



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 22 September 2016

BY: Chief Finance Officer

SUBJECT: Financial Assurance - Update

1 PURPOSE

- 1.1 This report updates the IJB on the current position of the financial assurance process for the 2016/17 budget setting process further to the paper presented to the IJB at its August meeting.

2 RECOMMENDATIONS

It is recommended that the IJB:

- 2.1 Agree to propose to East Lothian Council that:
- 2.1.1 The Social Care Fund should support an additional £800k to underpin the costs of implementing the living wage.
- 2.1.2 That the balance of c £1m should be invested in home care commissioning budgets.
- 2.1.3 East Lothian Council should accept the residual financial risk in the Adult Wellbeing budget in 2016/17.
- 2.1.4 East Lothian Council and the IJB should jointly approach the Scottish Government to discuss the costs of funding the living wage.
- 2.2 Ask the Chief Officer, through discussion with ELC colleagues, to agree the impact of these proposals on the adult wellbeing budget along with an agreement on how the IJB can be assured of the 'additionality' achieved through the social care investments.

3 BACKGROUND

- 3.1 A report was presented to the IJB's August meeting laying out the financial assurance for the proposed 2016/17 budgets. This was further to a report accepted by the IJB at its March 2016 meeting where the IJB accepted the budget offer from East Lothian Council along with East

Lothian Council's proposed use of the Social Care Fund (also called the Integration Fund). The August paper updated the proposition for the use of the social care fund based on information which was not available in March 2016 and this information identified potential pressures within the use of the social care fund arising from the changes to the estimates of the costs of delivering the living wage and the revised 2015/16 out-turn. This might mean that ELC is unable to deliver the full additionality that the IJB was required to deliver through the use of the Social Care Fund.

3.2 The IJB asked the Chief Officer and Chief Finance Officer to meet with East Lothian Council to discuss the use of the Social Care Fund. Three meetings have been held. The meetings discussed all aspects of the use of the fund and the current financial situation in adult social care.

3.3 The current agreed usage of the social care fund has been applied to the adult social care budgets as follows in line with the proposal accepted by the IJB at its March 2016 meeting:

Pressures:

- Living Wage - £500k
- Pay awards - £464k
- 15/16 out-turn – £436k
- Care Home Contract – £250k
- Direct Payments – £200k
- Other - £335k

Total – 2,185k

Additionality:

There are elements of additionality that are proposed should be agreed:

- Two new high cost packages – £225k
- Cost of changing thresholds on non-residential charging – £140k

Leaving c. £1,820k for further additionality.

3.4 It is now known that the actual costs of the living wage in care at home and direct payments will cost £130k more than above (mainly due to the late ruling that sleepovers were to be included) and the care home contract will cost £628k more than allowed for in the pressures above (the care home movement reflects the costs of the living wage). East Lothian Council has confirmed that it has factored in a 25% contribution to the increase from care at home providers. Giving a total pressure of £758k. The real costs of these changes only became apparent after East Lothian Council set its budget in February 2016 and are a result of national agreements out with the control of the Council or the IJB. It is proposed that the IJB consider a joint approach with East Lothian Council to the Scottish Government to discuss the real costs of these two elements compared to the original estimates. At national level the government estimated that c£37m of the £250m Social Care Fund would

be required to fund the living wage and it is likely to cost around twice this amount.

- 3.5 In the meantime, however they represent real pressures on the adult social care budget and will largely take effect from 1 October 2016. It is proposed that the IJB agree to fund the full costs of the living wage and the national care home contract pending discussion with the Scottish Government. If the IJB is unable to support this position then the Council will have to consider further efficiencies above the current 2.4m. Evidence to the Health and Sport Committee suggests that many IJBs have agreed that funding the living wage is an appropriate call on the social care fund.
- 3.6 It is now known that adult social care was significantly overspent in 2015/16, an actual overspend which was considerable greater than the estimate allowed for in the pressures above. Further analysis suggests that an element of this overspend is non-recurrent and that the underlying financial pressures in adult wellbeing may not be at the out-turn value. That said, it is not proposed that the Social Care Fund should fund the difference. The Director of Health and Social Care will develop a recovery plan for East Lothian Council. This will be of relevance to the IJB since the IJB's Scheme of integration (section 9.4 *et seq*) lays out actions to be taken in the event of any projected overspends by either the NHS Board or the Council.
- 3.7 Having supported in full the costs of the living wage, this will leave a balance for additionality of c. £1.0m. It is proposed that this is invested in additional care at home hours for both adults and older people.
- 3.8 The IJB now requires a further update from ELC on the financial projections for the Social Care budgets delegated to the IJB as a result of the position laid out above. It also requires an understanding of and an assurance on the 'additionality' that has been delivered as a result of the Social Care Fund investments. This matter requires to be pursued by the Chief Officer with East Lothian Council colleagues.
- 3.9 The issues arising from these proposed actions in 2016/17 must be addressed as part of the financial planning process for 2017/18.

4 POLICY IMPLICATIONS

- 4.1 There are no further policy implications arising from this document.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 Any changes to workforce arrangements will be subject to integrated impact assessments.

6 RESOURCE IMPLICATIONS

- 6.1 The resource implications are discussed above but, in summary these cannot be adequately analysed until a final position is available.

7 BACKGROUND PAPERS

- 7.1 Financial Assurance report to the Audit and Risk Committee - 23 March 2016.

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