

INTEGRATION JOINT BOARD – FUNDING REQUEST

1. EXECUTIVE SUMMARY

- 1.1 Two letters have been received from the Chief Officer, Argyll and Bute Health and Social Care Partnership at the request of the Integrated Joint Board (IJB) requesting additional funding for the additional costs in respect of implementing the Living Wage from 1 October 2016 and the unachievable savings due to the pause in the redesign of services at Struan Lodge and Thomson Court.
- 1.2 In respect of implementing the Living Wage, a detailed costing and negotiation exercise has taken place which involved Council staff from both Procurement and Strategic Finance. The outcome is that the actual cost of implementing the Living Wage is £0.110m greater than the original estimate of £1.3m and the IJB are requesting that the Council increase the 2016-17 recurring baseline budget allocation to the IJB by this amount. As this funding is linked to the settlement conditions it is recommended that Members approve this request.
- 1.3 The IJB have now taken the decision to pause the redesign of services in Struan Lodge and Thomson Court for a period of 6 months to allow for community engagement and involvement to be carried out. The financial implication of this decision is that the anticipated saving for 2016-17 of £0.185m will now not be achievable. The IJB are looking to the Council to fund the cost of pausing this redesign with one-off funding for 2016-17 only. As with in year pressures that arise from other Council services, it is my recommendation that Members ask the IJB to look for alternative savings and report back to the Council later in the financial year.
- 1.4 The Scheme of Integration sets down a number of points in respect of Finance and it is noted that a recovery plan should be prepared with the aim of bringing the forecast expenditure back into line with budget for the current year. This should be submitted to the Council and NHS. Where the recovery plan is unsuccessful and an overspend still occurs at the year end, with insufficient IJB reserves to meet the overspend, only then will the partners be required to make additional payment to the IJB. Any additional payments by the Council and NHS Highland will then be deducted from future years funding/payments.
- 1.5 It is recommended that the Policy and Resources Committee make the recommendation to Council to:
- a) approve that an additional £0.110m of funding in respect of the Living Wage is added to the IJB's 2016-17 recurring baseline budget allocation and note that, the 2016-17 allocation, would be funded from the General

Fund Balance.

- b) not approve an additional payment of £0.185m in respect of the decision to pause the redesign of service in Struan Lodge and Thomson Court for a period of 6 months on the basis that the IJB should look for alternative savings options and report back later in the financial year.

It is further recommended that the Policy and Resources Committee instruct the Head of Strategic Finance to obtain a copy of the recovery plan and assess the current forecast overspend against the recovery plan in order to quantify the risk that the Council may require to make an additional payment to the IJB at the financial year end.

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2. INTRODUCTION

- 2.1 Two letters have been received from the Chief Officer, Argyll and Bute Health and Social Care Partnership at the request of the Integrated Joint Board (IJB) requesting additional funding for the additional costs in respect of implementing the Living Wage from 1 October 2016 and the unachievable savings due to the pause in the redesign of services at Struan Lodge and Thomson Court.
- 2.2 This report provides Members with some background information on both issues and refers to relevant points within the Scheme of Integration.

3. RECOMMENDATIONS

- 3.1 The Policy and Resources Committee make the recommendation to Council to:
- a) approve that an additional £0.110m of funding in respect of the Living Wage is added to the IJB's 2016-17 recurring baseline budget allocation and note that, the 2016-17 allocation, would be funded from the General Fund Balance.
 - b) not approve an additional payment of £0.185m in respect of the decision to pause the redesign of service in Struan Lodge and Thomson Court for a period of 6 months on the basis that the IJB should look for alternative savings options and report back later in the financial year.
- 3.2 The Policy and Resources Committee instruct the Head of Strategic Finance to obtain a copy of the recovery plan and assess the current forecast overspend against the recovery plan in order to quantify the risk that the Council may require to make an additional payment to the IJB at the financial year end.

4. DETAIL**4.1 Living Wage Funding**

- 4.1.1 The Scottish Government's budget for 2016-17 included the creation of a new £250m Scotland wide Integration Fund to support the integration of health and social care services to ensure improved outcomes.
- 4.1.2 The funding was routed through the Health budget to the IJB and was for two purposes:

- Half provided to support additional spend on expanding social care to support the objectives of integration, including through making progress on charging thresholds for all non-residential services to address poverty. This additionality reflects the need to expand capacity to accommodate growth in demand for services as a consequence of demographic change.
- Half provided to help meet a range of existing costs faced by local authorities in the delivery of effective and high quality health and social care services in the context of reducing budgets. This includes the joint aspiration to deliver the Living Wage (set at £8.25 for 2016-17) for all social care workers, with an implementation date of 1 October 2016.

4.1.3 The Integration Fund was included as part of the settlement package and there had to be agreement to deliver on the commitments otherwise sanctions may be imposed.

4.1.4 At the beginning of February 2016, the Council estimated the cost of implementing both the National Living Wage of £7.20 per hour from 1 April 2016 and the Scottish Living Wage from 1 October 2016 at £1.3m. The estimate was based on the forecast cost for the service areas expected to be affected, primarily the care home placement, home care and supporting living budgets within Adult Care. Due to the short timescale required by the Scottish Government to assess the impact, a set of broad assumptions were also used to estimate the value of the uplift in the costs arising from the implementation of both pay rates, including:

- An assumed “current” hourly rate for providers of £7.00 per hour;
- An estimate of the percentage of care at home provider activity already paid for at or above £7.20 per hour;
- An estimate of the percentage of providers costs likely to be affected by the change (68% for residential care, 83% for homecare – both based on the Council’s internal services); and
- A 25% cost contribution from providers, reflecting the cost sharing approach adopted by the Scottish Government in relation to the allocation of funds for similar initiatives around pay rates and fair work practices during 2015/16. It should be noted that this was never agreed with Scottish Care but was an assumption that had been built in to the Integration Fund calculations.

4.1.5 The Living Wage estimate was then included in the Council’s budget setting process which limited the budget saving passed onto the IJB, this was in line with the settlement conditions from the Scottish Government. The saving that the Council could pass over was based on the half share of the Integration Fund less the cost of the Living Wage:
 $£2.290m \text{ less } £1.300m = £0.990m \text{ saving passed onto IJB.}$

4.1.6 A detailed costing and negotiation exercise has taken place which involved Council staff from both Procurement and Strategic Finance. The outcome is that the actual cost of implementing the Living Wage is £0.110m greater

than the original estimate of £1.3m and the IJB are requesting that the Council increase the 2016-17 recurring baseline budget allocation to the IJB by this amount. As this funding is linked to the settlement conditions it is recommended that Members approve this request.

- 4.1.7 The additional funding for 2016-17 will require to be funded from reserves. The recurring cost has already been built into the budget outlook from 2017-18 and is therefore included in the reported funding gap.
- 4.1.8 It should be noted that there are currently ongoing negotiations for additional integration funding in order to pay for the full year effect of the living wage (funding was only provided to implement from 1 October last year), the inflation of the Living Wage from £8.25 to £8.45, clarity over the 25% provider contribution and also sleepovers. It is highly likely that an element of funding will be agreed but the quantum has still to be determined.
- 4.1.9 The letter from the Chief Officer of the Argyll and Bute Health and Social Care Partnership at the request of the IJB in respect of the Living Wage is included as Appendix 1.

4.2 Struan Lodge and Thomson Court

- 4.2.1 The IJB agreed a Quality and Financial Plan for 2016-17 and this included savings options in respect of Struan Lodge and Thomson Court. There was no community engagement or involvement on the savings options, partly due to the time pressure to deliver savings for 2016-17 and this has seen significant representation from both the public and politicians.
- 4.2.2 The IJB have now taken the decision to pause the redesign of services in Struan Lodge and Thomson Court for a period of 6 months to allow for community engagement and involvement to be carried out and the outcome will be part of the Quality and Financial Plan process for 2017-18 and 2018-19.
- 4.2.3 The financial implication of this decision is that the anticipated saving for 2016-17 of £0.185m will now not be achievable. The IJB are looking to the Council to fund the cost of pausing this redesign with one-off funding for 2016-17 only.
- 4.2.4 If a forecast overspend situation arises within Council departments, the Council department in the first instance would be expected to find alternative savings within their department to fund any overspend. Only after they have exhausted all opportunities at the end of a financial year would a request for a supplementary estimate be made.
- 4.2.5 It is my recommendation that Members ask the IJB to look for alternative savings and report back to the Council later in the financial year. This is also in line with the Scheme of Integration, as noted later in this report.

4.2.6 The letter from the Chief Officer of the Argyll and Bute Health and Social Care Partnership at the request of the IJB in respect of Struan Lodge and Thomson Court is included as Appendix 2.

4.3 Scheme of Integration

4.3.1 In reporting the financial position of the Health and Social Care Partnership, two relevant points from the Scheme of Integration are noted below:

- 8.1.6 - The Chief Financial Officer of Argyll and Bute Integration Joint Board will work with the Council Section 95 Officer and NHS Highland Director of Finance to ensure the Council and NHS Highland are kept informed on the financial position, performance and plans of Argyll and Bute Integration Joint Board.
- 8.2.17 - Any potential deviation from the planned outturn should be reported to Argyll and Bute Integration Joint Board, the Council and NHS Highland at the earliest opportunity.

4.3.2 The Scheme of Integration goes onto outline what should happen in the event of a forecasted overspend:

- 8.2.18 - Where it is forecast that an overspend will arise then the Chief Officer and Chief Financial Officer of Argyll and Bute Integration Joint Board will identify the cause of the forecast overspend and prepare a recovery plan setting out how they propose to address the forecast overspend and return to a breakeven position. The Chief Officer and Chief Financial Officer of Argyll and Bute Integration Joint Board should consult the Section 95 Officer of the Council and the Director of Finance of NHS Highland in preparing the recovery plan. The recovery plan should be approved by Argyll and Bute Integration Joint Board. The report setting out the explanation of the forecast overspend and the recovery plan should also be submitted to the Council and NHS Highland.
- 8.2.19 - A recovery plan should aim to bring the forecast expenditure of Argyll and Bute Integration Joint Board back in line with the budget within the current financial year. Where an in year recovery cannot be achieved then any recovery plan that extends into later years should ensure that over the period of the Strategic Plan forecast expenditure does not exceed the resources made available. Where a recovery plan extends beyond the current year the amount of any shortfall or deficit carried forward cannot exceed the reserves held by Argyll and Bute Integration Joint Board. Any recovery plan extending beyond in year will require prior approval of the Council and NHS Highland in addition to Argyll and Bute Integration Joint Board.
- 8.2.20 - Where recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the Parties will be required to make additional payments to Argyll and Bute Integrated Joint Board. Where there is a requirement for additional payments an analysis of the requirement for additional payments will be carried out to determine the extent to which they relate to either budgets delegated back to or activities managed by the Council or NHS Highland with the allocation of the additional

payments being based on the outcome of this analysis. Any additional payments by the Council and NHS Highland will then be deducted from future years funding/payments.

- 4.3.3 From the points extracted from the Scheme of Integration noted above, a recovery plan should be prepared with the aim of bringing the forecast expenditure back into line with the budget for the current year. This should be submitted to the Council and NHS. Where the recovery plan is unsuccessful and an overspend still occurs at the year end, with insufficient IJB reserves to meet the overspend, only then will the partners be required to make additional payment to the IJB on the terms noted above.
- 4.3.4 It is recommended that Members instruct the Head of Strategic Finance to obtain a copy of the recovery plan and assess the current forecast overspend against the recovery plan in order to quantify the risk that the Council may require to make an additional payment to the IJB at the financial year end.

5. CONCLUSION

- 5.1 The IJB have requested additional funding of £0.110m to cover the increased cost of implementing the Living Wage from 1 October 2016 and additional funding of £0.185m to pause the redesign of services in Struan Lodge and Thomson Court for a period of 6 months.
- 5.2 It is recommended that the Council approve the additional £0.110m in respect of the Living Wage, however, defer approval of the additional £0.185m in respect of Struan Lodge and Thomson Court and request that the IJB look for alternative savings.
- 5.3 In line with the Scheme of Integration, a copy of the IJB recovery plan should be submitted to the Council and it is recommended that Members instruct the Head of Strategic Finance to obtain a copy of the recovery plan.

6. IMPLICATIONS

- 6.1 Policy – The additional funding in respect of the Living Wage ensures that the commitment to implement the Living Wage to Social Care Workers from 1 October 2016 is met.
- 6.2 Financial - The additional funding of £0.110m in respect of the Living Wage will require to be funded from the General Fund Balance. There is a risk that the IJB will require further additional funding at the year end.
- 6.3 Legal - None, although it should be note that funding the cost of implementing the Living Wage was part of the settlement package provided by Scottish Government which included sanctions if the conditions of the settlement were not met.
- 6.4 HR - None, IJB have already agreed to the required uplifts

- 6.5 Equalities - of the Living Wage.
None.
- 6.6 Risk - There is a risk that the IJB will request additional funding from the Council at the year end if they are unable to identify alternative savings to balance their budget.
- 6.7 Customer Service - None.

Policy Lead for Finance: Councillor Dick Walsh

**Kirsty Flanagan
Head of Strategic Finance
21 November 2016**

APPENDICES:

Appendix 1 – Letter re Living Wage Funding 2016-17

Appendix 2 – Letter re Redesign of Services at Struan Lodge and Thomson Court