

## 2016/17 FINANCIAL PLAN – SOCIAL CARE FUNDING

### Aim

- 1.1 To provide Integration Joint Board (IJB) members with an update on its commitments in relation to direction of social care funding in 2016/17 in order to meet Scottish Government requirements, and to provide a summary of the remaining resource available in this and future financial years to support the delivery of its strategic objectives.

### Background

- 2.1 The Scottish Government has distributed £250 million to IJBs, on a recurring basis from 2016/17, via its annual allocation to NHS Boards. Individual allocations to IJBs based on a distribution methodology the same as was applied to the Integrated Care Fund (ICF) have been calculated and the Scottish Borders Partnership will receive £5.267m in 2016/17.
- 2.2 This allocation forms part of the budget delegated to the IJB and was a component element of the Financial Statement for 2016/17 approved on 30<sup>th</sup> March 2016:

	2016/17	2017/18	2018/19
	£'000	indicative £'000	indicative £'000
<b>Budgets Delegated:</b>			
<b>Scottish Borders Council Funding Delegated</b>	46,531	46,583	47,083
<b>NHS Borders Funding Delegated :</b>			
- Primary & Community Services	87,352	87,272	87,685
- Large Hospital Budget	18,128	18,160	18,325
- <b>Social Care Fund*</b>	<b>5,267</b>	<b>5,267</b>	<b>5,267</b>
<b>Total Delegated Funding</b>	<b>157,278</b>	<b>157,282</b>	<b>158,360</b>

*\*years 2 and 3 are indicative and will be subject to change in light of Scottish Government allocation and/or inflation*

- 2.3 On the 27<sup>th</sup> March 2016, the Deputy First Minister wrote to COSLA and the leaders of all Scottish local authorities confirming details of the allocation. Specifically, the letter states that:

*“£250 million will be provided from the Health budget to integration authorities in 2016/17 for social care:*

*That of the £250 million, £125 million is 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.*

*That of the £250 million, £125 million is 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 our joint aspiration to deliver the Living Wage for all social care workers as a key step in improving the quality of social care. The allocation of this resource will enable councils to ensure that all social care workers including in the independent and third sectors are paid £8.25 an hour. This assumes that private and third sector providers will meet their share of the costs. The Government would prefer implementation on the 1 April but we accept COSLA's point that preparatory work will be required to ensure effective implementation. We therefore agree to an implementation date of 1 October.*

*In 2016-17, Councils can allocate up to £125 million of their 2015/16 costs of providing social care services to Integrated Joint Boards including the uprating of staff to the Living Wage. This will ensure an overall benefit to the provision of health and social care of £250 million."*

2.4 Interpreting this direction therefore, the following conclusions can be drawn:

- The funding is being provided from the NHS Budget to the IJB.
- There are two distinct elements, of equal value, to the social care funding which in Scottish Borders terms amounts to £2.6335m each (£5.267m in total).
- Each element is intended to be specifically used for a given purpose:

	<b>Tranche 1 (£2.6335m)</b>		<b>Tranche 2 (2.6335m)</b>
<u>REF</u>		<u>REF</u>	
(1a)	Support additional spend on expanding social care to support the objectives of integration	(2a)	Help meet a range of existing costs faced by local authorities
(1b)	Make progress on charging thresholds for all non-residential services	(2b)	Deliver the Living Wage for all social care workers with an implementation date of 1 October
(1c)	Expand capacity to accommodate growth in demand for services as a consequence of demographic change		

### Specific Required Commitments

3.1 Since the direction was given by the Scottish Government, work has been ongoing to identify the full financial implications of its intentions for how the funding should be used. Primarily, this work has related to:

- The cost of an increase in the living wage to £8.25 (ref. 2b).
- The cost/income foregone resulting from an increase in the threshold for charging (ref. 1b).
- The increased financial capacity required to accommodate 2015/16 demographic pressure across social care services (ref. 1c).

- Identifying other specific areas for consideration by the IJB over the wider use of the additional resource (ref. 1a).

3.2 Each of these specific commitments/matters for consideration are detailed in the remainder of this report. In summary, the total calculated cost of meeting the Scottish Government's required commitments is **£2.048m** in 2016/17 and **£2.861m** in future years. In relation to the two tranches, this can be summarised as:

	<b>Tranche 1 (£2.6335m)</b>		<b>Tranche 2 (2.6335m)</b>
<u>REF</u>		<u>REF</u>	
(1a)	Support additional spend on expanding social care to support the objectives of integration	(2a)	Help meet a range of existing costs faced by local authorities
(1b)	Make progress on charging thresholds for all non-residential services	(2b)	Deliver the Living Wage for all social care workers with an implementation date of 1 October
	<b>2016/17 cost = £0.154m</b> <b>2017/18 cost = £0.154m</b>		<b>2016/17 cost = £0.813m</b> <b>2017/18 cost = £1.626m</b>
(1c)	Expand capacity to accommodate growth in demand for services as a consequence of demographic change		
	<b>2016/17 cost = £1.081m</b> <b>2017/18 cost = £1.081m</b>		

3.3 Sections 3-5 of this report provide further detail on the costs relating to each of the three areas of required financial commitment in the table above (referenced as 1b, 1c and 2b). By the IJB directing resources in order to meet these commitments, of the **£5.267m** total allocation in 2016/17 recurring received, **£3.219m** will remain uncommitted in 2016/17 and **£2.406m** in future years (following the full year implementation of the living wage in 2017/18).

3.4 It will be for the IJB to direct how the social care funding allocation by the Scottish Government is used. Clearly however, in order to comply with the conditions expressed in 1.3 above, **£2.048m** requires to be approved on the above basis now. The Chief Officer will, going forward, bring specific proposals to the Partnership for approval on how the remaining resource in 2016/17 and future years should be used. Primarily this will be in order to both meet pressures across the Partnership and to support the development and implementation of new models of care, in line with the remaining Scottish Government criteria for utilising the allocation to its best effect. One such proposal is in relation to short-term transitional funding of the Alcohol and Drug Partnership (ADP) budget in 2016/17, on which members will be asked to consider within a separate report to the Partnership.

#### **Increase in the Living Wage to £8.25 from 1<sup>st</sup> October 2016 (ref 2b)**

- 4.1 As part of the 2016/17 Scottish Government financial settlement with local authorities, Councils are obliged to ensure that, from 1st October 2016, a Living Wage of £8.25 per hour is paid to all care workers in Adult social care providing direct care and support, regardless of age. This is intended to cover those involved in the provision of a range of Adult services:
- Residential Care
  - Care at Home
  - Housing Support
  - Specialist Support Services
    - People with Physical Disabilities
    - Adults with Learning Disabilities
    - Adults with Mental Health Needs
    - Drug and Alcohol Services
- 4.2 Whilst not prescribed explicitly, nor will Local Authorities be held to account for, adults in receipt of Self-Directed Support (Direct Payments) who employ personal assistants are expected to pay a Living Wage of £8.25 from 1<sup>st</sup> October 2016. This may be a consideration for the Partnership/Scottish Borders Council in terms of minimising the risk of challenge on the grounds of equal treatment and potential discrimination.
- 4.3 All care hours require to be paid at Living Wage rate, including sleep-ins, which historically tended to be paid at a lower (hourly) rate than waking hours.
- 4.4 In order to calculate the impact of the introduction of a Living Wage of £8.25, a number of factors require consideration, including the on-cost impact of National Insurance (NI) and pension contributions, travel time and holiday pay. Pay differentials within each provider organisation may also be considered.
- 4.5 A copy of the tri-partite guidance issued on the delivery of a Living Wage of £8.25 has been included as [Appendix 1](#) to this report for information.
- 4.6 For the Scottish Borders, the following component elements have been considered (all including the impact on on-costs of NI and pension contributions) from 1<sup>st</sup> October 2016 and their full future-year effect:
1. Living Wage-direct implications of increased hourly rates submitted as part of the recent Care at Home tender process (Older People).
  2. The requirement to increase existing provider rates to reflect increased hourly pay rates (at Living Wage) within Adults with Learning Disabilities and Adults with Mental Health Needs.
  3. The direct impact of the Living Wage on the agreed COSLA residential care home settlement.
  4. The impact of all care hours including sleep-ins at Living Wage.
  5. The impact of all SDS personal assistants being paid at Living Wage.
- 4.7 Presently, the impact of pay differentials within each provider organisation have not been considered as this remains a wider implication only, is not directly legislatively or funding-condition required and is dependent on the existing baseline position and cost structure of each individual provider.

- 4.8 Any other cost implication of the recent Care at Home tender process not directly associated with the introduction of a Living Wage of £8.25 has been excluded from this analysis also, but is considered later in this report.
- 4.9 The Deputy First Minister's letter states that in order "to ensure transparency for the flow of funding support for local authorities and delivery of the Living Wage commitment the arrangements will be signed off at a local level by the appropriate Integration Authority Section 95 Officer."
- 4.10 All social care services provided by SB Cares, Scottish Borders Council's arms-length care organisation have been excluded from the calculation of the additional costs of implementing the proposed Living Wage. From inspection, all SB Cares staff responsible for the delivery of residential, home and day care are already paid at an hourly rate at or above the minimum requirement. The additional projected costs of its implementation relate therefore to those hourly rates paid by external providers and can be summarised as follows:

		2016/17 £'000	2017/18 £'000
<b>1.</b>	<b>Living Wage-direct implications of increased hourly rates submitted as part of the recent Care at Home tender process (Older People)</b>	<b>266</b>	<b>532</b>
Provision of Care at Home to Older People cost Scottish Borders Council £7.0m. This service has recently been put to tender following the end of the extension of the previous contract which has been in place since 2013. Fundamental to the rates tendered was the requirement to clearly demonstrate the impact of an increase in hourly rate of £8.25 plus on-costs from the 1st October 2016. Each preferred provider's rates have been scrutinised and validated and the additional costs specific to the impact of the living wage element-only calculated.			
<b>2.</b>	<b>The requirement to increase existing provider rates to reflect increased hourly pay rates (at Living Wage) within Adults with Learning Disabilities and Adults with Mental Health Needs</b>	<b>355</b>	<b>710</b>
During the Spring of 2016, a survey of all care companies providing social care services was undertaken by Scottish Borders Council to determine provider staff's underlying pay rates. An initial response rate of 70% was received which following further work has enabled a forecast of the additional costs, including on-costs, relating to a Living Wage-driven increase in the contracted hourly rates paid to providers to be made.			
<b>3.</b>	<b>The direct impact of the Living Wage on the agreed COSLA residential care home settlement</b>	<b>183</b>	<b>366</b>
The COSLA residential care home settlement for 2016/17 has now been agreed and increases to weekly residential and nursing bed rates for those external residential care homes with whom Scottish Borders Council commissions from, who are part of the contract, require to be implemented. The Council spends £8.6m per annum on external residential and nursing care beds across the Older People, Learning Disability and Physical Disability services and the COSLA settlement reflects an uplift of 2.5% from 1st April in respect of inflationary measures and 3.9% from 1st October 2016 in respect of the implementation of a Living Wage of £8.25 per hour. The costs of this latter factor have been detailed above.			
<b>4.</b>	<b>The impact of all care hours including sleep-ins at Living Wage</b>	<b>9</b>	<b>18</b>

As part of the survey work undertaken in 2.above, the rates paid for sleepover care was also considered and the additional costs attributable to implementation of a sleepover rate of £8.25 plus on-costs per hour calculated.

5.	<b>The impact of all SDS personal assistants being paid at Living Wage</b>	n/k	n/k
<p>At this point in time it has not been possible to identify what, if any, the impact will be on implementing a Living Wage for the employment by clients of a personal assistant. Personal assistants employed via Self-Directed Support (Direct Payments) are not explicitly included in the commitment to deliver the Living Wage and Local Authorities will not be held to account for ensuring that a Living Wage is paid to personal assistants directly employed by an individual. Nonetheless, the Living Wage guidance does highlight that Councils may be at risk of challenge on the grounds of equality and discrimination should there not be consistency across all care provider groups, but to date, no policy intent has been made within the Scottish Borders and substantial further work is required, in conjunction with individuals and Encompass - the agency through which a number of individuals employ their carers - before an estimate of any additional costs can be made in this respect.</p>			
<b>TOTAL</b>		<b>813</b>	<b>1,626</b>

4.11 The total cost of the implementation of a Living Wage of £8.25 for all social care staff, from the 1<sup>st</sup> October 2016 is therefore **£813k** in 2016/17 and **£1.626m** per annum from 1<sup>st</sup> April 2017.

### **Increase in the Charging Threshold (ref 1b)**

- 5.1 People who receive non-residential social care services can be charged for these services by their local authority. A 'non-residential service' is a service to meet social care needs in the community and does not include supported or residential accommodation but includes services such as personal care (non-older people), equipment, alarms, telecare, laundry, shopping, meals, day opportunities and direct payments. The local authority assesses a person's ability to pay for social care and when doing so, needs to make sure that everyone has the minimum amount they need to live on - this is called the charging threshold.
- 5.2 Currently, the charging threshold is calculated by adding a buffer (currently 16.5%) to the appropriate DWP rate(s) for the following groups of people:
- For people aged below state pension qualifying age the Income Support Personal Allowance and the Disability Premium are added together with the buffer added to the sum of these two rates.
  - For people aged state pension qualifying age or above the Pension Credit Guarantee is used as the basis for the charging threshold calculation with the buffer added.
- 5.3 Fulfilment of the Scottish Government's funding settlement condition requires an increase in the buffer rate from 16.5% to 25%. Across Scotland, it is estimated that this increase in buffer will cost approximately £7m (representing the difference in income foregone - previously £47m increasing to £54m), based on the number of existing Social Care users.
- 5.4 For the Scottish Borders, it has been calculated that, given the current taper-rate (how much of a client's net income above the charging threshold level can be asked

for in charges) level (43.5%) is largely consistent with the national average (45.5%), this will result in an additional cost of **£154k** per annum recurring.

### **Increase Capacity to meet Demographic Pressure (ref 1c)**

- 6.1 Within the Scottish Borders Council 2016/17 Financial Plan, based on assumed approval by the IJB in line with the Deputy First Minister's direction, provision has been made for Social Care Funding to be allocated towards meeting areas of current and future pressure arising from increased demand for services. Whilst the Council has invested across a range of areas in the Social Care 2016/17 budget, including an increase in the Direct Payment rate, expected market cost increases for homecare and other legislative impacts, it has specifically assumed that Social Care Funding will be directed towards three demographic and demand-driven areas of financial pressure:
- 6.1.1 2015/16 additional cost of demand for homecare hours above budgeted levels (£300k).
- During 2015/16, the average number of homecare hours exceeded the level budgeted by over 500 hours per week, at a total cost pressure of just over £300k per annum.
- 6.1.2 Increase in the demand for older people's services, based on the projected increase in the number of 65+ and 75+ cohort requiring care from 2015/16 to 2016/17 (£234k).
- From 2015/16 to 2016/17, the service expects an increase of 2.29% in the 65+ cohort (approximately 13 clients) and 1.8% approximately 51 clients in the 75+ cohort. Complexity of need across these client forecasts will vary as will the cost of their care support plans.
- 6.1.3 Increase in the demand for Adult's with Learning Disabilities services based on an increase in the number of clients requiring care from 2015/16 to 2016/17, primarily those specifically identified young people in transition to adulthood and Adult Services' provision (£547k).
- This relates to over 70 specifically named individuals who will move into the care of Adult Services at an average cost of care of around £8k per annum, although again, complexity of need across these client forecasts will vary.
- 6.1.4 This budget provision amounts to a total 2016/17 additional funding requirement of **£1.081m** recurring.

### **Matters for Further Consideration**

- 7.1 In addition to the costs calculated above against which the allocation from the Scottish Government is intended to address as stated by the Deputy First Minister, there is also scope for the IJB to direct some of the allocation to meet other priorities, specifically "*supporting additional spend on expanding social care to support the objectives of integration*" and "*helping meet a range of existing costs faced by local authorities*".
- 7.2 These two key components are equally as important as those which require councils to implement a Living Wage, increase the charging buffer or meet increased demand for services. Direction of resources towards these areas by the

IJB will not only help further progress in enabling transformation of Health and Social Care services and delivery of the Partnership's Strategic Plan, but also will ensure that any decisions made are fully funded and affordable within the overall delegated budget resource envelope.

- 7.3 When considering how the integration authority's recurring allocation from the Scottish Government in respect of social care funding should be directed, there are two key factors which require to be considered:

*Help meet a range of Existing Costs faced by Local Authorities*

- 7.4 As the recent Older People's Care at Home tender process has highlighted, social care faces widespread market cost pressures going forward in addition to the impact of the Living Wage implementation. This is also a financial risk factor across other delegated services including the Joint Learning Disability Service, Mental Health Services and other specific services, not least, GP Prescribing. When considering the impact such pressures may have on the overall affordability of services through 2016/17 and beyond, how the IJB may wish to direct remaining Social Care funding in 2016/17 and in planning how it will use this resource in future years is essential in order to minimise future financial risk to the Partnership. When work analysing all such emerging pressures is complete, a report will be brought back to the IJB for further consideration.

*Expanding Social Care to Support the Objectives of Integration*

- 7.5 Work is continuing in a variety of ways across the Partnership to develop a new model for the delivery of health and social care. The development and implementation of new models of care is a fundamental pre-requisite of the delivery of the strategic aims and local objectives of the Partnership which as other reports to the IJB have highlighted will carry a considerable resourcing requirement. A prudent approach would be to ensure that significant flexibility is retained within the IJB's delegated budget and resources set-aside to meet these costs in the short to medium-term future and the Chief Officer, working in conjunction with the Strategic Planning Board (SPB) and Executive Management Team (EMT) will bring forward proposals for using a proportion of the remaining uncommitted resource to enable the delivery of the strategic objectives expressed in the Partnership's Commissioning and Implementation Plan.

*Alcohol and Drug Partnership (ADP)*

- 7.6 Within the 2016/17 Financial Statement, it was highlighted that of the £6.902m of efficiency and further savings measures in 2016/17, £793k of proposals for their delivery remained unidentified at 30th March 2016. Of this, £471k relates to expected funding reductions through NHS ring-fenced grants from the Scottish Government.
- 7.7 The ring-fenced grant reduction of highest value relates to the funding of the ADP and ADP chairs across Scotland have been advised of an estimated 20% reduction in the national allocation for ADPs in 2016/17, which if applied locally here in the Scottish Borders, would equate to a reduction of £271k in 2016/17, against an overall ADP budget of £1.3m. Similar to some other areas of the IJB's budget, at



the time of writing this report, this position remains indicative and no formal and final funding settlement has yet to be made.

- 7.8 The ADP is responsible for the planning and delivery of a range of functions, primarily through the commissioning of services/outcomes from three key partners. Following a process of redesign, new service level agreements/contract arrangements were put in place with each of these providers at the beginning of financial year 2014/15, initially for 3-5 years. In addition to these services, the ADP funds a range of other projects and service provision including service planning, pharmacy and support to the Partnership overall. Any substantial change to the funding envelope of the Partnership will have a considerable impact on any ability to sustain the current model and level of delivery and a programme of further redesign and change will now be required in order to ensure future service delivery is both affordable and resources are directed in a prioritised way. It is anticipated that with the estimated reduction in available funding therefore, this redesign work will now be required during 2016/17, in addition to identification of immediately realisable cost-savings where possible, in order to reduce overall spend nearer estimated funding settlement levels. This will therefore require one-off transitional funding to be allocated to the Partnership in order to bridge the funding gap and sustain the current contracted services until a fully agreed plan and new commissioning arrangements are in place.
- 7.9 Transitional funding of £220k will be required on a one-off basis during 2016/17 in order to sustain remaining services, contracted or otherwise, for the remainder of the financial year. Members will be asked to consider, in a separate report to the IJB, one-off expenditure to the ADP during 2016/17 from the social care funding that is uncommitted currently, thus reducing the overall amount remaining to **£2.999m** this financial year, with no impact on the **£2.406m** which remains available for 2017/18.

## Summary

- 8.1 Of the £5.267m social care funding allocated to the Scottish Borders Health and Social Care partnership, it is proposed to direct £2.048m in 2016/17 in order to fulfil the Scottish Government's conditions and intended use for the resource in order to meet the additional costs of implementing a Living Wage of £8.25 from 1<sup>st</sup> October 2016 (£813k), an increase in the charging threshold (£154k) and an increase in budget capacity to meet existing social care demographic pressures (£1.081m). The full year impact of this direction will be £2.861m from 2017/18, assuming no further changes. Additionally, it is proposed to direct £220k of funding to the ADP on a non-recurrent basis in 2016/17 in order to fund services for 1 year until a new model of delivery can be developed and implemented, due to expected reduction in level of ringfenced grant.
- 8.2 Further proposals for direction of the remaining social care funding will be brought forward to the IJB when they are developed or cost pressures fully analysed and it is expected that primarily, funding will require to be directed towards meeting increasing market costs of social care provision, particularly within Care at Home and to further enable the development of new models of care and delivery structures within a new integrated health and social care model.

## Recommendation

The Health & Social Care Integration Joint Board is asked to:-

- **approve** the direction of £2.048m of 2016/17 social care funding in order to meet the commitments outlined above
- **approve** the direction of a further £220k in 2016/17, on a one-off basis, to the Alcohol and Drug Partnership in order to sustain services until transition to a new affordable model for delivery is made by 1<sup>st</sup> April 2017.
- **note** that the full year impact of these commitments from 2017/18 will be £2.861m and that further proposals for directing the remaining uncommitted social care funding will be brought to the Board when developed for consideration and approval.

<b>Policy/Strategy Implications</b>	Supports the delivery of the Strategic Plan.
<b>Consultation</b>	Discussions held with key strategic leads.
<b>Risk Assessment</b>	To be reviewed in line with agreed risk management strategy.
<b>Compliance with requirements on Equality and Diversity</b>	Compliant.
<b>Resource/Staffing Implications</b>	No resourcing implications.

#### Approved by

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
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