



**REPORT TO:** East Lothian IJB Audit and Risk Committee

**MEETING DATE:** 21 February 2017

**BY:** Chief Internal Auditor

**SUBJECT:** Internal Audit Review – Social Care Fund

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## **1 INTRODUCTION**

1.1 As part of the audit plan for 2016/17, a review was undertaken of the Social Care Fund.

1.2 The main aim of the audit was to review the use of the Social Care Fund provided by the Scottish Government to the East Lothian Integration Joint Board (IJB).

1.3 The main findings from our audit work are outlined below.

## **2 RECOMMENDATION**

2.1 The Audit and Risk Committee is asked to note the findings of the Internal Audit Review on the Social Care Fund.

## **3 BACKGROUND**

3.1 In 2016 the Scottish Government distributed £250 million to IJBs via its annual allocation to NHS Boards. Individual allocations to IJBs were based on a distribution methodology and East Lothian's share of the £250 million was £4.37 million.

3.2 On 27 January 2016, the Deputy First Minister wrote to COSLA and the leaders of all Scottish local authorities confirming details of the allocation. The letter stated "£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 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”.

- 3.3 We note that the Chair of the IJB received a formal proposition from East Lothian Council on 24 March 2016 setting out the financial resources that will be 'paid' by the Council to the IJB to deliver the functions laid out in the Integration Scheme. The proposal was derived from the Council's budget 2016/17 which was approved on 9 February 2016 – the budget allocation included East Lothian's share (£4.37m) of the national £250m 'social care fund'.

The proposed use of the social care fund was as follows:

- Direct Pay and Pension Costs £464,000
- Service Pressures (including living wage) £1,741,000
- Additionality – Day Centre Investment £50,000
- Additionality – not yet agreed £2,115,000

- 3.4 On 31 March 2016 the IJB agreed to the Council's proposals to the use of the social care fund.

## **BUDGET ALLOCATION**

- 3.5 We note that the social care fund has two distinct elements (pressures and additionality) of equal value, which in East Lothian amounts to £2,185,000 each (£4.37m in total). Each element is intended to be specifically used for a given purpose.
- 3.6 As part of our audit review we examined the budget allocation made in respect of the social care fund and found that the following allocations had been made for 2016/17 in respect of pressures and additionality:

<b>Pressures</b>	
Living Wage – Care at Home	£500,000
Pay Awards etc	£464,000
Adult Wellbeing 2015/16 Out-turn	£436,000
National Care Home Contract	£250,000
Direct Payments – Living Wage	£200,000
Former Delayed Discharge/ICF Posts	£199,000
Social Work Posts for Specialist Tender	£86,000
Day Centres	£50,000
<b>Total</b>	<b>£2,185,000</b>

<b>Additionality</b>	
High Cost Care Packages	£225,000
Increase in Charging Threshold	£140,000
Additional Living Wage (including Sleepovers)	£820,000
Home Care Commissioning	£1,000,000
<b>Total</b>	<b>£2,185,000</b>

- 3.7 From our review, we found that in most cases the budget allocations were made at the start of September 2016, although certain allocations including Home Care Commissioning and the Additional Living Wage were made following IJB approval in September 2016.
- 3.8 We note that the budget allocation approved for Home Care Commissioning was £1,000,000 and for the Additional Living Wage £800,000.
- 3.9 As part of our audit review, we sought to ensure that appropriate action had been taken to implement the delivery of the above objectives. The following points were noted:

#### **Living Wage – Care at Home (£500,000)**

- 3.10 The Scottish Government's social care funding sought to enable Council's to ensure that all care workers in Adult Social Care providing direct care and support are paid £8.25 an hour from 1 October 2016, regardless of age. This is intended to cover those involved in the provision of a range of adult social care services including Residential Care and Care at Home.
- 3.11 We note that for Care at Home the Council carried out a financial modelling exercise to establish a viable hourly rate which took into account the introduction of the £8.25 per hour Living Wage from 1 October 2016. We found that relevant Care at Home providers were advised of the uplift to be applied to their existing contract rates.

- 3.12 For a sample of invoices submitted by Care at Home providers, we found that the uplifts had been properly applied from 1 October 2016.

**Pay Awards etc (£464,000)**

- 3.13 We note that the pay awards allocation comprised of three separate elements – £215,000 for pay increases within Adult Wellbeing, £223,000 relating to increases in National Insurance contributions and £26,000 in respect of increases in facilities management costs. We note that the pay awards came into effect from 1 April 2016.

**Adult Wellbeing 2015/16 Out-turn (£436,000)**

- 3.14 We note that the budget allocation included £436,000 to reflect the 2015/16 Adult Wellbeing out-turn position, although the final out-turn position was confirmed as an overspend of £1.2 million.

**National Care Home Contract (£250,000)**

- 3.15 For Residential Care providers, we found that the National Care Home Contract was subject to an uplift of 2.5% from 11 April 2016 and a further uplift of 3.9% (resulting in a cumulative uplift of 6.5%) from 1 October 2016.

- 3.16 For a sample of invoices reviewed we found that both the 2.5% increase and the 3.9% increase had been properly applied.

**Direct Payments – Living Wage (£200,000)**

- 3.17 We note that the budget allocation for Direct Payments was £200,000, although at the time of our review the Council had yet to implement the changes – we are informed that the Council is currently in the process of implementing the changes and that increases will be backdated to October 2016.

**Former Delayed Discharge/ICF Posts (£199,000)**

- 3.18 This budget allocation relates to four posts that were previously funded by Health, but are now being funded by the social care fund.

**Social Work Posts for Specialist Tender (£86,000)**

- 3.19 This budget allocation relates to three temporary posts that were secured primarily for supporting the tendering process.

**Day Centres (£50,000)**

- 3.20 We note that £50,000 was allocated to the development fund to assist with the strategic development of the Day Centre service.

### **High Cost Care Packages (£225,000)**

- 3.21 This relates to two new high cost care packages, one of which is being partly funded by the NHS.

### **Increase in Charging Threshold (£140,000)**

- 3.22 We note that in relation to the £4.37m for Social Care, an element is intended to make charging fairer and prioritising those on low income. Council's have been asked to increase the income level from which social care charging is applied.

- 3.23 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 Council 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 – a charging threshold is the set level of personal income below which a person can receive community care service(s) without the need to pay a contribution or charge towards the cost of the service(s) they receive. By raising the threshold individuals will have more of their money disregarded from charging.

- 3.24 The charging threshold for 2015/16 was calculated by adding a buffer (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.

- 3.25 For 2016/17, the Scottish Government's funding condition requires an increase in the buffer rate from 16.5% to 25%. For East Lothian Council additional costs of £140,000 per annum have been estimated.

- 3.26 We sought to ensure that appropriate action had been taken by the Council to increase the charging thresholds. We found that although charging threshold rates had been updated on Frameworki in April 2016, the annual financial assessments only commenced in August 2016 and any additional expenditure due to the change in charging thresholds would be effective from August 2016 onwards.

### **Additional Living Wage (including Sleepovers) (£820,000)**

- 3.27 Of the £820,000 allocated to the additional Living Wage, £316,000 relates to sleepovers to support the increased payment of £7.20 per hour payable from October 2016 and £311,000 relates to additional pressures resulting from the National Care Home Contract increase effective from October 2016. We are informed that the remaining £193,000 relates to specialist residential care not covered by the National Care Home Contract. These rates were agreed with individual providers who could demonstrate hardship – increases were applied from October 2016.

### **Home Care Commissioning (£1,000,000)**

- 3.28 The £1,000,000 for Home Care Commissioning was allocated proportionately based on the four main commissioning budgets – Learning Disability, Mental Health, Physical Disability and Elderly. This budget allocation was to enable additional capacity to address unmet needs.

## **CONCLUSION**

- 3.29 Our review of the social care fund highlighted that the £4.37 million had been properly allocated to specific budget codes. We have been able to evidence the progress made in the delivery of the objectives set out by the Scottish Government for the use of the social care fund, however at the time of our review we were not in a position to quantify the actual social care fund expenditure incurred to date for certain categories. We note however, that a full detailed report will be delivered to the IJB by the Chief Finance Officer at the end of the financial year which will lay out the use of the social care fund.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial - None  
6.2 Personnel - None  
6.3 Other – None

## 7 BACKGROUND PAPERS

7.1 None

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