
AGENDA ITEM NO: 6

Report To:	The Inverclyde Integration Joint Board	Date:	15 March 2016
Report By:	Brian Moore Corporate Director (Chief Officer) Inverclyde Health and Social Care Partnership (HSCP)	Report No:	IJB/22/2016/AP
Contact Officer:	Chief Officer, Inverclyde IJB	Contact No:	712722
Subject:	Proposed Use of Inverclyde IJB's share of £250 million Funding		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the IJB of the recent announcement that the IJB will receive a share of the £250 million funding announced by the Scottish Government as part of the 2016/17 Grant Settlement and to seek approval for the initial proposed allocations.

2.0 SUMMARY

- 2.1 As part of the 2016/17 Government Grant Settlement the Scottish Government announced that it was allocating £250 million to Integrated Joint Boards in 2016/17 with this funding to be channelled through the Health Budget but to be used for Social Care. Inverclyde IJB's share was £4.45million.
- 2.2 Meetings have taken place between various parties and the Scottish Government to provide clarity on the purpose of the funding and the latest guidance issued to Councils is attached as Appendix 1. From this it can be seen that 50% is allocated from Demographic Pressures, reviews of charging thresholds and the purchase of Additional Services, with £125million allocated for payment of the Living Wage to Social Care workers and the balance going to meet general Social Care pressures.
- 2.3 The Chief Officer has had detailed discussions with Council Officers on their proposals for a use of an element of the £4.45 million allocated to the IJB and these are outlined in Appendix 3.
- 2.4 It is the recommendation of the Chief Officer that the proposed use by the Council and the assumptions underpinning potential future use of an element of the £4.45 million are reasonable and reflect the Scottish Governments expectations. The Chief Officer has been engaging with other IJBs within the Health Board area and the proposals from Inverclyde Council are in line with the other GG&CHB area Councils.
- 2.5 There remains significant uncertainty around both the cost and deliverability of the proposal to pay all Social Care workers the £8.25 Living Wage by 1st October 2016. Strong concerns are being raised by Councils and Providers and discussions are ongoing with the Scottish Government.
- 2.6 Within Appendix 3 the assumption is that the figure of £56million advised by Government officials is sufficient to meet the Government/Council share of the increase to £8.25/hour. In the event this is insufficient then extra funding will require to be provided from the

Government or from the currently unallocated balance of the £4.45million

- 2.7 Whilst the Inverclyde IJB currently does not have a Chief Financial Officer in post until the 22nd March, the Chief Officer has informally discussed the Inverclyde Council proposals with her. In line with Government Guidance, the proposals from the Council will required to be signed off by the IJB CFO and this will be done no later than April 2016.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Inverclyde IJB:

- a) Note and welcome the allocation of £4.45 million from the Scottish Government for Social Care in 2016/17.
- b) Note the risks associated with the payment of the Living Wage to all Social Care workers.
- c) Approve the use of £1.269 million of the £4.45 million in 2016/17 to alleviate pressures in the Council Social Care budget.
- d) Agree that further updates be provided to the IJB as proposals are developed and information on the impact of the Living Wage becomes clearer.
- e) Agree that any unspent sums as at 31 March 2017 be held by the Council but earmarked for use by the IJB and note a future report will outline proposals on potential use for the Board to consider.

Brian Moore
Corporate Director (Chief Officer)
Inverclyde HSCP

4.0 BACKGROUND

- 4.1 As part of the 2016/17 Scottish Government Grant Settlement the Scottish Government allocated £250million to Health Boards with the written direction that this was to be paid in full to IJBs following the due diligence mechanism set out in the Integration Scheme. Ministers will then direct IJBs to use the money to purchase Social Care.
- 4.2 The latest guidance issued to Councils is attached as Appendix 1. From this it can be seen that 50% is allocated for Demographic Pressures, reviews of charging thresholds and purchase of Additional Services, with £125million allocated for payment of the Living Wage to Social Care workers and the balance going to meet general Social Care pressures
- 4.3 Inverclyde IJB share of the £250million has been announced as £4.45million with the share of the respective £125million parts therefore being £2.225million each.
- 4.4 It is fair to say that there has been a lack of clarity amongst all parties as to the detail of what use can be made of the £4.45million and the sums attributable to aspects of the potential uses.

5.0 PROPOSALS

- 5.1 The Chief Officer has been involved in many meetings with Council and Health officials and in particular the Council has had to make assumptions around the use of the £4.45million to allow it to approve the 2016/17 budget which it was scheduled to approve on the 10th March.
- 5.2 Appendix 3 shows the allocations made by the Council in 2016/17 which meet the criteria set out in the Scottish Government Guidance. From this it can be seen that based on the use of the high level national figures intimated by Government officials for the Living Wage, then this leaves £2.306million unallocated for the IJB.
- 5.3 Given that this funding is over and above the continuation of the Integrated Care Fund and continuing Delayed Discharge funding, then it is highly likely that all this funding will not be utilised in 2016/17. In this eventuality the Chief Officer would propose that this funding be carried forward within reserves held for the IJB by the Council. Proposals as to future uses of any reserves will be subject to a future report to the IJB
- 5.4 It is the recommendation of the Chief Officer that the proposed use by the Council and the assumptions underpinning potential future use of an element of the £4.45 million are reasonable and reflect the Scottish Government's expectations. The Chief Officer has been engaging with other IJBs within the Health Board area and the proposals from Inverclyde Council are in line with the other GG&CHB area Councils.

6.0 RISKS – LIVING WAGE

- 6.1 There is a large element of uncertainty and risk associated with the requirement to pay the Living Wage to all Social Care workers and these have been flagged up to the Government. It can be seen that in Appendix 1, the Government has passed these risks back to the Councils/IJBs to resolve. There is a risk that Councils/IJB have neither the legislative authority nor the resources to meet the Government's target.
- 6.2 Providers are also advising that they were not involved in developing the Government's proposals and cannot guarantee they will be able to meet a share of the cost of the implementation. In this case then it could be that part of the unallocated sum in 2016/17 is used for this purpose in 2016/17 but this will not be sustainable without further funding beyond this point.
- 6.3 A national approach to addressing the risks around Procurement, State Aid and legal challenge is required and this is being progressed by Cosla. The financial risk that the

amount provided by the Government for the Living Wage and all related costs is not sufficient lies with the IJBs for 2016/18 as the Council has advised that it has no further allowances within the proposed 2016/18 budgets for these matters.

7.0 IMPLICATIONS

Finance

7.1 The figures in Appendix 3 show that the Council assumption is that £1.269million (29%) of the £4.45million is used to offset known pressures on the Social Care Budget with £1.374 million (31%) being allocated to meet Government policies around the Living Wage and Income Threshold changes. At present this leaves £1.807 million for Additional services to meet ongoing demographic and service pressures plus any additional costs associated with the Living Wage.

In line with Government Guidance, the proposals from the Council will required to be signed off by the IJB CFO and this will be done no later than April 2016.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
IJB	Income	2016/17	(4450)		Government Funding via Health
	Council Payments	2016/17	2643		Allocation to Council pressures and for Government Policy costs
	Unallocated Sums	2016/17	1807		Uses to be subject of futher reports

Legal

7.2 There are significant risks associated with the implementation of the Living Wage across the Social Care sector and there are a number of areas where legal challenge could occur. Cosla are co-ordinating work at a national level to provide consistent advice as to how these risks can be minimised.

Human Resources

7.3 None

Equalities

7.4 Has an Equality Impact Assessment been carried out?

	Yes	See attached appendix
		This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.
X	No	

Repopulation

7.5 There are no Repopulation issues arising from the report

8.0 CONSULTATIONS

8.1 The proposals from the Council have been developed after detailed consultation with the Council CMT and have been approved by the Council's cross party Members' Budget Working Group.

9.0 LIST OF BACKGROUND PAPERS

9.1 None

LOCAL GOVERNMENT FINANCE SETTLEMENT 2016-2017

INTEGRATION FUNDING

Distribution and allocation

The Scottish Government will distribute the £250 million to Health Boards via their annual allocations. A letter was issued on Tuesday setting out individual allocations to Integration Joint Boards, which explained that the distribution methodology for the money will be the same as was applied to the Integrated Care Fund.

In terms of allocation of the money, Ministers will give written direction to Health Boards to pay the full sum of £250 million to their Integration Joint Boards, via the due diligence mechanism set out in the Integration Scheme, noting that this sum is not intended to mitigate any other Health Board pressures. Ministers will direct IJBs to use the money to purchase social care.

Once uprating of staff to the Living Wage from 1 October 2016 is taken into account, Local Authorities may amend their allocation to IJBs, agreed as per the due diligence mechanism, up to £125 million of their 2015-16 costs of providing social care services. A further £125m will be allocated by IJBs through their Strategic Plan for the purchase of social care. In every area, the Integration Scheme sets out the process of due diligence via which the Health Board and Local Authority will determine their financial allocation to the Integration Joint Board, for the first year of integration and for subsequent years. The S95 Officer for the Local Authority will be accountable to the Local Authority for ensuring that the Local Authority's allocation to the IJB, in full, is in line with its agreed process of due diligence; the Director of Finance of the Health Board will be accountable for the same assurance to the Health Board; and the S95 Officer of the IJB will provide assurance to the IJB that the respective budgets have been appropriately delegated to the IJB.

Living Wage

Regarding the Living Wage component: while estimates have been made at a national level relating to the investment required to meet the Living Wage in contracted out adult social care services the circumstances will vary across authorities in Scotland for example in the volume and balance of contracted out care and the progress some councils have already made towards payment of the Living Wage. We are allocating a significant resource towards this shared policy objective and as per the agreement made with Councils this year it is anticipated that this will be a shared endeavour between Scottish Government, Councils and Providers.

We have not stipulated a specific contribution expected from Providers in light of the varying circumstances as described above. We would expect a more finely grained analysis of the situation regarding wages and fair work within contracted out care services at Integration authority level and that is why the target date has been extended to 1 October.

We are aware of state aid implications and this is something that Councils and Integration authorities will need to consider. There is of course experience from this year for example in the development of the National Care Home contract and there is potential to build on this experience in taking forward our shared objectives. We are mindful of the fact that there may

be a requirement for reviewing and where necessary refreshing existing contracts and is another reason why we have extended the target date for payment of the Living wage.

This comes at a time where Integration Authorities, Councils and Health Boards are closely examining the means of commissioning services in partnership with providers and users. It is expected that the commitment to the Living Wage should be a key component of reshaping the delivery of care services.

Scottish Government are clear that achieving the Living Wage in social care is a joint aspiration with local government. We accept that a requirement on contractors to pay their employees the Living Wage set at a higher rate than the UK's National Minimum Wage, is unlikely to be compatible with EU law. There is however considerable scope for a Council, in commissioning social care services to encourage the payment of the Living Wage as a significant indicator of an employer's commitment to fair work practices. This is also one of the clearest ways an employer can demonstrate that it takes a positive approach to its workforce. We are firmly of the view that a contractor's approach to fair work practices, including payment of the Living Wage is a matter which can and should be evaluated during the procurement process, in line with the guidance we have issued. As above, there is time built in to the commitment to allow for review and where necessary refresh of contracts.

It is accepted that Councils have no such leverage in respect of care providers offering services exclusively to self-funding clients.

Charging thresholds for all non-residential services

The intention is to make charging fairer, prioritising those on low incomes. Councils would increase the income level from which social care charging is applied. The threshold is the level of money guaranteed to an individual from their income. By raising the threshold from 16.5% to 25%, individuals will have more of their money disregarded from charging. We have prepared a paper outlining this in more detail. Further details are available on request. Any costs accrued by moving to the new charging threshold can be met from the funding being provided. In the event that a Local Authority is already applying a higher threshold, its allocation will not be adjusted downwards.

Use of £250m - Possible Proposal

	<u>£000</u>	<u>£000</u>
1/ 2015/16 Budget-Period 9 Committee Report less Share of £10m Fair Wage Grant	49592	
Add : 2015/16 P9 Overspend	168	
: Residential Schools Overspend (In EMR)	281	
: Fostering and Adoption Overspend (In EMR)	199	
	<hr/>	50240
Less : Share of 2nd £125 m		(2225)
Add : Share of £43m for Living Wage in 2016/17		765
Minimum to be passed to IJB		48780 A
2/ <u>Calculating a comparator 2016/17 figure</u>	<u>£000</u>	<u>£000</u>
Baseline 2016/17 Budget	48777	
Add: : Elderly Care 15/16 Pressure	245	
: Fostering 15/16 Pressure	150	
: Adoption 15/16 Pressure	27	
: Homelessness - Realign Budget	150	
: Defer Residential Schools saving to 2017/18	200	
	<hr/>	49549
		<hr/> <hr/> 49549 B

Notes:

1/ B-A = £769k which will be funded from the 2nd £125 million leaving £1.456 million for Living Wage etc.

AP/LA
09/02/2016

Use of the Inverclyde Share of the £250 million

	1st £125m		2nd £125m	
	£000 2016/17	£000 2017/18	£000 2016/17	£000 2017/18
Allocation	2225	2225	2225	2225
New Pressures 2016/17	(500)	(500)		
New Pressures 2017/18	-	tbc		
Non-Residential Charging	(110)	(110)		
Living Wage 2016/17			(765)	
Living Wage 2017/18				(1264)
Contribution to Social Care Pressures			(769)	(769)
	<u>1615</u>	<u>1615</u>	<u>691</u>	<u>192</u>

Notes

- 1/ Assumes that any Demographic pressures in 2017/18 will be funded from the 1st £125 million.
- 2/ Impact of changes to Non- Residential thresholds to be confirmed.
- 3/ Assumes that the cost of the LW will be £1.26million by 2017/18. Any increase will need to be met by the balance of £192k and new Government Funding or the balance of the 1st £125m

AP/CM
09/02/16