



INTEGRATION JOINT BOARD

Report Title	Living Wage & Sleepovers
Lead Officer	Alex Stephen (Chief Finance Officer, ACHSCP)
Report Author (Job Title, Organisation)	Alison Macleod (Social Care Procurement Manager)
Report Number	HSCP/17/010
Date of Report	15/03/17
Date of Meeting	28/03/17

1: Purpose of the Report

The purpose of this report is to : -

1. Advise the Integration Joint Board of the outcome of the additional 6.4% funding provided in 2016/17 to contracted providers of social care services in relation to payment of the Scottish Living Wage of £8.25 per hour.
2. Seek approval from the Integration Joint Board for the Aberdeen City Health and Social Care Partnership to provide a further uplift of 2.6% funding in 2017/18 to contracted providers of social care services to allow for the increase of the Scottish Living Wage from £8.25 to £8.45 per hour from 1st April 2017.
3. Seek approval from the Integration Joint Board to provide additional, individually targeted, funding to those contracted organisations providing a sleepover service to enable them to meet Her Majesty's Revenue and Customs (HMRC) guidelines which state that the average hourly rate for a sleepover shift should be equivalent to at least the National Minimum Wage (NMW). The NMW will rise to £7.50 per hour from 1st April 2017.

2: Summary of Key Information

- 2.1. The Integration Joint Board identified additional funding of £1.6 million from the 2016/17 Scottish Government budget settlement process to implement the Scottish Living Wage of £8.25 per hour to staff providing adult social care for the half year October 2016 to March 2017.
- 2.2. A proposal was made to the Integration Joint Board (IJB) on 30th August



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2016 to pay contracted providers of adult social care an uplift of 6.4% This rate was determined based on the fact that providers under the National Care Home Contract (NCHC) were in receipt of this level of uplift from 1st October 2016. The Board resolved to:

- 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
- 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.
- 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 Board that this had been implemented by the end of the financial year.

2.3. The uplift was provided as instructed and contract variations issued. Not all providers signed their contract variations and it is proposed that any further uplift in rates will not be processed for providers until such time as they sign and return the contract variation. The uplift was provided on the strict understanding that it would be used to ensure all staff providing adult social care were in receipt of at least the Scottish Living Wage of £8.25 per hour. Where providers were already paying at least this rate, the uplift could be used to enhance Fair Working Practices such as the provision of additional training, the implementation of flexible working etc.

2.4. As providers received the uplift, the Social Care Commissioning, Procurement and Contracts Team then followed this up by requesting providers complete and return a "Monitoring of Remuneration" form. The form asked the providers to confirm whether they were paying staff at least the Scottish Living Wage and to confirm there had been no cost displacement as a result i.e. passing on other costs such as PVG checking or provision of uniforms. Providers were also asked to confirm whether they had used any of the funding for enhancing Fair Working Practices.

2.5. The review process is still progressing, however of the 78 contract variations issued, 55 have responded so far. Of those 55, all have confirmed that they are paying the Scottish Living Wage and that there has been no cost displacement. It has been confirmed that 30 providers have been able to use at least some of the funding to enhance Fair Working Practices. As part of the process we asked providers to confirm that we could have access to



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their staff to verify their claims that the Scottish Living Wage was being paid. All 55 agreed that this could happen. Verification will continue as part of routine contract monitoring and it is proposed that any additional rate increase will not be processed for those providers who haven't responded until they do so.

- 2.6. As part of the 2017/18 funding settlement the Partnership identified an additional £1.145 million to allow for a further uplift to contracted providers to increase the Scottish Living Wage from £8.25 to £8.45 per hour as of 1st May 2017.
- 2.7. Negotiations in respect of the National Care Home Contract (NCHC) rate for 2017/18 are currently ongoing. The current offer is for an uplift of 2.6%. Significant work has been undertaken nationally to develop a calculator to analyse the cost of care and address several systemic challenges faced by Care Home providers but elements of this remain incomplete and are not yet jointly agreed. The 2.6% uplift was informed using the intelligence gained from the work to date therefore it is felt it is a robust and well researched offer. In the interest of consistency it is proposed that we once again match the NCHC offer. This represents a fair uplift to the providers and will provide them with a 2.6% increase across their whole contract, whilst it is estimated only 70% of their contracts actually relate to social care staffing. It is also proposed to provide the 2.6% for the whole financial year, rather than the 11 months from which the living wage increase applies. This means the providers will have some additional funds to cover any other budget pressures which are anticipated in 2017/18.
- 2.8. Local calculations estimate the funding required to implement the increase in the Scottish Living Wage on the direct staffing elements of rates is 2.4%. An increase of 2.6%, as well as matching the NCHC offer and being consistent with our previous approach, allows for a contribution to other costs and takes into account the fact that there is no other annual uplift on offer to providers. The estimated cost to apply this across all contracted services is within the additional funding received.
- 2.9. There are currently 13 contracted organisations providing sleepover services in Aberdeen City. A sleepover service is where the assessment has determined that an individual or a group of individuals requires support overnight on the premises, but recognises that the need is not great enough to require a waking duty. Traditionally, rather than paying an hourly rate for a sleepover, a rate per night was agreed and often this was at a level of £30 to £40 per 10 hour night. Following a legal challenge nationally, HMRC recently ruled that the average hourly rate for a sleepover shift must be



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equivalent to at least the National Minimum Wage. The current rate for NMW is £7.20 per hour but this rises to £7.50 in April 2017.

- 2.10. As part of the 2017/18 grant settlement the Partnership also identified additional funding to address shortfalls in sleepover funding. As there is a relatively small number of providers and as they are all paying for sleepovers in different ways it is proposed that we adopt a targeted approach to this. Some fact finding work has already been undertaken to ascertain what providers are paying. It is proposed that we deal with each case individually, consulting with each provider and allocating sufficient funding to bring each from where they are now to where they need to be to meet the HMRC requirement. There is no deadline for the implementation of this funding therefore it is proposed for ease we also implement this at the same time as the Living Wage uplift i.e. from 1st April 2017.
- 2.11. The providers were made aware of these provisional offers on two occasions in early March and while some providers would ideally like increases above these levels, there was a general recognition that in the current financial context, this was a fair approach from the Partnership.

3: Equalities, Financial, Workforce and Other Implications

- 3.1. An equality impact assessment is not required because there are no impacts on the protected characteristics arising as a result of this report.
- 3.2. It is estimated that 2.6% for the whole financial year will cost £1.3 million. The cost of funding the sleepovers is still being finalised, however, it is estimated that this will be in the region of £650,000. Taken together both these costs can be accommodated within the initial allocations identified during the budget process.

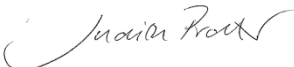

4: Management of Risk

The content of this report links to the strategic risk "There is a risk of significant market failure in Aberdeen City". By ensuring that contracted providers are able to pay staff the Scottish Living Wage for normal shifts and an HMRC compliant rate for sleepover shifts we are helping to support providers to recruit and retain staff which ultimately supports the sustainability of the market.



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5:	Recommendations
	<p>It is recommended that the Integration Joint Board:</p> <ol style="list-style-type: none"> 1. Note the outcome of the additional 6.4% funding provided in 2016/17 to contracted providers of social care services in relation to payment of the Scottish Living Wage of £8.25 per hour. 2. Approves the provision of a further uplift of 2.6% funding in 2017/18 to contracted providers of social care services to allow for the increase of the Scottish Living Wage from £8.25 to £8.45 per hour from 1st April 2017. The uplift to be paid dependant on receipt of a signed contract variation and completion of the verification questionnaire. 3. Approves the provision of additional, individually targeted, funding to those contracted organisations providing a sleepover service to enable them to meet HMRC guidelines of the average hourly rate for a sleepover shift being equivalent to at least the National Minimum Wage of £7.50 per hour from 1st April 2017. 4. Issues a Direction to Aberdeen City Council to prepare and issue contract variations to all appropriate contracted providers in relation to the 2.6% uplift to ensure payment of the Living Wage and to prepare and issue contract variations to providers of a sleepover service to award additional funding in relation to the payment of these at an average hourly rate equivalent to the National Minimum Wage.

6:	Signatures
	<p>Judith Proctor (Chief Officer)</p>
	<p>Alex Stephen (Chief Finance Officer)</p>