

Meeting of South Ayrshire Health and Social Care Partnership	Performance & Audit Committee	
Held on	1st November 2022	
Agenda Item:	9	
Title:	Cost of Living Implications	
Summary:		
<p>The purpose of this report is to highlight to the group the implications of the current cost of living crisis and actions in place to mitigate some of the financial challenges for our staff and service users. The report will also provide details on the impact of rising inflation on our social care providers and what measures are being taken nationally to help inform contract increases for new financial year.</p>		
Author:	Lisa Duncan, Chief Finance Officer	
Recommendations:		
<p>It is recommended that the Performance & Audit Committee;</p> <ul style="list-style-type: none"> i. Note the current cost of living crisis ii. Note the implications to the Health and Social Care workforce and commissioned services iii. Note the efforts that HSCP and partners have taken to provide awareness and support to citizens of South Ayrshire iv. Note the risks to commissioned services v. Note further update on contract uplifts to be provided as part of the budget setting process for 2023-34 		
Route to meeting:		
Directions:		Implications:
1. No Directions Required	<input type="checkbox"/>	Financial <input type="checkbox"/>
2. Directions to NHS Ayrshire & Arran	<input type="checkbox"/>	HR <input type="checkbox"/>
3. Directions to South Ayrshire Council	<input type="checkbox"/>	Legal <input type="checkbox"/>
4. Directions to both SAC & NHS	<input type="checkbox"/>	Equalities <input type="checkbox"/>
		Sustainability <input type="checkbox"/>
		Policy <input type="checkbox"/>
		ICT <input type="checkbox"/>

COST OF LIVING IMPLICATIONS

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to highlight to the group the implications of the current cost of living crisis and actions in place to mitigate some of the financial challenges for our staff and service users. The report will also provide details on the impact of rising inflation on our social care providers and what measures are being taken nationally to help inform contract increases for new financial year.

2. RECOMMENDATION

2.1 It is recommended that the Performance & Audit Committee;

- i. Note the current cost of living crisis**
- ii. Note the implications to the Health and Social Care workforce and commissioned services**
- iii. Note the efforts that HSCP and partners have taken to provide awareness and support to citizens of South Ayrshire**
- iv. Note the risks to commissioned services**
- v. Note further update on contract uplifts to be provided as part of the budget setting process for 2023-34**

3. BACKGROUND INFORMATION

- 3.1 A cost of living crisis is when the cost of everyday essential goods and services like energy and food rises faster than the average incomes. Leaving many households worse off in real terms. Inflation measures how fast costs have risen year on year, expressed as a percentage. The latest Office of National Statistics published consumer price inflation rates as at September 2022 was 10.1%, compared to 0.5% in September 2020.
- 3.2 During the Covid pandemic, inflation fell as households cut back on spending. When restrictions were lifted in 2021, two things happened. Households were free to spend accumulated savings from the pandemic, leading to a significant rise in aggregate demand. But, firms were not ready to deal with the surge in demand. Some firms had cut back on investment and laid off staff, there were global supply chain issues from continued lockdowns in China.
- 3.3 The current cost of living crisis is particularly severe due to several different factors pushing up prices including:-
- Increase in oil and gas price as a result of reduced supply partially due to Ukraine conflict
 - Ofgem the energy regulator lifted the energy price cap, allowing increase in costs to be passed on to the consumer
 - Rising cost of food, the conflict in Ukraine causing disruption to supply chains and shortage in wheat, sunflower oil and maize, pushing prices up

- Brexit, the depreciation of the value of the pound, has had the effect of rising import prices.

- 3.4 The government increased taxes and National insurance contributions to finance public services. Wages and welfare payments were not increased at the same levels to meet increasing costs, resulting in further reduced disposable income. In March 2022, the Office of National Statistics reported that 23% of households found it difficult to pay their monthly bills.
- 3.5 Another effect of the cost of living crisis is the effect on Inequality. In July 22 the Bank of England reported “The share of income on taxes and such essential spending varies greatly - for households in the lowest income decile, it accounts for around 90% of their income, relative to 45% for households in the highest income decile.”
- 3.6 The high share of income spent on essentials, is the areas of spend that has seen the highest increase in prices, meaning cost of living crisis is having a bigger effect on the most vulnerable.
- 3.7 Nationally the UK Government have put in place an energy price cap, which will limit typical bill to £2,500 per annum. This will be in place until April 2023. Further support through the Energy Bills Support Scheme, winter fuel payment and winter heating payment will help towards the cost of increased energy costs.
- 3.8 Support from the Government is welcomed, but will not fund the full increase and the additional cost of food and transport. The following report looks at what action the HSCP and wider partners are taking to mitigate the impact on people of South Ayrshire.

4. REPORT

- 4.1 The IJB provide services to the most vulnerable people in South Ayrshire, and the sector has some of the lowest paid workers in the country. The current minimum hourly wage for adult social care staff is £10.50 per hour implemented in April 2022. This relates to services we commission for care at home and community supports.
- 4.2 Pay awards for 2022-23 for NHS staff and Council staff are expected to be around 5% to 10%. With the minimum hourly rate of pay £10.85 per hour. Formal announcement and funding allocations have still to be confirmed at time of writing.
- 4.3 South Ayrshire Council’s Information and Advice Hub is a valuable resource providing advice and support on welfare rights, benefits, household bills and money management.

- 4.4 In order to increase knowledge and awareness of the Information and Advice Hub services, the SAHSCP has made it mandatory for all staff to attend information and advice hub training. This is to increase staff's knowledge on what is available from the service and to recognise when someone may need referral to the service. Raising awareness helps the service users we support, but also the employees within the service who require assistance.
- 4.5 The success of this is already evident as the Information and Advice hub have seen an increase of referrals from the HSCP from 112 referrals in the 3 month period from June 2021 to Aug 2021 to 208 referrals in the 3 month period June 2022 to Aug 2022, an 86% increase.
- 4.6 Voluntary Action South Ayrshire (VASA) have created a magazine in response to the cost of living crisis to be delivered to all homes in South Ayrshire. SAHSCP, and other community partners have provided financial resources to meet the cost of producing and distributing the magazines.
- 4.7 The magazine will include a range of information and guidance from Community Planning Partners on how to stay warm, home safety, food insecurity, where and how to access help and support (including financial support) and information on a range of activities that local people can attend to reduce social isolation and loneliness and in some cases receive a hot meal.
- 4.8 The Scottish Government's Wellbeing and Prevention Unit have started work on analysing the effect of cost of living crisis on mental health and implemented actions to support the public such as inclusion of mental health and money worries section on the Mind to Mind website. Focus on poverty and deprivation within the Communities Mental Health Fund £15m distributed to third sector to support local community groups.
- 4.9 Commissioned services received a contract uplift in March 22, this was to meet the Scottish Government adult social care minimum wage of £10.50 per hour. South Ayrshire IJB also added on an additional uplift on the non-wage element of the contract. The Scottish Government uplift was 4.16% based on an increase to the workforce element of the contract. The following table highlights the new contract hourly rates and the increased uplift made by the IJB to the specific adult community care contracts.

Type of Care	2021/22	2022/23	Uplift
Older People *	£18.19	£19.21	5.61%
Adult *	£18.40	£19.21	4.40%
Personal Assistant	£13.27	£13.86	4.45%
Sleepover	£12.26	£12.81	4.49%

** Rurality uplifts are also provided on above rates at 3% and 6%*

- 4.10 Since the budget was approved, inflation has increased and providers have cited increasing pressures on costs. We have received a couple of letters from providers recently citing increased cost pressures due to inflation compared to the contract uplift. This issue is being experienced nationally and The Coalition of Care and Support Providers in Scotland (CCPS) and Scotland Excel have regular meetings with representatives from The Convention of Scottish Local Authorities (COSLA) to discuss pressures on the sector.
- 4.11 Scotland Excel and Scottish Care are in negotiations at present for the National Care Home contract rates for 2023-24, already providers are experiencing increases in costs due to utilities increases and food cost rising. The outcome of any agreed increases will feature in the budget process for 2023-24.
- 4.12 At present there is a lot of uncertainty in the market place and cost of commissioning social care services, financial planning for the budget for 2023-24 is looking at three scenarios, and these will be refined over time as new information becomes available following from negotiations.
- 4.13 The Scottish Government will publish the Scottish Budget on the 15th of December 2022. This will help inform what levels of increases are affordable to the health and social care sector and hourly pay for Adult Social Care sector.

5. STRATEGIC CONTEXT

- 5.1 The report states what actions are being taken to focus on tackling inequality and providing our staff with the necessary skills to support service users.

6. IMPLICATIONS

6.1 Financial Implications

Any financial implications to support commissioned services and other investments required to mitigate impact of the cost of living crisis will be presented for approval in the budget for 2023-24.

6.2 Human Resource Implications

There are no human resource implications

6.3 Legal Implications

There are no legal implications.

6.4 Equalities implications

The cost of living crisis impacts on families and individuals on low incomes, as a higher proportion of their income will go towards paying for essential goods and services. Locally we are mitigating this through raising awareness of what help and support is available.

6.5 Sustainability implications

6.5.1 There are no environmental sustainability implications arising from this report.

6.6 Clinical/professional assessment

6.6.1 There is no clinical or professional assessment linked to this report.

7. CONSULTATION AND PARTNERSHIP WORKING

7.1 The report outlines partnership working with VASA and CPP to provide support to those in need within South Ayrshire, wider partnership working with COSLA, Scotland Excel and CCPS is ongoing to address and formulate the cost pressures within the social care sector.

8. RISK ASSESSMENT

8.1. There is a risk that commissioned services may experience financial difficulties as costs pressures increase. This may force some businesses out of the market with the HSCP having to step in to continue to provide care and support and staff transferred from commissioned services to council contracts to ensure continuity of care. The Strategic Risk register is currently being updated to reflect the risk and plans are being developed to work through how we can mitigate and respond to this situation.

REPORT AUTHOR AND PERSON TO CONTACT

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BACKGROUND PAPERS

20th October 2022