



REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
25 OCTOBER 2016

REPORT ON: LIVING WAGE FOR CARE WORKERS IN ADULT SOCIAL CARE

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB49-2016

1.0 PURPOSE OF REPORT

The purpose of this report is to advise the Integration Joint Board of the local implementation of the Living Wage Commitment made by the Scottish Government as part of the 2016/17 finance settlement.

2.0 RECOMMENDATIONS

It is recommended that the Integration Joint Board (IJB):

- 2.1 Notes the content and implications of this report.
- 2.2 Instructs the Chief Finance Officer to report the final financial implications and any subsequent issues arising following full implementation of the Living Wage Commitment.

3.0 FINANCIAL IMPLICATIONS

- 3.1 As part of the Scottish Government's Finance Settlement 2016/17, £250m of national investment was directed to support the continued development of social care. This funding is allocated in two tranches with the first £125m to support additional spend on expanding social care to support the objectives of integration and to implement revised charging thresholds in order to reduce poverty. The second £125m is provided to help meet a range of existing costs faced by local authorities in delivering effective social care services, including the commitment to deliver the living wage of £8.25 per hour to all adult social care staff from 1st October 2016. The value of each tranche for Dundee is £3.85m in 2016/17.
- 3.2 It is estimated that the cost of implementing this commitment for services provided on behalf of Dundee Health and Social Care Partnership is £1.242m in 2016/17. In addition, it is proposed to create a development fund of £50k in 2016/17 (£100k in a full financial year) which care providers already paying their staff a fair wage could access to enhance the quality of care. The total cost of implementing the living wage of £1.292m will be met from the second allocation of £3.85m as noted above.
- 3.3 With regards to the full year cost implications of the agreement, COSLA has confirmed its intention to ensure the current commitment is fully costed and will seek to ensure that full year costs are guaranteed in the 2017/18 spending review.

4.0 MAIN TEXT

- 4.1 The Scottish Government and Local Government committed to ensure that all care workers providing direct care and support to adults in care homes, care at home and housing support are paid a Living Wage of £8.25 per hour from 1st October 2016 as part of the 2016/17 Finance Settlement. This covers all purchased services including specialist support services such as those for people with physical disabilities, learning disabilities, mental health problems and substance misuse issues.

4.2 In order to fulfil the obligation set out by the Scottish Government information has been sought from care providers over the last few months to determine the current landscape in relation to payment of a living wage and to quantify the potential cost of implementation. This information gathering and subsequent analysis has now been completed. In line with best practice, consideration is also given to not disadvantage those progressive employers who have already invested in their staff through better terms and conditions and to ensure a continued focus on the quality of care and support.

4.3 Position within Dundee

4.3.1 Residential & Nursing Care Providers:

In respect of social care staff employed within the care home sector, provision has been made within the National Care Home Contract to ensure all care home providers who are signed up to this arrangement are funded to meet the living wage requirements. At this stage, no care home providers locally within this framework have indicated they will not meet this requirement.

4.3.2 External Homecare Services:

In relation to external home care services, a recent re-tendering exercise due to the existing contract expiring has resulted in a position of fee rates being confirmed or re-submitted as being sufficient to meet the living wage requirements with all providers under this contract committing to pay the living wage from at least 1st October 2016 (some earlier).

4.3.3 Direct Payments – Personal Assistants:

Although personal assistants are employed directly by direct payment recipients, national guidance recognises that partnerships may be at risk of challenge in relation to the principles of equal treatment and discrimination if direct payment rates are not set at a sufficient level to enable payment of the living wage. In Dundee, the direct payment rate is linked to the average external homecare rate which is now higher following the re-tendering exercise and will therefore provide sufficient funding to pay living wage to personal assistants.

4.3.4 Providers – Accommodation with Support, Housing Support:

While the aforementioned arrangements take account of a relatively large proportion of the social care workforce in the external provider market there remains a number of organisations not covered by these arrangements which operate a range of services. National guidance on the delivery of the Living Wage sets out a number of options for implementation and these are being considered across health and social care partnerships throughout the country. These options include full re-tendering for services and existing contract modification/variation. The former is deemed impracticable due to the challenging timescales for implementation of the policy. The range of options for contract variation are reflected in Appendix 1.

4.4 An assessment has been made as to which of the options best reflects the local care provider market and is most affordable within the resources allocated to Dundee to fund the living wage. In assessing the options for contract variation, the following options were deemed unsuitable as described below:

- a) set a standard rate for all providers from within which the £8.25 is affordable – it is recognised nationally that this does not reflect the range of service delivery models in place to provide different levels of care.
- b) set a suite of rates for different services - this would require a complex and lengthy process which may actually disadvantage some providers.
- c) applying a standard % increase across the board to provider's contractual payments – this would need to be set at a sufficient level to ensure those care providers whose wage structures are furthest away from £8.25 per hour can meet the living wage commitment and is therefore unaffordable within the resources allocated.

- 4.5 The final option relates to applying a differing increase per provider through individual negotiation which recognises the different wage structures in place and targets these directly. The costings for this option are noted in the table below. This method ensures that those providers currently not paying the living wage would be funded on the basis that this commitment was made. This is deemed to be the most appropriate option for the local provider market in terms of affordability while meeting the aims of the national commitment. Negotiations are currently taking place with around 20 providers of adult social care services to agree the level of additional funding required. Providers have received a commitment that backdated payments will be made to ensure care workers will be paid the £8.25 per hour with effect from 1st October should negotiations not be concluded by the salary pay date.
- 4.6 Applying such a targeted approach does not provide any recognition for those care providers who have previously committed to paying a fair wage to their social care staff. It is proposed that in order to reward progressive providers, a development fund or specified enhancement to support further training and development for staff members is established which these providers would be able to access in the spirit of maintaining or enhancing fair work practices. In addition to a fund of £50k being created for 2016/17, funding carried forward from 2015/16 specifically allocated by the Scottish Government to ensure fairer working practices will be made available to support the quality of care agenda.
- 4.7 Based on the information submitted by service providers, the initial estimated cost of implementing the living wage for this group of providers is anticipated to be £193k in 2016/17 (£386k in a full financial year.) In addition, the Scottish Government’s commitment around payment of a fair wage extends to ensuring statutory minimum wage payments are made for sleepover arrangements. This is estimated to cost around £254k in 2016/17 (£508k in a full financial year).
- 4.8 Based on information supplied by providers, the total cost of implementing the living wage in Dundee through using an individually negotiated approach is estimated to be as follows:

Estimated Cost	2016/17 £000	2017/18 £000
National Care Home Contract	475	950
External Home Care Contract	320	520
Other Providers (excl sleepovers)	193	386
Sleepover Cost	254	508
Proposed Development Fund	50	100
Total Cost	1,292	2,464

4.9 The actual costs of implementation will not be known until all of the negotiations have been concluded and the outcome of this process will be brought back to the Integration Joint Board for information at a later date.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATION

The Chief Officer and the Clerk were consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

Dave Berry
Chief Finance Officer

DATE: 30 September 2016

Options for Modification / contract variation

- a) **Apply a percentage increase across the board:** uplift all contract values/hourly rates by uniform amount on condition that providers volunteer to pay £8.25 to care workers. This approach would be relatively easy to administer and would remove any competitive disadvantage between providers who may or may not already have invested in workforce wages. However Local Authorities will need to satisfy themselves as to the overall affordability of this option (depending on local circumstance and against their allocated resource) and be content that there would not be others interested in the terms of this contract, if this had been the basis of the original tendering process.
- b) **Apply a differing percentage increase per provider, through individual negotiation based on their particular costs.** This may be a more bureaucratic process dependent upon how many contracts and providers there are in each council. There may also be issues around the overall transparency of the process which, as noted, will be important for provider 'buy-in' to this initiative. It would however target the resources available to the purpose of addressing low pay and delivering the Living Wage commitment. If this approach were pursued then Local Authorities would need to be clear that in order to comply with state aid, providers could not be treated inequitably.
- c) **Set a standard rate for each local authority within which the £8.25 per hour wage for care workers is affordable.** To deliver this approach the rate would have to be set at a level adequate to cover all costs, not just the Living Wage commitment. The desirability and affordability of this approach would need to be assessed on a case by case basis. More generally this option can be insensitive to the fact that costs may legitimately vary depending on level of need, service model, skill mix of staff, quality of service and would also be insensitive to other justified variation of cost within local authorities where rurality and employment market dynamics impact on viable business models. This option may also include state aid and procurement issues around the equitable treatment of providers which would need to be assessed locally.
- d) **Set a suite of rates.** This option, whilst addressing the issue raised (above) regarding legitimate variation in service costs, goes beyond the requirement to implement the Living Wage commitment. The desirability and affordability of this approach would need to be assessed locally and in line with longer term commissioning agendas. Negotiating and implementing such an approach across Local Authorities, particularly if supported by service specifications, could be lengthy and so consideration on whether this is deliverable by October the 1st would also be required.

