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Mr Cleland Sneddon
Chief Executive
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Date: 14 November 2016
Your Ref:
Our Ref: CW/SC
Enquiries to: Christina West
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Dear Cleland

INTEGRATION JOINT BOARD – LIVING WAGE FUNDING 2016-17

Following the Integration Joint Board (IJB) meeting on 28 September 2016 I have been instructed to write to the Council to request additional funding to accommodate the implementation costs of the Living Wage.

The IJB, via the Council, were allocated additional funding as a share of the additional £250m provided by the Scottish Government for Health and Social Care Partnerships. Half of this funding was to meet the costs of the Living Wage implementation, with any amount not required being made available for Councils to meet a range of existing costs. For 2016-17 additional funding of £2.290m was allocated by the Scottish Government to meet the cost of the Living Wage implementation. In February 2016 the Council set their budget and determined the financial allocation to the IJB. At that time the Living Wage was estimated to cost £1.3m and this was the budget the Council allocated to the IJB to fund the Living Wage, with the balance of £0.990m being retained by the Council.

A detailed costing and negotiation exercise has taken place involving the Council's Procurement and Strategic Finance teams and providers to reach agreement on individual uplifts. These negotiations are now completed and the IJB took the decision on 28 September to apply the required uplifts to ensure implementation of the living wage from 1 October 2016.

The actual cost of implementation for 2016-17, as outlined in the attached report, is £1.410m. This is £0.110m greater than the original estimate of £1.3m. The IJB request that the Council increases the 2016-17 recurring baseline budget allocation for integrated services to accommodate this cost. This is on the basis that the Scottish Government allocated £2.290m to the Argyll and Bute IJB to fund the Living Wage implementation and the initial allocation of these monies to the IJB by the Council was based on an estimated cost.

I should be obliged if you would make any necessary arrangements for this request for funding to implement the living wage to be considered by the Council.

Yours sincerely

Christina West
Chief Officer, Argyll & Bute Integration Joint Board



Argyll & Bute Health & Social Care Partnership

Integration Joint Board

Agenda item : 5i

Date of Meeting : 28 September 2016

Title of Report : Update on Fair Work Practices and the Scottish Living Wage

Presented by : Anne MacColl-Smith, Procurement and Commissioning Manager, and
Caroline Whyte, Chief Financial Officer

The Integration Joint Board is asked to :

- **Note** progress on the work required to deliver the Scottish Living Wage since the previous report submitted to Integrated Joint Board on 22nd June 2016.
- **Approve** the implementation of the rates assessed and agreed in principal with the local suppliers, which deliver the Fair Work Practices and Scottish Living Wage requirements.
- **Agree** to initiate discussions with Argyll and Bute Council around the additional funding provided for the Living Wage and the budget shortfall of £0.1m required to fund implementation.
- **Note** the ongoing requirement to continue to monitor and report on the financial impact for the IJB of the decision to pay the Living Wage from 1 October 2016.

1. EXECUTIVE SUMMARY

- 1.1 The Argyll and Bute Health and Social Care Partnership have been working with the Adult Care Providers who employ care workers to ensure that they will be able to pay the Scottish Living Wage from 1st October 2016, along with meeting the various requirements of Fair Work Practices. A detailed financial assessment process has been carried out with providers to ensure they are in a position to commit to paying care workers a minimum of £8.25 from 1 October 2016.
- 1.2 The Living Wage commitment was one of the conditions attached to the Local Government Finance Settlement for 2016-17 and additional funding was allocated to Integration Joint Boards to deliver on this commitment. The financial assessment of the actual cost of implementation indicates that this will exceed the set aside amount for the Living Wage by around £0.1m.

- 1.3 There is uncertainty over the funding availability for 2017-18 and beyond to accommodate the full year cost of implementation and any associated future rate uplifts. The IJB will be updated as part of the budget process as to the position with future years funding and cost pressures.

2. INTRODUCTION

- 2.1 This report provides the Integration Joint Board with an update on the work carried out to date with our providers to ensure that they meet the requirements of Fair Work Practices including paying the Scottish Living Wage from 1st October 2016. The Argyll and Bute Council Procurement and Commissioning and Strategic Finance teams have been working closely with providers to reach agreements in principal over uplift rates to achieve this.

3. DETAIL OF REPORT

3.1 APPROACH

- 3.1.1 The approach taken to ensure the IJB are in a position to meet the Living Wage commitment from 1 October 2016 is outlined below:

1. Consulting with the providers around the work that needs to be done to deliver the Scottish Living Wage for 1st October 2016
2. Gathering information from suppliers regarding their current pay rates and all the hours worked by their care staff
3. Assess the uplift required by each provider to ensure that the Health and Social Care Partnership provides adequate funding to each provider to ensure that they can pay their care staff the Scottish Living Wage from 1st October 2016
4. Determine the cost to the Health and Social Care Partnership of the uplifts necessary to deliver the policy objective
5. Advise providers of proposed rates and enter into negotiations
6. Seek final approval from Integration Joint Board to agree uplifts with providers
7. Implement the new rates as early as possible during October 2016 in conjunction with providers.

- 3.1.2 The actual "go live" date for the new rates will be Monday 3rd October 2016. This is due to the technical requirements of the Carefirst system but adjustments will be made to compensate for the shortfall arising from the short delay. Rates will be implemented in partnership with providers who will have to amend these rates on their invoices, in conjunction with changes to the Carefirst system.

3.2 OUTCOME OF PROCESS

- 3.2.1 Appendix 1 outlines the overall financial impact of implementation of the Living Wage from 1 October, and details the basis of the financial cost for each element of service provision. The total estimated cost is £1.410m, this exceeds the original estimate of £1.3m by £0.110m.

- 3.2.2 There are services which are provided to clients out with the Argyll and Bute area, these rates will be set by their host local authority. This includes some services for supported living and care at home where there are 13 providers outwith the area, and all care home placements for younger adults are outwith

the area. We have not yet had confirmation of these rates, an estimated uplift of 10.22% has been included for these services as this is the average uplift for providers in Argyll and Bute. The total estimated impact of the outwith Argyll and Bute provided services is £240k so any variation on the 10.22% estimated may not have a significant financial impact.

- 3.2.3 Negotiations with local providers were conducted over the 7th and 8th of September. Overall the negotiations were positive with all providers agreeing in principal to their offered rates. It should be noted that although successful overall, every provider expressed deep concern regarding the 25/75 funding split between providers and the IJB and although all have accepted the arrangement for 2016-17, it is extremely unlikely that they will do so in future negotiations.
- 3.2.4 During the process of assessing and proposing the new provider rates, three providers asked for separate assessments of their existing rate to be conducted on the basis that their services were not sustainable at the existing level of funding. These providers could not pay the 25% contribution to the Living Wage on the grounds of financial sustainability. In all three cases, the problem was a direct result of no inflationary uplifts having been applied to provider rates for several years, and the resulting rates being significantly below other providers in the same area. Further negotiations have been carried out with these providers and new rates have been proposed with a total additional cost of £63k to implement. This cost is included in the overall cost of implementing the living wage. If their service provision was to become financially unsustainable the cost of service provision would increase as the rates are still below those of other providers in the area. All other providers have agreed in principal to the rates offered which reflect the IJB funding 75% of the costs.
- 3.2.5 The Council's Procurement and Commissioning Team are in the process of drafting contract variations for providers, based on the agreements in principal and negotiations that have taken place. The contract variations will be issued on approval by the IJB, and will note that the IJB has agreed to support the delivery of the Living Wage commitment until 31 March 2017, as there is uncertainty over the available funding beyond this.

3.3 FINANCIAL IMPACT

- 3.3.1 The total estimated cost of implementation is £1,409,777. The Integration Joint Board has £1.3m set aside for this purpose, leaving a funding gap of £110k.
- 3.3.2 The £1.3m set aside to fund the Living Wage was based on a high level estimated cost drafted in February 2016, this was before any detailed financial information was available from providers. The increase in actual costs is due to:
- The increase in rates for three providers on service sustainability grounds;
 - A lower than expected starting point for some suppliers leading to the need for larger than expected uplifts to ensure the payment of the National Living Wage from April and Scottish Living Wage from October. The original estimate assumed that all providers were already paying at least £7.00 per hour to staff but several were later found to be below this level; and

- An increase in overall service levels since the £1.3m estimate was calculated at the beginning of the year.
- 3.3.3 The IJB was allocated additional funding as a share of the additional £250m provided by the Scottish Government, half of this was to meet the costs of the Living Wage for social care workers and to meet a range of existing costs by local authorities. For the IJB additional funding of £2.290m was allocated to meet the cost of the Living Wage and Councils were permitted to retain any unrequired element of this funding. When determining the financial allocation to the IJB the Council allocated £1.3m to the IJB to fund the Living Wage. It is recommended that discussions should be initiated with the Council over the funding passed to the IJB in relation to the resulting gap between the original estimated cost and the updated financial impact. This should also take into account the fact that some providers are not in the financial position to fund 25% of the costs.
- 3.3.4 In the meantime a decision requires to be taken by the IJB whether to approve the payment of the uplifts to ensure providers can be financially supported to deliver on the commitment from 1 October 2016. This includes a decision as to whether to support the three providers who are unable to contribute the 25% contribution to costs.
- 3.3.5 There is uncertainty over the funding availability for 2017-18 and beyond to accommodate the full year cost of implementation and any associated future uplifts. The IJB will be updated as part of the budget process as to the position with future years funding and cost pressures. It is likely that the position will be clearer in December when the outcome of the Local Government spending review is known.

4. CONTRIBUTION TO STRATEGIC PRIORITIES

The work that is currently being carried out supports the strategic priorities as it ensures that our adult care providers will be sustainable partners in the delivery of care within Argyll and Bute.

5. GOVERNANCE IMPLICATIONS

5.1 Financial Impact

The total estimated cost of implementation is £1.410m, this exceeds the available budget of £1.3m by £0.110m.

5.2 Staff Governance

None

5.3 Clinical Governance

None

6. EQUALITY & DIVERSITY IMPLICATIONS

None

7. RISK ASSESSMENT

There is a financial risk in relation to the rates agreed for providers out-with the Argyll and Bute area, this will be closely monitored with the implications reported back to the IJB.

8. PUBLIC & USER INVOLVEMENT & ENGAGEMENT

All our adult care providers have been involved and engaged in the process, the Council's Procurement and Commissioning and Strategic Finance teams have met with them, held workshops and provided guidance where required.

9. CONCLUSIONS

9.1 The partnership approach that the Procurement and Commissioning and Strategic Finance teams have used in engaging with our Adult Care Providers has resulted in an open and transparent discussion with them. This has ensured that providers have an understanding of what is expected of them from 1 October 2016, and that the IJB are in a position of being able to implement the required policy in the timescale required by the Scottish Government.

9.2 There are financial risks in relation to the services provided out with the Argyll and Bute area, the sustainability of the Living Wage commitment in future years and the funding of the additional cost in 2016-17. These issues will be closely monitored and progress will be reported back to the IJB.

APPENDIX 1

2016-17 Living Wage Financial Impact Summary

Service Area	Detail	Estimated Cost
Commissioned Care at Home and Supported Living Services	Argyll and Bute based provider's uplifts are based on an individual assessment of each provider's funding requirement to ensure sufficient funds are in place to deliver the National Living Wage requirement from 1 April 2016 and the Scottish Living Wage requirement from 1 October 2016. The uplifts for providers based out-with Argyll and Bute will be set by each provider's host HSCP but an estimate is included based on the weighted average of the assessed uplifts identified for providers based within Argyll and Bute (10.22%). There a range of uplifts agreed for providers from 0% for some to a maximum of 17.6% for one provider, based on affordability.	£774,316
Commissioned Care Home Placements for Older People	The National Care Home Contract uplifts were agreed by the relevant stakeholders earlier this year on the basis of HSCPs funding 75% of the uplift required to meet the cost of the National Living Wage from April and the Scottish Living Wage from October. This was agreed at a 2.5% increase from April and a further 4% increase from October. There is no scope to apply a different uplift in this area.	£305,000
Direct Payment Recipients	This relates to funding provided to service users to enable them to purchase care from agencies of their choice in their area and/or to employ their own personal assistants. Standard rates are paid for personal assistants and a best rate for agencies in each area. The rate for personal assistants has been recalculated based on £8.25 per hour and 100% funding of the uplift. The rate for agencies has been uplifted based on the weighted average of the uplifts assessed for Argyll and Bute based providers.	£87,954
Commissioned Learning Disability Day Services	This relates to Day Services purchased from external providers in the Helenburgh and Lomond area. The uplifts are based on a mixture of specific provider proposed rates and equivalent uplifts to those assessed for Care at Home and Supported Living.	£32,925
Commissioned Care Home Placements for Younger Adults	This relates to care home places purchased for younger adults, not children. All of these places are out-with the Argyll and Bute area and will be agreed in discussion with host HSCPs. An estimate is included based on the weighted average of the assessed uplifts identified for Care at Home and Supported Living providers based within Argyll and Bute at 10.22%.	£201,362
Commissioned Day Services for Older People	This relates to day services purchased from external providers in the Helenburgh and Lomond area. The uplifts are based on a submission from the supplier involved.	£6,177
Commissioned Overnight Response Services	This relates to overnight responder services provided in 7 areas by a single provider and is based on an assessment of this specific service type.	£2,043
Total Estimated Cost		£1,409,777