

Midlothian Integration Joint Board



Thursday 13 April 2023, 14:00-16:00.

Financial Recovery options following reduced budget offer from Midlothian Council

Item number: 5.5

Executive summary

On the 21st of February 2023, Midlothian Council agreed a budget that led to a reduced budget offer to Midlothian IJB. As previously noted in finance reports to the IJB in February and March 2023, Local Authorities must pass over the full allocations from Scottish Government to IJBs.

“The funding allocated to Integration Authorities should be additional and not substitutional to each Council’s 2022-23 recurring budgets for services delegated to IJBs and, therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £95 million greater than 2022-23 recurring budgets.”

As a result of this, additional financial recovery plans are now required to support the extra £1.33m budget gap, over and above the core budget financial planning from officers to deliver a balanced budget for IJB for 2023/24.

As Midlothian Council did not follow the Scottish Government parameters, Midlothian IJB chose to defer a decision on the budget offer, pending HSCP officers bringing back an options paper on recovery actions available. The IJB will decide on the budget offer at this Board meeting and advise officers on the chosen strategic recovery plan. The IJB also requested that a formal letter be drafted to send on to Scottish Government, stating full allocation not passed over to the IJB, pending the Board decision today.

This paper details options available for discussion, and decision, to advise Officers which actions should be taken forward.

Members are asked to:

- Note the financial gap incurred by a reduced budget offer from Midlothian Council
 - Agree which recovery actions should be progressed by Officers to support the subsequent funding gap.
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Midlothian Integration Joint Board

Additional Financial Recovery options following reduced budget offer from Midlothian Council

1 Purpose

- 1.1 The purpose of this paper is to present additional financial recovery actions required to support a reduced budget offer to the IJB from Midlothian Council. This equates to £1.33m, and Officers were advised of this at Midlothian Council Meeting on 21st February 2023.

2 Recommendations

As a result of this report, Members are asked to:

- Note the financial gap incurred by a reduced budget offer from Midlothian Council
- Agree which recovery actions should be progressed by officers to support the subsequent funding gap, noting the preferred recurring recovery actions 1 and 2, supported by non-recurring recovery action 7, being the recommended actions from Officers.

3 Background and main report

- 3.1 Midlothian Council agreed their budget at Council on the 21st February 2023 following which a formal budget offer letter was issued to the IJB.
- 3.2 This position is the formal offer from Midlothian Council for 2023/24 and it should be noted is not in line with the parameters set by Scottish Government. As reported to the IJB at its February meeting these parameters were:

“The funding allocated to Integration Authorities should be additional and not substitutional to each Council’s 2022-23 recurring budgets for services delegated to IJBs and, therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £95 million greater than 2022-23 recurring budgets.”

	£m
2022/23	56.438
In year changes through distributional changes	0.155
Base 23/24 allocation	56.593
Scottish Government Funding Changes:	
Living wage uplift	1.436
Free personal & nursing care	0.202
End of NR interim care funding	-0.305
Total	57.926
Less	-1.333
2023/24 MIJB allocation	56.593

Fig 1: Midlothian Council budget offer to the IJB

- 3.2 Following March Board meeting, Officers were asked to consider further recovery action options to support a break-even position. A request for a draft letter to be prepared to advise Scottish Government of the position has been prepared following no revision of offer from Midlothian Council. These are now additional to the core efficiency plans already in place for the IJB to break even.
- 3.3 Details of the recovery actions are noted below. It should be noted that none of the options are palatable in a normal budget environment, and all carry a degree of risk. Options have been developed to minimise impact on care and/or workforce and have been assessed against a matrix to support decision making. This is contained within the appendix of this report.

- **Withdraw from Extra Care Housing development (1)**

The HSCP Extra Care Housing (ECH) Draft Action Plan 2019-2022 highlighted the benefits and extra care housing agenda prior to Covid. It is noted that the further expansion of Extra Care Housing was approved as formal Midlothian policy at a meeting of the full Council in November 2016 when it agreed to include additional extra care housing in Phase 3 of the housing programme. The Normandy Court ECH Development is currently part of Midlothian Council's Local Housing Strategy 2021-2026 and relevant to IJB Directions 8.12 and 8.13, which call for increased intermediate care provision and a reshaped model of care through provision of new purpose-build accommodation. The site consists of 40 x 1 bed 2-person flatted ECH complex and 8 ECH bungalows (one is adapted for bariatric use). The anticipated handover date to the Council is June 2023.

No additional funding was received from Midlothian Council for the additional care provision and initial budget plans had been around re-alignment of Care at Home contract funding. This would provide additionality to care provision and would not

be a diluting of internal workforce. Due to the reduction in budget offer, it is no longer financially viable for Midlothian HSCP to deliver this additional development.

The cost of delivering this service is £647k. If this recovery action were not to be chosen, it would place significant financial pressure on the budget in 2023/24. As there is no model currently in place, there would be no workforce implications, or material change in care provision to Midlothian residents.

- **Transition to a Care at Home model with only 30/25/20% care delivered from internal Care at Home team, moving to 70/75/80% via External providers (2)**

Currently the Midlothian HSCP Care at home service operates 3 Externally provided block contracts for care across Midlothian, delivering 62% of current care at home service provision. The remaining 38% is provided by an internal HSCP Care at Home service.

Transitioning to an enhanced external service provision, will provide a more cost-effective model, supporting a savings option below once fully implemented. This relates to a more efficient cost per hour relating to terms and conditions.

- 70% External/30% Internal £227k
- 75% External/25%Internal £600k
- 80% External/20% Internal £900k

It is anticipated that the move to a 70%/75% models can be achieved through minimal workforce disruption. This would be delivered through natural turnover, and a reduced spend in locum and overtime use.

There is a risk that local providers may not be able to provide additional care hours given the national workforce challenges across social care. With this noted, the maintenance of a percentage of internal service allows the HSCP to safeguard around statutory responsibility to provide care if any of the external providers are unable to deliver on contracts. It should be noted that a full year effect would not be realised in 2023/24, due to the planning and contracting processes that will be required.

- **Real living wage not passed over to External care providers (3)**

As part of the 2023/24 budget settlement there is funding from Scottish Government via Local Authorities to support the funding of provider to deliver paying the real living wage.

“As you are aware, in the Scottish Budget for the 2023/24 financial year, it was announced that £100 million will be transferred to Local Government to support the delivery of a £10.90 minimum wage for all adult social care staff delivering direct care in commissioned services from April 2023. This funding will be paid to Local Authorities in the weekly General Revenue Grant payments from 1 April 2023. While the majority of the funding is expected to be committed to this pay uplift, Integration Joint Boards (IJBs) have the discretion to spend any remaining funding on other measures relating to the social care workforce in commissioned services.”

Letter from Donna Bell, Director of Social Care and National Care Service Development, Scottish Government

Midlothian Council received funding of £1.436m to be passed to the IJB to support this increase in costs to IJBs. Unfortunately, the overall budget offer from Council was a flat cash budget to the IJB and therefore the IJB needs to consider if this is now financially affordable. If the IJB chose this financial recovery action it is estimated that if we exclude the National Care Home Contracts that this would equate to circa £1m.

There is a significant risk associated with this recovery action as the IJB would risk the financial sustainability of our external providers, and therefore provide system instability, and a direct impact on care provision.

- **Earmarked IJB reserve re-prioritisation (4)**

Midlothian IJB has £2.932m earmarked reserves. There are reserves that are being used to support direct care delivery commitments. However, as part of the recovery action process, officers have reviewed all allocations to ascertain if any could be re-prioritised to support the budget gap. There is no earmarked funding that could be reprioritised.

- **Learning Disability Service Model Review (5)**

A full service model review is underway for Midlothian Learning Disability delivery model of care. This was supported by Midlothian IJB. There may be opportunities that a revised model of care could present some options for a more cost-effective model of care. However, this is only partially underway, and recommendations are not expected until June 2023. In addition to this, there is a separate HSCP savings target already in place to support the core savings plans required to break even, before the additionality of the £1.33m.

- **Raise all social care Eligibility criteria to critical only (6)**

The provision of social care support is governed by Eligibility Criteria in line with the 2009 National Guidelines. The eligibility criteria are graded into four bands which describe the seriousness of risk to independence or the consequences if needs are not addressed. The bands are, Critical, Substantial, Moderate and Low. Currently care packages are provided to meet Critical and Substantial criteria, but consideration could be given to meeting critical care needs only.

Further detailed work would be required to fully quantify the consequential reduction in expenditure however initial analysis indicates this could be in the region of £1.5m. There would need to be programme of work including public consultation to progress changes to eligibility criteria. It needs to be noted that changing eligibility criteria may mean a reduction in the support for many people we support. For some individuals it will mean a reduction in support that has been provided for significant periods of time.

Without prejudging the outcome of detailed analysis, it is anticipated that changing to critical only care provisions will likely mean:

- Higher thresholds for funding for care home placements
- Individuals will not be receiving care at home support unless they are at significant (critical) risk without this support
- A reduction in the annual amounts of respite care being provided
- Reduced day service provision for people with Learning Disabilities
- Less time being provided to housing support people with housing support for people who need assistance to manage housing and finances

There are two key risks associated with changing eligibility criteria. Firstly, there is likely to be strong reputational risk to the HSCP and a resistance to any reduction to current packages care. Secondary there is a risk the by not providing support in relation to substantial risks situations can deteriorate to the extent that risks become critical and additional expenditure is required in the long run to mitigate these risks.

Midlothian HSCP charges for care in line with COSLA guidance and therefore care charges (except telecare and transport) are financially assessed. The financial assessment is tied to benefit income and is updated annually to take into consideration changes in benefits. As a result of welfare benefits increasing by 10.1% it is anticipated that there will be a corresponding increase in charging income resulting in additional income of approx. £104k.

Consideration can also be given to increasing charging rates (excluding telecare) which would increase income by a further £20k to £30k. It would not be recommended increasing charges in excess of 10% as the financial assessment mechanism means fees are capped and therefore minimal additional income would be generated. Telecare charges generate income of £320k per year and are not financially assessed therefore a 10% increase in these charges would generate an additional £32k income. A higher increase in charges could be considered.

- **Request Analogue to Digital telecare support to purchase technology as a non-recurring cost/benefit to support budget (7)**

By 2025 the UK telephony network will complete a transformation to a fully digital network, many telephony service providers expect to complete by a stretch target of 2023. This deadline has been communicated widely. Scotland's telecare providers community has been aware of it for several years and has been working to understand the implications and consequences.

Since 2017 the Local Digital Government Office (LDGO) has led a national programme of work to ensure a smooth, safe transition to digital services is achieved and support a Once for Scotland approach.

There is no national funding for this transition, and it is estimated to cost Midlothian HSCP £1m on a non-recurring basis. Actual costs won't be known until purchasing begins. Midlothian HSCP were looking to request to utilise the IJBs general reserve for this purchase given its one-off nature.

From discussion at the March IJB meeting it was recommended that the paper for this transition be taken to the Council capital planning committee, to be considered for non-

recurring support this year. The committee met on 4th April 2023 and have supported capital funding for this. This requires to be agreed at full Council meeting on 9th May 2023.

This would provide the IJB with one off (non-recurring) financial support for 2023/24 to allow time for any other financial recovery actions to be implemented.

Recommended Recovery actions

It is recommended that Recovery Actions 1 and 2 are progressed, with non-recurring support from Midlothian Council capital funding for Recovery action 7.

4 Policy Implications

- 4.1 The reduced budget offer from Midlothian Council will impact on delivery of the IJB Strategic Plan 2022-25 and the IJB Mainstreaming Equalities Report and Action Plan 2021-25.

5 Directions

- 5.1 A reduced budget offer from Midlothian Council will directly impact on the HSCPs ability to successfully operationalise several Directions 2023-24. Generalised financial pressure will not necessarily mean a Direction cannot be delivered but will significantly limit progress. In this case, there is a high potential for operational risk to become strategic risk and threaten the IJBs ability to achieve its own strategic aims.
- 5.2 Impact will also be felt across the six strategic aims of the IJB, which are:
- Increase people's support and opportunities to stay well, prevent ill or worsening health, and plan ahead.
 - Enable more people to get support, treatment and care in community and home-based settings
 - Increase people's choice and control over their support and services
 - Support more people with rehabilitation and recovery
 - Improve our ability to promote and protect people's human rights, including social and economic rights and meet our duties under human rights law through our services and support
 - Expand our joint working, integration of services, and partnership work with primary care, third sector organisations, providers, unpaid carers, and communities to better meet people's needs
- 5.3 The options described above have the potential to create significant challenge in relation to ensuring fair access to services (Direction 2.1), improve personal outcomes (4.2), support the equitable provision of service offers and support across our communities, minimise disadvantage where possible, meet different needs, and encourage participation (5.1), and our ability to deliver on the HSCP Workforce Plan (8.1; 8.2). Any reduction in statutory service provision will increase the burden on unpaid carers and the impact will be significant (6.1; 6.2)

6 Equalities Implications

- 6.1 There will be an impact on equalities on some of the noted actions
- 6.2 The IJBs ambitions to improve equality and to reduce disadvantage will be more difficult to realise, and particularly in relation to group of people with protected characteristics. The options described above to limit or review eligibility criteria, the level of support for care at home, and support for people with Learning Disabilities will most significantly impact on the protected characteristics of disability and age. The IJB should consider whether an IIA is required to fully identify and mitigate any impact on equalities
- 6.3 Should the Board agree with Officers' recommendations for recovery action 1 and 2 to be implemented, with recovery action 7 being supported by Midlothian Council on a non-recurring basis from their capital budget, this would minimise impact.

7 Resource Implications

- 7.1 Should the Board decide not to progress with any recovery actions recommended, there will be budget pressure likely to replicate the reduced offer.

8 Risk

- 8.1 There is significant additional financial risk related to reduced budget offer. It is recommended to the Board that risk can be supported by a clear decision to progress on the suggested recovery actions.

9 Involving people

- 9.1 The Board and included Trade Union representatives have been fully briefed on the position. No further consultation has taken place at present until a decision and direction of travel is agreed.

10 Background Papers

None.

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Appendices:

Appendix 1: Recovery actions options matrix