

# Finance and Resources Committee

10.00am, Tuesday, 30 April 2024

## Edinburgh Integration Joint Board (EIJB) – contract Real Living Wage uplift

Executive/routine  
Wards

### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the Direction from the Edinburgh Integration Joint Board (EIJB) to increase contractual hourly pay rates in commissioned adult care settings to at least £12 with effect from 1 April 2024;
  - 1.1.2 approve the uplift of contracts in accordance with this Direction;
  - 1.1.3 note that, due to the generic needs basis used to allocate available funding, the EIJB has reflected an estimated £5.3m cost pressure arising from implementation of this uplift within its overall 2024/25 revenue budget gap;
  - 1.1.4 note further that, in this context, the Service Director: Finance and Procurement has issued a letter of comfort to the EIJB Chief Officer, referencing the anticipated receipt of £5.0m of additional recurring Scottish Government funding and Council's previous agreement to pass this on in full to the EIJB, subject to requesting a match-funded contribution from NHS Lothian; and
  - 1.1.5 refer this report to Council for ratification of this decision and the additional Council financial contribution.

**Dr Deborah Smart**

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## Edinburgh Integration Joint Board (EIJB) – contract Real Living Wage uplift

### 2. Executive Summary

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- 2.1 The report updates members on the level of funding to be made available to councils as part of the 2024/25 Local Government Finance Settlement. Given the content of the approved budget motion and assurances provided to the Chief Officer of the EIJB, members' approval is sought, subject to onward ratification by Council, to implement wage uplifts in adult social care commissioned settings and allocate corresponding funding accordingly.

### 3. Background

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- 3.1 At the Council budget-setting meeting on 22 February 2024, members approved the Council's revenue budget for 2024/25, alongside the 2024/29 Capital Investment Programme and Housing Revenue Account (HRA) budget for 2024/25.
- 3.2 On 21 February, the Deputy First Minister and Cabinet Secretary for Finance wrote to COSLA, copied to all Council Leaders, advising of the potential for additional funding to be provided as part of the 2024/25 Local Government Finance Settlement. Provision of this funding was dependent upon confirmation of relevant additional sums being included within the UK Government's Spring Budget on 6 March and, as such, it was not assumed to be available for allocation as part of the budget motion.

### 4. Main report

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#### **Local Government Finance Settlement, 2024/25 – additional funding**

- 4.1 It had initially been anticipated that the supplementary funding allocation would comprise around £45m of Barnett Consequentials arising from additional social care spend in England, supplemented by £17.7m of further sums identified from within the existing Scottish Government budget. Taken together and on the basis that the £45m would be provided as general revenue funding, the combined £62.7m would address in full the cash-terms reduction in core revenue funding for Local

Government contained within the Scottish Draft Budget. Although, as of the time of writing, still to be formally agreed by COSLA Leaders, distribution on the generic needs basis used for previous equivalent allocations would result in an estimated share for Edinburgh of £5.0m. It is anticipated that COSLA Leaders will agree the basis of funding distribution on 26 April and a verbal update will therefore be provided at the meeting of the Committee.

- 4.2 The actual social care-related Consequentials contained within the UK Spring Budget announcement were lower than anticipated. Other additional spend for Local Government in England did, however, result in £48m of favourable consequentials and, these, along with £14.7m of reprioritisation within the Scottish Government's budget, will be used to fulfil the commitment in the Deputy First Minister's initial letter. Accessing each council's share of this funding is contingent upon not increasing Council Tax rates from 2023/24 levels. This additional funding, alongside sums provided for the Council Tax freeze, will then be baselined as part of future years' budget settlements.

#### **Increase in hourly pay rate in commissioned adult care settings**

- 4.3 Members of the Committee have previously been advised of a shortfall in available external funding to support implementation of a £12 minimum hourly rate in commissioned adult social care settings. While fully funded at national level, the generic allocation basis agreed by COSLA Leaders has meant that this has not been followed through at council level, resulting in the creation of significant shortfalls in funds to support implementation in some authorities (and, by extension, significant surpluses in others). Work undertaken to inform calculation of the overall national quantum points to an estimated shortfall of some £5.3m between the costs of implementation and available funding for services within the remit of the EIJB. This sum formed part of the overall shortfall of £8m presented to the EIJB budget-setting meeting on 18 March, with a corresponding recommendation that a decision on implementation therefore be deferred pending greater clarity on available funding. It should be noted that shortfalls of up to £1m are also anticipated across Homelessness and Early Years services for related commitments in those areas, with consideration and development of mitigating actions on-going.
- 4.4 The approved motion from the Council's budget-setting meeting resolved that any additional consequentials received after the Council had set its budget should be passed on in full to the EIJB, with a request for match-funding from NHS Lothian. Given this, in advance of the EIJB's budget-setting meeting on 18 March, the Service Director: Finance and Procurement provided a letter of comfort to the Chief Officer of the Edinburgh Health and Social Care Partnership, indicating that the total potential additional contribution from the Council to the EIJB was around £5m. Following confirmation of the likely availability and pass-through of this funding, members of the EIJB agreed to issue a direction to the Council to implement an increase in the minimum hourly rate of pay in commissioned care settings to £12 with effect from April 2024.

- 4.5 The availability of this funding was assumed in allowing the EIJB, subject to the development of £3m of further budget control measures, to set a balanced budget on 18 March. As of the time of writing, no additional funding has been confirmed by NHS Lothian. This notwithstanding, subject to the Committee's agreement and onward ratification by Council, this uplift will be applied to relevant contracts with effect from 1 April 2024 and supported by a commensurate additional annual funding contribution of £5m to the EIJB.

## **5. Next Steps**

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- 5.1 Subject to the Committee's approval and onward ratification by Council, the proposed contract uplifts will be implemented and backdated to 1 April 2024, enabling providers to pay these increased rates from that date.
- 5.2 This will be supported by a corresponding baselined £5.0m increase in the Council's "offer" to the EIJB from 2024/25.

## **6. Financial impact**

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- 6.1 It is estimated that the full-year implementation cost of increasing contract rates in commissioned adult care settings for Edinburgh is £23.7m, with corresponding allocated funding of £18.4m, resulting in a shortfall of £5.3m. Pass-through of the anticipated additional funding of £5.0m would address the majority of this requirement, with the balance addressed through grip and control measures across the EIJB as a whole.
- 6.2 It should be noted that successive years' underfunding of these costs represents a significant element of the EIJB's underlying deficit. Assuming continued use of a generic needs basis as opposed to allocation of funding according to actual implementation costs (which reflects the specific sectoral make-up of each EIJB's provision), 4% incremental annual increases over the period from 2025/26 to 2027/28 would result in a further cumulative shortfall of around £7.2m.
- 6.3 These sums relate only to services within the remit of the EIJB and do not include equivalent uplifts in Early Years and Homelessness settings, where a combined funding shortfall of up to £1.0m over the period noted above is also anticipated should funding allocations not reflect the actual costs of implementation.
- 6.4 The Scottish Government has also indicated its intention to expand the £12 minimum hourly rate to children's care in commissioned settings. Work with COSLA, and, through it, with individual councils, is underway to estimate costs of implementation and inform the related funding distribution.

## **7. Equality and Poverty Impact**

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- 7.1 Continued alignment to Real Living Wage foundation rates will contribute positively to the Council's objectives to reduce relative levels of poverty within the city.
- 7.2 Implementation of the report's recommendations will result in the provision of additional funding to the EIJB, and thereafter relevant providers in the voluntary and private sectors, to support an increase in hourly pay rates for all staff to at least £12. Of staff directly benefiting from this increase, some 80% are female.

## **8. Climate and Nature Emergency Implications**

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- 8.1 There are no direct relevant impacts arising from the report's contents.

## **9. Risk, policy, compliance, governance and community impact**

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- 9.1 The report seeks members' approval to implement the Direction issued by the EIJB at its budget-setting meeting on 18 March and allocate additional Scottish Government funding (confirmed since the Council's budget was set) for this purpose.
- 9.2 This decision is subject to onward ratification by Council.

## **10. Background reading/external references**

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- 10.1 [Draft Medium-Term Financial Strategy](#), Edinburgh Integration Joint Board, 18 March 2024
- 10.2 [Revenue Budget Framework and Medium-Term Financial Plan \(MTFP\) 2024/29 – further update](#), Finance and Resources Committee, 6 February 2024

## **11. Appendices**

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None