms), mostly routed through the Health Boards.

Total LA spending on social care

Following the approach taken by analogous studies pertaining to England, our principal measure of public social care spending is defined, unless otherwise stated, as net current expenditure.²¹

The structure of the Welsh adult social care revenue outturn data allows us to review how LAs have allocated spending across two defined adult age demographics; younger adults (persons aged 16-64) and older people (persons aged 65 and over). Unfortunately, such a comparison cannot be made with respect to public spending on social services provided to children and families only, this due to the previously disuniform classification of Flying Start – a high value Welsh Government programme available in certain parts of Wales to support families with children aged 0-3 years – before the programme was accorded an explicit classification in the Welsh revenue outturn forms from 2013-14 onwards.²²

Total LA spending on social care for older people, defined as both net expenditure and gross expenditure (the latter including income from providing care services, such as charges for domiciliary care) has been protected in real terms between 2009-10 and 2015-16, with net expenditure increasing by 0.2% and gross expenditure increasing by 1.1% over the period. This does not suggest, however, a small shift toward financing more of the costs of care from the service users themselves. Indeed, as a proportion of net current expenditure, LA income from sales, fees and charges has actually declined slightly.²³

²¹ Net current expenditure as an accounting definition is liable to exclude any recurrent public expenditure not financed out of LA revenues that would, by reason, appear to serve either a similar or a complimentary social care function. A key example of this is the Intermediate Care Fund (2014-15 to present), which appears as income from joint arrangements in LA revenue outturn data. NHS Wales Health Boards act as both the lead organisation and the initial conduit for the ICF paid by the Welsh Government. The Health Board will subsequently pass the relevant funding on to the LA for specific purposes. The complexity of the funding system is such that the exact parameters of what normatively constitutes LA social care spending on older people becomes nebulous, with certain spending definitions at risk of being far out of step with what would be popularly understood as publicly-funded LA-organised social care.

²² Between 2012-13 and the programme's inception in 2006-07, local authorities were accounting for Flying Start in a number of different ways. For example, some were including it as an item of delegated expenditure, some in another row within the schools budget and some within 'other LEA' in the Local Education Authority (LEA) budget. This means that we are also precluded from making direct comparisons between public spending on adult social care and the total LA spend on publicly funded LA-organised social care.

²³ The ratio of LA income from sales, fees and charges over net current expenditure has declined from 26.7% in 2009-10 to 26.4% in 2015-16.

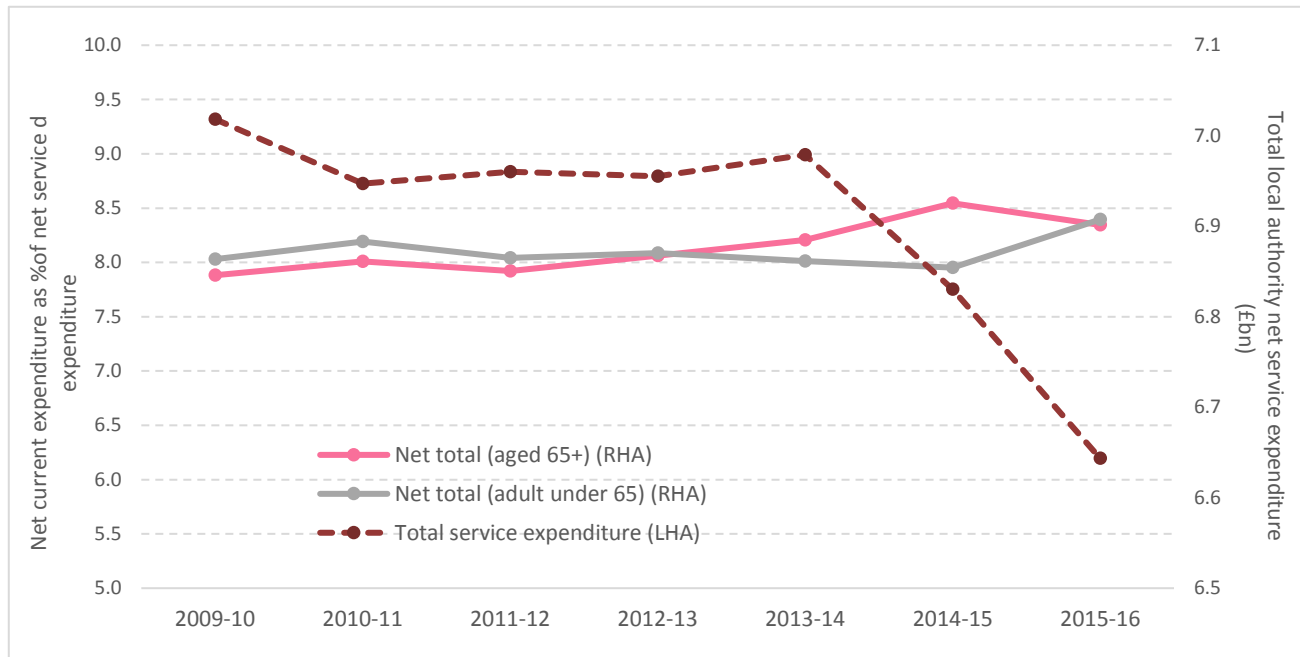
Comparing these figures for the 65 and over population with other groups of social care users, services for adults under 65 have been similarly protected, experiencing a 0.1% real terms decline in net expenditure since 2009-10, while gross LA expenditure has declined even further by 1.1% over the period. While we cannot reliably compare these figures with LA spend on children and families social care services throughout the entire series, over the three year period 2013-14 to 2015-16, this category of spend (inclusive of funding for Flying Start) increased by 2.4% in real terms. Against this backdrop, total LA service expenditure across all spend categories has decreased by 5.3% (£375 million, 2016-17 prices) from 2009-10 to 2015-16, meaning that while spending on social care for older people may have increased in real terms only slightly, it has increased by 0.4 percentage points as a percentage of total LA revenue expenditure (Figure 3). This suggests that – unlike in England – social care spend patterns in Wales have not have not followed starkly different paths with respect to different age groups.²⁴ Indeed, allowing for certain assumptions, the IFS have estimated that spending on care (excluding NHS transfers) for those aged 65 and over in England has fallen in real terms by 26.8% from 2009-10 to 2015-16.²⁵

Although the total net spend on social care for older people has remained comparatively steady in Wales, resources have been redirected within the total expenditure figures. Most notably, public spending on direct payments for community care – payments made directly to individual care users in order for them to purchase their own care – have almost trebled to £16.5 million in 2016 (2016-17 prices), whereas the net spend on meals for older people and support for care equipment and home adaptations has decreased by 59% and 42% respectively. This change may be partially attributable to revisions to the scope of direct payments eligibility from 11 April 2011, which has been extended to include people deemed as lacking capacity to give their consent (subject to them having a suitable person designated to receive payments on their behalf).

²⁴ According to figures presented in the IFS Green Budget: February 2017 (p.166), public spending on LA-organised social care for children has seen a 12.4% real terms increase since 2009-10, while total LA-funded adult social care (including NHS transfers) has declined by 6.4% in England. See source: https://www.ifs.org.uk/tools_and_resources/green_budget.

²⁵ Note that the figure quoted by the IFS does not include transfers made by the English NHS to local authorities so (see IFS Green Budget: February 2017 (p.167, fn.43)).

Figure 3: Total net current expenditure on adult social care as a percentage of total local authority net service expenditure, and total local authority net service expenditure (£bn), 2009-10 to 2015-16 (2016-17 prices)



Source: StatsWales LA revenue outturn data, form RO3 (2016-17 prices, OBR November 2016 GDP deflator).

Per-capita LA social care spending on older people

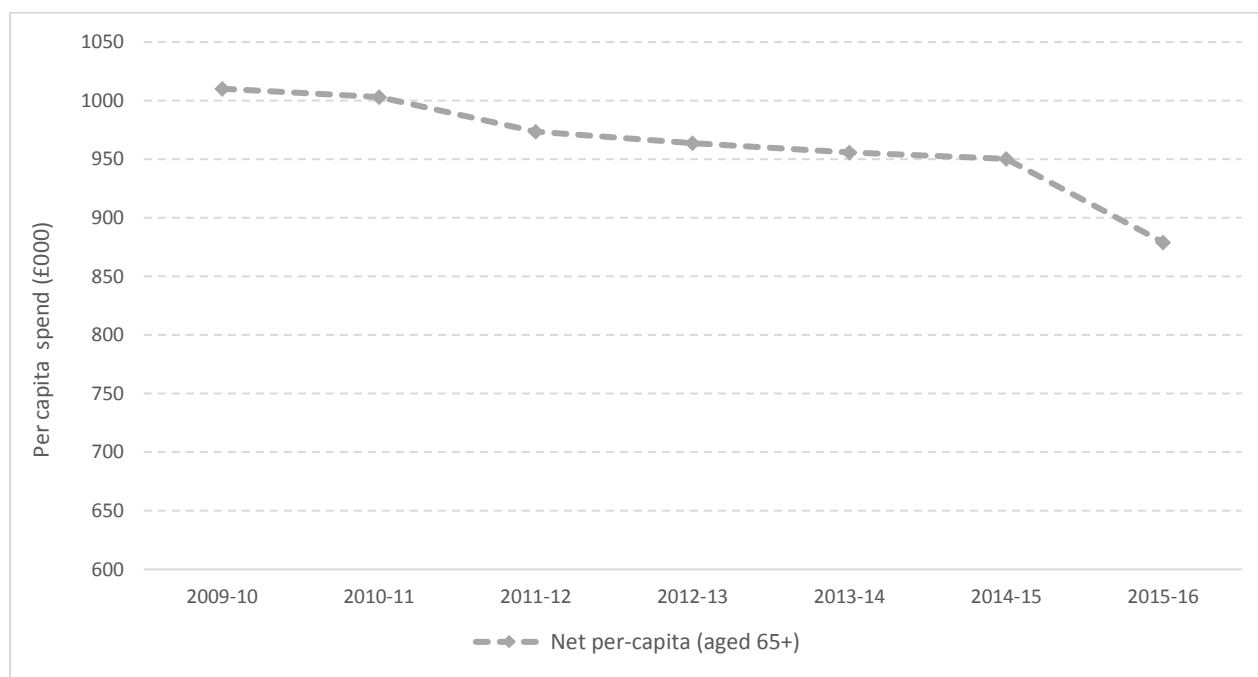
Once the figures above are adjusted for age-specific population growth, however, per-capita spend on social care shows a precipitous decline per-adult aged 65 and over (Figure 4). As mentioned earlier, Wales has the highest number of older people as a proportion of its population of all the constituent parts of the UK. Under the assumption of a linear increase in service demand from 2009-10 to 2015-16, net per-capita spend on social care for older people has fallen by over 12% in real terms (2016-17 prices).²⁶ However, with some assumptions, once (allocated) ICF funds beginning 2014-15 are added to the net expenditure figures for older people as discussed above, the decline is reduced to 9%.²⁷

²⁶ It is important to recognise that spending is only part of any true picture of the quality and quantity of care actually received by older adults, on which accurate data is less readily available. For instance, it may be the case that LA social care budgets are increasingly employed to help fewer individuals more intensely, in which case our per capita trends will be uninformative. Moreover, simple per capita calculations do not take account of sectoral inflation, which may be particularly acute in the social care sector owing to changes such as the National Living Wage and putative labour market pressures resulting from Brexit.

²⁷ We use available data on the revenue expenditure allocation for the ICF (i.e. total ICF minus capital funding) in 2014-15 and 2015-16, which amounted to £35 million and £20 million respectively (see: <http://www.wales.nhs.uk/sitesplus/1043/news/37313/> & <https://www.c3sc.org.uk/networks/networks-doc-lib/cardiff-health-social-care-network/intermediate-care-fund/491-intermediate-care-fund-guidance/file>). Since 2016-17, the ICF has broadened in scope to include support for younger adults and children with disabilities and complex needs, in addition to initiatives supporting older people. Across all relevant years of our series, the fund was targeted specifically at older people,

With the number of people aged 65 and over forecast to increase by approximately 8.3% by the time of the next UK parliament in 2020, maintaining a per-capita net expenditure at 2015-16 levels will require an extra £46 million of extra revenue earmarked for older people's social care.²⁸ Moreover, for spending to be maintained at its 2009-10 per-capita levels in 2020-21, this would require at least an extra £129 million (2016-16 prices) in publicly funded support for older people, representing approximately 24% of total adult social care expenditure on older adults in 2015-16 and equivalent to a year-on-year increase of 2.5%. These figures complement the recent analysis of future investment in social care by the Health Foundation, who estimate that from 2015-16 to 2030-31 social care costs for all adults in Wales will rise by around 4.1% a year to an estimated £2.3bn.²⁹

Figure 4: Net current expenditure per-capita on older adult social care (aged ≥ 65), 2009-10 to 2015-16 (2016-17 prices)



Source: Net current expenditure per-capita on older people (aged 65 and over). Net current expenditure excludes income but includes specific and special grants (2016-17 prices, OBR November 2016 GDP deflator).

particularly the frail elderly, which is why we are able to include these sums along with the 65 and over revenue outturn data. However, it is important to recognise that the ICF figures represent the amounts allocated to social care as opposed to actual expenditure, for which we do not have adequate information. While we are able to make specific adjustments for the ICF, significant income from other sources via joint arrangements accrued by LAs between 2009-10 and 2015-16 remains unaccounted for. As such, our per-capita figures likely represent a lower bound estimate of the true publicly-funded LA organised social care. Nonetheless, if we add all LA income from joint arrangements to the net expenditure figures on social care for older people (which is equivalent to gross LA expenditure minus income from sales, fees and charges), the trend remains constant, with a per-capita decline of 11.7% over the series by this alternate measure of spend.

²⁸ Population estimates are taken from the 2014-based population projections by the ONS. Figures quoted are in 2016-17 prices, calculated using the OBR's November 2016 GDP deflator.

²⁹ <http://www.health.org.uk/node/10831>

The importance of demographic change in driving the results above can be seen when comparing these figures with the relative trajectories of spending across adult social care (aged 16-64) and total LA expenditure (Table 3). While social services pertaining to younger adults have faced a small cut in real terms since 2009-10 (-0.1%), a decrease in the number of people aged 16-64 has – mechanistically – mitigated any per-capita decline in spending (+0.7%); 12.9 percentage points greater than the per-capita change experienced by the 65 and over population. Nonetheless, older adult social care has remained relatively flat as a proportion of total LA public spending, falling by just 0.2 percentage points from its height in 2014-15 by 2015-16.

Table 3: Welsh local authority social spending, and as a proportion of total LA service expenditure, 2009-10 to 2015-16 (2016-17 prices)

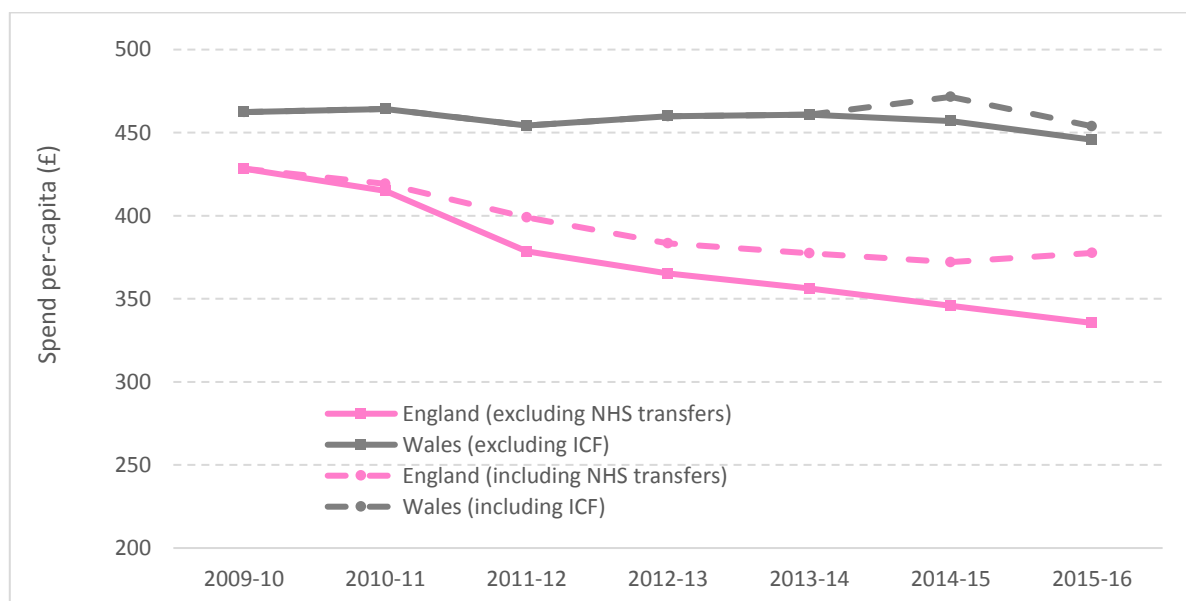
	LA spending (£million 2016-17 prices)		Percentage change (2009-10 to 2015-16)		
	2009-10	2015-16	Real spending	Relevant population	Real per-capita spending
Total adult (≥65) social care	553	554	0.2	14.09	-12.16
<i>% of total LA service expenditure</i>	7.9%	8.3%	0.5ppts	x	x
Total adult (16-64) social care	564	563	-0.1	-0.79	0.69
<i>% of total LA service expenditure</i>	8.0%	8.5%	0.4ppts	x	x
Total LA service expenditure	7018	6581	-5.3	1.98	-7.18

Source: StatsWales revenue outturn expenditure data (2016-17 prices, OBR November 2016 GDP deflator) available at: <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Revenue/Outturn>.

Comparing the per-capita social care spending changes in Wales to those in England, LA net current expenditure on adult social care for all persons aged 18 and over has declined by an estimated 21.3% in England, compared to a fall of just 3.1% in Wales (Figure 5).³⁰ However, once transfers from NHS England in order to support adult social care services in English LAs are properly accounted for, the per-capita decline falls to 11.8%. Similarly, once additional ICF funding is added to the Welsh series for all adults, the decline is just 1.4% per person aged 18 and above.

³⁰ As revenue outturn figures for adult social care in Wales define younger adults as persons at or above the age of 16, we have adjusted the Welsh per-capita figures in Figure 5 to make them directly comparable with those for England where adults are defined as persons at or above the age of 18 for data purposes. To achieve this, we multiplied our total adult (16-64) net expenditure figures by the ratio of the number of adults aged 18-16 over the number of adults aged 16-64 in a given year. Having adjusted our total figure, we then computed our per-capita values in the usual way.

Figure 5: Public social care spending per-capita on adults in England and Wales, 2009-10 to 2015-16 (2016-17 prices)



Note: Adult social care spending by local authorities in England (excluding NHS transfers) excludes spending financed out of transfers from the NHS budget to LAs, which in 2015-16 became part of the new Better Care Fund (see source: <http://www.content.digital.nhs.uk/catalogue/PUB22240/pss-exp-eng-15-16-fin-rep.pdf>).

Source: Revenue outturn figures for England and Wales are taken from the DCLG local government revenue expenditure and financing statistics and StatsWales respectively (2016-17 prices, OBR November 2016 GDP deflator).

Implications of health and social care spending patterns

The above sections suggest that while public spending on health in Wales followed a slight U-shaped pattern since 2009-10, total spending on social care has been protected in real terms. However, the population changes in Wales have meant that the per capita social care spend has substantially declined over time. This is a cause for concern as the ageing population pressures are set to increase. Indeed, population projections suggest that by mid-2020, 21.5% of the Welsh population will be aged 65 and over, and by mid-2030, 25%.

What is less clear in Wales is how this real per-capita decline is actually affecting service users and the wider health system. In this paper, we are not able to point toward any causal relationships in this regard. However, other work has pointed out an association between problems in the provision of adult social care and the rate of delayed transfers of care (DTocS) in England,^{31 32} with older people especially vulnerable to complications arising from such delays.³³

Between 2009-10 and 2016-17, the average monthly rate of delayed patients aged 75 and over within the Welsh NHS declined from a high of 20.3 per 10,000 of that population in 2010-11 to a low of 15.8 in 2013-14 (Figure 5).³⁴ This trend does appear to have reversed somewhat in 2015-16, where the steepest year-on-year per-capita decline in older adult (aged 65 and over) social care spending (6.5%) was accompanied by a marked uptick in monthly delayed transfers of care. However, extending this series to include all available monthly records from early 2017 would appear to suggest that this backsliding in elderly patient hospital delays has not continued on into 2016-17.

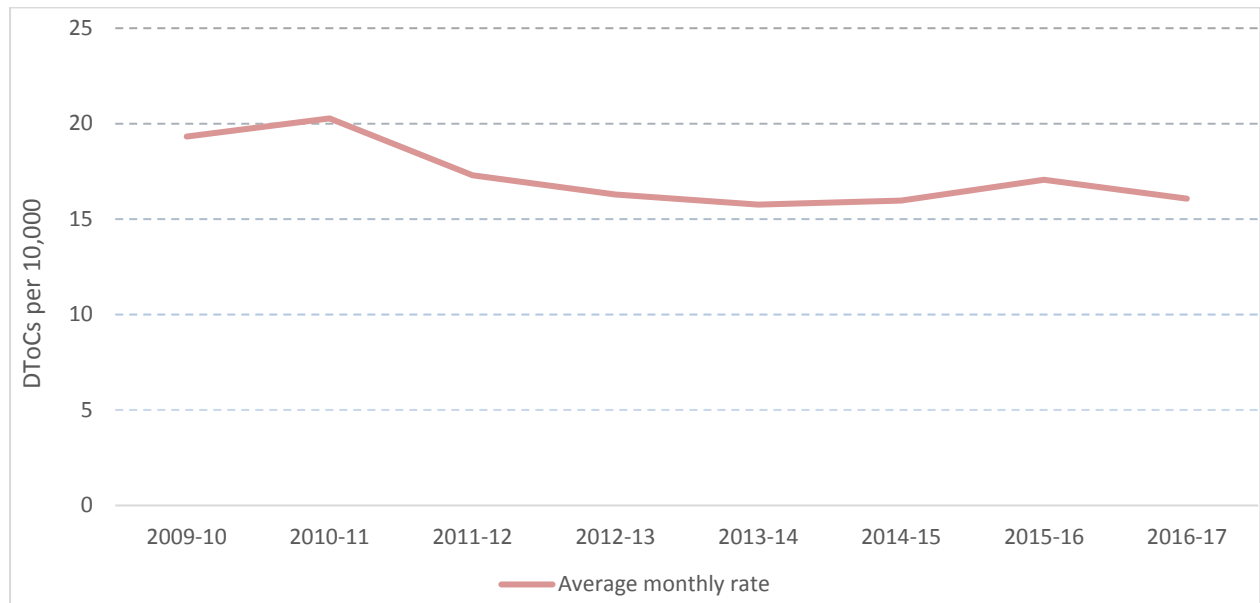
³¹ The rate of delayed transfers of care is defined as the occurrence of “an inpatient in a hospital, who is ready to move on to the next stage of care but is prevented from doing so for one or more reasons” (see data source: a <https://stats.wales.gov.wales/Catalogue/Health-and-Social-Care/NHS-Performance/Delayed-Transfers-of-Care>).

³² As reported by King’s Fund Chief Economist, John Appleby, around 60% of patients are currently delayed in hospital in England because of problems attributable to the NHS, such as waiting for assessments or delays in arranging a move to other NHS facilities, as opposed to deficiencies in the outside social care system. See Appleby (2016), ‘I’m a healthy patient; get me out of here’, BMJ (Published 29 June 2016), available here: <http://www.bmj.com/content/353/bmj.i3585>.

³³ http://www.valeofglamorgan.gov.uk/Documents/_Committee%20Reports/Scrutiny-HLSC/2017/17-01-16/WAO-Review-of-Delayed-Transfers-of-Care-Appendix-A.pdf

³⁴ Note that publicly available statistics for delayed transfers of care by age in Wales are given for people aged 75 and over only, whereas the social service spend data described those aged 65 and over.

Figure 5: Average rate of delayed patients aged 75 and over within the Welsh NHS per month (annualised figures, 2009-10 to 2016-17).



Note: Average rate of delayed patients aged 75+ within the Welsh NHS per month (2009-10 to 2016-17) is calculated as the mean average rate of relevant patients delayed each month per 10,000 from April through to March. The average figure for 2016-17 is calculated using all available rates of delay from April 2016 to February 2017 (i.e. 11 months only).

*Source: Average number of delayed transfers of care for patients aged 75+ per-month, calculated from the 'Rate of delay per 10,000 population aged 75+ by local authority' series available at StatsWales:
<https://statswales.gov.wales/Catalogue/Health-and-Social-Care/NHS-Performance/Delayed-Transfers-of-Care/rateofdelayper10000populationaged75-by-localauthority>.*

The pattern of delayed transfers of care in Wales is broadly consistent with the 'balanced approach' to health and social care spending that Wales pursued between 2010 and 2013, although per-capita social care spending on older people has fallen consistently between 2009-10 and 2015-16. The relative shift toward greater health spending since 2013 at the expense of spending on other public services illustrates the current pressures facing the Welsh Government. Indeed, a recent IFS analysis has modelled the kinds of trade-offs that the Welsh Government may face if it decides to further protect NHS spending – which accounts for the majority of its health spending – and highlights that if the Welsh Government were to protect the Welsh NHS, non-protected services could face real average real-terms cut of 7.4% over the period 2016-17 to 2019-20.³⁵ Our next piece of work will investigate these trade-offs in more detail.

³⁵ <https://www.ifs.org.uk/publications/8470>

Conclusions

The budget choices facing the Welsh Government on health and social care are set to become starker under current UK spending plans. The proportion of the Welsh Government budget for day-to-day spending being allocated to the NHS is rising steadily, now over 50%. How far this share can continue to grow in terms of the long-term sustainability of other services will be a matter of increasing debate. Improving NHS productivity and efficiency will continue to be an essential part of any solution.

Given population and other demand trends, projections suggest that there will have to be a near doubling of spending on local authority social services for older people by 2030. This will need to be planned for. Improving the quality and reliability of data about need and demand will be crucial.

The report of the Parliamentary Inquiry into the long-term strategy for health and social care, currently underway, will provide a significant context for the decisions that lie ahead.³⁶

We will be exploring what the financial and demand pressures on health and social care will mean for the Welsh budget as part of our next project on choices and trade-offs on the Welsh budget up to 2021-22.

³⁶ <http://gov.wales/topics/health/nhswales/review/?lang=en>

Wales Public Services 2025

The Wales Public Services 2025 Programme is investigating the long-term financial, demographic and demand pressures confronting public services in Wales and possible responses. Hosted by Cardiff Business School and independent, the Programme is a unique partnership between Cardiff University and five national bodies in Wales: the Welsh Local Government Association, SOLACE Wales, the Welsh NHS Confederation, the Wales Council for Voluntary Action and Community Housing Cymru.

Our goal is to create a civic space in which public servants, civil society, politicians and people across Wales can engage in open, informed, radical debate on how our public services need to change and what we need to do to get there.

Established in 2012, the Programme works with national bodies, research bodies and think tanks across the UK, including the Institute for Fiscal Studies, the Health Foundation, the Public Policy Institute for Wales, Wales Local Government Association, the Wales Audit Office and others.

For further information, please visit our website at www.walespublicservices2025.org.uk