INTEGRATION JOINT BOARD

Report Title	Increase in provider rates to facilitate the implementation of the National Living Wage to Care at Home Workers
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Date of Report	19/08/2016
Date of Meeting	30/08/2016

1: Purpose of the Report

1. The Living Wage commitment, made by the Scottish Government and Local Government as part of the 2016/17 grant settlement, is to ensure that the Living Wage of £8.25 per hour is paid to care workers providing care at home and housing support. The Living Wage was provided to Care Home provision under the settlement in 2015/16.
2. This report seeks approval from the Integration Joint Board on the proposal to increase rates paid to external provider of care at home from 1 October 2016 to help implement the Living Wage commitment as part of a positive approach to fair work practices. The recommended option has been agreed by the Audit and Performance Committee as being the fairest means to distribute the funding and deliver fairer working practices as well as the Living Wage.

2: Summary of Key Information

2.1. The Integration Joint Board received additional funding of £1.6 million through the Scottish Government budget settlement process to implement the living wage to home care providers for the half year October 2016 to March 2017. The agreement between Scottish Government and Local Authorities was predicated on providers making a contribution to the overall cost of the Living Wage commitment, however, providers were not party to this arrangement and it is understood they are unlikely to have funds available for this purpose.

2.2. The care market in North East Scotland is already fragile with providers experiencing difficulties in recruitment and retention of staff. This may ease slightly with the downturn in the oil and gas sector but currently there remain a small number of providers with a limited pool of staff operating at minimum profit levels. The providers have not received any inflationary uplift due to funding restraints for a number of years. These providers are critical to the partnership's provision of social care to Aberdeen City residents.

2.3. A short term multi-disciplinary group was set up to decide how best to distribute the additional £1.6 million built into the 2016/17 revenue budget for the rolling out of the national living wage, for 6 months, to relevant providers. Five options were considered:

OPTION 1 – Provide additional funding only to those providers not currently paying the living wage to allow them to do so;

OPTION 2 – Fund a 6.4% uplift (in line with 16/17 national care home contract rate increase) across the board;

OPTION 3 – Tapered uplift – minimum percentage uplift (e.g. 1%) to all providers and necessary additional increase to those providers not currently paying living wage;

OPTION 4 – Flat monetary increase to rates for all providers;

OPTION 5 – Ask providers to make a business case based bid for funding relevant to their particular circumstances.

Options were scored against the following criteria:

i. Impact on local market (in terms of fairness and sustainability)
ii. Best value/Cost
iii. Complexity of implementation
iv. How well it meets the conditions of additional funding
v. Accountability – can it be monitored? How easy is it to monitor?

2.4. Nationally there are a whole variety of options being considered by the different Health and Social Care Partnerships and so all five of these options were scored against weighted criteria (impact on market and ease of implementation given highest weightings). Following detailed analysis attached in appendix 1, and the recommendation that providers already paying the living wage should not be penalised, the option that best met the 5 criteria was identified as being the option to fund a 6.4% increase in line with National Care Home Contract uplift across the board (OPTION 2).

2.5. The scale and timeframe for implementing this commitment along with the market conditions mean that a collaborative approach between commissioners and providers will be critical. The group felt that the best approach was to engage the care providers in negotiations to reach a voluntary agreement and to ensure the funding process was fair and transparent. To achieve this objective a meeting was held with a group of representative care providers, where the 6.4% option was discussed. Initial feedback appeared positive, although providers were interested in obtaining more information on how the 6.4% had been calculated before establishing their position. Since this meeting, one provider has replied and indicated that 6.4% would not be sufficient to provide the living wage to their staff. Another provider has come back indicating a preference for option 1, as option 2 (6.4%) would widen the gap in terms of service provision between the providers.

2.6. In order to implement the 6.4% a contract variation will be sent to each provider. This variation will seek commitment to implement the living wage, should the provider already be paying the living wage then the contract variation will seek the provider to maintain this commitment and at the same time look to for any funds remaining to be put towards fair works packages such as skills development. All providers will be required to provide evidence of how they have spent the funds at the end of the financial year.

2.7. As Bon Accord Care staff are subject to the same terms and conditions as Aberdeen City Council staff and therefore subject to council uplifts etc. Bon Accord Care are not to be included in this contract variation.

3:	Equalities, Financial, Workforce and Other Implications

3.1. **Equalities**: This substantial increase in rates paid to external providers to implement the Living Wage commitment contributes to a positive approach to fair work practices.

3.2. **Financial:** Based on current level of externally purchased care the cost of implementing the preferred option is in line with the budget set aside for this commitment.

3.3. **Workforce:** No direct implications for Aberdeen City Health and Social Care Partnership staff. Meets ambitions to support partnership and fair working practice within 3rd and independent sectors

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4:	Recommendations

It is recommended that the Integration Joint Board:

1. Agree the proposal of a 6.4% uplift to all rates for purchased services across all client groups and for all hours worked (except those already covered by the National Care Home Contract) from 1st October 2016

2. Instruct the Chief Officer to issue a direction to Aberdeen City Council to provide a 6.4% uplift, at a cost of £1.6 million, as set out in the recommended option to external care at home providers.

3. Instruct the Chief Officer to ensure the implementation of the Living Wage and Fair Working Practices through appropriate contract monitoring processes to provide assurance to the IJB that this had been implemented by the end of the financial year.

5: Signatures	
	Judith Proctor (Chief Officer)
	Alex Stephen (Chief Finance Officer)

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Appendix 1

OPTIONS FOR CONSIDERATION

At a meeting on 12th April 2016 to discuss both the National Care Homes Contract (NCHC) uplift and the commitment to deliver the Living Wage, 5 options were identified. These are noted below and assessed in relation to the 5 criteria noted above. In each option it is intended that there will be some form of collaboration with Providers and a degree of monitoring to ensure that the funding delivers the commitment.

OPTION 1 – PROVIDE ADDITIONAL FUNDING ONLY TO THOSE PROVIDERS NOT CURRENTLY PAYING THE LIVING WAGE SO THAT THEY CAN

Market – This option could be seen in the care market as unfair as it basically provides funding to those Providers who up until now have not increased pay rates and gives no compensation to those who have, in effect it rewards the organisations who have been unable/unwilling to pay the living wage to their employees.

Implementation - For this option each Provider's pay information would have to be gathered and reviewed and any increase needed to take their basic pay rate up to £8.25/hour would have to be calculated. This could be a lengthy and resource intensive exercise and would require the complete co-operation of all Providers.

Cost - To date draft calculations to implement this option with a sample of 4 major providers of Older People's Care at Home indicate an increased annual cost in the region of £330K (for this sample).

Conditions – this option exactly meets the conditions of the funding in that the outcome will be all Providers will be enabled to pay the Living Wage.

Accountability – this option would be fairly straightforward to monitor – those Providers who had been given uplifts would be required to confirm that the uplift has been used for the purpose of paying the Living Wage.

OPTION 2 – FUND A 6.4% (IN LINE WITH 16/17 NCHC RATE INCREASE) UPLIFT ACROSS THE BOARD

Market - It could be argued that this option is the fairest as the 6.4% increase has already been agreed for NCHC providers. This does not, however, take into consideration the fact that all NCHC Providers have been on the same rates and subject to the same increases for a number of years. Providers not on the NCHC do not have the same level playing field and could therefore argue that this just perpetuates the inequality across their sector.

Implementation – This would be a straightforward calculation across all Providers and therefore would be a simple option to implement.

Cost - Initial calculations (on relevant budgets and recent spend) indicate that this option would cost in the region of £3 million per annum making it potentially the most costly option although affordable within the funding available.

Conditions – this option goes beyond the conditions of the funding in that those Providers who are currently paying the Living Wage will also receive the 6.4% increase - the intention being that they would use this to enhance other elements of Fair Working Practices such as skills development.

Accountability – this option would be more complicated to monitor. In addition to confirming that Providers who were not paying the Living Wage now are – we would also need to assess what the Providers who were paying the Living Wage were doing and allocate some kind of subjective assessment as to whether this enhanced Fair Work Practices.

OPTION 3 – TAPERED UPLIFT – MINIMUM % UPLIFT (e.g. 1%) TO ALL PROVIDERS AND NECESSARY ADDITIONAL INCREASE TO THOSE CURRENTLY NOT PAYING LIVING WAGE

This option is really a combination of option 1 and 2 in that all Providers get some increase but those not currently paying the Living Wage get more to allow them to do so. Those currently paying the lowest would get the highest % uplift.

Market – Similar to option 1 this does have an element of unfairness as those already paying the Living Wage get less than others – although they do at least get some uplift.

Implementation – Again, similar to option 1 there would be a degree of effort involved in calculating the payments to each Provider not currently paying the Living Wage to fund them to the point that they can, plus the work involved in paying the % to those who are paying the Living Wage.

Cost – the cost of this option would be higher than option 1 as those already paying the Living Wage will get a further % uplift but depending on the % agreed it would potentially be cheaper than option 2.

Conditions – This option goes slightly beyond the conditions of the funding in that those Providers who are currently paying the Living Wage will also get an additional % uplift - the intention being that they would use this to enhance other elements of Fair Working Practices such as skills development.

Accountability – the level of monitoring of this option is almost on a par with Option 2 as there is the variety of deliverables to monitor – payment of the Living Wage for some and enhanced fair working practices for others.

OPTION 4 - FLAT MONETARY INCREASE TO HOURLY RATE FOR ALL PROVIDERS

This option is similar to option 2 in that it is a flat increase across the board except this option relates to a monetary value on the hourly rate rather than % uplift.

Market – This option has the same apparent fairness as Option 2 in that it is an equal share across the board however it could also attract similar criticism from the market as those already paying the Living Wage will also get additional funding and may therefore be able to go on and implement enhanced Fair Working Practice elements that give them the edge over other Providers in terms of staff recruitment and retention.

Implementation – again, similar to option 2.

Cost – the overall cost of this is dependent on the flat rate agreed but is likely to be cheaper than option 2.

Conditions – again this exceeds the conditions of the funding as even those Providers who are currently paying the Living Wage will receive funding.

Accountability – similar to Option 2 the accountability of this option will be slightly harder to assess given the mixed deliverables.

There is a fifth option which was discussed at the meeting and this has been assessed using the criteria also.

OPTION 5 – ASK PROVIDERS TO MAKE A BUSINESS CASE BASED BID FOR FUNDING RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES

Market – this could be seen as the fairest option as it is truly involving the Providers and addressing each individual set of circumstances. There is the risk of reputational damage and ill feeling if Providers do not get what they bid for.

Implementation – although this option makes the Providers do the work to identify where the deficits are and what exactly the required funding is to bridge these, it could take time to gather all of this information and there would need to be resource allocated to checking and assessing these bids when they come in and ultimately determining who gets what.

Cost – as the Providers are making bids there is no control over the overall cost. Should this be more than the funding available there would be additional work in trying to proportion this and then potentially a process of negotiations undertaken to offer Providers something other than what they asked for.

Conditions –this option should meet the conditions of the funding in the same way as Option 1 in that those Providers not currently paying the Living Wage would be enabled to do so.

Accountability – this option should make accountability easier as we can measure against what is stated in the business case.