

Finance and Public Administration Committee

4th and 5th Meeting 2024 (Session 6),

Tuesday 23 January 2024 and Thursday 25
January 2024

National Care Service (Scotland) Bill – Financial Memorandum

Purpose

1. The Committee is invited to take evidence in relation to the Financial Memorandum (FM) on the National Care Service (Scotland) Bill on Tuesday 23 January from the following Scottish Government officials—
 - Donna Bell – Director of Social Care and National Care Service Development,
 - Lee Flannigan – National Care Service Senior Finance Manager, and
 - Richard McCallum – Director of Health and Social Care Finance, Digital and Governance,and on Thursday 25 January from the Minister for Social Care, Mental Wellbeing and Sport, Maree Todd MSP, who will be supported by the above officials.
2. The purpose of these sessions is to examine the Scottish Government's response to the Committee's report on the original FM for the National Care Service (NCS) Bill as well as the information presented in the updated FM, provided to the Committee on 11 December 2023.
3. This paper provides background information on the Committee's scrutiny of the NCS Bill FM to date and on overview of the Scottish Government's response to the Committee's report. The SPICe briefing attached at Annexe A provides analysis of the figures presented in the updated FM and the financial implications of proposed changes to the Bill. The Scottish Government's response to the report, the updated FM, information on the financial implications of proposed changes to NCS Bill and the programme business case provided by the Scottish Government are attached at Annexe B.

Background

4. The [National Care Service \(Scotland\) Bill](#), which was introduced on 20 June 2022, is a 'framework bill' which allows Scottish Ministers to transfer social care responsibility from local authorities to a new, national service. The Parliament

originally agreed a Stage 1 deadline for consideration of this Bill of 17 March 2023.

5. The Committee took evidence on the original FM during meetings in late 2022 (on [25 October](#), [1 November](#) and [8 November](#)) and published its [report on the Financial Memorandum](#) on 1 December 2022. In this report, the Committee expressed “significant concerns” regarding the lack of detail in the FM and requested that the Scottish Government provide an updated FM that includes—

“full details of the underlying assumptions, updated estimates for the gaps identified in this report, as well as updates to the existing cost estimates set out in the FM ... at least two weeks before completion of Stage 1 to inform Members’ approach to the debate on the general principles of the bill and consideration of the Financial Resolution”.
6. The Health, Social Care and Sport Committee (HSCS Committee) is lead committee in relation to scrutiny of the Bill, although other committees were also involved in examining particular elements of the Bill at Stage 1. An overview of work completed by other committees and their reports to the HSCS Committee is available on the [Bill’s webpage](#). The lead committee has yet to publish its report on the Bill at Stage 1.
7. As part of its scrutiny, the HSCS Committee commissioned [research into international models of social care](#), including a [comparison of funding systems in different models](#).

Report on the Financial Memorandum

8. In its December 2022 report on the FM, the Committee noted that, while “costings for all aspects of the Bill and associated elements [...] are difficult to predict due to the co-design approach being used for decision making, [...] even in the context of uncertainties, the Financial Memorandum should have included an indication of the potential scale of all costs associated with the Bill.”
9. The report particularly highlighted the potential financial impact of inflation, IT projects, the transfer of local government staff and assets and liabilities, procurement, double running and VAT liability.
10. During evidence to the Committee in late 2022, the then Minister for Mental Wellbeing and Social Care noted that “inflation is very volatile at present and has moved markedly since the estimates in the FM” and explained that “an average was based on the forecasts that were available when the FM was written”, but that recently available Scottish Fiscal Commission forecasts would be used to update the estimates.
11. As noted above, the Committee therefore requested that “the Scottish Government provides a revised Financial Memorandum, including full details of the underlying assumptions, updated estimates for the gaps identified in this report, as well as updates to the existing cost estimates set out in the FM” at least

two weeks prior to the completion of Stage 1. The aim was that this additional information would inform Members' approach to the debate on the general principles of the Bill and consideration of the Financial Resolution.

Ongoing scrutiny of the Financial Memorandum and related correspondence

12. On 3 February 2023, the then Deputy First Minister, in [response to the Committee's report on the Scottish Budget 2023-24](#), confirmed that an updated FM "is being prepared in response to the Committee's report [on the NCS Bill FM] of 1 December, which will provide more detail on expected spend in 2023-24 and beyond". He went on to say that "we continue to work to refine the business case and ensure that appropriate governance processes are in place to monitor and report on spending".
13. The then Minister for Mental Wellbeing and Social Care, Kevin Stewart MSP, wrote to the Committee on [28 February 2023](#) advising that: "I propose to wait until all the Committee reports on the Bill have been completed and I have had time to consider the full weight of the evidence before I respond". On 8 March 2023, the Parliament agreed to extend the Stage 1 deadline to 30 June 2023.
14. The FPA Committee again wrote to the then Minister on [9 March 2023](#) seeking clarification on a number of issues, including the potential implications of this delay, and a response was received on [23 March](#).
15. The newly appointed Minister for Social Care, Mental Wellbeing and Sport, Maree Todd MSP, wrote to the HSCS Committee on [17 April](#) indicating that the Scottish Government intended to seek Parliament's approval for a further extension to the Bill's Stage 1 deadline beyond June 2023. The letter explained the justification for seeking a further extension to the Stage 1 deadline as being "to use the time ahead of the Stage 1 debate to find compromise and reach consensus with those who have raised concerns during the Stage 1 scrutiny undertaken so far".
16. The FPA Committee [wrote again to the Minister](#) on 24 April, stating that the Committee was "becoming increasingly concerned at the lack of information available on the financial implications of the Bill and frustrated that we have still not received the updated FM we requested back in December last year". The Committee repeated its call for a revised FM to be provided "at the earliest opportunity, and no later than Friday 12 May", along with a detailed breakdown of spend to date on the NCS and clarification of the new timetable for completion of Stage 1.
17. In her response of [9 May](#), the Minister said she considered that it would be more helpful to wait until the conclusion of her discussions with key partners and stakeholders, due to take place during the summer, before she provided a single update to the FM and committed to "providing a response to the ... Committee's report at least four weeks before the revised date for the Stage 1 debate". The Minister's letter included a breakdown of spend to date on the NCS, amounting to

£1,641,323 in 2021-22 and £12,312,269 in 2022-23. The Minister however noted it was not possible to separate costs relating to the provisions of the Bill and those which result from the wider NCS programme.”

18. The Committee responded to the Minister’s letter on [30 May 2023](#), expressing concern and seeking an explanation of why, at that early stage, the costs of the NCS Bill could not be separated from the wider NCS programme. It also asked what steps the Scottish Government would put in place to enable this separation of costs to be made going forward.
19. Shortly thereafter, on 7 June 2023, the Parliament agreed to extend the Stage 1 deadline to 31 January 2024.
20. The Minister responded to the Committee on [16 June 2023](#), providing an update on the figures from 9 May, following the completion of year-end adjustments and a review of cost allocations. According to the figures provided on 16 June, spending on the NCS amounted to £1,785m in 2021-22 and £12,643m in 2022-23.
21. Following this exchange of correspondence, the Committee took evidence from the Minister on expenditure to date on the Bill and the wider programme on [26 September 2023](#).
22. Further information on expenditure to date on the programme was supplied to the Committee in the Minister’s letter of [26 October 2023](#). The annexe to the letter provides a breakdown of costs incurred during months 1-6 of 2023-24 (April to September 2023), amounting to £5,066m.

Recent developments

23. A written update was provided to the HSCS Committee on [12 July 2023](#). This followed that Committee’s evidence session with the Minister on [9 May 2023](#), where the nature and focus of the Scottish Government’s planned “engagement and co-design activities through summer” was discussed, and a further written update regarding the planned regional forums and their format of [23 May 2023](#).
24. The Minister’s July 2023 update includes information on the programme of local co-design activity during summer and highlights that “these events mark the start of a wide-reaching programme of co-design activity that will take place over the next 18 months”. The letter further states that—

“An initial consensus proposal between the Scottish Government and COSLA (on behalf of local government) has been formed on a partnership approach that will provide for shared legal accountability. This will improve the experience of people accessing services by introducing a new structure of national oversight to drive consistency of outcomes, whilst maximising the benefits of a reformed local service delivery. It would provide Scottish Ministers, local authorities and NHS boards with overarching shared accountability for the care system. Local Government will retain functions, staff and assets.”

25. The SPICe blog [National Care Service Bill – more than a year on. Where are we now?](#) provides an overview of the Bill’s progress to July 2023.
26. On 15 September 2023, the Scottish Government announced [additional funding for third sector organisations](#) to facilitate contributions from minority ethnic communities, LGBTI people, children and young people and those with experience of homelessness or the justice system to contribute to the design of the National Care Service.
27. On 20 September 2023, the Scottish Government wrote to the HSCS Committee with a further [update on the ongoing co-design and engagement process](#). The letter notes that following discussions with local government and the NHS, it was agreed that the NCS will have a national Board to provide national oversight and governance of social work, social care support and community health—
- “The Board will be accountable for standards, guidance and performance metrics, and will set out an agreed escalation framework for when standards are not met. It is expected to be responsible for approval of local strategic plans and ethical commissioning strategies, and will ensure transparency and visibility of data, information and analysis about social care support, social work and community health services through reporting on delivery. This work will also support greater financial transparency. At local level, local government and NHS Boards will retain statutory delivery functions, staff and assets.”
28. More recently, on [6 December 2023](#), at the lead committee’s request, the Minister for Social Care, Mental Wellbeing and Sport, provided further clarification on the proposed changes to the Bill, following the Scottish Government’s tripartite negotiations with local government and NHS.
29. The Parliament agreed, on 17 January 2024, a further extension to the Stage 1 deadline for the Bill, to 1 March 2024. The HSCS Committee is due to consider and agree its report on the Bill ahead of the Stage 1 debate.

Scottish Government’s response to the Committee’s report

30. The Minister’s letter of 11 December 2023, attached at Annexe B, provides the Scottish Government’s response to the FPA Committee’s report on the FM, published in December 2022. This is accompanied by an update to the FM for the Bill as introduced, which sets out how cost estimates have changed since the Bill’s introduction in June 2022. Following agreement with COSLA on shared legal accountability, a number of changes to the Bill are proposed, which are detailed in the Scottish Government’s letter to the HSCS Committee of [6 December 2023](#). The Minister’s letter to the FPA Committee of 11 December is therefore also accompanied by a note of the financial implications of changes to the Bill that the Scottish Government proposes to bring forward at Stage 2.

31. As noted in the updated FM, the Scottish Government expects that the national level part of the NCS will be established during 2025-26. Under the Bill as introduced, NCS local Care Boards were assumed to go live during 2028-29. The updated FM re-phases costs across a ten-year period from 2022-23 to 2031-32.
32. Table 2 of the annexe to the Minister's letter – Financial Implications of Proposed Changes – sets out the revised costs for the NCS, taking into account the Scottish Government's proposed changes at Stage 2. Over the ten-year period, total costs under the revised proposals amount to between £631 million and £916 million.
33. The Minister's letter to the FPA Committee reiterates the Scottish Government's commitment to co-design and engagement with local government, NHS, trade unions and those with lived and living experience of community health and social care and states that tripartite negotiations with local government and the NHS "have prioritised agreement on matters requiring primary legislation and further work will be required, including on the detail to be included in secondary legislation and what will be involved in operationalising the legislation". It notes the Scottish Government's intention to make amendments to the Bill at Stage 2 and highlights the following three main changes, which will "substantively change the costings of the Bill":
- that local authorities will retain responsibility for all current functions and the delivery of social work and social care services and there will be no transfer of staff or assets;
 - reforming Integration Authorities (IAs) rather than creating new local Care Boards, and;
 - the establishment of a National Care Service Board.
34. In its report on the FM, the Committee stated that it found itself "unable to assess the affordability of the Bill" and raised significant concerns regarding the use of a "framework bill" and secondary legislation. It emphasised that "the Scottish Government should not bring forward primary legislation unless it is based on a full and proper business case to allow stakeholders and the Parliament to scrutinise and take a view on the full cost estimates, ranges of costs, and margins of uncertainty." It further raised concerns regarding the use of secondary legislation, "which limits scrutiny and does not provide the greatest opportunity to propose changes and shape its provisions".
35. In her response to the report, the Minister states that she "note[s] the Committee's general views on the use of a framework approach to the Bill and implementation of the detail through secondary legislation", however, reiterates her commitment to co-design of the National Care Service system, "so that the new structures and approaches work to reduce the historic gap between legislative intent and delivery." She commits to providing financial and regulatory impact assessments for upcoming secondary legislation and regular updates as the co-design process progresses.
36. The Committee's report sought clarification on the timeframe that the Scottish Government is seeking to provide for parliamentary scrutiny of secondary

legislation related to the Bill. In her response to the Committee's request, the Minister argued that "it is important that we do not stifle discussions about how to get things right for people by precisely defining boundaries at this stage", noting that the majority of the delegated powers in the Bill are subject to affirmative procedure, which "gives committees a greater level of scrutiny before making a recommendation to the Parliament as to whether to approve or reject them".

37. Timing and sequencing were areas of concern highlighted in the Committee's report, which requested a timescale for delivery of the co-design process. The Scottish Government's response points to the co-design strategy published in June 2022 which identifies three phases to NCS collaborative design:

- "Understanding – building our shared understanding of the current challenges
- Sensemaking – what and how can we deliver improvement?
- Agreement – do the proposed changes address the issues raised by people?"

followed by

- Drafting of regulations and
- Review.

38. The Minister states in her letter that most co-design activity throughout 2023 focussed on "the information needed to develop policy directly associated with the passage of the Bill", within the 'understanding' phase, with the 'sensemaking' phase currently underway. She further notes that co-design will continue throughout the lifespan of the NCS and the development of amendments to the Bill and secondary legislation "in line with the relevant timescales". The Scottish Government maintains its commitment to deliver the NCS during this parliamentary session, under a phased approach. However, the costs provided have been rephased over a ten-year period to 2031-32.

39. As noted above, the Scottish Government intends to make significant changes to the Bill as introduced, with the three areas highlighted to the Committee being the establishment of a National Care Service Board, reforming IAs instead of creating new Care Boards and the retention by local authorities of the responsibility for all current functions and the delivery of social work and social care services.

40. The new National Care Service Board is envisaged to provide the primary means through which to "secure, operationalise and manage shared accountability". While the delivery mechanism for the National Board is still under development, this "may be in the form of a public body", the detail and composition of which will be set out through regulations.

41. In relation to the reform of current IAs, the Minister highlights the following areas of financial impact or risk mitigation:

- "Reforming current IAs rather than creating new Care Boards as public bodies will eliminate costs associated with the setup, operation and

governance. This means that we do not now propose to set up 31 new public bodies to support the NCS. There will be some new costs associated with the reform of IAs as outlined in the financial implications paper, but significant overall cost reductions are projected.

- Statutory delivery functions will remain with local government and health boards respectively, along with assets, employment and relevant funding. Consequentially, costs associated with the transfer of staff and assets originally provided for will no longer be incurred. Again this significantly reduces the risks associated with asset transfer and removes risks associated with staff pensions and TUPE, previously highlighted by the Committee.
- Reforming IAs rather than creating new Care Boards is also expected to significantly reduce costs associated with premises and IT. Therefore, as funding will continue to flow as per current arrangements, unless specifically agreed, this negates the concerns around VAT implications.”

42. It is proposed that reformed IAs are accountable to the National Care Service Board, which will be responsible for reviewing, and securing assurance on the deliverability of local strategic plans, as well as scrutinising reformed Integration Authorities’ performance reports.
43. Further amendments are proposed to support an Improvement, Support and Escalation framework. As part of this framework, the Minister’s letter states that “it is the Scottish Government’s position that the Ministerial powers of direction over local authorities, health boards and local integration authorities should be retained as set out in the Public Bodies (Joint Working) (Scotland) Act 2014 (the 2014 Act)”, with the planning assumption being that the Ministerial powers of intervention set out in the Bill as introduced would transfer to the National Care Service Board. Proposed reforms to IAs, as listed in the letter of 11 December 2023, include the possibility for IAs to be directly funded by the Scottish Ministers, revised chairing arrangements, changes to staffing arrangements and greater integration, including “greater cooperation and pooling of resources across integration authority boundaries, beyond what is currently explicitly provided for in the 2014 Act”.
44. A further area highlighted in the Scottish Government’s response to the Committee’s report refers to the right to breaks for unpaid carers. Page 12 of the Minister’s letter provides an explanation of the basis for the estimate in the original FM, as requested by the Committee, with a number of revisions, which bring the current estimate for the cost of the right to breaks from caring by 2034/35 to £225m at nominal prices, compared with £143m at 2022/23 prices in the original FM. The Minister states that “approximately half of the increase is due to the revisions at 2023/24 prices and half is due to inflation to nominal prices”.
45. In relation to the information sharing scheme, the Committee stated, in its December 2022 report, its expectation that “given the potential for significant financial impact from, and the risk of, cost overruns of IT projects, [...] an indicative figure would have been included in the Financial Memorandum, even in the context of considerable uncertainties.” The rationale provided by the Minister for not including cost estimates in the original or updated FM or in the financial

implications paper is that “the information sharing scheme provided in the Bill will facilitate, rather than require, the creation of the integrated social care and health record.” The integrated record continues to be subject to co-design and a business case process is being developed.

46. The updated FM maintains the original position that the NCS would be VAT neutral, following the agreement on shared accountability. However, it notes that Scottish Ministers may wish to fund IAs directly in specific circumstances, “the VAT implications of funding IAs directly will therefore be considered on a case by case basis.”
47. As with the original FM, the updated FM continues to assume no associated cost for changes in procurement strategy. The Minister’s response explains that a working group of key stakeholders has been created to support and embed ethical commissioning and procurement, however, “as this project is not specific to the creation of the NCS, the Scottish Government has assumed no costs for changes in the procurement strategy arising from the Bill.”
48. In relation to economies of scale, the updated FM recognises the potential impact on local authorities of economies of scale based on the Bill as introduced. Nevertheless, as stated in the government’s response, “given the agreement that local authorities will retain delivery functions, staff and assets, the question of those potential impacts no longer arises”.
49. Finally, in response to the Committee’s request that costs are monitored and reported on twice a year, the Minister commits to providing regular updates on costs profiles, however, she highlights that social care expenditure is collated in Local Finance Returns on an annual basis, therefore more frequent reporting will not be possible.

Next steps

50. The Committee will consider and agree an update to its report on the FM at a future meeting.

Committee Clerking Team
January 2024

Finance and Public Administration Committee

3rd and 4th Meetings, 2024 (Session 6),
Tuesday, 23 January and Thursday, 25
January

National Care Service (Scotland) Bill: Updated Financial Estimates

Background

The Committee undertook scrutiny of the [Financial Memorandum \(FM\) accompanying the National Care Service \(Scotland\) Bill](#) (hereafter referred to as the “original FM”). Following the scrutiny of the original FM, the Committee produced a [report on the FM](#), which was published on 1 December 2022. This report was intended to inform the Stage 1 consideration of the Health, Social Care and Sport Committee (the lead Committee for the Bill), but also represented a standalone report, requiring a formal response from the Scottish Government.

The [Scottish Government responded to the Committee on 11 December 2023](#) providing responses to the issues raised in the Committee’s report as well as updated financial information, which is explored in this paper.

Since the Committee’s scrutiny of the original FM, there has been extensive further Parliamentary scrutiny by the Health, Social Care and Sport Committee and other committees. The Scottish Government has now proposed major revisions to its plans for the National Care Service. A [SPICe blog](#) summaries the main issues arising from the Parliamentary scrutiny of the Bill, and the [revised plans announced on 12 July 2023](#).

The most significant change announced in the letter of 12 July 2023 was the intention to pursue a partnership approach with shared legal accountability between the Scottish Government and local authorities. This would mean local government retaining existing responsibilities for delivery of social care and also retaining staff and assets. The [Bill as introduced](#) had proposed significant transfer of responsibilities, staff and assets away from local government and the creation of up to 32 new Care Boards, but this is no longer proposed.

The new proposed approach would have a significant impact on the potential costs of the legislation, if introduced. Rather than creating new Care Boards, the new model relies instead on a restructuring of existing Integration Authorities (IAs). The Scottish Government intends to introduce amendments at Stage 2 of the legislative process that, if passed, would bring these revised proposals into effect.

Reflecting the significant changes to the proposals, the Scottish Government has provided updated costings to the Committee alongside its response to the Committee's report on the original FM. In a [letter dated 11 December 2023](#), the Scottish Government wrote to the Committee providing:

- a response to the Committee's report on the original FM
- the latest version (dated December 2023) of the Programme Business Case
- an update to the original FM to provide clarification on certain points and set out how cost estimates have changed since the Bill was introduced in June 2022 (importantly, this is based on the original proposals)
- a note of the financial implications of the changes to the Bill that the Scottish Government proposes to bring forward at Stage 2, reflecting the agreement reached with COSLA and the NHS on shared accountability.

So, the Scottish Government has presented both updated costs based around the original proposals, as well as revised costs based on the new proposals which will form the basis of Scottish Government amendments at Stage 2. These are presented in separate documents.

In this paper:

- **“Updated FM”** refers to the updated costings based on the original proposals (as per the Bill as introduced); in the Scottish Government's response, this is the paper with changes tracked in red text.
- **“New FM”** refers to the new costings prepared that reflect the revised proposals for a shared accountability model and reflect the amendments that the Scottish Government proposes to bring forward at Stage 2; this is the final paper in the Scottish Government's response and is titled “National Care Service (Scotland) Bill – Financial Implications of Proposed Changes”.

Issues raised in Committee report on original FM

The Committee's report on the original FM raised issues in relation to:

- Scottish Government consultation on the proposals
- The need for clarity on costs and funding proposals
- The use of framework legislation and the implications for Parliamentary scrutiny, with the consequent reliance on secondary legislation for the introduction on major aspects of the reforms
- The lack of detail contained in the FM (partly reflecting the framework nature of the legislation), and the absence in many instances of ranges of costs where uncertainties exist
- The absence of costs in some areas e.g. proposals for information sharing arrangements, transfer of local government staff and assets, VAT liability implications
- Lack of clarity in relation to potential economies of scale
- Impact of reforms on local authorities

Reflecting the wide-ranging nature of these concerns, the Committee requested that the Scottish Government provide an updated FM to address the issues raised. This updated FM has been provided in the Scottish Government's response.

The Scottish Government has also responded to the specific issues raised by the Committee in its letter and the clerk's paper addresses this response in detail. This SPICe paper focuses on the updated FM as well as the new FM provided to reflect the new proposals. It also comments on the Programme Business Case provided.

Updated Financial Memorandum

The updated FM reflects the original proposals from the Bill as introduced. As noted above, these proposals no longer represent the delivery model the Scottish Government would intend to pursue, following the [agreement on shared accountability between the Scottish Government and COSLA](#). The Committee had requested an updated FM in its report, reflecting the concerns highlighted in its report on the original FM and the need identified in that report for greater clarity around the costs of the original proposals. The updated FM responds to this request and provides a tracked version of the original FM, with changes and new additions highlighted in red.

This is helpful and welcome in so far as it provides a direct read across from the original FM and it is a direct response to the Committee request. However, when the Committee requested an updated version of the original FM that provided direct read across, it was not aware of the scale of change to the proposals that was to take place several months later. Now that the proposed implementation has changed so significantly, the updated FM no longer reflects the proposals that the Scottish Government would propose to take forward.

As such, this paper focuses primarily on the new FM, rather than on the updated FM. It is however noted that, in other situations where the Committee might have

concerns around an FM accompanying a Bill and where the proposals remain largely unchanged, the model of an updated, tracked change FM with direct read across to the original costings is a helpful one and might be welcome in future FM scrutiny scenarios.

The updated FM essentially reflects:

- Different phasing of the original proposals, reflecting the financial constraints faced by the Scottish Government and the lengthier Parliamentary scrutiny phase for the Bill. Costs have therefore been re-phased over a ten year period, rather than the original five year timeframe. Most significantly, the updated FM reflects plans to introduce NCS Care Boards in 2028-29, rather than 2025-26.
- New cost data that was not available at the time of the original FM, in particular affecting breaks for carers.
- Revised inflation forecasts.

Over the ten year period, total costs in the updated FM are estimated at **between £880 million and £2,192 million**, compared with **between £644 million and £1,261 million** over a five year period in the original FM. However, as noted above, these costs no longer reflect the Scottish Government's proposed model for service delivery.

Two particular aspects of the original FM that are particularly relevant for ongoing scrutiny as they also impact on the costs of the new proposals. These are the assumptions around inflation and the estimates relating to Rights to Breaks from Caring (proposals for carers' breaks have not changed, but the costs have been revised). These two issues are explored further below.

Inflation

The updated FM provides some additional commentary on inflation assumptions. Inflation projections are set out in the updated FM for the full ten year period, using Office for Budget Responsibility and Scottish Fiscal Commission forecasts where available and assuming a 2% rate of inflation beyond that (equivalent to the Bank of England's target rate for inflation). Although not explicitly stated, the inflation series appears to reflect consumer price inflation (CPI) measures. While this might be a useful measure for pay inflation (as pay awards are likely to take account of CPI inflation), it would be more usual to use a GDP deflator for other areas of government spending (see [SPICe 2023-24 budget briefing](#) for further context). It is not clear why CPI inflation has been used for all aspects of costs, including non-staff costs.

The updated FM goes on to note that, in respect of assumptions around future pay costs:

“Scottish Government pay awards were analysed between 2015-2016 and 2024-2025, 2024-25 was included following the agreement on the multi year pay deal between SG and its employees, but no direct correlation was found

between the average pay award and the CPI inflationary figures across this period. The average pay increase over this period was 2.8%, with 2023-24 excluded from the average as this was an outlier due to the unprecedented impact of inflation. The 2.8% average figure has therefore been applied to all staffs future forecasts from 2025-26 onwards, the exception being direct care workers as set out below, to ensure consistency

Care workers pay is based on the National Living Wage commitments from 2021-22 to 2023-24 while Auxiliary staff are based on the Real Living Wage. The staff in scope for transfer (under the Bill as introduced) are Local Government employed staff. We are aware their pay will not track directly to the National Living Wage / Real Living Wage but this provides a standard minimum assumption to work from. Pay inflation of 5% has been applied to this group to conform with historical averages and based on the ongoing Fair Work commitments.”

Rights to breaks from caring

The Bill includes proposals to establish a statutory right for unpaid carers to take short breaks. This will be via a personalised adult carer support plan (ACSP) or young carer statement (YCS). This will be in addition to existing funding available through a range of small grant schemes that provide easy access support for those in less intensive caring roles.

The proposals in relation to rights to breaks from caring are not affected by the revised delivery model. As such, the costs are the same in both the updated FM and the new FM.

Costs have been estimated based on:

- Numbers of carers and the intensity of caring (hours per week)
- Nature of replacement care (residential or home-based)
- Unit costs for replacement care, carer breaks and easy access support
- Cost and numbers of young carer support workers.

Assumptions have had to be made around:

- Numbers of carers that will exercise their right to breaks
- Average amount of replacement care for personalised support packages
- Balance between personalised support and easy access support
- Existing levels of local authority/IJB spending on breaks and replacement care
- How demand and provision will evolve over time.

The scale of costs has been updated since the original FM and both the updated and new FM present these revised costs. The updated FM notes in relation to the section on rights to breaks from caring that “this section to be updated once new carers population figures are published on 5 December”. However, the Scottish Government has confirmed that the new data has actually been incorporated.

In addition to the incorporation of new carer data, there are also other changes to the estimates for the costs of rights to breaks from caring that are reflected in the both the updated and new FM. These include:

- updated unit costs
- incorporating assumptions around demographic change and the impact on numbers of carers
- inflating estimated costs to nominal terms to be consistent with the rest of the FM

As in the original FM, it is assumed that costs will build over a ten year period, reaching “steady state” in 2034-35. The combined effect of the revisions means that the “steady state” annual costs for Carers Act breaks are estimated at **between £155 million and £225 million**. This compares with a steady stage range of annual costs of between £82 million and £133 million in the original FM. The revised costings therefore represent an increase of £73-92 million per year compared to the original costings. According to the Scottish Government’s response to the Committee, around half of the increase in the cost estimates is due to the revisions to 2023-24 unit cost prices and around half is due to inflation to nominal prices.

[Note that the costings for Carers Act breaks are projected to 2034-35, which is beyond the timeframe of the rest of the FM. This is because 2034-35 is the point at which steady state costs are expected to be reached, so this shows the maximum anticipated costs. In 2031-32, which is the point at which the other estimates stop, Carers Act breaks are expected to be costing £102-148 million.]

As noted in the Committee’s report on the original FM, the basis for the calculation of the costs associated with rights to breaks for carers were clearly set out (in the original FM and, by extension, in the updated FM). However, the range of assumptions on which the calculations are based means that the estimates will be sensitive to alternative assumptions. The original and updated FMs reflect this uncertainty in upper and lower estimates, and further provides estimated costs over a longer period of time in recognition that the demand and scale of provision is expected to build over time.

As noted in the Committee’s report on the original FM, the Fraser of Allander Institute had noted particular uncertainties in relation to the costings provided for rights to breaks from caring, due to a lack of data at local authority level and no specific allocation for carer respite in the local government settlement. In contrast, CIPFA had commented that some helpful detail had been provided in the FM in respect of this aspect of the Bill.

The original and updated FMs also set out the costs of easy access breaks, although these are not a direct consequence of this Bill.

The cost estimates presented in the FM do not incorporate any estimate of the potential savings that could result from enabling carers to take regular breaks from caring responsibilities. The original and updated FMs do note, however, that these savings could be substantial as the Bill provisions around

carers' breaks are aimed at protecting the health and wellbeing of carers. For example, enabling breaks for carers could deliver savings on both social care and health expenditure through:

- helping to ensure that existing caring relationships do not break down
- reducing carer ill health
- enabling carers to remain economically active.

The Programme Business Case

In respect of the revised proposals, the Scottish Government has provided the Committee with the December 2023 version of the Programme Business Case (PBC) for the National Care Service. This is described as a “live document” which will “continue to be developed as the Programme is further defined”. The document states that:

“Updates will be made to the PBC when there are significant changes to Programme scope, costs, or timeline. Revisions to the case will ensure it remains current and that ongoing consideration is given to the viability of the Programme at key decision and/or investment points. Key points will include, but are not limited to, the development of underpinning project and workstream business cases for projects that require significant funding as part of the NCS programme.”

The PBC further states that, in accordance with [HMT Green Book Guidance](#), it “provides management with a tool for transparent and evidence based decision making and a framework for the co-ordination, delivery, monitoring and evaluation of the resultant outputs, outcomes, and benefits”.

The December 2023 PBC reflects the proposed shared accountability model and sets out:

- The strategic case for the proposals
- The economic case for the proposals
- The commercial case for the proposals
- The management case for the proposals

The document also includes a section titled “Finance Case”. However, this section does not include any financial information, but simply refers to an accompanying “shared accountability paper”. The Scottish Government Bill team has confirmed that this refers to the new FM included in the Scottish Government’s response (nine page document at the end of the response headed “National Care Service (Scotland) Bill – Financial Implications of Proposed Changes”).

The PBC states in Section 2.7 that “the accompanying shared accountability paper sets out the anticipated financial resourcing requirements in detail”. However, this is only a nine page document, compared with the original FM which ran to 28 pages and provided a greater level of detail (although, as noted above, despite the original

FM being a longer document, there were areas where the Committee was not content with the level of detail in the original FM).

In the absence of any financial information, the PBC sets out the strategic and economic rationale for the proposals, including the case for change, the issues with current delivery mechanisms, the options considered in reaching the current view on proposed model, the perceived benefits and proposed governance arrangements. While there is some detail provided, and the document runs to around 60 pages, most of the content is relevant to the other Committees scrutinising the proposals and, in particular, the Health, Social Care and Sport Committee as the lead Committee who will consider the rationale for the proposals. For the Finance and Public Administration Committee, the focus is on the estimated costs of implementation. In this respect, the PBC provides helpful context for the proposals that are being costed, but it is the new FM that provides the detail of the new financial estimates and is explored in detail below.

New Financial Memorandum

As noted above, the new FM is a relatively short, nine page, document outlining the estimated costs associated with the revised proposals for delivery. The new FM states that the main differentiating factors between the original proposals and the shared accountability agreement is the “focus on reforming the current Integration Joint Boards (IJB) as opposed to creating new public bodies (Care Boards), to remove the potential for any staff transfer from Local Authorities as well as adding the costs associated with the establishment of a National Board.” The new FM states that the reformed IJBs will be referred to as Integration Authorities (IA).

As with the updated FM, costs are presented over a ten year period. Over the ten year period, total costs under the revised proposals amount to **between £631 million and £916 million**. This compares with estimated costs over the equivalent ten year period of **between £880 million and £2,192 million** under the original proposals (with the revisions set out in the updated FM). As such, the revised proposals represent substantially lower overall costs, with total costs estimated to be between £249 million and £1,276 million lower over the ten year period.

The new FM notes that, in Table 3 which compares the new costs with the original (updated) costs, the costs associated with “Rights to breaks from caring” have been shown for consistency. However, it then goes on to state that “the shared accountability agreement has no impact upon these cost estimates”. The revised proposals still include provision for “Rights to breaks from caring”, but the new proposed arrangements have no bearing on the estimated costs, so the estimates from the updated FM remain valid.

The new FM outlines that there are three significant changes driving the difference in estimated costs:

- No transfer of local authority staff or assets under the new proposals, which reduces anticipated costs
- No plans to establish new Care Boards, but instead plans to reform integration authorities (IAs), with much lower cost implications

- Plans to establish a National Care Service Board, which introduces new costs.

The impact of each of these changes is explored further below.

No transfer of local authority staff or assets

The original proposals included plans to transfer around 75,000 social care staff from local authorities. This is no longer proposed and removing the transfer of staff costs results in savings totalling £732 million over the period in which the transfer would have taken place (2028-29 to 2031-32) and ongoing costs of £270 million per year beyond that period.

This change to plans for transfer of local authority staff and assets also means that the Committee's concerns around the handling of these proposals in the original FM are no longer relevant. For example, the Committee had flagged a lack of costings in relation to the transfer of assets and liabilities, but this is no longer relevant under the new proposals.

No plans to create Care Boards

The revised proposals no longer include plans to set up new Care Boards and this delivers substantial reductions in costs relative to the original proposals. Under the original proposals (with the updates provided), the creation of 31 new Care Boards would have resulted in estimated costs of between **£323 million and £660 million** over the ten year period.

Reform of existing integration authorities

Instead of creating new Care Boards, existing IAs will be reformed. The FM notes that the reform of IAs will result in some "new, but smaller, costs being incurred in place". According to the new FM:

"The detail of the proposals is currently being worked through as part of the ongoing Co-Design with service users and discussions with COSLA, NHS and partners to find the optimal operating model but associated costs will likely include:

- Increased support for lived experience representatives on IA boards, including support provided for those who undertake caring responsibilities to facilitate their involvement.
- Greater training and development and induction support for all board and committee members.
- Strengthening of localities through increased community engagement. This will entail the creation of additional posts to engage more fully within the localities, addressing and supporting members of the community to ensure their voices are heard.

- There may be the provision made for the IA to directly employ staff such as the Chief Officer and so provision has also been made for a centrally hosted team who will manage the operational requirements of the transfer such as HR and payroll.

According to the new FM, the costs associated with the proposed IA reforms are expected to cost between **£53 million and £79 million** over the ten year period, which is between £270 million and £581 million lower than the estimated costs of setting up new Care Boards.

There is limited information on the basis for the estimated costs of reforming the IAs (shown in Table 4 of the new FM). For example, over the ten year period, additional staffing costs of between **£31 million and £47 million** are estimated over the ten year period, but there is no detail on the assumptions on staffing that underpin these estimates, such as numbers of staff, or salary levels. The new FM just states (para 7) that:

“The majority of the staffing costs cover the expansion of community engagement teams to support the work with local communities and lived experience groups. There is also provision made for the creation of a small hosted team who will deliver the HR, payroll and associated functions should reformed IAs directly employ the Chief Officer and Chief Finance Officers. These posts are currently employed by Local Authorities or NHS Boards and seconded to the IA.”

There is no provision for premises and IT costs (or it could be that they are below £0.5 million per year, so have been rounded to zero). There is a small provision of £2-3 million per year for running costs and £2-4 million per year for governance and Board costs, which the new FM states reflects “the remuneration of additional lived experience members who will sit on the reformed IA boards”.

The letter included in the Scottish Government’s response to the Committee’s report also comments on the proposed reform of IAs. In relation to staffing arrangements, it notes that:

“To introduce further transparency we are exploring the potential of revised chairing arrangements for reformed Integration Authorities. This may include an Independent Chair at local level, working in concert with the current arrangements which reserve chairing responsibility for members from Local Government and the NHS. Ministers would expect the Independent Chair to be accountable, and to provide advice to the National Board. Further work with partners is required to define the detail of this proposal and this will be developed in consultation in the coming weeks.”

Further adding:

“Reforms will build on what has already been accomplished through the 2014 Act in terms of integration through a continuous improvement approach, and ahead of the establishment of the National Care Service the Government remains committed to maximising the opportunities for greater integration under existing legislation.

Under this continuous improvement approach it is intended to carry over any existing powers under the 2014 Act which have not yet been used in practice, such as the powers to allow integration authorities to directly employ chief officers and other members of staff. Again this is not being retained for wholesale application, however we are clear that current staffing arrangements are often complex and local areas may wish to streamline their working arrangements in due course.”

It is unclear from this what the reformed IAs might look like and how this uncertainty is reflected in the cost estimates provided. The Scottish Government response also highlights the scope for streamlining, co-operation and pooling of resources between IAs:

“There are other aspects of how integration authorities are currently operating which is leading to unwarranted variation across the country and which would benefit from streamlining, including how frontline integration through the Health and Social Care Partnerships operate. There is a requirement for strong, clear schemes of delegation within integration arrangements which create clear roles for partnership organisations, including putting these on a statutory footing where appropriate.

It is the intention that the NCS Bill should allow for greater cooperation and pooling of resources across integration authority boundaries, beyond what is currently explicitly provided for in the 2014 Act. This includes revisiting the use of hosting arrangements and formalising these by ensuring effective governance structures are in place around the use of these. We will also strengthen the opportunities for Integration Authorities to join together across current geographical boundaries to achieve greater consistency, quality and economies of scale where there is local agreement to do so. It is also the intention that the role of localities should be strengthened, building on what works well and driving greater consistency in how these are set up and used as part of community engagement, strategic planning and other integrated functions.”

Again, it is unclear whether the scope for different working arrangements and any potential for savings through greater co-operation and pooling of resources are reflected in the cost estimates that have been presented.

Given that anticipated costs of reforms run to £10-15 million per year, some further detail on the assumptions underpinning the staffing costs, running costs and governance costs would be expected, as well as more detail on the proposed premises and IT costs.

In its report on the original FM, the Committee had raised concern over the lack of detail in respect of the cost implications of change to VAT liabilities under the original proposals. As noted in the Scottish Government’s response to the Committee, the new proposals would mean no change in the current VAT liabilities of those delivering services, making the proposals VAT neutral. The letter does however note that:

“It may be that in some specific and agreed circumstances, as previously referenced, Ministers do wish to fund IAs directly, either to secure economies of scale for low volume, high intensity care, for very specialised support and services, for regional approaches where economies of scale can be achieved, or for national provision such as prison social care. The VAT implications of funding IAs directly will therefore be considered on a case by case basis and decisions made on the relative benefits of pursuing this approach, including the VAT implications. In addition, Scottish Government have also engaged with HMT and HMRC to discuss options for a VAT neutral status for the NCS.”

This suggests that there could still be some element of costs associated with changes in VAT liabilities, resulting from any direct funding of IAs. However, no indication of potential costs is given and the outcome of the engagement with HMT and HMRC is not clear.

Establishment of a National Care Service Board

The establishment of a National Care Service Board is a new proposal that had not previously been costed under the original plans. Under the shared accountability agreement, the new NCS Board is intended to be “the main route through which shared accountability is operationalised and managed”. According to the new FM, the functions are expected to include:

- setting national strategic direction
- developing standards, guidance and operating frameworks
- overseeing and seeking delivery assurance on local strategic plans and ethical commissioning strategies
- monitoring system performance
- maintaining a support and improvement framework which will aim to provide support to local areas when monitoring indicates that standards are not being met with powers of intervention, when required, as a last resort
- ensuring visibility of data, information, and analysis about social care support, social work and primary and community health services through reporting on delivery
- national commissioning and procurement by agreement for complex and specialist social care services which will include prison social care
- seeking assurance on public protection arrangements
- providing support to local delivery partners

According to the new FM, the exact format for this Board is still being developed, with “the final shape of the entity...still to be agreed”.

The new FM notes that:

“There is a rigorous approval process within Scottish Government for any new public body and the proposals for this Board will be subject to that in due course. However, for the purposes of this paper, the revised costs presented here have assumed that it will be established as a body with its own legal identity, such as a Non Departmental Public Body (NDPB), as means of identifying the upper range costs for the Board. We are acutely aware however, of the financial pressures faced across Government and so while the costing of a new public body provides assurance over the upper levels of liability, the design approach has also endeavoured to maximise value for money and make the body as streamlined as possible.”

The letter sent to the Committee as part of the Scottish Government’s response to the Committee’s report also states that:

“The cost estimates in the Financial Implications paper have assumed the set-up of a public body to ensure that we have represented the costs appropriately. This is subject to change following further Ministerial consideration.”

The [Scottish Government’s update on its public sector reform programme](#), which was provided as part of its response to the Committee’s pre-budget report stated that:

“We have taken significant steps towards ensuring the long-term sustainability of the public bodies landscape with the introduction of a Ministerial Control Framework (MCF). It operates under the assumption that no new public bodies should be created unless essential. The MCF provides additional rigour to the process for creating new public bodies, using the Scottish Government Executive Team and Cabinet as gateway reviewers.”

It is not clear from the Scottish Government response what other delivery mechanisms might be considered if a new NDPB is not approved, or the extent to which an alternative model would impact on the costs set out.

In order to provide cost estimates for a new NDPB, the comparator of Community Justice Scotland has been used in the new FM costings. The reasons for selecting Community Justice Scotland as a comparator are not explained, so it is unclear whether this choice relates to the size and/or functions of Community Justice Scotland. It is also unclear whether the cost estimates presented in the FM in relation to the establishment of the NCS Board are identical to those for Community Justice Scotland, or whether they have been developed based on the costs of Community Justice Scotland (and, if so, what adjustments have been made).

Table 5 of the new FM sets out the estimated costs associated with the NCS Board, with set up costs in 2024-25 and 2025-26 and running costs thereafter (with the NCS Board assumed to go live on 1 April 2026).

The estimated costs have been rounded to the nearest million, with the result that any costs below £0.5 million have been rounded down to zero. This makes it difficult to understand the detail of the costings and whether costs are indeed zero, or just that they are below the £0.5 million threshold.

In total, over the ten year period, the costs associated with the NCS Board are estimated at between **£22 million and £32 million**. These costs relate primarily to staffing costs, although no detail is provided on anticipated staffing levels or grade structures. Annual costs are estimated at £3-5 million per year in the first year of operation. For comparison, Community Justice Scotland has a budget of £3.2 million in 2024-25 and has a staff of 45.

The new FM explains:

“The staffing cost covers the running of the body, complete with its own operational staffing complement. We have assessed the options for shared services for areas like payroll and HR, such as those found in other public organisations, and have built in provision for other specific activities, for example, to ensure the Board can carry out the functions set out below as well as administration, communications and engagement. The premises and IT costs cover provision for rental costs and the set up and ongoing costs associated with IT capabilities, these are noted as £0 above but that is due to them being below the £0.5m threshold for rounding up, the average annual cost is estimated as £0.2m. The running costs cover the operational costs of the Board with provision for, but not limited to, external legal advice, audit fees, administration and communications, supplies and staff related expenditure. The governance and board costs cover the executive management function and the associated costs attributable to the decision making board, such as member remuneration.”

Other aspects of costs and issues raised by the new FM

Scottish Government staff costs

The new FM notes that:

“There are a number of elements that have remained consistent in the cost estimates presented within the updated FM and this revised costing. An internal Scottish Government function would be required either to implement the Bill as introduced or to implement the proposed shared accountability arrangements, to organise and deliver the setup of the NCS and reformed IA / Care Boards. When established, the National Board will need to be supported to fulfil its functions. The intention is for the National Care Board to enhance capacity in the system, therefore staffing arrangements must reflect this approach and remain flexible. Options are still being considered for supporting the National Board. The cost estimates presented in this paper assume that the Board, if established as a separate body with its own legal identity, will require a core staff team of its own with broader support for the work of the Board coming from existing Scottish Government teams.”

Table 2 of the new FM shows costs to the Scottish Administration of **between £128 million and £193 million**. It is unclear whether these Scottish Administration costs include the costs associated with the establishment of the NCS Board that have been described above. It seems likely that they do, given that Table 2 does not show any other line that would encompass the NCS Care Board costs.

Rights to breaks from caring

The revisions to the costs of rights to breaks from caring have been discussed earlier in this paper as they are set out in the updated FM and the proposed approach is not changing. It is worth noting that, with the downward revisions to other aspects of the NCS proposals, the costs of rights to breaks from caring now represent a significant element of the total estimated costs in the new FM. By the end of the ten year period (2031-32), the costs of rights to breaks from caring are expected to account for around 75% of the total costs associated with the Bill, if amended in line with the Scottish Government's revised proposals.

Anne's Law

The costs associated with Anne's Law (which gives rights to visits to or by care home residents) are unchanged under the new proposals. The new FM shows these costs as zero throughout the period, but this reflects rounding as there are actually costs attached to the introduction of Anne's Law, but these are minor and fall below the rounding threshold. The footnote to Table 2 of the new FM shows that costs associated with Anne's Law are expected to be £186,000 in 2022-23, £90,000 in 2023-24 and £50,000 in 2024-25.

Additional Scottish Government staff costs

The final section of the new FM notes that certain Scottish Government staff costs are already being incurred in the region of £10 million per annum and would continue to be incurred even if the NCS proposals did not go ahead. As such, the new FM notes (in Table 6) that additional costs are lower than those set out in the earlier tables of the new FM. The new FM does not explain what these staff are currently engaged in (or, what their role would be if the NCS proposals did not go ahead). Nor does it provide details on the numbers of staff involved, or their salaries/grades. It is therefore difficult to understand what specific roles are covered by this section or why the earlier tables in the new FM do not adjust for the existing staff costs, as would normally be expected in an FM.

Information sharing

In its report on the original FM, the Committee had expressed concerns over the absence of any costs associated with the proposals for information sharing or the creation of an integrated health and social care record. The Scottish Government's response to the Committee stated that:

“The NCS Bill does not create or require the creation of the integrated social care and health record. Rather it provides legal powers to make regulations to create an information sharing scheme and provision for information standards; these provisions should improve the sharing of data even within existing systems, by clarifying when data can be shared and supporting consistency.

There are various potential solutions to meet information sharing requirements, and the information sharing scheme provided in the Bill will facilitate, rather than require, the creation of the integrated social care and

health record. Information sharing as outlined in the Bill is not dependent on the creation of the integrated record. This is the rationale for not including cost estimates in the original or updated FM or in the financial implications paper. The Business Case, including costs, for the integrated record will be scrutinised and assured through current mechanisms and will be subject to the Treasury Green book and digital assurance processes. There will also be an opportunity for parliamentary scrutiny through the usual budget examination process.

By way of further information, it is important to note that there is not a ready-made digital solution for the integrated record. Further, we have committed to co-designing the record with those with lived experience, and these experiences and views will be central to the integrated record which will add a level of complexity to the process of design. We welcome the Committee's recognition of the considerable uncertainties in projecting such costs at this early stage and would offer assurances that work is in hand to undertake a full business case process to ensure there are robust, evidence-based projections for total costs of the integrated record. The business case will focus on value for money to ensure the preferred way forward represents good value for the public investment and will inform future Ministerial decisions."

The continued lack of any indication of potential costs in this area in the new FM means that this concern previously expressed by the Committee has not been addressed. There is again reference to future business cases being provided in relation to this aspect of the proposals.

Inflation assumptions

As noted earlier in this paper, the updated FM provides some additional commentary on inflation assumptions. While this detail is provided in the updated FM, the new FM makes no reference to how inflation has been dealt with in the new cost estimates. Given that the estimates in the new FM are compared directly with the nominal estimates in the updated FM, it is assumed that the new FM is also presented in nominal terms, but this is not made explicit. It is also unclear whether the assumptions underpinning pay costs are the same as those outlined in the updated FM.

Procurement

The Committee had previously sought clarification from the Scottish Government around the assumption that the proposals would not deliver any cost savings resulting from procurement strategy. In its response to the Committee, the Scottish Government noted:

"As the NCS develops, through co-design and wider stakeholder engagement we will have a greater understanding of the tools, guidance and support needed to embed ethical commissioning, including the resource associated with this. However, it should be noted that improved commissioning and procurement is not specific to the national care service programme and is a

broader issue. However the proposals for the NCS provide an opportunity to secure more effective implementation of current processes and increased efficiency. As the move to ethical procurement is underway and we anticipate greater efficiency once the approach has been embedded, the Scottish Government has assessed that there will be no cost assumed for changes in procurement strategy.”

The Programme Business Case gives some information on procurement strategies.

Other concerns previously highlighted by the Committee

As noted earlier in this paper, many of the original concerns highlighted by the Committee are no longer relevant under the revised proposed approach. For example, the Committee’s concerns around a lack of costing for transfer of assets from local authorities would no longer be relevant under the revised proposals. Similarly, concerns around the costs of changes to VAT treatment are no longer relevant as the existing VAT arrangements will not be affected (although there remains some uncertainties in this area, as noted earlier in this paper in the event that IAs are directly funded).

Another concern raised by the Committee in its report relates to the lack of detail in the original FM for the costs presented and the assumptions underpinning the calculations. This new FM is also lacking in detail, especially in respect of assumptions around staffing numbers and grades. The Scottish Government’s response to the Committee notes:

“We are also developing specific, detailed, business cases to underpin the key aspects of the NCS proposals and will make these available to the committee in due course.”

While these future business cases might provide clarity, the Committee has noted previously concerns around reliance on separate documents aside from the FM, rather than the information being contained in the FM upfront. There are potential issues in relation to the scrutiny that these might be expected to receive, as well as potential issues with the comparability of different documents and the ability to read across between the FM and separate business cases. The reference to future business cases might therefore present a concern. In addition, the PBC that has been provided did not contain any financial information in the main document.

The Committee also highlighted concerns around the use of secondary legislation to implement aspects of the proposals. In relation to this issue, the Scottish Government’s response states:

“Where the detail is implemented through secondary legislation, financial and regulatory impact assessments will of course be provided. The Parliament will, therefore, have further opportunities to examine the costs once the detailed proposals have been developed. I remain committed to providing regular updates as co-design and decisions progress and financial estimates develop.”

The Scottish Government has provided the Committee with three updates on spend to date on the NCS programme (letters dated [9 May 2023](#), [16 June 2023](#) and [26 October 2023](#)). The [letter sent to the Committee on 11 December 2023](#) also notes that:

“We can provide regular updates on cost profiles as further decisions are made as part of the codesign process, and as other factors change.”

The Scottish Government’s response to the Committee’s report also relies on future iterations of the PBC to set out detail on potential savings or efficiencies that might be delivered by the NCS:

“It is not yet possible to accurately define the savings or efficiencies offered by the NCS but the economic case, within the programme business case, sets out potential benefits that will be developed further in future iterations.”

Again, the reliance on a commitment to providing information in the future, rather than as part of the FM itself may present a concern for the Committee.

Nicola Hudson Head of Research and Financial Scrutiny
SPICe
January 2024

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11 December 2023

Dear Kenneth,

This letter provides the Scottish Government's response to the report of the Finance and Public Administration Committee (FPAC) on the Financial Memorandum for the National Care Service (Scotland) Bill. As requested by the Committee, it is accompanied by an update to the Financial Memorandum (FM) to provide clarification on certain points and set out how cost estimates have changed since the Bill was introduced in June 2022. It is important to note that this shows changes based on the Bill as introduced rather than the proposed amended approach and should be read in that context.

For that reason, in addition, following my letter to the Health, Social Care and Sport Committee on 6 December 2023 (copied to the FPAC), I attach a note of the financial implications of the changes to the Bill that the Scottish Government would propose to bring forward at Stage 2, reflecting the agreement reached with COSLA and the NHS on shared accountability. As mentioned in that earlier letter, the financial information was held back in order to take account of the latest figures published in the Scottish Health Survey on 5 December 2023.

To provide wider context it may be helpful for the committee to have further information, following the Scottish Government's tripartite negotiations with local government and NHS since the shared accountability agreement in early summer 2023. The tripartite discussions have prioritised agreement on matters requiring primary legislation and further work will be required, including on the detail to be included in secondary legislation and what will be involved in operationalising the legislation. We remain committed to doing this through ongoing engagement with local government, NHS and trade union partners and by taking a co-design approach involving those receiving and delivering services. As I have highlighted in previous correspondence, as well as the tripartite discussions, we continue to engage with unions on workforce matters and have completed extensive co-design work with people with lived and living experience of using, or working in, community health and social care.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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While the delivery mechanisms for the NCS may now be different, the vision for the NCS as set out in the policy memorandum at the time of introduction remains the same:

- enable people of all ages to access timely, consistent, equitable and fair, high-quality health and social care support across Scotland;
- provide services that are co-designed with people who access and deliver care and support, respecting, protecting and fulfilling their human rights;
- provide support for unpaid carers, recognising the value of what they do and supporting them to look after their health and wellbeing so they can continue to care, if they so wish, and have a life beyond caring;
- support and value the workforce;
- ensure that health, social work and social care support are integrated with other services, prioritising dignity and respect, and taking account of individual circumstances to improve outcomes for individuals and communities;
- ensure there is an emphasis on continuous improvement at the centre of everything;
- provide opportunities for training and development, including the creation of a National Social Work Agency providing national leadership, oversight and support;
- recognise the value of the investment in social care support, contribute to the wellbeing economy, make the best use of public funds, and remove unnecessary duplication.

The three main changes detailed in the financial implications paper which I have reflected on in this response and which are relevant from both a financial and public administration perspective are:

- That Local Authorities will retain responsibility for all current functions and the delivery of social work and social care services and there will be no transfer of staff or assets;
- Reforming Integration Authorities (IAs) rather than creating new Care Boards and;
- The establishment of a National Care Service Board.

The key aspects of these changes are discussed in more detail later in this letter.

Subject to the will of the Scottish Parliament, the Scottish Government propose to make amendments to the Bill at Stage 2 in response to evidence taken at Stage 1 and ongoing feedback from stakeholders as part of the Scottish Government's co-design programme. This would substantively change the costings of the Bill. I have therefore framed my responses to the Committee's report to take these new costings into account, in order to provide the clearest approach to proposed amendments.

The National Care Service programme has been informed throughout by a robust business case, and I am providing the latest iteration of the Programme Business Case with this letter as requested by the Committee. This provides the economic basis setting out a firm grounding for the ambitious reforms that the Scottish Government wishes to make. Given the co-design work underway, we expect the programme business case to continue to develop over time. We are also developing specific, detailed, business cases to underpin the key aspects of the NCS proposals and will make these available to the committee in due course.

Use of a “framework bill” and secondary legislation

Funding Priorities

21. We recognise that there are differing views amongst stakeholders on whether the aims of the Bill to improve quality and consistency of social care can be better achieved through the structural reform proposed in the Bill, through a hybrid model, or through diverting these funds to front-line services. It will be for the Health, Social Care and Sport Committee, as lead committee, to consider whether the case has been made for this Bill or whether other alternative proposals could achieve better outcomes. Whatever the final agreed model, this Committee requests that clear costings are provided. We set out more detailed recommendations on this later in this report.

Use of a “framework bill”

31. The Committee believes that the Scottish Government should not bring forward primary legislation unless it is based on a full and proper business case to allow stakeholders and the Parliament to scrutinise and take a view on the full cost estimates, ranges of costs, and margins of uncertainty.

Setting out detail in secondary legislation

38. The Committee has concerns that the details of how the new social care arrangements will work in practice will be set out in secondary legislation, which limits scrutiny and does not provide the greatest opportunity to propose changes and shape its provisions. In a recent report on our post-legislative scrutiny of the FM for the Children and Young People (Scotland) Bill (Early Learning and Childcare Provisions), we recommended that, “to enhance transparency and enable effective scrutiny, the Scottish Government should avoid implementing major policy expansions via secondary legislation”. We are therefore disappointed that secondary legislation is intended to be the main vehicle for future parliamentary scrutiny of the NCS proposals.

Lack of detail in the Financial Memorandum

56. The Committee shares the views of some stakeholders that the level of detail provided in the Financial Memorandum is inadequate and neither supports effective scrutiny nor provides assurance that the new arrangements will be placed on a sustainable financial footing.

68. While the Committee accepts that costings for all aspects of the Bill and associated elements highlighted above are difficult to predict due to the co-design approach being used for decision making, we firmly believe that even in the context of uncertainties, the Financial Memorandum should have included an indication of the potential scale of all costs associated with the Bill. Without these, it is difficult for the Committee to fully assess whether the proposed National Care Service is either affordable or sustainable.

118. The Committee finds itself unable to assess the affordability of the Bill. This is why we are asking the Scottish Government to provide the detail that the Committee requires to be able to take a more informed view on the cost estimates relating to the Bill ahead of the Stage 1 debate expected in March 2023.

119. We set out our expectations in relation to future FMs in our post-legislative scrutiny report on early learning and childcare provisions in the Children and Young People (Scotland) Bill published in October 2022. While this included an acceptance that estimates in FM costings bring with them an inevitable level of uncertainty, the FPA Committee

believes “that FMs should clearly set out the nature of any uncertainties and risks, and that costings in such situations should reflect a range, rather than a specific cost”.

I note the Committee’s general views on the use of a framework approach to the Bill and implementation of the detail through secondary legislation, set out in paragraphs 21, 31, 38, 56, 68, 118 and 119 copied above. As I have described to committees during my Stage 1 evidence, it is essential that reforms to social care support, social work and community health services must be developed with the people who access that support, including unpaid carers, and with those who provide it. As indicated above, the first iteration of the Programme Business Case is attached to this letter to allow the Committee to assess the basis behind those reforms.

The Scottish Government is committed to engaging with people with experience of accessing, receiving or delivering social care and support services to co-design the detail of the National Care Service system, so that the new structures and approaches work to reduce the historic gap between legislative intent and delivery. The Bill therefore creates a framework for the NCS but leaves space for the detailed arrangements to be developed through co-design as well as flexibility for the service to develop and evolve over time.

Where the detail is implemented through secondary legislation, financial and regulatory impact assessments will of course be provided. The Parliament will, therefore, have further opportunities to examine the costs once the detailed proposals have been developed. I remain committed to providing regular updates as co-design and decisions progress and financial estimates develop.

Some organisations have criticised the Financial Memorandum for not including all of the costs that will fall within the budget of the NCS, including increases to funding and improvements that the Scottish Government is committed to implementing separately from the development of the NCS. The Committee’s report states:

“Several organisations questioned whether these costs could be seen as separate from the Bill given that its purpose is to deliver consistent, fair and high-quality care for everyone in Scotland. For example, COSLA argued that “those reforms are necessary for the future sustainability of an NCS, however delivered, ...

The Scottish Commission for People with Learning Disabilities, while acknowledging the rationale for the limited scope of the FM, commented that, while “this may be a legitimate approach, it is very unhelpful for many of us [as] It invites scepticism about the commitment and even the ability to invest appropriately in this flagship legislation.”

As the Committee understands, the purpose of the FM is not to show the full costs of the community health and social care system, but to show the costs to which the Bill gives rise, i.e., the additional costs that will be incurred due to the establishment of the NCS, over and above the costs of the intended investment in the current system over the years ahead. I consider that separating these costs from the FM in fact shows the commitment of the Scottish Government to invest in social care support, regardless of future arrangements for delivery. We have always made clear our intention to invest in these areas of work and we have already made significant progress in increasing pay for adult social care staff and the commitment to increase funding for social care by 25% (£840 million) over the term of this Parliament. These are therefore not costs which arise from the Bill.

The report also quotes

“Audit Scotland suggested that “focusing on such a major transformation may divert attention from addressing the immediate challenges within the social care sector, including workforce issues and unmet demand for support”, adding that “it will take considerable time and investment and the focus on improving lives should not be lost amid structural changes”

I can assure the Committee that in developing the NCS the Scottish Government has an unwavering focus on improving lives, and this underpins the approach we are taking in co-designing the new service with people who have experience of accessing and providing social care and social work support.

As members will be aware, significant partnership work is already underway to secure improvement across the community health and social care system. [The Joint Statement of Intent with COSLA](#) sets out the key areas of focus for this and good progress is being made.

Notwithstanding those endeavours, the Independent Review of Adult Social Care was clear that “structural change is necessary if the structures themselves are impeding good care and support for people, which we believe is currently the case”. In securing the shared accountability agreement with COSLA and the NHS we have found a way to minimise structural change, and therefore any unnecessary disruption and cost, whilst maintaining the policy intent for the NCS and making the changes necessary to secure improvement.

Achieving these reforms will take time, so the sooner we start, the sooner people who access care and staff who provide it will feel the benefits.

Scottish Government consultation on the proposals

14. While the Committee notes that the consultation on the proposals ahead of the Bill being introduced was in line with the length of usual Scottish Government consultations, we agree with stakeholders that, for a flagship policy with such significant financial considerations, this consultation period should have been longer. We ask the Scottish Government to take on board this feedback for future proposed legislation of such significance.

We note the Committee’s views on this issue. The Scottish Government uses a range of approaches to engage with stakeholders on policy and legislative proposals and to obtain information on potential costs and financial impacts, including roundtables, online events, participation panels etc. in addition to formal written consultation.

We agree with the Committee that these proposals are significant and that the views of stakeholders should be paramount. We want to highlight that our intended approach of consultation with and listening and responding to stakeholders will be continuous throughout the co-design process, and is not simply restricted to one part of the process. We are absolutely committed to the principle of co-design.

57. We believe that further detailed cost estimates underpinning the Financial Memorandum should be published. The approach currently being taken of the Scottish Government responding to individual stakeholders’ requests for clarification does not support transparency and proper scrutiny, which we have already found to be extremely challenging in the case of this FM.

The Scottish Government has responded to this concern by providing regular reporting of programme spend to the Committee to enable further scrutiny of progress and improve

transparency. The attached update to the FM provides greater clarity on potential costs and the assumptions that underpin them based on the Bill as introduced, and the suite of papers attached to this letter gives a firm underpinning to all costs, including those proposed via amendment, and the wider Programme Business Case background. I hope that gives the Committee greater detail and reassurance about the Scottish Government's intentions.

Timing and sequencing

39. We do however acknowledge the Scottish Government's intention, where secondary legislation is used, to provide financial impact assessments to support scrutiny, along with the Minister's commitment to "allow the maximum time for scrutiny" of secondary legislation laid under the future Act if passed. The Committee asks that these financial impact assessments provide a sufficient level of detail to support effective scrutiny of proposals. The Committee further seeks clarification on the timeframe that the Scottish Government is seeking to provide for parliamentary scrutiny of this secondary legislation and notes that the Delegated Powers and Law Reform Committee is considering in more detail the delegated powers in relation to this Bill.

As set out in the letter to the Health, Social Care and Sport Committee on 19 January 2023, secondary legislation will be informed by the co-design process. This is the first time the Scottish Government has engaged in co-design on this scale to inform regulations, and the overall implementation of the Bill will be dependent on the detail agreed through co-design. We are working in this way to ensure that we close the 'implementation gap' between legislation and delivery as highlighted in the Independent Review of Adult Social Care learning from previous legislative experience. For that reason, it is important that we do not stifle discussions about how to get things right for people by precisely defining boundaries at this stage.

As referenced earlier in this letter, we have a twin approach of delivering improvements for social care now and working with people to ensure the new system better meets the needs of the people of Scotland long into the future. The current priority for the NCS is to support the passage of the Bill and secondary legislation during this Parliament to create a strong framework for the future delivery of community health and social care across Scotland.

The letter to the Delegated Powers and Law Reform Committee, also on 19 January, set out that the majority of the delegated powers in the Bill are subject to affirmative procedure. This gives committees a greater level of scrutiny before making a recommendation to the Parliament as to whether to approve or reject them. While the formal procedure does not allow for the Parliament to make amendments to secondary legislation, there are opportunities for members to consider the views of stakeholders and report to Parliament if they are not content with what the Government has brought forward.

I am happy to commit to providing detailed financial impact assessments for secondary legislation and further business cases associated with the changes planned.

43. The Committee notes the Minister's explanation that co-design before introducing primary legislation would have led to criticism from stakeholders, however, that is the usual practice in legislation design and development. The Scottish Government's approach would still require the co-design process to be complete before the provisions in the Bill can be commenced, but this will come after parliamentary scrutiny has ended. The Committee seeks a timescale for the delivery of the co-design process.

In June 2022 the Scottish Government published a document setting out the strategy for using codesign to support the development of the NCS, it can be accessed via the following link: [Supporting documents - National Care Service and co-design - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2022/06/Supporting_documents_-_National_Care_Service_and_co-design_-_gov.scot)

There are three clear phases to NCS collaborative design:

1. Understanding – building our shared understanding of the current challenges
2. Sensemaking – what and how can we deliver improvement
3. Agreement – do the proposed changes address the issues raised by people

Once the policy and delivery position has been agreed within the co-design process there will be the need in some areas to develop regulations. In cases where regulations are required the following phases will follow:

4. Drafting of regulations – co-design conclusions will be developed into regulations
5. Review - it will be important to share the intent of the draft regulations back with people for review of their alignment with co-design process.

The initial NCS Co-design themes were launched at the NCS Forum in October 2022 and have focussed specifically on the information needed to develop policy directly associated with the passage of the primary legislation.

Reports on the outcomes of the co-design events can be found at [National Care Service - Social care - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2022/10/National_Care_Service_-_Social_care_-_gov.scot)

Throughout 2023 co-design activity has been largely undertaken within the ‘understanding’ phase, exploring and seeking to understand experiences and views across a number of overarching thematic areas focussed specifically on the information needed to develop policy directly associated with the passage of the Bill.

- *Information sharing to improve health and social care support – data sharing*
- *Realising rights and recognising responsibility – Human Rights and Charter Development*
- *Keeping health and social care support local – Local governance arrangements, geography, community health and board representation*
- *Making sure my voice is heard – Advocacy and Complaints*
- *Valuing the Workforce – workforce charter*

Sensemaking activity is also underway in relation to the NCS Charter (Realising rights and responsibilities), the Integrated Health and Social Care Record (Information sharing to improve social care) and Workforce Charter (valuing the workforce).

Co-design will be embedded in the fabric of the NCS and will continue to be a key part of the development and delivery of the NCS. Thus far we have prioritised the co-design aspects necessary to inform the primary legislation and have included those outcomes in the revised proposals, so the first stage of co-design has been delivered. As we develop the amendments to the Bill and secondary legislation we will conduct co-design activity to inform the content and expect that to be delivered in line with the relevant timescales. The co-design work will however continue into the development of guidance and working practice for the NCS and we will embed this approach throughout the lifespan of the NCS. We are expecting that the National Board will be one of the key mechanisms that will enable this activity to continue.

32. We seek clarification of whether there is slippage in the delivery of the programme given the delay in publishing the Programme Business Case and the rephrasing of funds allocated for the programme in this financial year announced by the Scottish Government in its recent Emergency Budget Review.

The extension agreed by Parliament to the deadline for Stage 1 of the Bill has given us the opportunity to have more direct engagement with people with lived experience, the workforce, trade unions and local government to find consensus and make the Bill as robust as possible. The Scottish Government remains committed to delivering a National Care Service to improve quality, fairness and consistency of provision that meets individuals' needs.

The NCS programme is on course to deliver this government's commitment of a NCS during this parliamentary session. However, taking account of the very challenging fiscal environment, we have reassessed the original proposals and now propose to take a phased approach to implementation. The latest iteration of the Programme Business Case sets out revised planning assumptions, based on re-profiled funding and presents a realistic approach to the delivery of the NCS. Within this we have prioritised the areas which will have most impact on quality, fairness and consistency and value for money within the financial envelope available.

National Care Service and care boards

Paragraph 61 of the Committee's report states that *"questions have been asked about the accuracy of the 3% standard increase that has been applied on all years to show growth in activity and any pressures above inflation."*

The 3% standard increase for growth in activity and pressures above inflation have been applied only to Table 2, which sets out the costs of services that could be transferred to care boards. These are not costs that would arise from the Bill as introduced, but costs that will be incurred however community healthcare and social care support is delivered. They show the overall scale of the undertaking, for example to demonstrate that the overall costs of creating the NCS set out in Table 1 are expected to represent only a very small amount of the cost of the services delivered.

Proposed Amendments to the Bill

The policy intent of the NCS Bill remains unchanged but will be delivered in a different way. The key areas that will have an impact either from a finance or public administration perspective are as follows:

The National Care Service Board

A National Care Service Board would be established as the primary means through which to secure, operationalise and manage shared accountability. This has significant potential positive impact from a public administration perspective.

In my letter of 20 September to the Health Social Care and Sport Committee, I outlined some high level functions for which we expected the Board to be responsible. Subsequent discussions with COSLA and NHS have expanded this list to include:

- setting national strategic direction
- developing standards, guidance and operating frameworks

- overseeing and seeking delivery assurance on local strategic plans and ethical commissioning strategies;
- monitoring system performance;
- maintaining a support and improvement framework which will aim to provide support to local areas when monitoring indicates that standards are not being met with powers of intervention, when required, as a last resort;
- ensuring visibility of data, information, and analysis about social care support, social work and primary and community health services through reporting on delivery;
- national commissioning and procurement by agreement for complex and specialist social care services which will include prison social care;
- seeking assurance on public protection arrangements; and
- providing support to local delivery partners.

We are currently developing the delivery mechanism for the National Board. While this may be in the form of a public body, the final shape of the entity is still to be agreed. There is a rigorous approval process within Scottish Government for any new public body and the proposals for this Board will be subject to that in due course. If appropriate following a final decision, we will amend the Bill at Stage 2 to ensure the Board has the necessary duties and powers to fulfil its role effectively. The cost estimates in the Financial Implications paper have assumed the set-up of a public body to ensure that we have represented the costs appropriately. This is subject to change following further Ministerial consideration.

We would expect to introduce amendments at Stage 2 which provides for Ministers to set out the detail and composition of National Care Service Board membership through regulations. Although we do not intend to outline the membership of the National Care Service Board within primary legislation, it is intended to include, at a minimum, an independent chair; representatives from local government to preserve local democratic accountability; the NHS and people with lived experience.

The National Board will bring significantly more coherence and collective focus to strategic planning and delivery; ensure close monitoring of performance; improve transparency of delivery and outcomes; ensure that data is improved to support these aims; improve collective learning and support improvement where it is required and; develop approaches to high quality specialist support, securing economies of scale and value for money.

Care Boards/Reformed IAs

In light of the shared accountability agreement between national and local government it is important to note that one of the key proposed amendments to the Bill at Stage 2 is to revisit the original intention to create Care Boards, replacing this provision with the reform of current Integration Authorities (IA). Again this has significant potential positive impact from a public administration and a financial perspective.

It is considered that amending the existing IAs would achieve the integrated reforms in a manner proportionate to the aim.

There are a number of fundamental areas of financial impact or risk mitigation to highlight to the Committee:

- Reforming current IAs rather than creating new Care Boards as public bodies will eliminate costs associated with the setup, operation and governance. This means that we **do not** now propose to set up 31 new public bodies to support the NCS. There will

be some new costs associated with the reform of IAs as outlined in the financial implications paper, but significant overall cost reductions are projected.

- Statutory delivery functions will remain with local government and health boards respectively, along with assets, employment and relevant funding. Consequentially, costs associated with the transfer of staff and assets originally provided for will no longer be incurred. Again this significantly reduces the risks associated with asset transfer and removes risks associated with staff pensions and TUPE, previously highlighted by the Committee.
- Reforming IAs rather than creating new Care Boards is also expected to significantly reduce costs associated with premises and IT. Therefore, as funding will continue to flow as per current arrangements, unless specifically agreed, this negates the concerns around VAT implications.

Further detail is outlined in the financial implications paper, and details relating to staffing costs specifically are discussed further below.

The shared accountability model builds on current integration arrangements at a local level and seeks to develop them further so as to strengthen implementation and improve public administration.

To ensure that there is a clear link between local and national shared accountability, we intend to put forward amendments which achieve the aim of ensuring reformed integration authorities are accountable to the National Care Service Board, with the National Care Service Board responsible for reviewing, and securing assurance on the deliverability of local strategic plans. This will require amendments to provisions relating to strategic planning beyond what is proposed in the NCS bill as introduced. The National Care Service Board is also envisaged to have a role in scrutinising reformed integration authorities' performance reports, with strengthened powers to require evidence and documentation to be introduced. In doing so, it is a priority to ensure this does not become an added layer of accountability or bureaucracy and actively streamlines the existing complicated landscape.

Throughout our consensus discussions there has been a clear focus on improving quality, consistency and outcomes for people. We have agreed that we require more focussed attention on implementing good practice, improvement support and enhanced support where it is necessary. We have therefore agreed to bring forward amendments to support an Improvement, Support and Escalation framework, which is first and foremost focused on support and improvement. As part of this framework it may be that intervention is required, as a last resort. For that reason, it is the Scottish Government's position that the Ministerial powers of direction over local authorities, health boards and local integration authorities should be retained as set out in the Public Bodies (Joint Working) (Scotland) Act 2014 (the 2014 Act). Subject to the status of the National Care Service Board, discussed below, our planning assumption is that the Ministerial powers of intervention as set out in the Bill as introduced should transfer to the National Care Service Board. This would allow the Board to invoke those powers as a last resort and would ensure the Board had substantive levers to drive and support performance and, take material action when required.

Given the Bill provides for Scottish Ministers to exercise strategic framework accountability for NCS services which will include a role in setting policy, having oversight and providing direction, it remains the intention that it should be possible to directly fund reformed integration authorities in order for Scottish Ministers to ensure their duties are met. It is not the intention that all community health and social care funding would be routed through

integration authorities. However, the potential for direct funding in specific, agreed circumstances is considered a reasonable consequence of the shared accountability agreement. We have also agreed that we will work to create greater transparency of spend in the system.

Transparency has featured as an ongoing theme in our discussions with partners and throughout the co-design process. To introduce further transparency we are exploring the potential of revised chairing arrangements for reformed Integration Authorities. This may include an Independent Chair at local level, working in concert with the current arrangements which reserve chairing responsibility for members from Local Government and the NHS. Ministers would expect the Independent Chair to be accountable, and to provide advice to the National Board. Further work with partners is required to define the detail of this proposal and this will be developed in consultation in the coming weeks.

Reforms will build on what has already been accomplished through the 2014 Act in terms of integration through a continuous improvement approach, and ahead of the establishment of the National Care Service the Government remains committed to maximising the opportunities for greater integration under existing legislation.

Under this continuous improvement approach it is intended to carry over any existing powers under the 2014 Act which have not yet been used in practice, such as the powers to allow integration authorities to directly employ chief officers and other members of staff. Again this is not being retained for wholesale application, however we are clear that current staffing arrangements are often complex and local areas may wish to streamline their working arrangements in due course.

There are other aspects of how integration authorities are currently operating which is leading to unwarranted variation across the country and which would benefit from streamlining, including how frontline integration through the Health and Social Care Partnerships operate. There is a requirement for strong, clear schemes of delegation within integration arrangements which create clear roles for partnership organisations, including putting these on a statutory footing where appropriate.

It is the intention that the NCS Bill should allow for greater cooperation and pooling of resources across integration authority boundaries, beyond what is currently explicitly provided for in the 2014 Act. This includes revisiting the use of hosting arrangements and formalising these by ensuring effective governance structures are in place around the use of these. We will also strengthen the opportunities for Integration Authorities to join together across current geographical boundaries to achieve greater consistency, quality and economies of scale where there is local agreement to do so. It is also the intention that the role of localities should be strengthened, building on what works well and driving greater consistency in how these are set up and used as part of community engagement, strategic planning and other integrated functions.

Finally, it remains the Scottish Government's intention that the recommendation to give a greater voice to lived experience within decision making structures should be actioned, including by extending who on the board has voting rights.

All proposals for local reform as part of the NCS exist within our wider collective ambitions for public service reform and are designed to ensure that the NCS is able to take account of, and work alongside developments under the New Deal for Local Government, including the exploration of Single Authority Models.

Most of these changes are cost-neutral and focus on improving working practice, governance and accountability arrangements, scrutiny and assurance, underpinned by legislation. Where costs are incurred, these have been included in the relevant sections of the financial implications paper.

Right to breaks for unpaid carers

Paragraph 65 of the Committee's report noted the comment in the submission by the Fraser of Allander Institute, that an estimate for the current level of expenditure on support to carers by local authorities had been required to be made by the Scottish Government, but that the basis for the estimate was not clear.

The basis for the estimate and its use in the carers financial model is as follows: Firstly, the cost of support to carers is calculated using the assumptions set out in Table 9, then the estimate of the current level of expenditure on carer support by local authorities is deducted to give a net funding requirement.

In the original FM, the central estimate for the funding requirement at the steady state was £143m (paragraph 70 of the FM), which is the cost of support to carers of £292m minus the estimate of the current level of expenditure by local authorities of £149m.

The £149m was made up as follows:

- £57.7m for Carers Act funding in Local Government settlement for carer support (2022/23);
- £8m for existing easy-access breaks funding (2022/23); and
- £83.4m estimate for local authority expenditure on supporting carers with breaks/respite: this is based on 3% of carers reported as receiving breaks/respite in the Scottish Health Survey¹ 2016-19, costed at £3,200 per carer (average cost of replacement care per year for most intensive carers).

The first and second bullets are derived from SG funding and the third is a SG estimate, required because of incomplete availability of financial information on support provided to carers.

In light of new data and feedback from stakeholders, we have taken the opportunity to review some of the assumptions and data underlying the carers model and have made a number of revisions as follows:

- Using the latest available data on carer population and intensity of caring;
- Uprating the unit costs from 2022/23 to 2023/24 prices;
- Including an estimate for replacement care for young carers caring for 20+ hours per week as part of the Carers Act short break support;
- Bringing the estimate for existing funding in line with Scottish Government easy-access breaks budgets for 2023/24 (Table 12);
- Increasing the number of carers to reflect the projected increase due to demographic change over the growth period;
- Inflating the estimated costs from 2023/24 prices to nominal prices (in line with the approach in the rest of the FM).

The effect of these changes is that the central estimate for the cost of the right to breaks from caring by 2034/35 is now [£225m] at nominal prices, compared with £143m at 2022/23

¹ Table 69 in carers file at [Scottish Health Survey 2019: supplementary tables - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scottish-health-survey-2019/supplementary-tables/)

prices in the original FM, published in June 2022. Approximately half of the increase is due to the revisions at 2023/24 prices and half is due to inflation to nominal prices.

The assumptions in Table 9, the number of carers in Table 10 and the estimates in Tables 11-13 have been amended for the effect of these revisions.

Information Sharing

76. Given the potential for significant financial impact from, and the risk of, cost overruns of IT projects, the Committee expected that an indicative figure would have been included in the Financial Memorandum, even in the context of considerable uncertainties. This is particularly so given indicative costings for IT systems have been included in previous FMs, such as the one for the Social Security (Scotland) Bill.

77. By not including any estimated costs within the Bill it could be assumed that the costs will be £0. This is unrealistic, particularly given the Scottish Government's previous experience in developing and implementing a range of IT projects over the years. We therefore ask the Scottish Government to provide a range of cost estimates based on its previous experience of implementing small, medium and large IT projects to enable an assessment of the level of costs that could arise.

The NCS Bill does not create or require the creation of the integrated social care and health record. Rather it provides legal powers to make regulations to create an information sharing scheme and provision for information standards; these provisions should improve the sharing of data even within existing systems, by clarifying when data can be shared and supporting consistency.

There are various potential solutions to meet information sharing requirements, and the information sharing scheme provided in the Bill will facilitate, rather than require, the creation of the integrated social care and health record. Information sharing as outlined in the Bill is not dependent on the creation of the integrated record. This is the rationale for not including cost estimates in the original or updated FM or in the financial implications paper. The Business Case, including costs, for the integrated record will be scrutinised and assured through current mechanisms and will be subject to the Treasury Green book and digital assurance processes. There will also be an opportunity for parliamentary scrutiny through the usual budget examination process.

By way of further information, it is important to note that there is not a ready-made digital solution for the integrated record. Further, we have committed to co-designing the record with those with lived experience, and these experiences and views will be central to the integrated record which will add a level of complexity to the process of design.

We welcome the Committee's recognition of the considerable uncertainties in projecting such costs at this early stage and would offer assurances that work is in hand to undertake a full business case process to ensure there are robust, evidence-based projections for total costs of the integrated record. The business case will focus on value for money to ensure the preferred way forward represents good value for the public investment and will inform future Ministerial decisions.

As part of this process, we have been strengthening our evidence base and we have:

- completed international research on comparators to learn from successes and failures and understand levels of investment;
- completed our landscape review to ensure a detailed technical understanding of the current technologies in use across social care (public, independent and third sector)

to ensure clear information on the scale of technical complexity and the interface with health; and,

- we are examining existing public sector assets to ensure we drive maximum value.

These projects are forming important contributions to our overall approach to the integrated record, including costing, and also involves learning lessons from previous digital transformation projects, the work of Audit Scotland and the findings of the Post Audit and Post-legislative Scrutiny Committee's report (March 2021) 'Key audit themes: Managing Public sector ICT projects'.

Following a summer of further engagement and co-design with the public, we are now approaching the end of our planning (or discovery) phase and anticipate concluding the work on the Strategic Outline Case in the coming months, as part of the overall Business Case development. This will identify the preferred way forward and the investment required as part of the overall budget process. We are taking an agile approach to delivery, which means that digital delivery is split into four stages so there are clear governance, assurance and decision gates to progress the work. We will build more detailed information as we progress through the stages and I will ensure that I update Parliament accordingly.

Proposed transfer of local government staff and assets and liabilities

89. The Committee notes the FM assumptions that the transfer of staff will have little or no impact on the public purse. We consider this to be unrealistic given the evidence we heard that there may be an impact on pension funds of staff, transfers, and on harmonising conditions as well as challenges for those organisations from where the staff transfer, especially where they work across a number of areas.

Paragraph 28 of the original FM states that it is assumed the transfer of services itself to the control of the NCS would have no effect in terms of the total costs to the public purse. If the same providers, including local authorities, continue to provide the same services then there would be no change in the cost of those services arising from the Bill.

However, in our discussions with COSLA, it has been agreed that there will be no transfer of delivery functions, staff or assets. These costs have therefore been removed in the paper on the financial implications of proposed changes, and the Scottish Government proposes to remove references from the Bill relating to transfer of functions from local authorities at Stage 2.

90. The Committee also notes that the FM contains no capital costs in relation to asset transfer or maintenance costs, with decisions to be made on an asset-by asset basis. We doubt whether such an approach is achievable in reality, given there are over 1,000 care homes in Scotland. We therefore seek more detail on how this will be achieved and by when, as well as an indication of potential transfer costs.

91. For the reasons set out above we believe that the costs of the Bill regarding both the transfer of staff and assets will be significant.

Following the agreement with COSLA that local authorities will retain delivery functions, staff and assets, this issue no longer remains a risk. Assets owned outwith local authorities would not be in scope for asset transfer.

Phasing of transfer of functions

95. The Financial Memorandum assumes that some double running costs will arise in 2025-26 when the care boards become operational. However, the Committee is concerned that this assumption could understate the position, given the scale of the change, the acknowledgement in the FM that it could take place over a number of years, and uncertainties such as on the transfer of assets.

With the recent agreement on shared accountability confirming the intention for both staff and assets to remain with Local Authorities, the risk of double running in relation to these two key areas is negated.

VAT liability

103. While the Committee acknowledges the Scottish Government's intent to ensure "a fiscally neutral VAT position" for care boards, it is concerned at the lack of current information on potential costs, should this not be achievable.

104. The exclusion of VAT considerations from the FM, in practice, translates into an assumption of zero liability, which is potentially misleading.

105. We consider that the Scottish Government could and should have provided a range of estimates in the FM, as required by the Standing Orders of the Scottish Parliament, given it has adopted this approach for other Bills where potential VAT liability has been identified. We note that the Scottish Government subsequently provided some information with regards to VAT, but this does not clarify that costs will be reimbursed.

Paragraph 52(58) of the FM states

'If care boards are not able to reclaim VAT in a similar way, there could be a significant financial impact'

Following the agreement on shared accountability, a model of reforming current Integration Authorities is being explored, with funding flows remaining the same. These are not subject to VAT. The FM assumed there would be a VAT neutral status obtained for the NCS and so no costs were included, this is a position that is maintained in the update because of the new agreement reached.

It may be that in some specific and agreed circumstances, as previously referenced, Ministers do wish to fund IAs directly, either to secure economies of scale for low volume, high intensity care, for very specialised support and services, for regional approaches where economies of scale can be achieved, or for national provision such as prison social care. The VAT implications of funding IAs directly will therefore be considered on a case by case basis and decisions made on the relative benefits of pursuing this approach, including the VAT implications. In addition, Scottish Government have also engaged with HMT and HMRC to discuss options for a VAT neutral status for the NCS.

Procurement

108. Given the concerns raised with the Committee, we seek clarification from the Scottish Government of the basis on which it assessed that "no costs are assumed for changes in procurement strategy".

Procurement legislation already gives the flexibility to deliver ethical procurement as demonstrated by the good practice already happening within the sector. Following the Public Contracts (Scotland) Regulations 2015, which set out the light touch regime, the Scottish Government produced guidance to support Public Bodies currently responsible for the procurement of social care support, to utilise this way of working. However, the 2021

Independent Review of Adult Social Care revealed an implementation gap between those policies and actual practice.

In response to recommendations and issues raised through the Independent Review of Adult Social Care, the Scottish Government, in collaboration with COSLA has created a working group of key stakeholders including from the third and private sector, to support and embed ethical commissioning and procurement as the approach within social care and support services. Through this group, as well as further stakeholder engagement and co-design, we will collaborate with those who design, deliver, and receive care to ensure that ethical commissioning and procurement works for them. As this project is not specific to the creation of the NCS, the Scottish Government has assumed no costs for changes in the procurement strategy arising from the Bill.

Procurement professionals currently procuring or managing social care contracts should use the flexibility of the light touch regime and look to the publication '*Procurement of care and support services: best practice guidance as updated in June 2021*' and *SPPN 7 21, Preparing to transition towards a National Care Service for Scotland*', to inform what they can do now to implement best practice and support an ethical procurement approach ahead of further tools and guidance being developed. Additionally, extensive support and guidance (including the Supplier Development Programme) already exist for suppliers on how to engage with public procurement.

Procurement professionals in all public bodies procuring social care will need to use the guidance, principles, tools, and structure of standards produced, as appropriate to ensure ethical procurement is embedded throughout their processes.

As the NCS develops, through co-design and wider stakeholder engagement we will have a greater understanding of the tools, guidance and support needed to embed ethical commissioning, including the resource associated with this. However, it should be noted that improved commissioning and procurement is not specific to the national care service programme and is a broader issue. However the proposals for the NCS provide an opportunity to secure more effective implementation of current processes and increased efficiency. As the move to ethical procurement is underway and we anticipate greater efficiency once the approach has been embedded, the Scottish Government has assessed that there will be no cost assumed for changes in procurement strategy.

Special Care Boards

109. The Bill also allows for the creation of "special care boards" to provide central functions, in a similar way to the existing special health boards. However, potential costs associated with special care boards do not appear to be included in the FM estimates. The FM notes that the Special Health Boards (of which there are eight) have budgets ranging from £18-425 million, so the creation of special care boards could add significantly to costs.

Following the agreement on shared accountability, a model of reforming current Integration Authorities has been agreed and the Scottish Government proposes to remove references from the Bill relating to special care boards at Stage 2.

Economies of scale

125. We believe that the Scottish Government should set out, within margins of uncertainty, a range of assumptions for different scenarios given that it accepts efficiencies will be achieved through the arrangements in this Bill and we ask that this information is provided to the Committee as part of an updated FM ahead of the Stage 1 debate on the Bill.

The FM does not assume any efficiency savings in terms of costs of services. The purpose of the Bill is to improve the quality and consistency of services. Consequently, the focus is not solely to reduce costs, although the Scottish Government will always strive to use public funds efficiently in delivering those quality improvements.

As noted in paragraph 120 of the Committee's Report, paragraph 53(62) of the FM suggests that there may be savings to local authorities on central services if they have fewer staff to service as a result of staff transfers. However, we recognised the concerns raised by COSLA and others over the potential impact on economies of scale, which could counter any such savings, and this has been noted in the updated FM based on the Bill as introduced. Given the agreement that local authorities will retain delivery functions, staff and assets, the question of those potential impacts no longer arises.

We are clear that the development and implementation of the NCS must streamline bureaucracy, secure efficiencies and improve value for money wherever possible. The proposed provisions on national commissioning, hosting arrangements, consideration of boundary issues and broader enabling provisions to support public sector reform all provide opportunities for greater efficiencies and economies of scale. It is important to note that these must be secured in agreement with partners. It is not yet possible to accurately define the savings or efficiencies offered by the NCS but the economic case, within the programme business case, sets out potential benefits that will be developed further in future iterations.

Potential impact of reform on local authorities

134. The Committee notes that the costs of current delivery of care services which may in turn be transferred to the NCS do not represent 'new' costs arising as a result of this Bill and so are not included in the Financial Memorandum's table setting out all headline costs. They do however provide an indication of the magnitude of the change that could arise from this Bill.

135. As COSLA and many others identified, these potential changes could have a significant impact on how local authorities, health boards and others continue to deliver their services and there remains considerable uncertainty over many aspects, including how any cost transfers will be agreed as being fair and accurate.

136. We note the Minister's argument that the costs transferred from local authorities and others to the NCS will be cost neutral, but given the complexities highlighted above, we emphasise the need for an equitable transfer which avoids a detrimental impact on the provision and quality of other public services.

As above, it has been agreed that local authorities will retain delivery functions, staff and assets, therefore the question of cost transfers no longer arises.

Monitoring costs arising from the Bill

140. The Committee recognises that tracking spend on social care is not straightforward under the current funding arrangements, so it is important to have a clear baseline position on services being transferred to the NCS to support future monitoring and spend in this area. We ask that costs are monitored and reported on twice a year, particularly given the high level of uncertainty in the current FM.

141. As noted in our recent post-legislative scrutiny report, the Committee believes that outcomes and monitoring information should be considered at an early stage in the development of policy. Evidence provided to the Committee shows that monitoring of expenditure continues to pose challenges to the Scottish Government and local authorities.

Robust financial data is therefore needed to provide a clear assessment of outcomes, sustainability and value for money.

Conclusions

148. Should the Bill be enacted, implementation costs, savings and forecast expenditure should be monitored and reported on to the Finance and Public Administration Committee twice a year. The Committee further recommends that updates are provided in a similar format to the Financial Memorandum, rather than simply as part of a Programme Business Case to allow proper comparative scrutiny.

The Scottish Government has noted the recommendations of the Committee in its post-legislative scrutiny report, published on 4 October 2022. We can provide regular updates on cost profiles as further decisions are made as part of the codesign process, and as other factors change. Local Finance Returns gather and collate social care expenditure on an annual basis, therefore it will not be possible to update these figures and calculations based on them more frequently.

I hope that the Committee finds this package of information helpful in its consideration of Stage 1 of the NCS Bill.

Maree Todd

Minister for Social Care, Mental Wellbeing and Sport



Scottish Government
Riaghaltas na h-Alba
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December 2023

NATIONAL CARE SERVICE

Programme Business Case

**In the service _____
of Scotland**

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1. Executive Summary

1.1 Introduction

The aim of this Programme Business Case (PBC) is to define the scope and purpose of the National Care Service (NCS) programme, provide a clear understanding of what the programme is and what it seeks to achieve, where its boundaries lie, as understood at December 2023 and to support informed and robust decision making.

This PBC is a live document and will continue to be developed as the Programme is further defined and in line with the Business Case Strategy a high-level extract is shown in the management case.

Updates will be made to the PBC when there are significant changes to Programme scope, costs, or timeline. Revisions to the case will ensure it remains current and that ongoing consideration is given to the viability of the Programme at key decision and/or investment points. Key points will include, but are not limited to, the development of underpinning project and workstream business cases for projects that require significant funding as part of the NCS programme.

Underpinning business cases as shown will provide additional detail and the opportunity for value for money to be scrutinised further before any significant investment decision. All investment in the NCS will require scrutiny as part of the Scottish Governments budget process. Programme governance will ensure that the ongoing viability and value for money for the programme is reviewed throughout the lifecycle of the programme.

NCS Programme Business Case alignment to HMT Green Book Guidance

In accordance with HMT Green Book Guidance, the Programme Business Case provides management with a tool for transparent and evidenced based decision making and a framework for the co-ordination, delivery, monitoring and evaluation of the resultant outputs, outcomes, and benefits. ¹

The Green Book guidance is intended to be applied flexibly in line with the needs of a given Programme. This is clearly set out in HMT Green Book.

- “The Green Book is not a mechanical or deterministic decision-making device. It provides approved thinking models and methods to support the provision of advice to clarify the social – or public – welfare costs, benefits, and trade-offs of alternative implementation options for the delivery of policy objectives” ².
- “The role of appraisal and evaluation is to provide objective analysis to support decision making” ³.

¹ HM Treasury, [Guide to developing the Programme Business Case](#) - Introduction, page 4

² [HMT Green Book](#), para 1.2

³ [HMT Green Book](#), para 1.5

- “This guidance should be applied proportionately. The resources and effort employed should be related to costs, benefits and risks involved to society and to the public sector as a result of the proposals under consideration”⁴.
- “The guide provides a framework for thinking and a process for developing and gaining approval which is flexible and scalable as well as a range of tools that can be applied proportionately to provide clarity in the decision support process. It also provides a clear audit trail for purposes of public accountability”⁵.

“The process is flexible, because the quality and quantity of supporting analysis can be tailored to the size and complexity of the project under development.”⁶ A Programme Business Case should

- enable the organisation and its key stakeholders to understand and influence the direction of the programme early on in the planning process.
- improve decision making through early consideration of the key issues and available evidence base and assists decision makers to avoid committing resources to projects that should not proceed.
- facilitate benefits realisation and risk management for the entire programme rather than a single project.
- demonstrate the continuing viability of the programme to senior management and stakeholders; and
- streamline the tasks and resources required for the preparation of supporting Business Cases⁷.

This Programme Business Case will add value to the NCS Programme through:

- ensuring that the overarching financial envelope (outlined at this stage in the shared accountability document) envisaged for the lifecycle of the Programme is clear and justified, providing a funding envelope against which future requests for investment approvals can be made on a phased basis. Allowing scrutiny of proposed investment at the right time with the available evidence.
- the iterative design process, which is being undertaken within the Programme, i.e. that as the Programme undertakes design work, the evidence base which justifies the investment in the Programme will grow more detailed, allowing time to co-design and test and learn.
- taking stock of the case for investment in the NCS as that evidence base grows; and
- having a series of ‘exit points,’ where decision makers can decide to make changes to the Programme if the case for approval to proceed has not developed as expected.

1.2 Scope

This PBC reflects the progress of the NCS Programme has made to date on defining the programme, the potential benefits that may be achieved from the NCS programme, under a shared accountability model once the NCS is created and functioning.

⁴ [HMT Green Book](#), para 1.68

⁵ [HMT Green Book](#), Programme Business Case Supplementary Guidance, page 7

⁶ [HMT Green Book](#), Project Business Case Supplementary Guidance, page 11

⁷ *HM Treasury*, [Guide to developing the Programme Business Case](#) - Introduction, page 4

1.3 Strategic Case

The reform of community health, social work and social care has been a high-profile public policy agenda in Scotland, over the last two decades. The plans to introduce a National Care Service (NCS) build upon principles and ambitions that are well established, but which have not been fully realised to date. The required level of change cannot be achieved under existing legislation and structures. The rationale for the NCS is that the scale of transformation needed to meet aspirations for a rights-based, person-centred system that delivers a better experience and better outcomes for the people of Scotland requires a fundamental, system wide change and a new approach to community health, social work and social care.

The case for reforming the delivery of integrated health and social care arose out of the Independent Review of Adult Social Care (IRASC). Conducted in the latter half of 2020 and published in February 2021, the report concluded that whilst there were strengths in Scotland's social care system, it required revision and redesign to enable a step change in the outcomes for people in receipt of care, accessing social care support. The critical role of social care, in supporting people to live well and to have their rights respected, was further demonstrated starkly during the Covid-19 pandemic.

The challenges identified by the IRASC included:

- Inconsistency of user experience ("postcode lottery").
- Complex and inconsistent governance arrangements.
- Lack of national oversight and collaboration.
- Lack of collaborative and strategic leadership.
- The need for a paradigm shift in care support to one underpinned by rights.
- Non-integrated budgetary and financial planning.

The creation of a National Care Service (NCS) offers an opportunity to positively impact the national economy and wellbeing across Scotland. Potential benefits will be achievable in outcomes for the recipients of the services provided, improved terms and conditions for the workforce; and through a greater focus on prevention, it will lessen the burden upon the wider health and social care system.

While the delivery mechanisms for the NCS may now be different, the vision for the NCS as set out in the policy memorandum at the time of introduction remains the same:

- enable people of all ages to access timely, consistent, equitable and fair, high-quality health and social care support across Scotland;
- provide services that are co-designed with people who access and deliver care and support, respecting, protecting and fulfilling their human rights;
- provide support for unpaid carers, recognising the value of what they do and supporting them to look after their health and wellbeing so they can continue to care, if they so wish, and have a life beyond caring;
- support and value the workforce;
- ensure that health, social work and social care support are integrated with other services, prioritising dignity and respect, and taking account of individual circumstances to improve outcomes for individuals and communities;
- ensure there is an emphasis on continuous improvement at the centre of everything;
- provide opportunities for training and development, including the creation of a National Social Work Agency providing national leadership, oversight and support;

- recognise the value of the investment in social care support, contribute to the wellbeing economy, make the best use of public funds, and remove unnecessary duplication.

Table 1 sets out some of the wider strategic risks associated with the delivery of the NCS, bearing in mind that further work around the identification of risk and assessment of the likelihood and impact of these will be undertaken as part of delivering this business case.

Table 1:

| |
|---|
| <p>Affordability</p> <p>The NCS will require significant investment, which will need to be balanced against other priorities. However, this investment is required to deliver the impactful long-term ambitions and meet future demand for health and social care services. Programme funding, which covers resourcing and additional costs, will require on-going management to ensure that budgets are effectively and efficiently used. The need for investments must be balanced against the cost to retaining the status quo. There are risks to continuing with business as usual due to the current pressures on the health and social care systems, but these risks will be compounded by the forecasted increase in demand. In addition improving the system and creating efficiencies will be likely to save money. For example, while it is difficult to fully assess the cost savings, it is estimated that delayed discharges cost the system £134 million a year. Eliminating or reducing this cost to the acute health service is not necessarily a reduction in cost to the public purse. Instead community health and social care costs may be incurred, but we do expect to see efficiencies emerge.⁸</p> |
| <p>Relationships</p> <p>The Programme requires cross government and public sector wide collaboration to ensure successful design, delivery and implementation of health and social care reform through the National Care Service. The agreement on shared accountability between Scottish Ministers, Local Authorities and the NHS will require the creation of new governance structures that should not introduce risk to existing planning mechanisms or delivery responsibilities and instead will enhance and clarify relationships.</p> |
| <p>Technology</p> <p>New technology will be required to deliver the integrated social care and health and social care record. Our developing evidence base also indicates a mixed picture of digital maturity in the social care sector and a resultant need to invest in the sector to improve digital capacity and capability to successfully implement the required technology. This poses technology risks in terms of successfully developing the technology; ensuring any technology is sufficiently safe and secure for personal and special category data; and ensuring successful deployment of said technologies into the sector. There is significant work already underway to ensure the NHS has the capability and capacity to support the introduction of the record.</p> |

⁸ Independent Review of Adult Social Care (2021) ([link](#))

Maintaining existing services

The existing health and social care system is already stressed. Safely landing additional change in that environment will be challenging. Careful planning and prioritisation of the phases of change will be required in mitigation. Changes to the existing system must not result in a reduction of service quality or introduce additional risk to the services experienced by individuals.

1.4 Economic Case

The Economic Case outlines the expected benefits for people using care services, working in care services and the way in which the NCS will enable the Scottish Government to implement broader government objectives with maximum impact. Dependent on the final form that the NCS takes, there is potential for substantial benefits to be realised from the NCS, and the associated wider social care reform committed to by the Scottish Government. This Economic Case explores what these could be and provides a framework for future detailed quantification of benefits as the programme develops.

1.5 Finance Case (See shared accountability paper)

The costing of the Programme is included in the accompanying shared accountability paper.

1.6 Management Case

The management case sets out in Section 6 the Programme management approach to support successful delivery as well as the Programmes management and control approach.

Scottish Government, Director General of Health and Social Care (Accountable Owner) and Senior Responsible Officer (SRO), the Director of the Social Care NCS Development Directorate lead the Programme. The cross-cutting nature of the Programme requires collaborative working across the Scottish Government and the wider social care sector to develop policy, design, and implement an NCS that brings together community health and social care to deliver change and benefits safely.

A Programme structure has been developed, which sets out the Programme hierarchy, phasing, and underpinning projects.

2. Strategic Case

2.1 Introduction

The purpose of the strategic case is to make the case for change and demonstrate how the programme provides strategic fit with Scottish Government's national outcomes as outlined in the National Performance Framework. The case also sets out the policy context, available evidence and information that supports a compelling case for change and alignment with the broader strategic direction including interdependencies, constraints and risks for the work proposed.

2.2 The strategic context for a NCS Programme

2.2.1 Scottish Government aims and strategies.

The National Performance Framework ([NPF](#)⁹) defines the purpose of the wider public sector as “to focus on creating a more successful country, with opportunities for all of Scotland to flourish, through sustainable and inclusive growth.” This purpose is underpinned by the values that Scotland is “a society which treats people with kindness, dignity and compassion; respects the rules of law; and acts in an open and transparent way.”

The delivery of integrated community health, social work and social care services that best support people has been at the heart of Scottish Government policy since devolution. The proposed investment in and reform of integrated community health, social work and social care services will touch all the key areas of the National Performance Framework by:

- Creating a more successful country.
- Giving opportunities to all people living in Scotland.
- Increasing the wellbeing of people living in Scotland.
- Creating sustainable and inclusive growth; and
- Reducing inequalities and gives equal importance to economic, environmental, and social progress.

2.2.2 Relevant Strategies

The delivery of an NCS builds on the work of the Scottish Government to date including:

- The Public Bodies Act (2014) which established Integration Authorities.
- The work conducted under the Adult Social Care reform programme from 2019.
- The Adult Social Care Statement of Intent in March 2021 in which Scottish Government and Convention of Scottish Local Authorities (COSLA) agreed to work together on the key foundational aspects of the Independent Report on Adult Social Care.
- The actions underway as part of the Proactive and Preventative Care Programme, Fair Work action plan, as well as rollout of Housing First Scotland.
- Wider strategic plans and approaches including The Promise, Digital Health, and Care Strategy (2021) and A Changing Nation: How Scotland will thrive in a digital world (2021); and

⁹ [National Performance Framework](#)

- The 2019 Primary Care Outcomes Framework.
- The Scottish Approach to Service Design¹⁰

These strategies provide the context for a shift in how health and care is delivered in Scotland, to place people, human rights, and equality at the heart of decision-making, and build together a future system that enables consistency, quality, and fairness at the core.

The Scottish Government is undertaking multiple large scale reform programmes:

- Keeping the Promise Implementation Plan
- Tackling Child Poverty Delivery Plan 2022 - 26
- The National Strategy for Economic Transformation
- The Climate Change Plan
- The Care and Wellbeing Portfolio
- Public Sector Reform
- Getting it Right for Everyone

In addition to the above large-scale programmes the NCS will be delivering in line with the Verity House Agreement signed in June 2023.¹¹ The agreement is a partnership agreement between the Convention of Scottish Local Authorities (COSLA) and the Scottish Government “setting out our vision for a more collaborative approach to delivering our shared priorities for the people of Scotland”.

In line with the Verity House Agreement the NCS Programme has reached agreement that the NCS will operate with shared accountability between Scottish Ministers, Local Authorities, and the NHS for the oversight and delivery of integrated health and social care.

2.3 The case for change

2.3.1 The current system

This section sets out the current system in Scotland that delivers care and support to the people of Scotland. It provides additional context for the case for change.

Currently social care support across Scotland is delivered by a wide range of partners, including organisations in the public, private and third sectors. Social care is provided in people's homes, including through remote care and technology-enabled care, in residential accommodation and care homes, or the wider community, including many advice and support services.

Currently, local authorities are responsible for social work and social care support, and local health boards are responsible for health services. They work together as integration authorities to assess the needs of their area and plan and commission local community-based health and social care services, using funding contributed by the local authority and health board. Health boards and local authorities in each local area are responsible for delivering local community-based health and social care services as directed by the integration authority, including adult social work and adult social care support, community health services for adults. Some integration authorities also

¹⁰ [The Scottish Approach to Service Design \(SAAtSD\)](#)

¹¹ [Verity House Agreement](#)

have responsibility for children's health, children and families social work and social care, justice social work, and homelessness and housing support. To foster an integrated approach to delivery of support services, the public bodies in each area bring their workforce together under what is known as Health and Social Care Partnerships (HSCPs).

Community health, social work and social care is there for people of any age who need assistance with day-to-day living due to illness, physical disability, learning disabilities, mental health conditions or issues relating to older age, frailty, or dementia.

There are three functional areas of social work and social care in Scotland: adult, justice and children and families.

1. Adults – Adults’ social work and social care services provide assessment, support, and interventions to people aged 18 or over who may need additional support due to physical illnesses, physical or learning disabilities, mental health conditions or general frailty.
2. Children - Children’s social work and social care services provide assessment, support and interventions for children and families, or where children are unable to live with their own families.
3. Justice - Justice social work and social care services provides assessment, support, and interventions for people in relation to offending or alleged offending, including through diversion from prosecution, bail supervision, delivery of community orders, and supervision and support for those serving prison sentences before and after release.

2.3.2 Scale of demand on the current system

The population receiving community health, social work and social care support is diverse, with wide ranging needs and circumstances. In many cases, the needs and circumstances of individuals mean they may interact with other services, including those relating to education, housing, social security, and justice, provided by both the public sector and others including voluntary and third sector bodies. Some of these needs are met by unpaid carers who support their families and loved ones, with an estimated 700,000-800,000 people providing this kind of support¹².

The latest data (2019/20-2020/21) for the population receiving community health social care and support is summarised below¹³:

Social Care:

- 17% of the adult population (over 16) provide care to one or more person.
- Around 1 in 25 people in Scotland were reported as receiving social care support and services at some point in 2021/22
- Around 65,500 people in Scotland are receiving home care at any one point.
- The proportion of people receiving social care through any self-directed support option increased from 18.4% (2020/21) to 18.9% (2021/22). The percentage measure is based on the number per 1,000 population of those receiving self-directed support vs. the number of people per 1,000 population receiving social care by any means.

¹² [Scotland's Carers: Update Release 12 April 2022 https://www.gov.scot/publications/scotlands-carers-update-release-2/](https://www.gov.scot/publications/scotlands-carers-update-release-2/)

¹³ [Insights in social care: statistics for Scotland - Support provided or funded by health and social care partnerships in Scotland 2021/22 - Insights in social care: statistics for Scotland - Publications - Public Health Scotland#](#)

- Around 33,000 people received funding towards a long stay care home place in Scotland during 2021/22.
- A high proportion (43%) of people accessing social care support are elderly and/or frail.
- Almost 1 in 3 (32%) have a physical or sensory disability.
- Around 6% are receiving social care support due to mental health issues.
- There were an estimated 32,800 long stay residents aged 18 years and over in Care homes on 31 March 2023, 6% fewer than 31 March 2013. Care homes for older people (65 and over) accounted for 92% of long stay residents in all care homes for adults, with around 63% of older residents with dementia.¹⁴
- People can be receiving support for more than one reason, for example: problematic substance use, neurological conditions, dementia, palliative care, autism, or other vulnerabilities.
- Based on the Local Finance Return (LFR), the cost of social care in 2021-22 was £8.2 billion.¹⁵

Primary Care¹⁶:

- As of 1 July 2023, there were around 5.9 million patients registered with General Practices in Scotland, an increase of 2.1% over the past two years.¹⁷
- The number of patients aged 65+ has increased by 20% since 2012.¹⁸
- The total number of General Practices in Scotland is falling, and the average practice list size is increasing. The average practice list size in Scotland for 2022 was 6,470 patients.¹⁹

Mental Health

- In 2021/2022, people living in the most deprived areas were around three times more likely to experience inpatient mental health care than people living in the least deprived areas²⁰. Of the patients who experienced mental health inpatient care in 2021/2022, 53% were male²¹. However, in the under-18 age category, 73% of patients were female²².

¹⁴ [Dashboard - Care home census for adults in Scotland - Statistics for 2013 – 2023 - Care home census for adults in Scotland - Publications - Public Health Scotland](#)

¹⁵ [Scottish local government finance statistics \(SLGFS\) 2021-22: workbooks - gov.scot \(www.gov.scot\)](#)

¹⁶ Definition: Primary care is the first point of contact with the NHS. This includes contact with community-based services provided by general practitioners (GPs), community nurses, dentists, dental nurses, optometrists, dispensing opticians, community pharmacy and general practice-based pharmacists and pharmacy technicians. It can also be with allied health professionals such as physiotherapists and occupational therapists, midwives, and pharmacists. Primary Care also encompasses urgent community care including out of hours service provision.

¹⁷ [General practice - demographics data visualisation - Up to 1 July 2023 - General practice - demographics data visualisation - Publications - Public Health Scotland](#) Note that the total number of patients registered is higher than the latest Scottish population estimate; PHS are working with NRS to understand the reasons for this difference.

¹⁸ [General Practice - GP Workforce and practice list sizes 2012 - 2022 - General Practice - GP workforce and practice list sizes - Publications - Public Health Scotland](#)

¹⁹ [General Practice - GP Workforce and practice list sizes 2012 - 2022 - General Practice - GP workforce and practice list sizes - Publications - Public Health Scotland](#)

²⁰ [Data summary - Mental health inpatient activity - 28 March 2023 - Mental health inpatient activity - Publications - Public Health Scotland](#)

²¹ [Data summary - Mental health inpatient activity - 28 March 2023 - Mental health inpatient activity - Publications - Public Health Scotland](#)

²² [Data explorer - Mental health inpatient activity - 28 March 2023 - Mental health inpatient activity - Publications - Public Health Scotland](#)

Justice Social Work²³:

- There were around 17,600 social work orders commenced in 2019-20, which was 15% lower than the peak in 2016-17. In 2020-21 and 2021-22, this was 8,500 and 12,600, respectively. These figures are lower than previously reported because of the COVID-19 pandemic.
- There were 16,800 community payback orders commenced in 2019-20, a rise of two per cent on the year prior. These were lower than 2019-20 during the pandemic years: 8,200 in 2020-21 and 12,200 in 2021-22.
- There was 1,900 statutory custody and community based through care cases commenced in 2019-20. These were lower than 2019-20 during the pandemic years: 1,500 in 2020-21 and 1,700 in 2021-22.
- The number of drug treatment and testing orders commenced was 520 in 2019-20. These were lower than 2019-20 during the pandemic years: 230 in 2020-21 and 360 in 2021-22.
- Young people aged 16 to 20 represent 7% of the Scottish population aged 16 to 70 in 2020-21 and accounted for 9% of criminal justice social work reports submitted and community payback orders imposed and 20% of fiscal work orders imposed.

Children's Services²⁴:

- On 31 July 2022, 12,596 children were being looked after in Scotland. This includes those looked after at home, with kinship carers, with foster carers, in other community settings, or in residential accommodation.
- On 31 July 2022, 2,031 children were on the Child Protection Register.
- On 31 July 2022, 382 children were both looked after and on the Child Protection Register.
- On 31 July 2022, the rate of children (0-15 years) on the Child Protection Register varied considerably by local authority, ranging from 0.5 per 1,000 children in East Renfrewshire to 4.2 per 1,000 children in North Ayrshire.²⁵
- During 2020/21, around 3,000 children and young people aged 0-17 received social care services or support in Scotland, of which 22% had a learning disability and 16% a physical and sensory disability. 515 children and young people had community alarms or received telecare support, 195 home care and 70 children and young people were in a care home.²⁶
- 5,230 children and young people started treatment at Child and Adolescent Mental Health Services (CAMHS) in Scotland during the quarter ending June 2022. Of these, 68.4% were seen within 18 weeks, compared to the standard of at least 90% of children and young people to receive treatment within 18 weeks of referral.²⁷

²³ [Justice Social work statistics 2021-22](#)

²⁴ Children's services include children's community health, social work, and social care services.

²⁵ [Children's Social Work Statistics Scotland 2021-22](#)

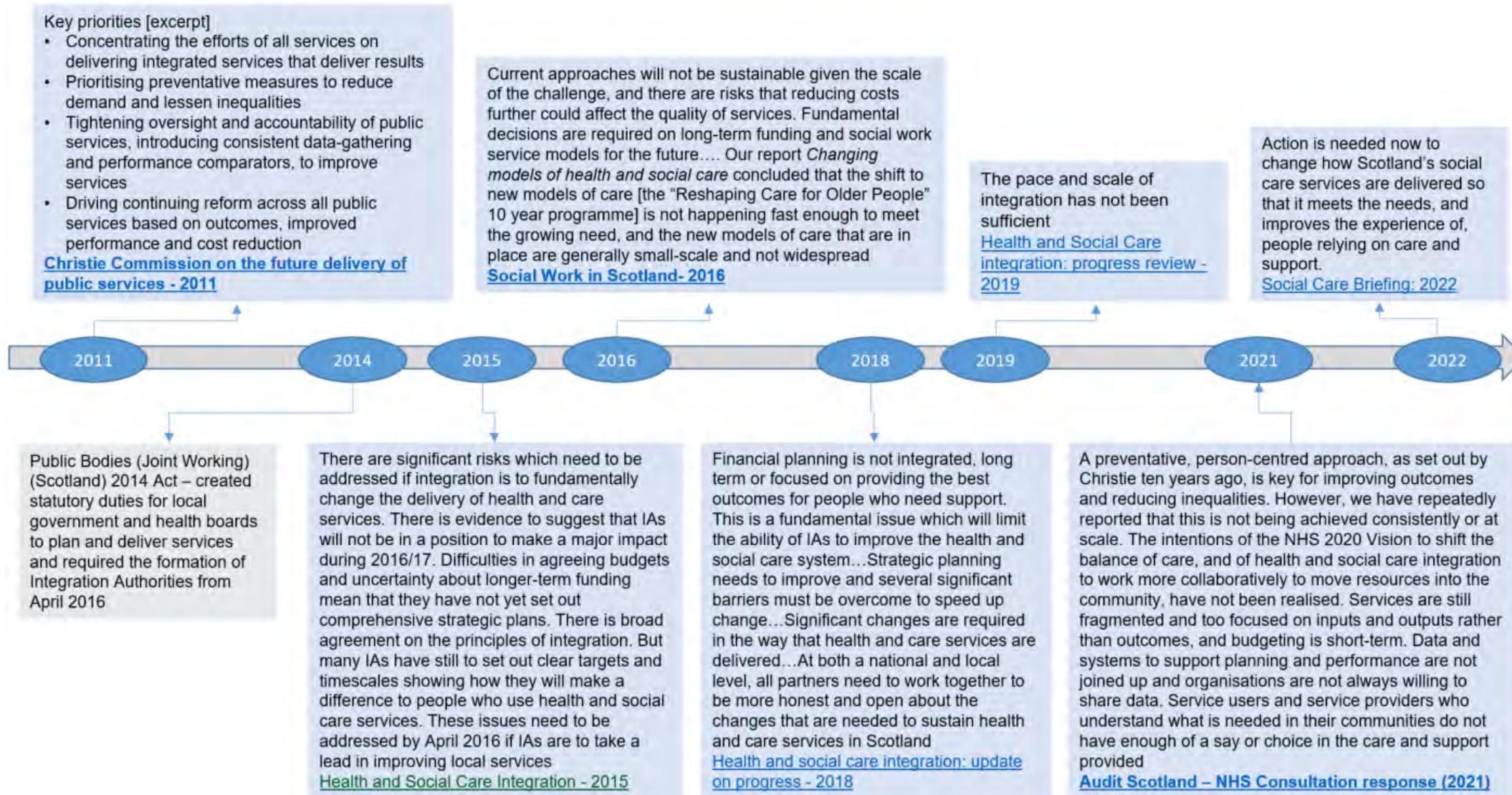
²⁶ Insights in social care: Statistics for Scotland

²⁷ Scottish Government Performance against LDP standards

2.3.3 Reform of Health and Social Care in Scotland up until this point

The figures above show that the demand and investment on Health and Social Care is significant and far reaching. There have been initiatives to reform the system previously. Figure 1 sets out the published reports which preceded IRASC, and how reform was considered and initiated.

Figure 1: Published Reports on Health and Social Care Reform



The introduction of the 2014 Public Bodies (Joint Working) Act was intended to address the challenges present in the community health, social work, and social care system at the time. The published documents set out in the above diagram provide a narrative on that implementation.

The key learning points and areas to consider based upon the experiences to date of implementing health and social care integration are summarised below.

Table 2:

| |
|--|
| <p><u>Initial focus on entity rather than service or service user</u></p> <p>The requirement to have the Integration Authorities (IA) in place by a set deadline meant much of the focus was on leadership and structures. There was not enough focus on how services would be delivered differently. There was little room for trial and error, building on what works or for designing the service and wider features around the user. The start – and end – was to set up the IA.</p> |
| <p><u>The IA has limited authority to change.</u></p> <p>Other than NHS Highland, the structures of IAs mean that the IA is intended to be the strategic commissioner and has statutory responsibility for decision-making, but the delivery bodies retained statutory delivery responsibility. The IA therefore has limited ability to change the profile of delivery, to innovate or redirect resources.</p> |
| <p><u>Funding made it hard to remove the ‘organisational’ lens.</u></p> <p>IAs represented a limited change to the existing funding model - funds were ceded to IAs and then largely given back to the hosts from which they came. There was little risk sharing or ability to invest in one area to save in another. This impairs the policy intent to invest more in prevention and pro-active care, as funds released from acute services that see reduced costs are often reinvested to meet the growing demand for acute services (as investment is not otherwise available to meet this demand). One review concluded that this means that funding needs to be ‘new’ rather than abstracted from the acute services which would see reduced costs.</p> |
| <p><u>Distinct entities behaving differently.</u></p> <p>The culture, professions and system for Community Health, Social Work and Social Care delivery are different. Where there is increased integration in the form of ‘lead agencies’ or recently through the Enhanced Professional and Clinical Oversight, the view tends to be that the clinical/medical approach becomes dominant rather than a true integration of approaches.</p> |
| <p><u>Over-reliance on leadership</u></p> <p>The system for IAs placed high reliance on strategy, commissioning, and governance. To do this the IAs only have to produce three documents – an annual performance statement, a strategic plan (every three years) and an annual finance statement.</p> <p>IJBs were required to have several representative groups on the Board. The high turnover of Chief Officers, over-reliance on a few key leaders within the system and a limited number of Board meetings for the significance of the work in hand did not provide the required drive for change at a local level. For example, the ability to focus efforts on changing how third parties are commissioned and engaging them differently on a relationship basis was highlighted as</p> |

taking time, energy, and consistency of leadership, as well as needing changes to ways of working beyond the leadership team layer itself.

2.3.4 Good Practice within the Current System

Although quality of provision across Scotland is not consistent, within the current system, there are examples of social care being delivered to a high standard, despite the scale of the challenges faced by the sector. Some examples are below.

The [Independent Review of Adult Social Care](#) (published in February 2021) heard many examples of good practice in the current social care system, and noted “the dedication and responsiveness of people in the workforce”, how “self-directed support [is] enabling people to ‘live a real life’”, that integrated health and social care support services are “jointly focusing on the wellbeing of the person using care”; and also recognised the support being given to carers in order that they can carry on caring for their loved ones.

The Granite Care Consortium (GCC) was commissioned by Aberdeen City Health and Social Care Partnership to deliver Care at Home services from 1st November 2020. GCC consists of 10 care and support providers, all of whom are experienced in delivering care in the city. The focus of the new model moves away from tradition time and task model to one that is more responsive to delivering individual outcomes. There will be an increased focus on local assets to connect people back into their communities. The model also aims to improve market stability and provide greater stability for the workforce.

The model allows the packages of care to be stepped up and stepped down in response to changing needs and in close collaboration with service users, their families and those directly involved in providing the care.

An evaluation of first year of operations was carried out by Coalition of Care and Support Providers Scotland (CCPS) and formed part of GCC’s [Annual Report 2020-21](#).

The review found that Integration Joint Boards “have had benefits in terms of health and social care support services working together better locally” and that the social care workforce is 'motivated', 'resilient', 'adaptable' and 'proud of their work'. Good examples were also noted about engagement with the Care Inspectorate, including observations like “inspections being based on dialogue and improvement.”

2.3.5 Conclusions on Scale of Demand on the Current System

Ensuring that the health and social care system is prepared to deal with the changing needs of the people of Scotland is an important element for the general wellbeing of the country. The system must have an increasing level of resilience that is able to deal with a variety of ongoing challenges and pressures.

The Scottish Government is committed to supporting the delivery of Social Care services within Scotland. Through dedicated funding to local bodies, provision should be made at a local level that is responsive to the needs of local communities. The Scottish Government in collaboration with partners has an important role in driving improvement and collaboration across the country as well as coordinating response to emerging issues and pressures.

The health and social care system is still recovering from the Covid Pandemic as well as responding to other emerging issues such as a changing demography and workforce pressures.

These issues present the system with challenges that require a holistic approach to ensuring that it remains able to deliver for the people of Scotland.

The economic case provides additional detail, in summary the system is failing to meet current demand and significant reform is required to enable it to meet future demand in terms of Scotland's future needs, including the projected burden of disease and the ageing population.

Moreover, IRASC identified that many current costs in Social Care are driven by crisis management and late interventions, for example people who are delayed in hospital. It is estimated that delayed discharges cost the system £134 million a year, plus the wellbeing loss experienced by individuals.²⁸ Eliminating or reducing this cost to the acute health service is not necessarily a reduction in cost to the public purse. Instead community health and social care costs may be incurred, but we do expect to see efficiencies emerge.

2.3.6 Problem Statements

The IRASC highlighted the challenges with the current system through a series of problem statements, primarily focused on Adult Social Care. These have been built on further throughout the business case process as follows:

- Reviewing other policies, research, reports, and analysis on the services in scope – including The Promise.
- Holding working sessions with those with lived and living experience of the community health and care sector and understanding their journey through the current system.

Through this wider work a longlist of over 200 problem statements were developed that cover issues across the community health and social care system. These have been summarised and grouped together into nine themes.

These problem statements highlight the need for a 'whole system' response. The issues identified are not solvable through one off measures or by individual reforms. As the initial view of potential enablers shows, they point to a scale of reform which is comprehensive, addresses the fragmentation of the current system, and can overcome the barriers that have prevented the current ways of working from making these changes. They also reflect messages that have been repeated in previous years and which have not resulted in the level or pace of change needed to address them.

²⁸ Independent Review of Adult Social Care (2021) ([link](#))

Figure 1: Problem Statements.

Person-centered rights-based care

The current system is often not designed with the individual's needs at the forefront, nor is it coordinated or flexible enough to reflect and address the changing needs of individuals. It requires people to re-tell their story within and across different parts of the system creating frustration and trauma for them, and inefficiencies for the system. As a result, many people and families feel support is hard to access and is system rather than person-centred.

People who use care and their families often describe the social care system as over complicated. This is largely driven by the current processes surrounding support planning which are not streamlined – making the system difficult to navigate and hindering people's ability to access social care support in a timely manner.

The aim of personalisation, for example through Self Directed Support (SDS) is not being met to a sufficiently high level. The HACE survey previously referenced showed around 1 in 4 people who receive care did not feel they had a say in how it was delivered. The existing eligibility criteria were cited within the IRASC as acting as barriers to accessing support, and often failing to acknowledge and support the whole needs for a person. The creation of Integration Authorities and the Health and Social Care Partnerships which deliver services was intended to provide a more co-ordinated and person-centred approach. While it is recognised integration authorities have made improvements in some areas – IRASC, the Audit Scotland review of Health and Social Care Integration and the Ministerial Working group on Health and Social Care Integration progress review have found they have not made sufficient progress.

Prevention not Crisis

The current system often focuses on acute crisis support and there is a lack of access to the preventative care and early intervention needed by people to support them to live an independent and fulfilling life and reduce the future need for high-cost crisis support. This cycle leads to people feeling that the system is failing to meet their needs and leads to increased use of other health emergency/ acute services which results in further inefficiencies in the system such as delayed discharges.

The difference in the operational style and context of NHS and Local Authority organisations reinforces different behaviours, with Social Care/Local Authority services often seen as the 'poor relation' due to an inability to shift funding and attention from acute care to more preventative and proactive interventions.

Stakeholders, representing people who access services, providers, and those within the current system, raised the issue of short-term funding preventing long term planning and capacity to invest into preventative support services. Eligibility criteria create barriers to accessing services, meaning people are unable to access the most appropriate support at the right time.

Individuals and Unpaid Carers

Currently the complex bureaucracy within the system too often excludes the individuals in receipt of care and support, their families and unpaid carers from assessment and support processes. This needs to be balanced with a stronger advocacy system that protects vulnerable people while supporting families to be involved in a meaningful manner. For unpaid carers particularly there remains concern about the consistency of access to information about the support available and the complex and lengthy processes required to get appropriate support for opportunities to step away to undertake everyday tasks, recharge and take a break.

Evidence from Carers Scotland reveals almost three quarters (72%) said they had to continue providing care even though they felt they were at breaking point.ⁱ Unpaid carers faced an extraordinarily challenging time providing many more hours of unpaid care during the pandemic, with reduced support available from health and social care services and limited help from their support networks. Research shows that just over a third of carers (35%) in State of Caring 2023 had not had any break from caring in the past year, often saying that it is just too difficult to get the breaks they desperately need.ⁱⁱ IRASC findings and feedback from Current Operating Model (COM) workshop attendees showed that there is a need for improved and more consistent support for unpaid carers to carry out their caring role and to take a break from caring, with regular access to a range of options for respite.

Workforce

The lack of parity between third, independent, NHS and local authority staff, with variation in remuneration, training and an unclear career pathway all contribute to the perception that caring is not an attractive career, leading to recruitment and retention issues. Other cultural factors and perceived hierarchies that exist within the workforce can result in individuals in receipt of care and support not placing equal value across all professions involved with them.

For example, even before the current challenges with cost of living, carers were more likely to be in poverty than people without a caring role. According to the Joseph Rowntree Foundation, 44% of working age adults who are providing unpaid care for more than 35 hours a week are in poverty.ⁱⁱⁱ Job market competition from other sectors with more attractive T&Cs (e.g. retail, hospitality) is also impacting recruitment and retention.

Currently there is not a unified approach to learning and development. Areas of development include the need to establish clear career pathways and to identify the skills that workers need to develop, including leadership development and retention. There is no financial incentive for career

progression due to the erosion of pay differentials with added responsibility. Training is the responsibility of employers, but funding options are complex with little oversight on the quality of training.

At present, social work education, continuous professional development and improvement are supported and provided by several organisations and agencies, including local authorities and the Scottish Social Services Council (SSSC). The Scottish Government sets the overall strategic framework for the delivery of social work and has oversight of some of these bodies, namely the SSSC. There is no single national body tasked with having oversight and leading social workers' professional development, education, and improvement. Terms and conditions of social workers employment are set by individual employers, resulting in local variations in social workers' pay and grading.

Consistency and Quality

There is a lack of consistency and a variation of quality of provision and services across Scotland. This can be attributed to a number of factors including interpretation of eligibility criteria regulations; interpretation and/or implementation of the Self-Directed Support Act; the extent of choice of provider or service available locally; and the variation of Integration Authority remits across the country and regulations and scrutiny that too often focus on procedure and process rather than on individuals' experiences of care. People have stated that these factors along with the lack of a clear improvement framework for social care led to a feeling of a postcode lottery.

For example, looking at SDS, according to the National Report on 'My Support My Choice: People's Experiences of Self-directed Support and Social Care in Scotland (Oct 2020)', there has been difficulty in contacting social work departments, particularly when trying to obtain information about how to access SDS (Self Directed Support) for the first time. Variable information was reportedly given to service users about the four SDS options that links into people's needs assessment.

While it is generally clear how to make a complaint in relation to SDS and despite the positive outcomes that are achieved through a complaint, it is noted that the actual process itself can be inconsistent, unpredictable, and dependent on various factors, such as geographic location, the person receiving the complaint and levels of individual awareness.

System Intelligence and Governance

The community health and social care system is seen as complex, with little transparency. Having multiple public sector bodies with different governance and accountability structures makes creating the conditions for collaborative public sector and provider relationships challenging. This impacts on the ability to fulfil tasks such as joint planning, risk sharing and providing oversight. The system is difficult for people to navigate with multiple interfaces that leave them unclear about where responsibility and accountability for their care and support rests.

Integration Authorities were introduced to integrate Local Government and Health services, but it has proven hard to make this work in practice. Some of the key issues include the following:

- There has been high leadership turnover due to many issues. For example, the challenge of working in a complex governance environment and the need for IJB members to act in the interest of the IJB but also hold their substantive posts.
- The intention of integration was to pool resources and then direct them according to a shared plan, based on needs. In practice much of the funding appears to be 'circular,' with funding allocated to the IJB from the local authority and health board, which then directs it back to the local authorities and health boards (and Health and Social Care Partnerships) to deliver. The scale of funding of the IJB relies on the financial position of its partners.
- The financial planning and budget cycles are not aligned; Local Authorities must agree budgets and set council tax by the end of March while NHS Territorial Boards work to different timescales. Therefore, statutory bodies apply different budget setting timescales with IJB's' budgets being set last, making joined up planning for resources harder.

Regulation and Standards

There is a disconnect between the considerable number of different standards in social care, the priority attached to these and awareness of them by those who are delivering and receiving services on the ground, creating an implementation gap between policy and practice. The handling of complaints and problems is also made more difficult as there is no single standard/measure. The current system regulates individual providers, tackling underperformance highlighted through inspection with no embedded sectoral improvement strategy.

There is a view that social care roles are poorly defined across local authorities, third sector and independent providers and the NHS. A lack of understanding on the range of roles and responsibilities including a clear distinction between social care and social work (whilst also recognising its inherent partnership) has been raised with a need for the workforce to have its own "professional identity."

Further issues have been highlighted with current commissioning and procurement practices which are seen to be characterised by mistrust, conflict, and market forces, with procurement practices in social care increasingly driving and sometimes undermining strategic commissioning and planning decisions. The lack of autonomy at different levels over-complicates the system and restricts decision-making.

Continuous improvement

There are multiple organisations with the remit and role to support improvement. However, as set out throughout this analysis, a fragmented system makes it harder to trace improvements through to either individual or national outcomes and therefore risks improving process and activity rather than driving better results. There are also barriers in addressing known performance issues among some providers because of the limits of the regulatory powers available.

It is recognised that a lack of collaborative leadership and lack of strategic capacity has affected the progress of integration in some areas. Integration remains poorly understood and workforce pressures are a clear barrier to the implementation of integration plans.

¹ State of Caring 2023: A health and social care crisis for unpaid carers in Scotland, November 2023. Carers Scotland

¹ State of Caring 2023: A health and social care crisis for unpaid carers in Scotland, November 2023. Carers Scotland

¹ Joseph Rowntree Foundation. Poverty in the UK 2022.

2.3.7 Summary of the current case for the NCS

There has been unprecedented demand on the Scottish health and social care system in a time of global challenge and uncertainty. Meeting demand will only become more challenging in the future with an ageing population with more complex needs. To deliver a system which meets Scottish Government ambitions, in terms of outcomes and services for the people of Scotland, it is essential to consider fundamental and systemic change, that optimises the system and makes real change for people. The Public Bodies Act is not delivering the embedded approach to integration it was intended to, meaning that many people are failing to have their social care needs met.

The Independent Review of Adult Social Care (IRASC) was instrumental in identifying how these fundamental changes might be implemented. The Programme recognises that any solution envisaged for social care must address the IRASC problem statements.

There are significant workforce issues within the current Social Care system (also identified by IRASC). The NCS must seek to address these throughout the entirety of the Programme lifecycle and beyond. Specific key issues include challenges around staff recruitment and retention. Cultural paradigms and leadership issues are also suggested as key issues requiring consideration.

In 2021/22, there were 236,000 people in Scotland reportedly receiving social care support or services.²⁹ If it is assumed that 10% of this group (23,600 people) experience a 0.1 point improvement in wellbeing because of the establishment of the NCS for the reasons discussed above, then this could lead to a potential annual benefit of around £34 million (2021 prices).

In 2021, there were around 130,000 people employed in the Adult Social care sector.³⁰ If it is assumed 10% of this group (13,000 carers) experience a 0.1 point improvement in their wellbeing on the life satisfaction scale because of the establishment of the NCS, then this could lead to a potential annual benefit of around £19 million (2021 prices).

2.4 Scope of the Programme

The National Care Service (Scotland) Bill was published in June 2022; and has legislated for the maximalist approach to scope for inclusion within the NCS, which includes Children and Families services, Justice Social Work and Community Health Services along with Adult Social Work and Social Care Services. At the time of Introduction this included the transfer of full accountability, functions, staff, and assets to Scottish Ministers and included the set-up of local care boards to replace Integration Authorities. This option has been refined further following ongoing definition and evidence gathering as well as alignment with the recent Verity House agreement with Local Government

The Scottish Government has reached an initial agreement with local government and the NHS about shared accountability arrangements for the National Care Service (NCS). Overall legal accountability will be shared between Scottish Government, the NHS and local government. Staff will continue to be employed by local authorities, which will also retain assets and delivery

²⁹ [People supported - Insights in social care: statistics for Scotland - Support provided or funded by health and social care partnerships in Scotland 2021/22 - Insights in social care: statistics for Scotland - Publications - Public Health Scotland](#)

³⁰ This only includes those working in adult day care, adult placement services and housing support/care at home. It does not consider health workers: Scottish Social Services Council, August 2023 ([link](#))

functions with similar arrangements for all NHS Health Boards assets, staff, functions, and contracts.

New governance arrangements will be introduced. These will be introduced to ensure consistently high levels of service across the country, while building the flexibility to meet varying community needs at a local level. Agreement has been reached that a National Board will be established to oversee these new governance arrangements, with the detail and functions to be designed in collaboration with key stakeholders and those who access and work in the sector.

In addition, ongoing collaborative work will support the development of the preferred options for local reform, rather than the creation of Care Boards.

Figure 2: NCS Programme High level visual

The figure below provides a visual representation of the scope of the NCS Programme that takes account of these recent agreements.



Children's services

The IRASC concluded that "for Scotland to truly be the best place in the world for children to grow up, a fundamental shift is required in how decisions are made about children and families." For this fundamental shift to happen, services must be designed in a truly collaborative way. The Scottish Government is committed to delivering The Promise in partnership with the wider children's services sector.

Further consideration is required as to whether the integration of children's social services with adult and community health services in the NCS could provide a structure and system in which The Promise can be delivered and maintained more effectively than out with the NCS. The NCS model could improve these services for disabled children and children with health issues and improve transitional arrangements as young people reach adulthood.

Strategic aims for delivering The Promise and making improvements in children's services have been identified, which could be achieved by locating these services in the NCS. Including children's services in the scope of the NCS may be an opportunity to:

- address variation in access to and quality of services
- move to a more consistent national approach.
- set standards of care and strategic planning
- reduce variation in thresholds for services.
- improve accountability and shift focus to early intervention.
- improve alignment with community health services.
- improve transitions between children's and adult services.

Justice Social Work Services

Justice Social Work Services differ to other parts of the social care sector in that they tend to be court imposed (and so are largely non-voluntary); have limited scope for the affected individual to influence service delivery; can be partly aimed at the punishment of those who have committed an offence in addition to rehabilitation and support; and have a focus on public protection and the management of risk. These aspects will all be taken into account when considering how justice social work services may be incorporated into the NCS (and what implications that may have for the wider model of Community Justice), in close discussion with relevant stakeholders.

Community Health Services

We recognise that there are still a number of decisions to be made with regard to the scope of this business case for community health, and that work to capture further detail and key issues in Community Health more widely will continue for the next iteration. In relation to Community Health services for children, further consideration is required regarding the inclusion of Children's Services within the NCS. Under the current Health and Social Care integration arrangements we have services that must be delegated at a minimum and others such as Mental Health and Neurodiversity services that are optional. This means there is currently much variation across Scotland. Delegation of prescribed functions has not been consistent across the country, and this is leading to confusion and a lack of clear accountability. Areas which have delegated a number of functions have demonstrated the potential of integration and we therefore must now assess how best to advance delegation of services under the NCS further.

2.4.1 NCS programme scope of delivery

1. A National Board to oversee shared accountability.

The NCS National Board will ensure consistent, fair, human rights-based Social Care support and Community Health services, underpinned by effective complaints and advocacy for people. At the same time, it will support communities to maximise the benefits of reformed local delivery of services.

The NCS National Board will drive forward improvements across the system by supporting collaborative leadership and greater collaboration between partners. It will also seek to improve the quality and consistency of services and ensure services are sustainable and person-led by undertaking new functions at the national level that are not in place in the current system.

The Board will be accountable for standards, guidance, and performance metrics, with an agreed support and improvement framework which will aim to help local areas when monitoring indicates that standards are not being met.

The functions of the Board will be finalised through further work and co-design; however, at a high-level agreement on the following functions has been reached:

- setting national strategic direction.
- developing standards, guidance, and operating frameworks.
- overseeing and seeking delivery assurance on local strategic plans and ethical commissioning strategies.
- monitoring system performance.
- maintaining a support and improvement framework which will aim to provide support to local areas when monitoring indicates that standards are not being met with powers of intervention, when required, as a last resort.
- ensuring visibility of data, information, and analysis about social care support, social work, and primary and community health services through reporting on delivery.
- national commissioning and procurement by agreement for complex and specialist social care services which will include prison social care.
- seeking assurance on public protection arrangements; and
- providing support to local delivery partners.

When it is established, the National Board will need to be supported to fulfil its functions. The intention is for the National Board to enhance capacity in the system, and this needs to be reflected in the way it is resourced. Further work is needed to determine the best way to support the National Board and what its status should be. Our planning assumption is that, when the Board is established, the Scottish Government's work on policy, delivery and improvement activity relating to the services in scope for the NCS will continue and will be aligned to the work of the Board.

An assessment of the options for delivery, value and costs will be made through the development of an outline business case on the development of the NCS National Board.

2. National Social Work Agency

The National Social Work Agency will provide a single national body with oversight of social work education, training and professional development, and the improvement of social work services. Its objectives will be to support and invest in the social work profession by providing national leadership and overseeing social work education (pre/post-qualifying), improvement, workforce planning, training, development, and implementation.

It will work collectively with partners to address workforce pressures and factors impacting on supply and the recruitment and retention of the social work workforce. The Agency will be located within the Scottish Government but will be a partnership which works with key external stakeholders and employers to support local solutions, develop regional approaches where appropriate and where needed, national approaches. It will be an opportunity to address some of the longstanding issues impacting on the sector and will seek to improve consistency in service delivery and crucially, enable social workers to work more effectively to transform people's lives and implement rights-based practice.

3. Develop national functions.

There will be an ongoing need for Scottish Government to support Scottish Ministers. The Programme will manage an organisational change project that will support integration by ensuring policy development and improvement is delivered to support the aims and objectives of the NCS. This will promote and foster more joined up person-led collaboration at local level between different parts of the Health and Social Care system and other related services through effective integration with the NHS at national level and effective joined up working across the public sector at national level.

Options for this will be determined through the Programme's definition phase and will promote integration and Getting it Right for Everyone (GIRFE) principles and embed Human Rights in policy making and delivery across all areas of the NCS. Working to support the National Board in policy development and improvement, ahead of the introduction of the National Board, the National team will continue to support policy development and improvement, identifying and delivering early improvements ahead of the introduction of the National Board.

For the most part this will be a realignment of existing Scottish Government policy teams to support joined up and integrated policy making in line with GIRFE principles. There will be a need for some additional investment in some NCS National workstreams. These will include the development of a complaints service and a consistent approach to independent advocacy, building on services currently provided and filling gaps in provision where identified. Where that is the case, the workstream will be supported by the development of specific business cases, that will outline, costs, benefits, and value for money of proposed options for delivery.

4. Transform local delivery through Reformed Integration Authorities

The shared accountability agreement between national and local government included agreement that statutory delivery functions would remain with local government and health boards respectively, along with assets, employment, and relevant funding. Consequentially, there are provisions in the NCS Bill as introduced which would no longer be intended to be used as originally envisaged.

The Programme has therefore been examining whether the intended outcomes could be achieved by putting forward amendments to the Public Bodies (Joint Working) (Scotland) Act 2014 under which the integration authorities were created. We are now of the view that this is a reasonable approach and would achieve the intended reforms in a manner proportionate to the aim. There continues to be a need for reform, with significant changes needed at local level to realise the intended quality and consistency.

To ensure that there is a clear link between local and national shared accountability, the programme will ensure through this project that processes are in place for reformed integration authorities to be accountable to the National Care Service Board, with the National Care Service Board responsible for reviewing, and securing assurance on the deliverability of local strategic plans.

Under this continuous improvement approach it is intended to carry over any existing powers under the 2014 Act which have not yet been used in practice, such as the powers to allow integration authorities to directly employ chief officers and other members of staff.

We will also strengthen the opportunities for Integration Authorities to join together across current geographical boundaries to achieve greater consistency, quality and economies of scale where there is local agreement to do so. It is also the intention that the role of localities should be strengthened, building on what works well and driving greater consistency in how these are set up and used as part of community engagement, strategic planning, and other integrated functions.

Finally, it remains the Scottish Government's intention that the recommendation to give a greater voice to lived experience within decision making structures should be actioned, including by extending who on the board has voting rights.

Local reform will be delivered in alignment with the Verity House agreement and the Programme's commitment to co-design. This will support the ambition to create a comprehensive Community Health and Social Care service overseen by a National Board that supports individuals and smooths transitions between different categories of care based upon local needs. Detailed scope, benefits, value, and costs for the preferred approach to local reform will be presented as part of a local reform business case.

5. Integrated Social Care and Health Record (IHSCR)

The Independent Review of Adult Social Care highlighted the frustration that many people felt of being *"asked to repeat the same information to several different professionals when better data sharing arrangements would remove the need."* It highlighted how technology in general can *"help with people's ownership of their care and support, particularly when people "own" their own data or information that is about them and share it with the people who support."* To in part address this, the Scottish Government consulted on the idea of 'a nationally-consistent, integrated and accessible electronic social care and health record' in the Using Data to Support Care' section in the formal public consultation for NCS on. Notably, 85% of individuals and 89% of organisations taking part in the consultation agreed to this proposal, supporting the idea that information about their health and care needs should be shared across health and social care services. Moreover, there was a strong view that care services should be more focused on individual needs and with individuals having more access over their care and information.

The commitment to improving information sharing and access to information is long-standing: in 2018, the Scottish Government and COSLA committed to deliver *"a Scottish health and care 'national digital platform' through which relevant real-time data and information from health and care records, and the tools and services they use, is available to those who need it, when they need, wherever they are, in a secure and safe way."* This followed a recommendation from an External Expert Panel chaired by Harvard's Professor David Bates and the conclusion from the Scottish Parliament's Health and Sport Committee report on technology and innovation in health and social care that *'the best way forward for data sharing is through a single platform, or spine, for data that other systems connect into'*.

Work has progressed on this via NHS National Education for Scotland (NES) – the underlying ‘platform’ technology is a core part of the National Vaccine service, but it remains a long way from realising the full ambition of the ‘national digital platform’ and providing citizen and professional access to the right data at the right time. To address this, our 2021 ‘Care in the Digital Age’ Strategy introduced in more detail our programme of work for accelerating citizen access – via a ‘Digital Front Door’ (an existing PfG and Manifesto commitment) and, again joint with COSLA, our 2022 Data Strategy for Health & Social Care extended this further to incorporate the recognised need to develop an integrated social care & health record to enable professional access.

Opening up citizen and professional access to relevant information has therefore long been a strategic commitment of both the Scottish Government and COSLA, and is supported by all stakeholders, international evidence and the Scottish Parliament.

Whilst work on a number of the underlying capabilities continues to progress, the core ‘routes in’ for citizens and professionals to access (and meaningfully use) health & social care information – the digital front door and integrated record – don’t yet exist and as such will require major investment in their own rights and will be subject to their own detailed business cases. Given the significant dependencies between the NCS and these programmes of work (and the investment required), the ISCHR business case will align closely with the NCS programme governance and delivery arrangements.

By focusing our technology developments on the sharing of information across health and social care, it is intended to establish an environment of collaboration across the public sector, positively impacting the ability to provide joint planning, risk sharing and oversight. It is also intended that by developing this in a national way, greater consistency and experiences of care will become more possible across Scotland – currently, a small (but growing) highly localised examples exist but not in a consistent, or equitable, manner.

2.4.2 Statement of benefit

The NCS Programme. will build on the benefits contained in the statement of benefits as outlined in the policy memorandum.

In tandem with the laying of the Bill in June 2022 a statement of benefit was published, this outlined the overarching ambition and strategic outcomes the NCS would deliver for the people of Scotland.

Noting that “**Care and support are an investment; they must work to remove barriers, tackle inequalities and allow people to flourish and live their lives as they want to.**”

The National Care Service will ensure **consistency of provision** and **improvements** in social care, social work, and community health support, by working in partnership with people who access and deliver services, trade unions, Local Government, and the third sector.

Working in partnership agreement has been reached that overall accountability will be shared between Scottish Government, the NHS and local government.

New governance arrangements in the form of a National Care Service Board will be introduced to ensure consistently high levels of service across the country, while building the flexibility to meet varying community needs at a local level.

2.5 Delivery approach

Co – design

The Programme has committed to deliver change through co-design. By collaborating with people from all the different groups who will use and deliver services we can be more confident that the changes will work for everyone. As the Scottish Approach to Service Design outlines in this way we can design more responsive user-centred services by looking at the whole spectrum of needs created by life events. This not only improves the quality and efficiency of the services but improves outcomes for people who are trying to access services during stressful periods of change.

We will design the services a NCS will deliver with the communities it will support in order to ensure it represents best value for money, through building the right improvements that will impact positively on the lives of the people of Scotland.

Phased approach

The Programme will build on current improvement work and ensure that opportunities to deliver impactful change now ahead of the delivery of an NCS are maximised. Current improvement work that the NCS is aligned to and will build on includes:

- “Getting it Right for Everyone” – new practice model that is person centred, human rights based and secures a proactive single plan, actions and support from all agencies involved in an individual’s life.
- Multi-disciplinary teams – originally set up to ensure health care is provided by the most appropriate professional, centred around GPs and Allied Healthcare Professionals. Has become a series of handoffs between professionals in most cases, rather than a team around a person. Opportunity to focus this on the GIRFE model and broaden out to include wider agencies.
- National Improvement Framework.
 - The Framework will provide focus and structure for efforts to drive improvements within the sector, giving flexibility for local areas to plan how to deliver and will be used at a national level to track progress.
 - This is being developed in partnership between the Scottish Government, COSLA and SOLACE with representation from across the Social Care Support and Community Health Sector to ensure the Improvement Framework captures the current and future needs across the system.

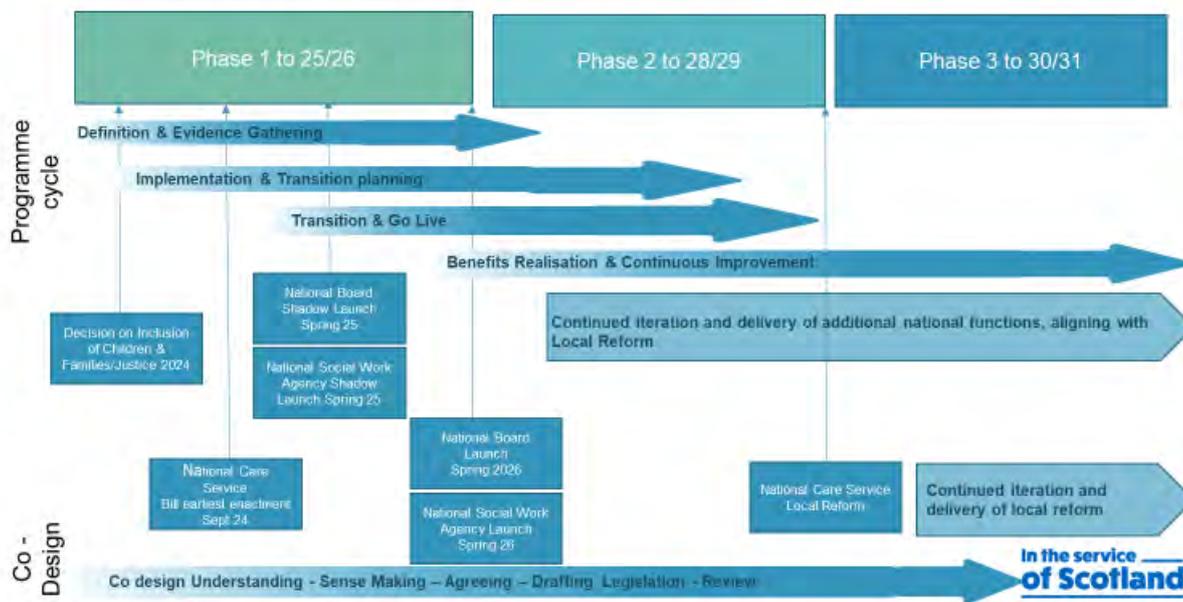
The NCS Programme will take a phased approach building on the work above.

Phase 1: will further define the Programme and options for delivery; deliver the NCS Bill; establish the National Board, National Social Work Agency (NSWA) and some national functions.

Phase 2: will build on the work of the National Board and NSWA through embedding policy development and improvements through collaborative working. Phase 2 will also set the groundwork for local reform including development of the required secondary legislation.

Phase 3: will see continued refinement of options for delivery of local reform. Options for delivery will be considered in more detail as part of the local reform business case and will include proposals for additional tests of change and phasing in Local Reform to support safe delivery and mitigate risk.

NATIONAL CARE SERVICE ROUTE MAP



In line with the above approach principles for test of change have been developed to support the programme in successful delivery, these include:

- Continuity of Care and Public Protection must always be prioritised.
- Change should be gradual, and policy and delivery assurance through tests of change may be required before full implementation.
- Evaluation and exit strategies will be agreed at the outset.
- Pathfinder activity should align with similar objectives and activity already underway to avoid proliferation of national tests of change across the country.

2.6 Wider Strategic Risks Associated with the Delivery of the NCS

The Management Case section sets out how risk will be assessed and managed throughout the lifetime of the Programme. Table 2 below sets out some of the wider strategic risks associated with the delivery of the NCS, but these must be read in the context that further work around the identification of risk will be undertaken as part of delivering this Business Case. Given the high level and strategic nature of the risks set out in Table 2 it is difficult to assess the likelihood and impact of these. Instead, they have been listed in order of how likely they are to crystallise,

Table 3: Wider Strategic Risks Associated with Delivery

| Risks |
|---|
| <p>Affordability</p> <p>The change will require investment, which will need to be balanced against other priorities if it is to deliver the impactful long-term ambitions. Programme funding will require on-going management to ensure that budgets are effectively and efficiently utilised and that Programme delivery plans are regularly reviewed and adjusted, where necessary, to ensure that key programme milestones are delivered in view of future budget agreements and changing scope – including cost and resource requirements.</p> |

Risks

Relationships

The Programme requires cross government and public sector wide collaboration to ensure successful design, delivery and implementation of Health and Social Care Reform through the National Care Service. The agreement on shared accountability between Scottish Ministers, Local Authorities and the NHS will require the creation of new governance structures that should not introduce risk to existing governance, planning or delivery responsibilities.

Technology

Our current evidence base indicates that new technology will be required to deliver on the ambition of the Integrated Health and Social Care Record. Whilst this is not part of the scope of the business case the dependencies are such that the risk may impact on the NCS. This developing evidence base also indicates a mixed picture of digital maturity in the Social Care Sector and a need therefore to invest in the sector to improve digital capacity and capability to successfully implement the required technology. This therefore poses technology risks in terms of successfully developing the technology; ensuring any technology is sufficiently safe and secure for personal and special category data; and ensuring successful implementation of said technologies into the sector.

Maintaining existing services

The existing Health and Social Care System is already stretched, safely landing additional change in that environment will be a challenge. Careful planning and prioritisation of the phasing of change will be required in mitigation. Changes to the existing system must not result in a reduction of service quality or introduce additional risk to the services experienced by individuals.

Public sector Interfaces for people do not improve.

Implementing NCS delivers improvements in Health and Social Care but exacerbates the need for effective interfaces between Health Services (e.g. primary and secondary) and other public services such as housing and education.

People

There is a risk that the focus becomes system driven rather than focusing on the needs of people. The consultation provided an evidence base for change, but we must continue to put the needs of users at the heart of the change to deliver real and impactful change that meets their needs, supported by clear communication of the Programme's approach to co-design.

Localism

There is a balance to be struck between the development of national standards, consistency, and transfer to new model of shared accountability to Ministers versus the flexibility needed to meet local geographic and demographic differences.

Bureaucracy

Creation of a national board without consideration of local delivery and improvement may be seen as an additional layer of bureaucracy, additional cost and layers of decision making as well as the risk of creating new artificial boundaries between services.

2.7 Key Constraints and Dependencies

This section sets out the key constraints associated with both the NCS Programme, and also considers the wider constraints associated with delivering the NCS alongside other Scottish Government priorities.

Key Constraints associated with the NCS Programme

There are three key constraints associated with the NCS Programme, these are explored in more detail at the headings below:

1. Resource

Undertaking the NCS Programme will require considerable resources, both from the Scottish Government and from the Social Care Sector. Necessarily, the Programme will need to be delivered within the available resources.

This Programme seeks to address complex issues within a complex system. Conducting the work necessary to deliver a service which addresses these issues require investment. The accompanying shared accountability paper sets out the anticipated financial resourcing requirements in detail. There is a resource constraint on the social care sector, which may limit the input available. There is heavy demand on a sector which is subject to its own resource constraints. Given the user-centred design approach which the NCS Programme intends to take, engagement from the social care sector is integral to the delivery of the Programme.

2. Stakeholders

As set out in the previous section, the NCS Programme is aware of the demand on that sector, and the resulting resource constraints on the Scottish Social Care Sector. An additional constraint is the willingness of stakeholders to engage with the Programme, especially as their engagement is required to successfully deliver the change. So far, the NCS Programme has been able to access the necessary level of stakeholder engagement. The Programme will also have to balance the competing views of stakeholders e.g. balancing the views of system leaders, workforce, and service users.

2.8 Key Interdependencies for the NCS Programme

The interaction between the Social Care Sector and the Third Sector will be a critical interdependency for the NCS Programme. The Scottish Government recognises that the care and support offered through the third sector community groups and third sector organisations of all sizes are central to ensuring that people who need care support, and their families, have the assistance with day to day living they need. This support also very often goes beyond regulated care provision to ensure a better quality of life-based on wellbeing and human rights. It is critical that this input is protected and promoted as part of future design. To deliver this, it is vital that the breadth of input from the third sector to the social care system is understood and incorporated.

We must also consider the wider public sector reform landscape, and potential changes in the future, for example the development of the Single Authority Model, changes to the operating model of the NHS or wider reforms. The NCS legislation is being developed to enable such flexibility and to support wider reforms and the programme will remain engaged with these proposals as they emerge.

2 Economic Case

Introduction

The NCS Programme is being developed in partnership with COSLA and the NHS. As such, the Programme continues to be defined through ongoing negotiations regarding respective responsibilities and practicalities around service delivery. Dependent on the final form that the NCS takes there is potential for substantial benefits to be realised from its introduction and the associated wider social care reform, committed to by the Scottish Government. This Economic Case quantifies what these could be and provides a framework for future detailed quantification of benefits as the programme develops.

Future iterations of the Programme Business Case (PBC), and subsequent underpinning Business Cases, will outline the options for implementation of the NCS, following further decisions. At these points in time, the evidence around the economic benefits, as well as costs, will continue to be developed and refreshed and any gaps will be addressed.

3.1 Background

The reform of Community Health, Social Work and Social Care has been a high-profile item on the public policy agenda in Scotland, over the last two decades. The intention to introduce a National Care Service (NCS) builds upon principles and ambitions that are well established, but which have not been fully realised to date. The rationale for the NCS is that the scale of transformation needed to meet aspirations for a rights-based, person-centred system that delivers a better experience and better outcomes for the people of Scotland, requires a fundamental, system wide change and a new approach to Community Health, Social Work, and Social Care. This would aim to go beyond both the individual and cumulative scale of reforms undertaken to date.

3.2 Current situation

Demand for Health and Social Care services has been unprecedented in recent years and is expected to rise in the future. The current population structure includes a large concentration of people in their early-50s to early-70s.³¹ Owing to higher life expectancy, compared to previous generations, the latest projections suggest that the number of people aged 65 and over will grow by nearly a third by mid-2045³². In addition to this, estimates of Healthy Life Expectancy (HLE) – the number of years an individual will live in ‘very good’ or ‘good’ general health – have been falling in recent years. It is now estimated that children (both male and female) born in 2018-20 will, on average, spend a shorter proportion of their life in good health, relative to those born in 2009-11.³³ Whilst predicting the future demand for Social Care is extremely challenging, factors such as those highlighted here represent significant likely pressures on both Scotland’s current and future social care systems.

The concurrent fall in the working age population puts additional pressure on public finances, making it even more challenging to achieve change and improvement. As such, it is critical that

³¹ Mid-2020 population statistics.

³² National Records of Scotland (2023) ([link](#)).

³³ National Records Scotland (2022) ([link](#))

the Scottish Government are able to respond in an efficient and cohesive way to deliver consistent, high-quality Social Care Services, focused on the needs of the Scottish population.

At present, Local Authorities and Health Boards work together as Integration Authorities to assess, plan and commission local Community Health and Social Care services in their local areas. Integrated Health and Social Care is delivered through 31 Integration Authorities across Scotland. Under these arrangements, Local Authorities remain statutorily responsible for the delivery of Social Work and Social Care, and Health Boards for delivery of healthcare, on behalf of the Integration Authorities. Scottish Ministers have limited statutory responsibilities for the delivery of Social Care and Social Work Services locally.

3.3 Independent Review of Adult Social Care

The case for reforming the delivery of integrated health and social care arose out of an Independent Review of Adult Social Care (IRASC)³⁴. Conducted in the latter half of 2020, and published in February 2021, the report concluded that whilst there were strengths in Scotland's Social Care system, it required revision and redesign to enable a step change in the outcomes for people in receipt of care or accessing Social Care support. The critical role of Social Care, in supporting people to live well and to have their rights respected, was further demonstrated starkly during the Covid-19 pandemic.

The challenges identified by the IRASC included:

- Inconsistency of user experience ("postcode lottery")
- Complex and inconsistent governance arrangements
- Lack of national oversight and collaboration
- Lack of collaborative and strategic leadership
- The need for a paradigm shift in care support to one underpinned by rights.
- Non-integrated budgetary and financial planning

The IRASC report found that the current arrangements for delivery of Integrated Health and Social Care by Health Boards and Local Authorities, means that lines of accountability are not clear, and this results in complexity in the system and poorer services for people. The IRASC concluded that fundamental changes were needed regarding who is responsible for delivering Social Care in Scotland and how that delivery is organised. This is because, although incremental reforms have been ongoing for a number of years, people accessing Social Care support are still faced with significant challenges in securing the services they need.

3.4 Options

This section presents the risks of continuing with business as usual and the additional benefits of introducing the NCS.

3.5 Option of Business as Usual

IRASC identified that many current costs in Social Care are driven by crisis management and late interventions. An example of these, and related poor outcomes, are those experienced by people who are delayed in hospital. It is estimated that delayed discharges cost the system £134 million a

³⁴ Independent Review of Adult Social Care (2021) ([link](#))

year, plus the wellbeing loss experienced by individuals.³⁵ This is an illustration of one of the costs of the current system that could potentially be mitigated against by improving on business as usual.

If the IRASC recommendations are not implemented and we continue with piecemeal reforms to the Social Care system, then there are risks that increasing inefficiencies could cost more than investment in a new delivery system.

A new system which enables strategic integration, national oversight, and accountability, would provide opportunities to invest in preventative care, rather than crisis responses, avoiding expenditure on poor outcomes such as those experienced by people who are delayed in hospital. When instances such as this are considered across the whole social care, social work, and community care landscape, there could be considerable costs that are avoidable if the current system can be improved to better support the health care system and relieve pressures here. Without a better developed social care system, pressure will continue to mount on the NHS and there will be increased costs both of treatment and impacts on patients.

Not only are there risks to continuing with business as usual due to the current pressures on the health and social care systems, but these risks will be compounded by the forecasted increase in demand, discussed above, as a result of the aging and worsening health of the population. Continuing with business as usual becomes increasingly risky, as the system reaches breaking point. As this increased demand for social care services starts to materialise, it is likely that service quality will decrease under business as usual.

3.6 Option of The National Care Service

The Scottish Government is aiming to implement the recommendations from the IRASC through ongoing social care reforms and the creation of the NCS. It is hoped that this will allow Scotland to be better equipped to tackle both current and future issues in health and social care.

So far, agreement has been reached to establish an NCS Board as the primary means through which to operationalise and manage shared accountability.

Discussions are still ongoing around the NCS Board including membership. The Board will, amongst other things, determine the national strategic direction; set standards, guidance, and operating frameworks; monitor system performance; and provide a framework for support, improvement, and intervention. Further work and co-design is required to set out how the NCS National Board's monitoring and oversight functions will work in practice, and how those functions will align to, and interact with, those community health, social work and social care support services agreed to be within the scope of the NCS.

At the local level, it is expected that the existing IJBs will be reformed. These reformed IJBs will have additional functions to deliver reforms, such as: a new independent chair who will be accountable to the NCS Board; support for lived experience representatives to ensure unpaid carers are able to attend board meetings; and improved consistency in the role of locality managers.

³⁵ Independent Review of Adult Social Care (2021) ([link](#))

3.7 Costs

The Financial Memorandum and shared accountability paper provides information on the cost estimates for the NCS Programme, as described in the Bill.

3.8 Benefits

This section outlines the potential benefits that may result from the NCS legislation and Programme. These benefits cannot be quantified at this stage and there remains a high level of uncertainty over the design of the remainder of the NCS. However, where possible, we have provided illustrative figures to demonstrate the scale of benefits that could be in scope, depending on the delivery of the NCS, to accompany the qualitative discussion.

The three key pillars through which the NCS will deliver benefits, as outlined in Stage 1 of the Bill, are: consistency, integration, and accountability.

The NCS will enable people to access timely, consistent, equitable and high-quality health and social care support across Scotland.

The NCS is intended to continue the integration of health, social work, and social care support to deliver benefits, both to those working within and those accessing social care, as well as to wider healthcare services and society as a whole.

There will be improved accountability in the system through the role the NCS Board itself will take in monitoring system performance and driving a transparent framework of support, improvement, and as a last resort, intervention, in cases of service failure or emergencies.

The impact of these pillars are subsequently considered in two parts: the direct benefits of the NCS; and the benefits of wider reform that the NCS enables to be maximised. It is expected that these benefits would accumulate gradually over the next decade, rather than immediately after the introduction of the NCS.

Direct benefits of the NCS

This section illustrates the direct benefits that the NCS could potentially deliver to those receiving and providing care, through shared accountability; consistency; and integration. These benefits come about through generating improved wellbeing outcomes of several groups.

Wellbeing

Wellbeing is defined by the Office for National Statistics (ONS) as “how we are doing” across ten domains of wellbeing, as individuals, communities, and a nation, and how sustainable this is for the future.³⁶ Personal wellbeing, which is concerned with the experience of the individual, is the most direct representation of how people are doing. Measures in this domain, as set out by ONS, cover people’s views on their current life satisfaction, whether the things done in life are worthwhile, and their happiness and anxiety levels. It is held that improvements to these ratings represent a benefit to the individual in question.

³⁶ [Measures of National Well-being Dashboard - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

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It is important to understand this, as it is hoped that the NCS will help deliver wellbeing benefits to those involved – both receiving and providing support – in the social care system. The current context in the UK, is set out in ONS personal well-being statistics.³⁷

Focusing on Life Satisfaction, the latest estimates show that individuals in the UK, on average, scored 7.45 out of 10 in the year ending March 2023, with scores of those living in Scotland marginally higher at 7.49.³⁸ Individual's characteristics and circumstances can have a tangible impact on their relative score. Across the UK, those that reported themselves as having Bad (Very Bad) health, some of which may be recipients of social care, reported significantly lower levels of life satisfaction of 5.86 out of 10 (4.65 out of 10).

The section which follows looks to outline how it is anticipated that the NCS Principles will help to deliver wellbeing related benefits.

For individuals receiving care

The NCS Board will drive national strategic direction and provide standards and guidance to address unwanted variation in the system, and drive improvements in the care delivered.

The presumption in favour of further integration recognises that any transitions individuals receiving care go through – be it in terms of geography, age, stage, or between health and social care services – should be smoother.

By strengthening the voice of lived experience in planning and decision making, health and social care services that better meet the needs of users will be provided.

For those working in care

Through mechanisms, such as the establishment of a National Social Worker Agency (NSWA), it is expected that the policy will support the social work sector. This should drive improvements in workplace standards, leading to overall improvements in job satisfaction levels. For those working in social care, the expectation is that locality managers, engaging the community to a greater extent, will improve the channels through which carers can raise concerns to the reformed IJBs.

Alongside this, consistent training and career opportunities should be provided, enabling an improvement in the experiences of the paid workforce, regardless of what part of Scotland they are based in.

Continued integration means that information flows and communication should improve between health and social care services, making it easier for staff to manage transitions and improve working relationships.

³⁷ [Personal well-being in the UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

³⁸ People living in communal establishments (such as care homes), or other non-household situations are not represented in the APS and, subsequently, are not captured within reported figures on personal wellbeing ([link](#)).

Improvements to wellbeing

Illustrative examples of improvements to wellbeing are provided below, for those who receive care and for those who work in Adult Social care. In line with Green Book Supplementary Guidance, the potential annual benefit from an improvement in wellbeing can be monetised.³⁹

This guidance proposes that a one-point change in life satisfaction, measured on a scale of 0 to 10, has a central value of £13,000 (low: £10,000, high £16,000) (2019 prices), per person per year. This is referred to as a 'wellbeing adjusted life year' or 'WELLBY'. For illustrative purposes, we look at the benefit that could be derived from a 0.1 improvement in wellbeing (equivalent to 10% of a central WELLBY), for 10% of each of the different groups.

In 2021/22, there were 236,000 people in Scotland reportedly receiving social care support or services.⁴⁰ If it is assumed that 10% of this group (23,600 people) experience a 0.1 point improvement in wellbeing because of the establishment of the NCS for the reasons discussed above, then this could lead to a potential annual benefit of around £34 million (2021 prices).

In 2021, there were around 130,000 people employed in the Adult Social care sector.⁴¹ If it is assumed 10% of this group (13,000 carers) experience a 0.1 point improvement in their wellbeing on the life satisfaction scale because of the establishment of the NCS, then this could lead to a potential annual benefit of around £19 million (2021 prices).

These are illustrative examples and are not intended to be used as true estimates, rather to demonstrate that there is potential for substantial benefits depending on how the NCS is implemented. The actual benefits which materialise could vary considerably depending upon the number of people who benefit and the scale of benefits that accrue to individuals.

Additionally, whilst these illustrative examples look to monetise the potential benefits to individuals' wellbeing, it is important to recognise that they are non-cash releasing. This means that whilst there are quantifiable benefits they do not lead to a direct reduction in spending or increases in incomes.

Benefits of the NCS maximising the benefits of wider reforms.

The establishment of the National Care Service, and the potential direct benefits it may bring, should also be considered alongside the wider social care investment that the Scottish Government has committed to. This includes increasing adult social care pay to £12 an hour, reopening the Independent Living Fund, removing charges for non-residential social care, and overhauling eligibility.⁴²

By driving national improvements and bringing national oversight and accountability to the sector - it is expected that the NCS will enable additional investments to go further and provide high quality care for more people than otherwise would be the case. If the NCS enables wider social care

³⁹ Green Book Supplementary Guidance ([link](#))

⁴⁰ [People supported - Insights in social care: statistics for Scotland - Support provided or funded by health and social care partnerships in Scotland 2021/22 - Insights in social care: statistics for Scotland - Publications - Public Health Scotland](#)

⁴¹ This only includes those working in adult day care, adult placement services and housing support/care at home. It does not consider health workers: Scottish Social Services Council, August 2023 ([link](#))

⁴² Programme for Government 2023 to 2024 ([link](#))

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reform to potentially reach those currently outside the formal care system, there are two main groups who would benefit further, those with unmet need and unpaid carers.

This section illustrates the potential marginal benefits that could be realised by the NCS, when paired with wider policy reform which increases the provision of social care in Scotland. It is important to note that provisions for such wider reform are not matched by costs set out in the financial memorandum. Costs for increasing provision will instead be covered in individual policy costings, for the wider reforms.

Unmet need and unpaid carers

Currently, the social care system primarily provides support to those with critical or substantial needs. Through wider social care reform, the Scottish Government has committed to overhauling eligibility criteria, changing to a human rights approach that centres around need, rather than using eligibility as a tool to control budget. It has also committed to removing the financial deterrents for accessing such care. As such, it would be expected that social care within Scotland will reach further and provide support to more people – including those with current “unmet needs”.

For these reforms to be effective, and to reach the large sub-population of unmet need in Scotland, the social care infrastructure and governance that the NCS will bring needs to be in place. As such, it is plausible that the NCS will enable greater benefits to be achieved for those currently with unmet need.

IRASC estimated that, in 2018/19, there were 36,000 people in Scotland who “do not currently have access to social care support to whom it would be beneficial”.⁴³ and⁴⁴ As an illustrative example, if it is assumed that 10% of this group (3,600 people) were to experience a 0.1 point improvement in their wellbeing on the life satisfaction scale, the potential annual benefit could be around £5 million (2021 prices).⁴⁵

People with unmet need are not the only group, within the informal care system, who could benefit in such a way. There are estimated to be around 839,000 unpaid adult carers living in Scotland.⁴⁶ Evidence shows that that these unpaid carers often experience lower earnings, and lower levels of physical health than non-carers.^{47, 48} If the NCS were to enable a greater proportion of the people that unpaid carers care for to access formal care (beyond that which a care system without an NCS is able to) and reduce their unpaid caring needs, it is plausible that the NCS could lead to improved health outcomes for unpaid carers. The benefits which materialise could vary considerably depending on the number of people who benefit and the scale of benefits which accrue to individuals.

Young carers

Another group that could benefit from the introduction of the NCS is young carers, who are a sub-group of the unpaid carer group. As stated above, if the introduction of the NCS leads to a greater proportion of the people that young carers care for, being able to access formal care and

⁴³ Independent Review of Adult Social Care (2021) ([link](#))

⁴⁴ The figures quoted are likely to under-estimate the scale of unmet need. However, work is ongoing to improve evidence around unmet need.

⁴⁵ HMT Green Book, Supplementary Guidance ([link](#))

⁴⁶ Number of adult carers (aged 18 and over) living in Scotland 2020: [Scottish Health Survey \(link\)](#)

⁴⁷ Brimblecombe N., Knapp, M., Stevens, M., & Cartagena Farias, J., (2020). The high cost of unpaid care by young people: health and economic impacts of providing unpaid. BMC Public Health, 20:1115, <https://doi.org/10.1186/s12889-020-09166-7>

⁴⁸ Thomas, G.P.A, Saunders C.L., Roland, M.O., & Paddison, C.A.M. (2015). Informal carers' health-related quality of life and patient experience in primary care: 195,364 carers in England responding to a national survey, BMC Family Practice, 16:62, DOI 10.1186/s12875-015-0277-y

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subsequently reduce their unpaid caring needs, then there are potential benefits specific to young carers, regarding their educational participation and attainment.

Over a quarter of young carers in the UK, aged 11 to 15, are reported to regularly miss school due to their caring responsibilities and, when they do attend, that the burden of their caring responsibilities can adversely affect their levels of tiredness and concentration.⁴⁹ This can have a lasting effect on their life chances.⁵⁰ If the NCS enables young carers to reduce the number of hours of care which they provide, beyond that achieved in a system without an NCS, not only could this lead to health improvements (similar to those discussed for wider unpaid carer group), but it could also lead to improvements in their educational attainment. This could then have a knock-on effect on the quality of their future employment and earnings, labour force participation, and ultimately the taxes they pay. This is an area that needs greater exploration, in order to understand and quantify the potential benefits.

Wider benefits

If formal care can replace care that is currently provided by unpaid carers, then this could potentially lead to wider benefits too. Insights taken from Scotland's Carers Census reported that 30% of unpaid carers reported that caring had affected their employment⁵¹. These proportions were higher for those between the ages of 25 to 65 and how they were impacted, varied both in scale and by gender. By reducing the barriers to individuals' ability to work more hours or take up new jobs, it can be assumed that there would be an associated increased participation within the labour market. This is an area that needs greater exploration, in order to understand and quantify the potential benefits.

Any such increased participation in the labour market would be expected to have wider benefits for society. For example, such individuals will receive an increased disposable income. This will then lead to increased spending and saving of individuals, contributing positively towards economic growth. Additionally, there may also be benefits to the state of increased revenue (through additional tax receipts) and potential savings (through reduced provision of benefits, for example, Carer's Allowance).

Another key area of benefits resulting from the NCS is the possibility of efficiency savings. This need not be that overall costs fall, but that costs per unit of social care falls. If improved management, integration of services or general logistics led to even relatively incremental time savings for staff, then this could have substantial benefits across the system. Further analysis into the scope and scale of these wider benefits will be carried out, to support the further development of both the Programme and underlying businesses cases.

3.9 Risks

As options have not been evaluated at this stage, it has not been possible to quantitatively assess risk. However, we have identified risks that would warrant further investigation in future Business Case iterations.

Risk categories are drawn largely from standard Government guidance and include risks in funding and design from additional costs that may arise; reputational risks if standards are not

⁴⁹ Action for Children ([link](#))

⁵⁰ Action for Children ([link](#))

⁵¹ [Carers Census, Scotland, 2021-22 - gov.scot \(www.gov.scot\)](#)

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met; operational and volume risks stemming from higher workforce costs or over utilisation of services; commercial risks due to difficulties in transitioning of services; and environmental risks from having to meet net zero targets.

It could be argued that the introduction of the NCS offers greater mitigation against, for example, the potential risk of reputational damage by actively implementing measures that prevent standards from not being met. There is therefore less chance of that reputational damage and a lower overall risk score. Conversely, it can be argued that continuing with business as usual will become increasingly risky, as the system reaches breaking point. Establishing an NCS could enable the system to deliver care in a more efficient way, which in turn would result in a lower risk of the system reaching crisis point.

3.10 Next steps/conclusion

There is potential for substantial benefits to be realised from the NCS, and the associated wider social care reform, committed to by the Scottish Government. This Economic Case illustrates the potential scale of these benefits and provides a framework to enable future detailed quantification of benefits as the programme develops.

Discussions between the Scottish Government, COSLA, the unions and the NHS have been still ongoing. Once these have concluded, the implications of these discussions are understood, and subsequent options for how the NCS will be implemented are known and developed, we will refine this Economic Case and those in future underpinning business cases. This will provide more detailed analysis on the scale of benefits that each option provides compared to its costs to provide a value for money assessment. We will continue the development of the evidence base for the NCS, to ensure informed decisions are made that offer best public value to society.

4. Commercial case

4.1 Overview

This Commercial Case section recognises that to support the NCS Programme two main strands of procurement activity are likely to be required. Firstly, there will be a requirement to engage procurement colleagues in activity related to the processes and timescales that will inform the purchase of goods or securing of services as required to establish the National Care Service National Board including any support services. Secondly, procurement professionals will also be engaged in the purchase of services such as user research, professional advice, and stakeholder engagement related services as need is identified, to support the NCS programme. This will include supporting the ongoing co-design and policy development, meeting the commitment to design the detail of the NCS with people with lived experience, the workforce and key stakeholders including delivery partners.

As individual requirements for key procurements become clear, market engagement and Statement of Requirement activity will be described in Commodity Lead Procurement Strategies that relate to those workstreams (rather than in the Programme-level Business Cases). That work, and those Commodity Lead Procurement Strategies will ensure that procurement activity is compliant with procurement legislation and standards, including Digital Scotland Service Standard (DSSS), sustainable procurement standards, fair work first, and data security considerations - from both the programme and the supplier's perspectives.

It is recognised that Procurement colleagues are key stakeholders not only in the delivery of the Programme policy and outcomes but also as prospective supportive stakeholders of the future delivery boards in live running. Procurement colleagues are also leading projects within the programme including the reform of procurement guidance and tools to embed an ethical procurement approach, working with colleagues on how procurement will be delivered within the national care service, and the development of a market shaping approach. As the National Care Service Programme continues to develop, its requirements for key procurements and commercial relationships will change and develop to meet the Programme's evolving needs. The nature of this Programme, close working with policy teams across it, and comparisons with similar recent programmes in the Scottish Government (particularly the Social Security Programme) has informed this Commercial Case and reasonable predictions of the types of services that will be required to be made. Commentary on sourcing those services is provided below.

Scottish Government Procurement Strategy

The Scottish Procurement and Property Directorate (SPPD) has published its [Procurement Strategy for 2022-24](#). As part of the core Scottish Government, the NCS Programme is bound by that Procurement Strategy. The Programme will be supported by The More Powers Implementation Procurement (MPIP) team which acts in accordance with this strategy when acting for the Programme. The Scottish Government Procurement Strategy notes that the Scottish Government's key priorities are centred on contributing to Scotland's purpose of creating a more successful country, with opportunities for all to flourish, through increasing sustainable and inclusive economic growth. This is underpinned by the [National Performance Framework](#), [Scotland's National Strategy for Economic Transformation \(NSET\)](#) and the annual [Programme for Government](#) which sets out the plan for policy delivery, [public procurement priorities](#) and legislation over the next year. It ensures compliance to, and delivery of the priorities through the sustainable procurement duty as outlined in [Procurement Reform \(Scotland\) Act 2014](#). Our strategy continues to support the Scottish Government's work on addressing climate change, supporting, and embedding a fair work first approach, tackling child poverty, delivering COVID-19

PBC

recovery, and building our constitution. The sustainable procurement duty helps public sector organisations identify opportunities to include economic, social, and environmental considerations in contracts and show how our procurement activity contributes to the [National Outcomes](#) and [Indicators](#) and, in turn, to Scotland's NSET. We develop sourcing strategies for each procurement project worth £50,000 or more. This work is supported by the [Sustainability Test](#) and, where appropriate, the [Sustainable Public Procurement Prioritisation Tool \(SPPPT\)](#). We track our contribution to the Scottish Government's purpose and priorities through our compliance with the sustainable procurement duty.

In doing so the Programme ensures our activity furthers our Procurement Strategic Aims and Objectives such as.

- Tackling Child Poverty through Fair Work First. Our vision is that by 2025, people in Scotland will have a world-leading working life where Fair Work drives success, wellbeing and prosperity for individuals, businesses, organisations, and society. We use public procurement to tackle in-work poverty and, by extension, child poverty by ensuring job security and fair pay in our contracts.
- Climate change. Our sustainable procurement tools include indicators and guidance to support Scottish public sector buyers to consider and act on several climate change and circular economy considerations. We are committed to acting on climate change and to develop the circular economy by buying goods and services which reduce emissions, minimise waste and allow for repair, re-use, refurbishment, or recycling wherever appropriate.
- Covid recovery. The strategy covers commitments described in [Scotland's National Strategy for Economic Transformation](#) and [Scotland's Programme for Government](#). This includes using the £13.3 billion annual procurement spend across the Scottish public sector to boost inclusive economic recovery, support longer term economic wellbeing, and a just transition to net zero. Our tools and guidance will influence and empower buyer, supplier, and key stakeholder communities to use public procurement to support an inclusive and green economic recovery.

The strategy is underpinned by detailed guidance on each stage of the [Procurement Journey](#) (phases of activity).

4.2 Commodity level Procurement Strategies

Commodity level Procurement Strategies set-out the approach to buying the goods, services and works in a series of procurements. These strategies are bespoke on a procurement-by-procurement basis and include sections on the choices of procurement procedure or potential payment mechanism as these will be defined in each commodity level procurement strategy to suit the needs of the individual contract. These Procurement Strategies are aligned with the Scottish Governments overarching procurement strategy.

4.3 Work Streams, Forward planning, and Required Outputs

The Programme level picture of procurement requirements will constantly evolve as projects mature.

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The Programme has so far identified requirements such as research, consultation analysis, professional advisors, contingency labour, and digital expertise. Commodity-level Procurement Strategies will be developed for each of these when the value is greater than £50,000. As the Programme is already in operation, contracts for these types of services have already been secured for the Programme. For each of these service types, the work to date has demonstrated sufficient market capacity and multiple routes to market, including existing frameworks, Dynamic Purchasing Agreements, and open competition. There are no current issues regarding the interdependency between pace and scope of the Programme and MPIP's ability to secure the required services through these routes to market.

MPIP in conjunction with the Programme will develop a procurement Forward Plan and contracts register of detailing priority contracts. The Programme procurement 'Forward Plan' is a live document and will assist the Programme to plan for future procurements, manage contract relets, manage resources, and understand which projects should be considered prioritised.

4.4 Property requirements

No property is intended to transfer from Local Authorities to establish the National Care Service, but the National Care Service may have property requirements (for example, occupying space in existing Scottish Government offices). Scottish Procurement Property Division continue to advise on property requirements for the Programme. Property Division will support the Programme in appointing appropriately experienced external advisors and are managing the delivery of professional services for property matters for the Programme. The Chief Surveyor leads commercial advice in relation to the acquisition of Property for Scottish Government Core Directorates and Agencies.

4.5 Digital requirements

The Digital Strategy for Scotland, "[A Changing Nation: How Scotland Will Thrive In A Digital World](#)" sets out the role digital will play and this, together with other relevant digital strategies such as [Cyber Resilience](#) underpin our approach to digital procurement activity.

When appropriate, the MPIP team undertake pre-market supplier engagement to ensure that the market is aware of future procurement activity prior to the publication of tender documents. This is designed to increase supplier participation in the procurement process and provide increased opportunities for the delivery of innovative digital solutions and de-risk delivery outcomes. In delivering the procurement of projects including digital platforms and software, the agile approach is used predominately.

4.6 Governance Relating to Procurement and Commercial Activity

Delegated Purchasing Authority (DPA) is the authority to enter into a contract for goods, services and works and applies to all contracts placed by the Scottish Government. Purchasing Authority is separate from budgetary authority and the two cannot sit with one individual. This is common across both public and private sectors and is standard fraud prevention measure. A Budget Owner can decide to allocate funding to a particular initiative, but they cannot award a procurement contract. Delegated Purchasing Procedures must be followed for all procurement exercises:

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- Delegated purchasing authority for low level spend (i.e., contracts valued under £50,000) typically sits with trained (Delegated Purchasing Officers) Programme officers and is supported by the MPIP team where required.
- Regulated procurement activity (contracts worth £50,000 or more) is managed by the MPIP Team. The Head of MPIP has a commercial delegation of £75,000,000 ex VAT and is ultimately responsible for the commercial due diligence of contract awards up to this value. DPA of higher values sits with other officers in the Scottish Procurement and Property Directorate and they will be drawn-into the governance of high-value projects as required.

4.7 Governance Relating Budgetary Approval

The National Care Service Programme Budgetary Governance is described in the Management case section.

5. Finance Case

For the purposes of this version of the case the accompanying shared accountability paper should be referred to.

6. Management Case

6.1 Introduction

The approach to management of the Programme is set out below.

Scottish Government, Director General of Health, and Social Care (Accountable Owner) are delivering the Programme. A Senior Responsible Officer (SRO) leads the Programme, the Director of the Social Care NCS Development Directorate. The cross-cutting nature of the Programme requires collaborative working across the Scottish Government, Local Authorities, NHS, and the wider social care sector to develop policy, design and implement an NCS that brings together community health and social care to improve the service for the people of Scotland.

The preferred programme management methodology is a hybrid model supported by Managing Successful Programme (MSP®), using both agile and waterfall methodologies. Agile methodologies will be used where an iterative approach is required, with waterfall methodologies adopted where a linear and more traditional approach is preferable.

The sections below set out how this methodology is applied.

6.2 Programme and Project framework

6.2.1 Programme high level structure

A Programme structure has been developed, which sets out the Programme, scope, underpinning projects, which will include detailed workstreams and programme functions. This sets out **what** the programme will deliver.

Figure 2:



Scope

For the purposes of this PBC, the management case section applies to all projects and workstreams which will contribute to the delivery of the NCS. Further evidence will be considered on the inclusion of Children and Families and Justice Social Work as well as final decisions on the community health services that will form part of the NCS. The programme planning assumption is that all areas are in scope until such time as a final decision is made, this is essential to ensure

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their needs and any impacts are fully considered. Each of these areas will be represented in the teams delivering the Programme, projects and workstreams.

Level 1 Programme

The Programme refers to all projects, work streams and functions required to deliver the NCS, the Programme SRO is accountable for the successful delivery of the Programme and its expected benefits and outcomes, they have delegated responsibility for underpinning projects to Project Responsible Owners as outlined below.

Level 2 Projects

The Programme will deliver a fully integrated NCS, for the purposes of delivery and good governance five overarching projects have been identified that underpin the successful delivery of the Programme. These are NCS National Board, National Social Work Agency, National functions, Local reform. The Integrated Social Care and Health Record is also listed here given the significant dependencies between the projects. As a major project, it will have its own governance arrangements that will be embedded with the NCS Programme. Each project has a project responsible owner who is accountable for the successful delivery of the project, underpinning workstreams and expected benefits and outcomes. In line with the Programme's business case strategy, where appropriate, each project will be supported by a business case.

Level 3 Workstreams

Sitting below the projects are a number of interdependent workstreams. Each workstream will have an identified owner that aligns with the Programme governance and accountability structure.

Programme functions

In addition to the workstream delivery, the Programme requires functional teams who will ensure common programme management processes are applied consistently across the programme, the expectation is that these will cease at programme closure. Some examples of functional teams in the current Programme are:

- Communications and Engagement
- Analytical Services
- Co-design
- Finance
- Change management.
- Programme Management Office

6.2.2 Appointed Personnel and vacancies

The Programme has appointed an Accountable Owner, Senior Responsible Owner, Project Responsible Owners and workstream leads.

Figure 4 – Senior Team



The figure above shows the senior team responsible for delivery of the NCS and the critical dependency of the Integrated Health and Social Care Record. The senior team are supported by workstream and functional leads.

As outlined above, the programme is led by the Senior Responsible Officer (SRO) who, in line with the Scottish Public Finance Manual (SPFM), has delegated responsibility from the Accountable Officer for the successful implementation of the Programme, with Scottish Ministers remaining accountable for policy.

The SRO is supported in successful delivery by senior civil servants with considerable experience in all areas in scope of the NCS as well as specialism in digital, design, user research, analysis, legal and project management.

In recognition of the wide scope and complex governance of the National Care Service Programme the Programme Management Office are putting in place a bespoke Senior Responsible Officer delegated authority which will be supported by Director level Programme Responsible Officers from across Scottish Government.

In addition, the Programme leadership is supported by the advice and guidance of a range of professional advisors who provide expert input and advice on the role of the professions within the current sector. An embedded Programme Management office ensures robust governance and reporting processes are in place to support the successful delivery of this Programme.

6.3 PMO Governance and Reporting Arrangements

6.3.1 Reporting Arrangements

The NCS Programme has in place robust reporting arrangements, in line with the programme structure and hierarchy outlined above, proportionate reporting arrangements are in place at workstream, project and programme level. Workstreams report into regular project working groups, covering progress against plans, and risks and issues. In turn projects report into the Programme Delivery Board (PDB) on a fortnightly cycle. The PDB tracks and monitors progress against plan, risks and issues and programme costs. In addition, the Programme provides a report to the dedicated programme assurance board and to Ministers via the Cabinet Sub Committee. All Programme reporting arrangements support SG corporate reporting.

6.3.2 Scottish Government Internal Governance Arrangements

The programme has established an internal governance structure to support programme delivery and enable timely decision-making at an appropriate level of authority, providing assurance to senior stakeholders and Ministers. The internal governance arrangements and Ministerial oversight support the cross-cutting nature of the Programme through having representation from all areas in scope or impacted by the NCS.

The Programme Delivery Board is the Programme’s main decision-making board for **implementation** decisions. It is here where the SRO is given assurance that project deliverables and milestones are being delivered. Above the Programme Delivery Board, sits the NCS Assurance Board, acts as an escalation point for the PDB. This provides senior cross-Government assurance to the Scottish Government Executive team that the Programme is managed effectively.

Additionally, the Programme has established governance forums subordinate to the PDB, these include project working groups, the risk review panel and co-design assurance group which work with designated authority from the PDB.

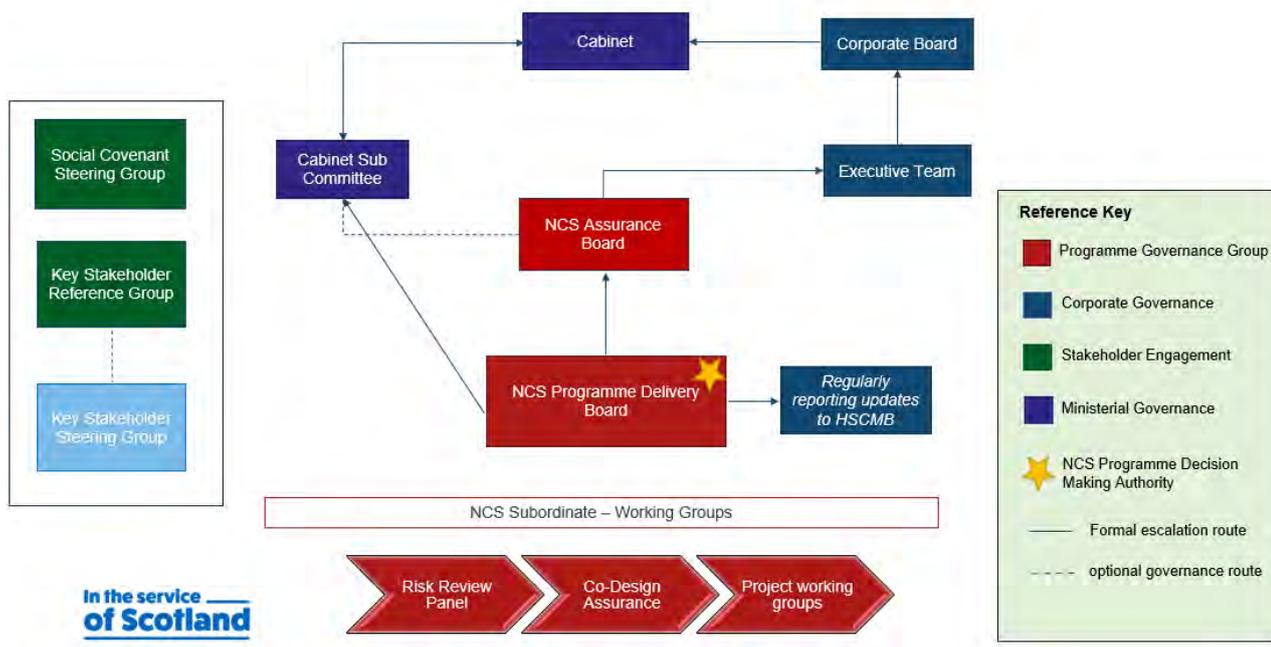
Project Working Groups provide detailed oversight and governance at a project level, reporting into Programme level governance via the PDB. The Risk Review Panel provides management and oversight of the Programme risk profile to ensure threats to Programme objectives are minimised and opportunities maximised.

The Co- Design Assurance Group’s role is to ensure that a consistent and co-ordinated approach to co-design is being taken across the programme. The Group also manages the administration for the Lived Experience Panel and the NCS Stakeholder Register.

Parallel to the internal governance structures within the NCS programme, there are several forums for engagement with external stakeholders, those who access and work in care and organisations.

There will be a need enhance governance arrangements as the Programme progresses to support the development of shared accountability through the national board, this will be likely to include representation of key delivery partners.

Figure 5: NCS Programme Governance Landscape



6.3.3 Programme Management Office (PMO)

The Programme is supported by programme functions including a Programme Management Office (PMO) that provides support, coordination, and control across the Programme.

The PMO consists of a central team led by the Programme Manager and overseen by the SRO. It delivers consistency across the programme by developing and maintaining a set of PMO strategies which set the standards for all programme management functions.

All PMO owned strategies, processes, artefacts, and templates are living documents and are maintained and updated regularly. In the initial phases of the Programme, the team oversee standards and processes including in the following areas:

- Programme Governance, Reporting and Secretariat
- Planning and dependency management
- Programme Assurance
- Resource management
- Risk and Issues
- Change Control
- Benefits Realisation

6.4 Programme Planning

This section will outline the programme approach to planning and dependency management, including the high-level programme schedule of delivery, the programme phases and change management approach, and how it will be monitored and controlled. In addition, the section will provide an overview of the Programme's approach to underpinning business cases to support future investment decisions and the Programme costs.

6.4.1 Programme Schedule

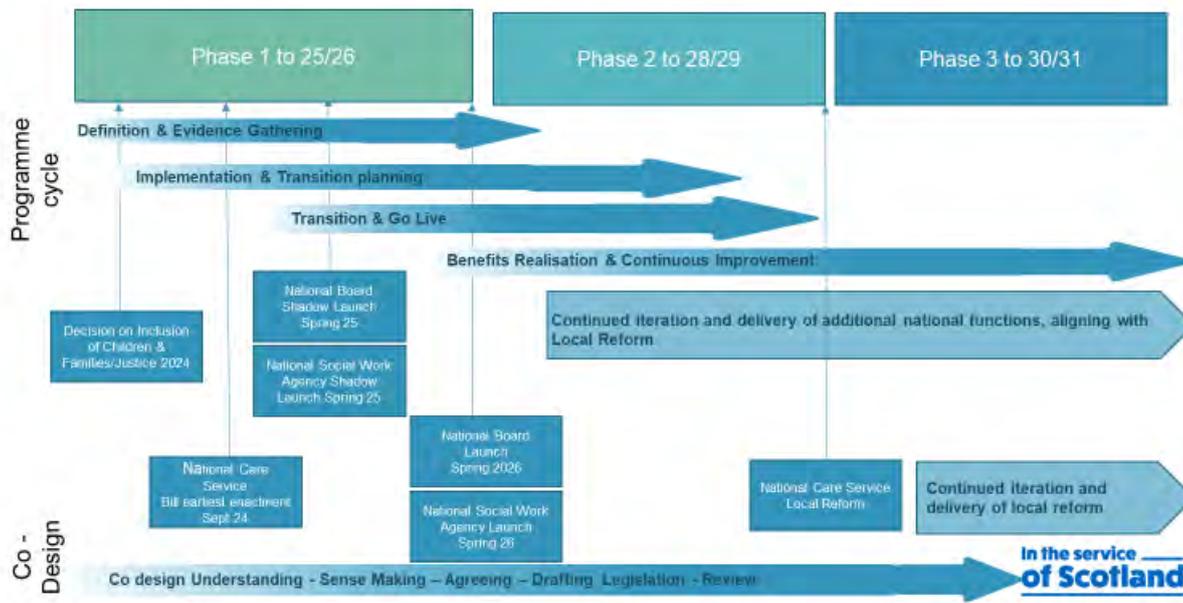
The National Care Service is a significant transformation programme and will be delivered over several years. The programme is structured to deliver in phases, supporting the need for early improvement balanced with the need to maintain continuity of safe care.

The current priority for the NCS programme is to support the passage of the Bill and secondary legislation during this Parliament to create a strong framework for the future delivery of social care across Scotland and putting in place the enabling functions that will allow the programme to implement the programme deliverables on a phased basis.

The programme phases are supported by the agreed co-design process. Through co-design and phasing the Programme is working to ensure that we close the 'implementation gap' between legislation and delivery as highlighted in the Independent Review of Adult Social Care.

Figure 6: High level route map & programme phasing

NATIONAL CARE SERVICE ROUTE MAP



Programme planning strategy.

The programme high level route map for delivery will be supported by the Programme planning strategy which outlines the three-level approach to planning, programme, project and workstream, that supports successful delivery through consistent application of planning controls.

Programme phasing

As outlined in the figure below the Programme will be delivered in phases. This supports the Programme to prioritise continuity of safe care. This ensures that much needed improvements can be rolled out ahead of full reform whilst mitigating the risk of landing significant change on an already stretched sector. The phased approach allows for co design, test of change, and evaluation of change to support decision making on future change activity.

The starting point is not the same across Scotland, with some Integration Joint Boards already operating with full delegated powers for both children’s health services, children’s social care services and criminal justice social work services. The Programme’s phased approach will protect these existing partnerships and ensure we do not inadvertently roll back on the commitment to integration that supports people. The Programme approach to phased transition will reduce the risk of transfer and support co-design and inclusion of local areas. It may be that for some localities, change can be implemented in advance of the timelines set out in the current planning assumptions.

6.4.2 Business Case approach

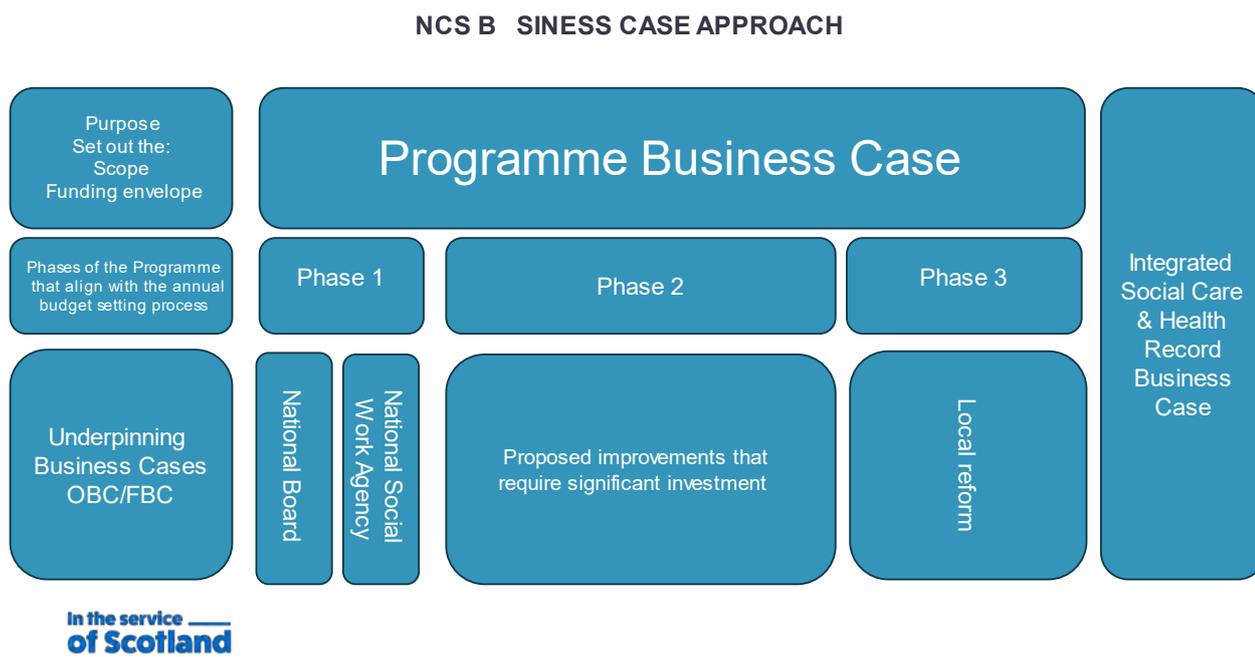
The NCS business case approach will follow HM Treasury Green Book methodology in developing proposals for the scope, planning and delivery of the NCS programme.

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The PBC seeks to outline the key decisions made to date, the scope, case for change, overarching strategic benefits and funding envelope required over the lifecycle of the Programme. The case also outlines how the Programme will be managed and the phases of delivery. The case will be an iterative document and updated at key phases of the Programme as options for delivery develop.

The PBC will be underpinned by project business cases that will provide additional detail to support investment decisions in line with the phases of the Programme.

Figure 8: Business Case approach



6.5 Co-design

Co-Design Approach

The Programme has committed to deliver change through co-design. This approach will involve engaging with three key groups through its co-design activity.

People with experience:

This includes people who need health and social care support and their friends and family, people who deliver health and social care support and people who might need support in the future.

People with experience matter because people's experiences of how the current system works help us to think together about what a future system of care might look like. What is happening in people's lives can affect their health and social care, or their work in health and social care, so it's important we think about that too.

By collaborating with people from all the different groups who will use and deliver services we can be more confident that the changes will work for everyone. Participating in things like this is also an important human right.

Delivery partners:

This includes the organisations which deliver social care services and organisations that support social care services. Delivery organisations matter because organisations that provide health and social care services locally, or support other organisations to do that, understand the opportunities for change in the current system, they also understand where there are barriers to change, and what works well. They are vital to helping us be sure that proposed changes can be put in place.

Stakeholder organisations:

This includes organisations that represent different communities (organisations that represent communities that might find it harder to connect directly with publicly promoted co-design activities) and organisations that have a key connection to social care.

Stakeholder organisations matter because they have a great deal of knowledge about groups of people who access health and social care support, or deliver health and social care support, and about particular issues that affect the delivery of care. They are also in a unique position to promote or conduct co-design activities with communities with whom they have trusted relationships, increasing access to communities that might find it hard to otherwise engage in the process.

Combining the views of all three groups, creates a rich set of ideas and insights from many different points of views to inform decision making.

To deliver this approach the Programme will structure the co-design activity in phases. These are as follows:

- *Understanding:* Thinking about what needs to change and why. Looking at the data and evidence that exists and agreeing what it tells us and where more is needed. Considering the things that will impact what change can happen.
- Making sense of information and coming up with ideas (sometimes now as ‘*Sensemaking*’): Generating ideas about what could change, how change might work, look, and feel. Testing out ideas for changes and making sure they will work in practice.
- *Agreeing:* Helping to check that proposed decisions that result from the work of understanding and imagining are the right ones. This would also include ensuring that proposals are affordable, legal, deliverable, and proportionate.
- *Drafting of regulations / service design:* Co-design conclusions will be developed into regulations where appropriate or taken forward into service design.
- *Review:* It will be important to share the draft regulations or service design plans back with people for review of the alignment with co-design process.

6.5.1 Themes

As outlined in the Programme structure design themes have been identified, whilst not exclusively the case for all co-design engagement, the Programme will often choose to align a number of policy areas to larger themes, known as ‘design themes.’ This allows for co-design activities to be conducted within the scope of a larger thematic area, with the insights gained then being aligned with the more granular policy areas of scope through analysis sessions.

PBC

Co-design is central to successful delivery and is therefore embedded in the governance structures, as outlined above there is a dedicated co-design assurance group that supports decisions making on co-design on behalf of the PDB.

Successful delivery will require effective stakeholder engagement and communication. The Programme will prioritise meaningful, inclusive, and accessible stakeholder communications and engagement. The priority will be to disseminate timely and accurate information and to ensure that the voices of the diverse range of partners and stakeholders with an interest in the NCS are heard, with an emphasis on the centring of the voices of people with lived and living experience of accessing and delivering social care support. The key objective underpinning all NCS programme communications and engagement activity is that;

People with lived and living experience of community healthcare, social work, and social care services, those delivering services, and the wider public are at the centre of our work in creating a National Care Service for everyone, with equality, dignity, and human rights at its heart.

The Programme Strategic Communications and Engagement unit aims to ensure that we communicate and engage with these groups in meaningful and inclusive ways and will support colleagues to do so, ensuring that the voices of our diverse range of partners and stakeholders are heard.

Co-design activity will continue and grow over the lifecycle with participants drawn from the Lived Experience Experts Panel and the Stakeholder Register, as well as partnership work with stakeholder partners.

6.6 Building our Communications Channels and Messaging

The NCS Programme has developed a communications strategy to support different elements of the Programme. This followed audience insights research in early 2023. The communications strategy and plans are based on evidence and developed in conjunction with stakeholders.

The audience for this strategic messaging is internally across the Programme, Scottish Government and externally with stakeholders, people with lived experience and the wider public.

This is supported by the Key Stakeholder Reference Group and focused Key Stakeholder Steering Group, both of which include a wide range of stakeholder representatives from across all sectors.

Channels in place, include internal newsletter, presentations, online content including blogs and social media, stakeholder newsletter and stakeholder toolkit.

Our 'Voices' of community health and social care video campaign has been another key channel for shining a light on the diverse living and lived experiences of those accessing and delivering care and their hopes for a future NCS.

The Programme will continue to build a strategic and joined up approach to stakeholder engagement.

6.7 Monitoring and Control

The Programme has in place monitoring and control processes to support successful delivery, the includes the governance arrangements outlined above and proportionate risk and change control arrangements.

6.7.1 Risk Management

The Programme has in place proportionate risk management processes. This includes programme level risk log and supporting processes to ensure its regular and robust management.

The Programme's Risk and Issue Management Strategy sets out the purpose and goals of the risk and issue management framework required within the NCS Programme. This strategy provides risk management guidance to the Programme to ensure the application of a consistent, standardised approach which is in line with the wider risk protocols of the Scottish Government and for the management of issues that arise from them.

The approach uses assessments from subject matter experts within the Programme to identify programme risks and to identify and implement the appropriate mitigations. The process also enables scrutiny and discussion of risks, as well as mitigations at the Risk Review Panel (RRP) and facilitates the regular update and consideration of these risks. The RRP is subordinate to the Programme Delivery Board, which is provided with regular reporting of programme level risks and acts as an escalation point for RRP where risks are deemed to require greater intervention by the panel.

6.7.2 Change Control

Change Control Strategy is designed to ensure that changes are made at the appropriate level, by the people with the authority to make them. Change Control introduces a robust process for scrutinising changes that are made to key elements of the Programme, such as scope, planning or budget.

6.8 Programme Assurance

The Programme is establishing an Assurance process linked to the Governance arrangements. This will include both independent and internal assurance activity.

This will include Gateway reviews, Gateway 0 at Programme level with Gateway 2-5 at project level, mandatory digital assurance, and internal audit. In addition, the Programme will engage regularly with Audit Scotland.

NATIONAL CARE SERVICE (SCOTLAND) BILL – UPDATED FINANCIAL MEMORANDUM DECEMBER 2023

1. In line with the request from the Finance and Public Administration Committee in their report published 1 December 2022, this paper provides an update to the Financial Memorandum for the National Care Service (Scotland) Bill, as an annex to the Scottish Government's response to that report.
2. This version reflects the Bill as Introduced, and the costs that would arise should the Parliament decide not to make any significant changes to the Bill at Stage 2. New text and tracked changes to the text are shown in red to be clear where and what the updates are. Where no changes are shown, the text of this document remains that of the Financial Memorandum submitted with the National Care Service (Scotland) Bill as Introduced on 20 June 2022. Separate papers set out the key changes that the Scottish Government proposes to bring forward, following the agreement made with COSLA on shared accountability, and the anticipated impact of those changes on the costs arising from the Bill.
3. Original tables are shown which can be directly read back to the Financial Memorandum at 20 June 2022. Updated tables are presented below the original tables and now show a ten year period compared to the original five years, due to the longer phasing of Care Boards being established.
4. The Scottish Ministers originally gave a commitment to deliver a National Care Service (NCS) by the end of this Parliament. This assumed that there would be wider agreement on the progression of local structures and that there would be sufficient funding and resources available. In consideration of the current financial position nationally and within the Scottish Government, what is achievable within the current anticipated funding envelope has been reviewed, alongside the effect of the longer time taken for scrutiny of the Bill by Parliament. It is expected that the national level part of the NCS will be established during 2025-26 (as described below, the NCS at national level under the Bill as introduced would be part of the core SG), and again, under the Bill as introduced, NCS local care boards were assumed to go live during 2028-29. As such, the costs outlined in the tables below have been re-phased across a ten year period from 2022-23 to 2031-32 to account for this and so there are some significant financial moves between this update and the original Financial Memorandum.

INTRODUCTION

5. This Financial Memorandum is structured as follows:

| | From paragraph |
|--|--------------------|
| Background | 8 |
| Summary of total costs of the Bill | After 23 (Table 1) |
| Establishment of a National Care Service and Care Boards | 26 |
| Care boards | 47 |
| Health and Social Care Information | 66 |
| Right to Breaks from Caring | 69 |
| “Anne’s Law” – Visits to or by care home residents | 85 |
| Changes to powers and functions of the Care Inspectorate | 100 |

6. Each part will examine the estimated costs for the different sectors involved, including, as appropriate, the Scottish Administration, Local Authorities, Health Boards, other public bodies, businesses and third sector organisations, and individuals. Each part will set out:

- the best estimates of the administrative, compliance and other costs to which the provisions of the Bill will give rise;
- the best estimates of the timescales over which the costs and savings are expected to arise, and
- an indication of the margins of uncertainty in these estimates.

7. The figures set out in this Financial Memorandum represent the Scottish Government’s best estimates of the costs of the activities affected by the provisions of the Bill. These figures are not spending commitments and should not be used as a tool for future budgeting, as costs may be affected by other factors in addition to the changes made by the Bill. Funding for the organisations involved will be negotiated in the usual way taking into account the projected costs of their functions at the time.

BACKGROUND

8. The purpose of the National Care Service (Scotland) Bill is to improve the quality and consistency of social services in Scotland. Part 1 gives the Scottish Ministers a duty to promote a comprehensive and integrated care service, and gives them the powers they need to achieve that, including making provision for the establishment of care boards to carry out Ministers’ functions in relation to social care and community

health. Part 1, Chapter 6 gives the Scottish Ministers powers to transfer relevant functions from local authorities or from health boards. “The National Care Service” (NCS) means the Scottish Ministers and care boards working together to deliver those functions.

9. Part 2 of the Bill allows for information sharing and information standards and is intended to underpin the creation of the nationally-consistent, integrated and accessible electronic social care and health record. This will help professionals to support individuals in a more co-ordinated way, and support national and local planning and commissioning.

10. Part 3 makes additional reforms to the delivery and regulation of care. It introduces a right to breaks from unpaid caring, and Anne’s Law, to support people living in care homes to maintain contact with family and friends even in outbreak situations. It makes changes to the powers of the Care Inspectorate, and Health Improvement Scotland. These are all changes that can be implemented to improve the lives of people who access social care support and their carers before the NCS is established. Some of them take the framework approach to allow for further engagement and flexibility; others are more detailed where they address specific points in existing legislation.

Framework and Co-design approach

11. It is essential that reforms to social care support must be developed with the people who access that support, including unpaid carers, and with those who provide it. The Scottish Government is committed to engaging with people with experience to co-design the detail of the new system, to finalise new structures and approaches to minimise the historic gap between legislative intent and delivery. For that reason the bill creates a framework for the NCS, but leaves space for more decisions to be made at later stages through co-design with those who have lived experience of the social care system, and flexibility for the service to develop and evolve over time. Some of those future decisions will be implemented through secondary legislation, others will be for policy and practice.

12. As a result of this framework and co-design approach, there are increased uncertainties surrounding the cost estimates, and the timing of those costs. Estimates for a range of possible options have been included in this Financial Memorandum where possible and the costs have been timed to deliver an operational NCS and begin the reform of local delivery by the end of this Parliament. Future decisions about the implementation and phasing of the NCS will take into account rigorous, evidence-based options appraisals, value for money, where benefits and quality are paramount, and the resources available to ensure affordability. Where those decisions are implemented through secondary legislation (under this Bill or through pre-existing powers), financial and regulatory impact assessments will be provided. The Parliament will, therefore, have further opportunities to examine the cost implications of the Scottish Government’s proposed reforms to the social care system.

Other planned reforms

13. The costs set out in this Financial Memorandum reflect community health and social care services as they are currently delivered, and estimates the changes to those costs that will result from the provisions of this Bill. However, the creation of the NCS and other changes made by the Bill are only part of a wider programme of social care reform. Other elements of those reforms, that do not require primary legislation and could go forward irrespective of the Bill, are likely to have an impact on the overall cost and expenditure on community health and social care support during the time period covered by this Financial Memorandum. In order to focus only on the impact of the Bill, the estimates provided here do not include the effect on the NCS of the following Scottish Government commitments:

- To increase pay and improve terms and conditions for adult social care staff in the third and private sectors, including establishing appropriate channels for workforce and trade union representation
- To bring Free Personal Nursing Care rates in line with National Care Home Contract rates
- To remove charging for non-residential care
- To increase investment in social work services
- To increase provision of services focusing on early intervention and prevention
- To invest in data and digital solutions to improve social care support.

14. Overall the Government has committed to increase public investment in social care by 25% over this Parliamentary session (2021-26).

15. Creation of the NCS will support many of these reforms; for example, it is intended that it will support greater consistency in the provision of services focusing on early intervention and prevention, and in ethical commissioning which will promote Fair Work standards for staff. However, these are policy decisions to be made or sustained under the new framework, not necessary consequences of the Bill provisions.

Economic benefits of establishing the NCS

16. The purpose of creating the NCS is to improve the delivery of community health and social services. Social services have a significant economic impact, and therefore investments in improving their quality and consistency can have a positive effect on the economy.

17. Making Scottish Ministers responsible for social care with local care boards commissioning community health and social care together enables:

- the development of a system based on and driven by shared principles which enshrine human rights and person-centred care with opportunities for the voice of lived experience to be embedded in all levels of decision making;
- opportunities to build on health and social care integration and to bring together different services to with a focus on outcomes and to help smooth transitions for people - noting that there needs to be further evidence gathering to see if children’s services and justice social work should be brought in scope of the NCS;
- strengthening of ethical commissioning of care;
- the development of clear and consistent standards and to support the delivery of high quality and improve consistency; and
- market oversight to promote the financial sustainability of social care providers and, where necessary inform service design and market shaping to help ensure the market for social care as a whole remains vibrant and stable which will ensure continuity of quality social care provision.

18. This in turn, is expected to lead to the benefits for people and for Scotland’s wider society and economy through improved community health and social care support for **people those** who need it and their families, with people being able to access services when **they are** needed. It is also expected to lead to improved experiences for those who work in social services through strengthening fair work in the sector and improved support and recognition for social work and social care. This will help with workforce retention and recruitment.

19. In 2020 social services directly employed 209,690 people, approximately 8% of the **Scottish** workforce, with a whole time equivalent (WTE) of 159,260¹. A 2018 report commissioned by the Scottish Social Services Council (SSSC)² quantified the direct, indirect and induced contributions that the adult social care sector makes to the Scottish economy:

- The direct economic value of social care activity is estimated at £2.3 billion - £2.6 billion (dependent on measurement method used).
- The indirect economic value of goods and services in the sector’s supply chain is estimated at £0.5 billion - £0.6 billion.
- The induced impact associated with goods and services bought by those directly or indirectly employed by the sector are estimated at £0.7 billion.
- The indirect and induced impacts resulted in an additional 50,800 jobs.

¹ [Scottish Social Service Sector: Report on 2020 Workforce Data | Scottish Social Services Workforce Data \(sssc.uk.com\)](https://data.sssc.uk.com/data-news/15-announcements/175-the-economic-value-of-adult-social-care#:~:text=The%20adult%20social%20care%20sector,and%20Wales%20published%20similar%20reports.)

² The Economic Value of Adult Social Care (<https://data.sssc.uk.com/data-news/15-announcements/175-the-economic-value-of-adult-social-care#:~:text=The%20adult%20social%20care%20sector,and%20Wales%20published%20similar%20reports.>)

- The total estimated economic value of the sector is therefore in the range £3.5 billion - £3.9 billion (excluding harder to quantify catalytic effects).

20. A report by the Women's Budget Group (WBG) of the International Trade Union Congress (ITUC) identified that for every £1 spent on social care, more than £2 is generated in other sectors³. The same group⁴ estimates that the majority of new jobs created by investment in social care will be taken by women. Investment in social care can therefore help to reduce the gender pay gap. The large reach of the sector also has an important contribution to make to tackling inequalities, including child poverty, and meeting Scotland's climate change and sustainability goals through more efficient use of estates, travel, and waste.

21. The social care sector has an important role in supporting local economies across the country. Social care employment and investment is present in every area of Scotland; in areas of economic disadvantage the sector can be a critical employer, particularly in areas with high youth unemployment. The sector is also an important procurer and purchaser of goods and services and this can have important local benefits. The sector can direct spending towards local small businesses, voluntary, and community organisations rather than national corporations, and can also lead through setting importance on quality non-financial standards in procurement processes.

22. Investment in social care support generates social value in terms of people's emotional wellbeing and better health. A study of the Independent Living Fund in Northern Ireland estimates that every £1 spent generates £11 of social value⁵. Both for people who use social care support, and equally importantly for unpaid carers, the availability of high quality adult social care support can help people to engage in and remain in education and also to enter and remain in work.

23. Improving social care support, particularly increasing early intervention and prevention and supporting unpaid carers to protect their health and wellbeing, also reduces costs which would otherwise fall on other parts of the public sector. This can include unplanned hospital admissions, additional residential care needs, and family breakdown. It is difficult to estimate the size of these wider savings and benefits in total but the Scottish Government expects these to be considerable. Some estimates relating to the benefits of improving support for unpaid carers are provided in paragraphs 72-75.

³ [Investing in the Care Economy - Womens Budget Group \(wbg.org.uk\)](https://www.wbg.org.uk/investing-in-the-care-economy/)

⁴ [Investing in the Care Economy - Womens Budget Group \(wbg.org.uk\)](https://www.wbg.org.uk/investing-in-the-care-economy/)

⁵ [44188-ILF-NI-Impact-Evaluation-Report.pdf](https://www.independentlivingfund.org.uk/wp-content/uploads/2018/04/44188-ILF-NI-Impact-Evaluation-Report.pdf)

SUMMARY OF ESTIMATED COSTS OF THE BILL

Table 1: Total estimated costs of Bill provisions

Note: in all tables, there may be small discrepancies in totals due to rounding
 As per published Financial Memorandum on 20 June 2022

| Sector | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|--------------|----------------|-----------------|--|--|
| | £ millions | £ millions | £ millions | £ millions | £ millions |
| Total estimated costs of Bill provisions | 24-36 | 63-95 | 84-126 | 232-477 | 241-527 |
| Establishment and running of NCS national organisation – table 6 | | | | | |
| Scottish Administration | 24-36 | 60 - 90 | 72 - 108 | 92 - 138 | 83 - 124 |
| Establishment and running of care boards – table 7 | | | | | |
| Scottish Administration | 0 | 4 - 6 | 12 - 18 | | |
| Care boards | | | | 132 -326 | 142 - 376 |
| Total NCS costs | 24-36 | 63 - 95 | 84 - 126 | 216 – 452 224 - 464 | 216 – 488 225 - 500 |
| Right to breaks from caring* - table 11 | | | | | |
| Care Boards | - | - | - | 8 – 13 | 16 – 27 |
| Anne’s Law – table 14 | | | | | |
| Care Inspectorate | 0.186 | 0.09 | 0 | 0 | 0 |

*Note that tables 10-14 show costs to 2034-35

Note the Finance and Public Administration Committee were previously notified⁶ that there is a mathematical error for 2025/26 and 2026/27 in the above table 7 extract. Total NCS costs for these years should be £224m - £464m, and £225m to £500m respectively and so have been updated.

Updated as per December 2023

| Sector | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
|---|-----------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|------------------|------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Total estimated costs of Bill provisions | 13 | 11 - 13 | 13 - 17 | 32 - 46 | 45 - 64 | 64 - 115 | 105 - 353 | 158 - 438 | 210 - 524 | 229 - 609 |
| Establishment and running of NCS at national level – table 6 | | | | | | | | | | |
| Scottish Administration * | 13 | 11 - 13 | 13 - 17 | 19 - 27 | 18 - 26 | 17 - 26 | 17 - 26 | 18 - 27 | 18 - 28 | 18 - 28 |
| Establishment and running of care boards – table 7 | | | | | | | | | | |
| Scottish Administration | 0 | 0 | 0 | 0 | 0 | 7 - 30 | 0 | 0 | 0 | 0 |
| Care boards | 0 | 0 | 0 | 0 | 0 | 0 | 33 - 247 | 70 - 309 | 106 - 371 | 109 - 433 |
| <i>Total</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>7 - 30</i> | <i>33 - 247</i> | <i>70 - 309</i> | <i>106 - 371</i> | <i>109 - 433</i> |
| Total NCS costs | 13 | 11 - 13 | 13 - 17 | 19 - 27 | 18 - 26 | 24 - 56 | 50 - 273 | 88 - 336 | 124 - 399 | 127 - 461 |

⁶ [Minister for Mental Wellbeing and Social Care \(parliament.scot\)](https://www.parliament.scot)

| Right to breaks from caring - table 11 | | | | | | | | | | |
|---|----------|----------|----------|----------------|----------------|----------------|----------------|-----------------|-----------------|------------------|
| Social Care / Care Boards | 0 - | 0 | 0 | 13 - 19 | 27 - 38 | 40 - 59 | 55 - 80 | 70 - 102 | 86 - 125 | 102 - 148 |
| Anne's Law – table 14 | | | | | | | | | | |
| Care Inspectorate | 0.19 | 0.09 | 0.05 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Total right to breaks & Anne's law</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>13 - 19</i> | <i>27 - 38</i> | <i>40 - 59</i> | <i>55 - 80</i> | <i>70 - 102</i> | <i>86 - 125</i> | <i>102 - 148</i> |

*Note that costs in 2022-23 are based on actuals, 2023-24 are forecast outturn.

| Variance | 2022-23 | 23-24 | 24-25 | 25-26 | 26-27 |
|---|-----------|-----------|-----------|--------------|-------------|
| | £m | £m | £m | £m | £m |
| Scottish Administration | -11 – -23 | -49 – -77 | -59 – -91 | -73 – -111 | -65 – -98 |
| Care Boards | 0 | -4 – -6 | -12 – -18 | -132 – -326 | -142 – -376 |
| Right to Breaks & Anne's law | 0 | 0 | 0 | 5 – 6 | 11 |

Reasons for Variances:

- The most significant change is driven by the movement as to when NCS local care boards will go live. The go live date has been moved to 2028-29 from the original estimate of 2025-26. See table 7 for a further breakdown and explanation.
- Due to a clearer understanding of the requirements in the set-up of the NCS at National level, obtained through the co-design workshops and engagement with people with lived experience, the NHS and COSLA, the NCS programme has reprioritised and rephased various workstreams to reflect the new understanding. Ensuring value for money has been a focus of these considerations. This has led to a significantly reduced financial outlay for the Scottish Administration in the assumed set up phase under the Bill as introduced compared with the original FM. Tables 3-6 provide further detail on the changes that have driven this reduction. In summary, they relate to a far more streamlined staffing complement with reduced agency involvement alongside the reduction in external procurement of services and the utilisation of existing Scottish Government systems, where previously there had been provision for new systems.

- Inflationary assumptions have been revised in light of more recent data, see table 1A for full details on the changes made to the inflationary assumptions. To summarise, the changes are variable but from 2023-24 onwards the picture is one of reduced inflationary impact.

INFLATION

24. Following the significant volatility in the rate of inflation throughout the course of 2022-23 and 2023-24 the inflation estimates used in the original Financial Memorandum have been revised. This is part of ongoing financial modelling work to track changes to inflation and a range of other assumptions.

25. The Office for Budget Responsibility (OBR) and Scottish Fiscal Commission (SFC) forecasts have been assessed, and will be used as the basis for inflation going forward. Source documents can be found here: [Where can I find your latest forecasts? - Office for Budget Responsibility \(obr.uk\)](#) – link to document under 1.7 supplementary economy tables / [Scotland’s Economic and Fiscal Forecasts – Scottish Fiscal Commission – May 2023 Report](#)

- The projected figures extend to 2027/28. Given the extended timeframe due to the assumed rephasing of Care Boards going live, the Bank of England target inflationary figure of 2% has been applied from 2028-29 onwards.
- The below rates have been used for all future year non pay cost calculations. This impacts costs throughout the Financial Memorandum.

Table 1A: Inflation (was not numbered in finance memo before)

As per published Financial Memorandum on 20 June 2022

| 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---------|---------|---------|---------|---------|---------|---------|
| 2.3% | 2.5% | 6.2% | 6.2% | 2.0% | 2.0% | 2.0% |

Updated as per December 2023

| 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 0.6% | 4.0% | 10.0% | 4.1% | 0.6% | 0% | 0.8% | 1.7% | 2.0% | 2.0% | 2.0% | 2.0% |

Pay Uplifts

- In line with revising non pay inflation as set out above, assumptions on pay uplifts have also been revised.
- Scottish Government pay awards were analysed between 2015-2016 and 2024-2025, 2024-25 was included following the agreement on the multi year pay deal between SG and its employees, but no direct correlation was found between the average pay award and the CPI inflationary figures across this period. The average pay increase over this period was 2.8%, with 2023-24 excluded from the average as this was an outlier due to the unprecedented impact of inflation. The 2.8% average figure has therefore been applied to all staffs future forecasts from 2025-26 onwards, the exception being direct care workers as set out below, to ensure consistency.
- Care workers pay is based on the National Living Wage commitments from 2021-22 to 2023-24 while Auxiliary staff are based on the Real Living Wage. The staff in scope for transfer (under the Bill as introduced) are Local Government employed staff. We are aware their pay will not track directly to the National Living Wage / Real Living Wage but this provides a standard minimum assumption to work from. Pay inflation of 5% has been applied to this group to conform with historical averages and based on the ongoing Fair Work commitments.

ESTABLISHMENT OF A NATIONAL CARE SERVICE AND CARE BOARDS

Current costs of social care support and community health

26. Part 1, Chapter 6 of the Bill provides powers to allow for the transfer of social services functions from local authorities to the Scottish Ministers or to care boards. The functions covered by these powers include adult social care and social work, children's social work and social care, and justice social work. In relation to services for children and justice, further work will be undertaken with stakeholders to consider the risks and opportunities, and to rigorously assess the costs and benefits, before decisions are made about implementing the transfer and how it might be phased. Section 30 makes provision requiring the Scottish Ministers to consult publicly about any proposed transfer relating to children's or justice services before regulations are brought forward. A summary of the process and responses received to the consultation must be laid before Parliament at the same time as the draft regulations. Ministers will also have powers to transfer functions from health boards to the new care boards, and to delegate their own health functions as NCS functions, in order to maintain the integration of community health and social care functions.

27. The figures for the costs of delivering services which may transfer, set out in table 2, provide a range of estimates in which the lower figure would cover only the transfer of adult social care, and the upper figure would include the transfer of all the services mentioned in paragraph 24 above. These are not additional costs to the system therefore have not been included in table 1.

28. Care boards will have the statutory duty to carry out the transferred functions in their local area, and will hold the funding for them. Care boards will plan and commission local services. Social work and social care support will continue to be delivered by a range of public, private and third sector partners. For services currently provided in-house by local authorities, that may continue under a procurement arrangement with the care board, or the care board may take over direct delivery, with staff transferring to the care board. These will be decisions to be taken locally as the care boards are established, following careful options appraisals. It is expected that health services will continue to be delivered by the NHS, as commissioned by the care board.

29. It is anticipated that the Scottish Ministers may transfer some functions, at least in part, to themselves, and the NCS at national level may plan, commission and procure social care services for people with complex and specialist needs across Scotland. Further decisions will need to be taken, in discussion with those accessing and providing such services, about which services may be treated in this way, before any estimate can be made of what proportion of costs they will represent.

30. Table 2 sets out the approximate current and projected costs of the services that could be transferred to care boards and to the Scottish Ministers. In terms of the total costs to the public purse, it is assumed the transfer of services itself has no effect: the costs of providing these services will simply transfer from local authorities and health boards to the NCS. Any policy decisions between now and the date of transfer would be taken into account in rebasing the transfer value. Subsequent sections of this Financial Memorandum set out the additional costs relating to setting up the new bodies, and to issues such as aligning terms and conditions for staff transferring from different organisations.

31. The transfer of functions may take place immediately on establishment of care boards in ~~2025-26~~ 2028-29, or may be phased with different functions transferring gradually over a number of years. A phased approach may result in a period of double running costs or transfer costs in addition to the costs set out below, ~~these would be anticipated to be applicable to back office functions only~~. Decisions on the timing of transfers will be subject to rigorous readiness and financial assessment to ensure value for money and affordability, as well as ensuring there is no disruption to the provision of support to people.

32. The costs set out in table 2 are based on a range of caveats and assumptions as follows:

- Figures are presented in real terms, based on the most recently available full data collection. The Local Finance Return (LFR) data for Local Authorities is from 2021-22 while the NHS cost book data is taken from 2019-20. This is due to removing the outlier COVID year data and many NHS Boards not completing full returns in the subsequent years as a result of ongoing COVID pressures. Public Health Scotland (PHS) note that a full data collection is expected for the 2022-23 data but this is currently still under development (source: [Scottish health service costs - High-level costs summary 2021 to 2022 - Scottish health service costs - Publications - Public Health Scotland](#))

- [Local government finance statistics - gov.scot \(www.gov.scot\)](http://www.gov.scot) based on Local Financial Return on Social Work (LFR03)
- [Scottish health service costs - CostsBook 2020 \(April 2019 to March 2020\) - Public Health Scotland.](#)
- They do not account for any impact of Covid on services, to avoid extrapolating forward any non-recurring expenditure.
- Figures given here are illustrative to show a scale of the services in scope. Figures represent the Scotland-wide costs of functions which are expected to be transferred to care boards. Currently, the range of functions delegated to Integration Authorities is different in each area, therefore the costs of future NCS functions cannot be extracted from integration budgets.
- The LFR03 captures actual total expenditure by local authorities on Social Work services as reported in their published annual accounts and is therefore the most accurate data on costs available at this time. This will not necessarily agree with specific funding allocations, such as for justice social work services, as local authorities will utilise additional resources to meet expenditure commitments (Block grant, Council Tax and Non-Domestic Rates).
- The exact list of health functions that may be transferred to care boards is yet to be determined, therefore the costs of health functions are indicative at this stage.
- These figures have been projected forward using inflation (see table 1A above) plus a standard 3% increase on all years and services to show growth in activity and any pressures above inflation e.g. pay, prescribing and energy prices. This is net of any savings made.

33. Work will continue through the period of developing the NCS to understand demand and activity trends, as well as the exact services to be transferred, to provide robust cost forecasts for the NCS and inform future budget and funding negotiations. Figures given here are illustrative to show a scale of the services in scope.

Table 2: Costs of providing services that could be transferred to care boards

As per published Financial Memorandum on 20 June 2022

| Cost Category | 2019-20 | 2020-20 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | £m |
| Social Care services | | | | | | | | |
| Adult social care | 3,517 | 3,659 | 3,844 | 4,205 | 4,600 | 4,833 | 5,077 | 5,334 |
| Children's and families | 992 | 1032 | 1084 | 1186 | 1298 | 1363 | 1432 | 1505 |
| Justice social work | 137 | 143 | 150 | 164 | 180 | 189 | 198 | 208 |
| Service Strategy | 52 | 54 | 57 | 63 | 68 | 72 | 76 | 79 |
| Total | 4,699 | 4,889 | 5,136 | 5,618 | 6,146 | 6,457 | 6,783 | 7,127 |
| Community Health services | | | | | | | | |
| Primary care | 2,690 | 2,799 | 2,941 | 3,217 | 3,518 | 3,696 | 3,884 | 4,080 |
| Community Health | 3,135 | 3,261 | 3,427 | 3,748 | 4,100 | 4,307 | 4,525 | 4,754 |
| Mental health services (apart from inpatient and state hospital) | 70 | 73 | 76 | 84 | 92 | 96 | 101 | 106 |
| Total | 5,895 | 6,133 | 6,444 | 7,048 | 7,710 | 8,100 | 8,510 | 8,940 |

Updated as per December 2023:

| Cost Category | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| | £m | £m | £m |
| Social Care services | | | | | | | | | | | | | |
| Adult social care | £3,517 | £3,644 | £3,987 | £4,513 | £4,842 | £5,018 | £5,168 | £5,367 | £5,624 | £5,909 | £6,208 | £6,522 | £6,852 |
| Children's and families | £992 | £1,028 | £1,038 | £1,175 | £1,261 | £1,307 | £1,346 | £1,398 | £1,465 | £1,539 | £1,617 | £1,698 | £1,784 |
| Justice social work | £137 | £142 | £149 | £169 | £181 | £188 | £194 | £201 | £211 | £221 | £233 | £244 | £257 |
| Service Strategy | £52 | £54 | £84 | £95 | £102 | £105 | £109 | £113 | £118 | £124 | £130 | £137 | £144 |
| Total | £4,699 | £4,869 | £5,258 | £5,952 | £6,387 | £6,619 | £6,816 | £7,079 | £7,418 | £7,793 | £8,188 | £8,602 | £9,037 |
| Community Health services | | | | | | | | | | | | | |
| Primary care | £2,690 | £2,787 | £2,986 | £3,380 | £3,626 | £3,758 | £3,870 | £4,019 | £4,212 | £4,425 | £4,649 | £4,884 | £5,131 |
| Community Health | £3,135 | £3,248 | £3,479 | £3,938 | £4,226 | £4,379 | £4,509 | £4,684 | £4,908 | £5,156 | £5,417 | £5,691 | £5,979 |
| Mental health services (apart from inpatient and state hospital) | £70 | £73 | £78 | £88 | £94 | £98 | £101 | £105 | £110 | £115 | £121 | £127 | £133 |
| Total | £5,895 | £6,108 | £6,542 | £7,406 | £7,947 | £8,235 | £8,480 | £8,808 | £9,230 | £9,697 | £10,187 | £10,703 | £11,244 |

Reasons for Variances:

- Changes to costs of service provision that could be transferred to care boards is due to inflationary adjustments and the inclusion of 2021/22 Local Finance Return data, previously 2019/20 (see table 1A for full details on the changes made to the inflationary assumptions).
- We are aware much of the costs above will be driven by the costs of staff who deliver care services, however there is no available data to disaggregate pay and non-pay cost drivers.
- As noted in the original Financial Memorandum an additional 3% growth rate has also been applied to these in addition to inflation to cover any additional pay or demographic increases.

- The source for table 2 remains published information from the NHS Cost book and Local Government Finance Returns with all other assumptions set out in the original Financial Memorandum remaining in place. Inflation has been applied as per table 1A with an additional 3% growth rate in our assumption.

Establishment of the National Care Service

34. Section 35 of the Bill sets out that “the National Care Service” means local care boards and the Scottish Ministers exercising their functions in relation to social services. **Under the Bill as introduced a At** national level there **would will** not be a new public body; the Scottish Ministers’ new responsibilities for social work and social care support **would will** be managed and overseen by civil servants directly accountable to Scottish Ministers, in the same way that the National Health Service is managed by the Health Directorates of the Scottish Government. This **would will** include the proposed National Social Work Agency, which **would will** be established as a unit within the NCS to provide national leadership and support for the social work profession.

35. Staff currently engaged in policy development and oversight of public bodies relating to social services **would will** transition to become part of the NCS structure. However the increased responsibilities will require additional staff to be recruited, with associated costs such as **premises**, equipment and IT. Those increased responsibilities **would** include:

- providing leadership, oversight, and accountability for community health, social work and social care support, including by providing strategic direction and planning at the national and regional levels
- creating, managing and promoting national community health and social services policies, setting national standards and developing practice standards, models and guidance to improve access to care
- creating and overseeing a framework for ethical commissioning, including Fair Work requirements, and carry out workforce planning
- developing and maintaining a national complaints system
- design and delivery of the integrated social care and health record and NCS digital services.

National costs – establishment phase

36. The Scottish Government is committed to establishing the NCS by the end of this Parliamentary term, i.e., in financial year 2025-26. Costs for an additional year have been provided to allow for the transition to steady operating costs. Work is ongoing to ensure the NCS can go live in 2025-26. This includes policy development and co-design, Programme and Project Management (PPM), recruitment costs, financial

forecasting, data and digital discovery work and workforce planning. Costs include staff and non-staff costs with a transition into running costs once the a NCS is fully established in 2025-26. These costs cannot therefore be thought of as ‘one off’ set up costs, they are the foundation of an NCS, with the staff and skills transferring into the running of the organisation. This allows investment into public sector staff, to upskill on data and digital capabilities, PPM methodologies and financial qualifications.

37. The staff set up costs shown in table 3 are based on a headcount profile currently assumed for the length of the establishment phase, as above these staff would then in the main move to the running cost of the NCS, hence this drops to 0 in 2026-27. It is expected a portion of the staff costs will be in the data and digital space, some of which will be shorter term contractors with specific skills for set periods of time. ~~This causes a spike in the latter part of 2023-24 based on current phasing of programmes.~~

38. Current assumptions of staff headcount and costs have been based on **actual staff numbers in 2022-23 and 2023-24 with management and policy** estimates of resource need for the various elements of the programme **in the longer term**. As the scope, scale and timeline for the NCS is still to be fully developed through co-design and evidence-based options appraisal, this headcount profile is likely to change, **potentially significantly**, as more detail is known.

Table 3: NCS National establishment phase headcount and staff costs

As per published Financial Memorandum on 20 June 2022:

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|------------------|-----------|-----------|-----------|---------|---------|
| Headcount | 200 - 300 | 440 - 660 | 440 - 660 | 60 - 90 | 0 |
| Staff costs (£m) | 18 - 27 | 47 - 71 | 48 - 72 | 5 - 7 | 0 |

Updated as per December 2023:

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|------------------|----------|-----------|-----------|-----------|---------|
| Headcount | 183 | 204 - 249 | 222 – 271 | 240 – 293 | 0 |
| Staff costs (£m) | 10 | 10 - 12 | 11 – 14 | 7 – 8 | 0 |
| Variance (£m) | -8 - -17 | -37 – -59 | -37 - -58 | 2 - 1 | 0 |

* The staff costs in 2025-26 represents 6 months of costs as during 2025-26 it is anticipated the NCS will go live. As such staff will migrate to the running phase as set out in table 6

Underlying Calculation Assumptions:

The estimate of staffing is taken from current staffing figures and costs, alongside expected requirements for new posts, tied to delivery timelines. The updated figures anticipate a gradual increase in staff as the Programme approaches the launch date in 2025-26, but this is smaller than previously estimated.

The costs in 2025-26 represent partial year costs as staff migrate across to working in the running of NCS National. The running phase 2025-26 costs of those staff that move are reflected in table 6 below.

Reasons for Variances:

- Reductions in headcount numbers and therefore staff costs are due to a more fully developed understanding of the requirements since the Bill was introduced, as well as the rephrasing and reprioritisation of workstreams to ensure the most effective use of resources. It is anticipated that the programme will continue to run with a more streamlined staffing base compared with the original Financial Memorandum through the development and subsequent operation of the NCS as a result of this. The programme will increase the skills of existing staff and limit the number of external contractors further reducing the incurred and anticipated staffing cost.
- Headcount drops to 0 in 2026-27 as staff are assumed to transfer to the NCS National running costs.
- The ratio of staff costs to headcount has also reduced. This is partly as there is a lower ratio of contractor staff, who carry a higher wage, compared to previously forecast costs, coupled with a more robust ongoing staffing forecast based on actual staff numbers in 2022-23 and 2023-24. For future years there remains an element of contingency for areas that are still to be developed as part of the codesign phase and where additional staff have been included.

39. Non-staff costs relate to areas such as IT systems, consultancy costs, co-design and engagement work, external grants to partner organisations and operational expenses ~~and training and premises costs~~. This is estimated in table 4.

Table 4: NCS National establishment phase non-staff costs

As per published Financial Memorandum on 20 June 2022:

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|--------------------------------|---------|---------|---------|---------|---------|
| | £m | £m | £m | £m | £m |
| Systems and IT | 0 | 0 - 1 | 9 - 13 | 2 - 4 | 0 |
| Training and other staff costs | 0 | 2 | 2 | 0 | 0 |

| | | | | | |
|---|--------------|----------------|----------------|--------------|----------|
| Premises costs | 0 | 1 | 2 - 4 | 2 | 0 |
| Third party advice (legal - consulting) | 6 - 9 | 10 - 14 | 10 - 14 | 2 | 0 |
| Total | 6 - 9 | 13 - 19 | 22 - 34 | 6 - 8 | 0 |

Updated as per December 2023:

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|----------------------------|----------------|------------------|------------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Systems & IT | 0 | 0 | 0 | 0 - 1 | 0 - 1 |
| Staff Related | 0 | 0 | 0 | 0 | 0 |
| Engagement | 1 | 0 | 0 | 0 - 1 | 0 |
| Grants | 0 | 0 | 0 | 0 | 0 |
| Co-Design | 0 | 0 - 1 | 0 - 1 | 1 | 0 |
| Research & External Advice | 2 | 0 | 1 | 1 | 0 |
| Total | 3 | 1 | 2 - 3 | 2 - 4 | 1 |
| | | | | | |
| Variance | -3 - -6 | -12 - -18 | -20 - -31 | -4 - -4 | 1 - 1 |

Note – The costs above show a significant number of £0s. While we expect some costs, these fall below the £500k threshold to be rounded up. The average costs for the individual lines are between £300k - £600k per annum with the exception of staff related which is on average £120k.

Underlying Calculation Assumptions:

- The costs within the setup phase have been based on the current breakdown of expenditure incurred within the NCS programme as well as a programme wide assessment of the anticipated requirements aligned to planned delivery timescales.
- Costs have been inflated forward using the revised inflationary rates, see table 1A for full details.
- Cost range – The lower limit is based on reducing costs from 2023-24 onwards to 80% to reflect any underspend against budget / anticipated spend values. The upper limit is based on increasing the costs to 120% to reflect any unforeseen expenditure or cost over runs in the project work

Reasons for Variances:

- Inflation assumptions have changed, see table 1A for full details.
- 2022-23 costs are based on actuals as per the end of financial year. These are lower than the original Financial Memorandum as a result of government wide savings exercises following the Emergency Budget Review in November 2022.
- 2023-24 through to 2025-26 costs are significantly lower than previously estimated due to a change in nature of the programme and a more developed understanding of programme requirements. The internal staff skillset will be utilised in favour of externally contracted services. NCS National is assumed to share IT and back office services with SG and therefore Systems and IT costs have been reduced along with premises as NCS National will utilise existing Scottish Government sites.
- The spend categories have been amended to be more reflective of the programme reporting framework and better highlight how money has been and is planned to be spent.

National ongoing running costs

40. The Bill as introduced provides for the Scottish Ministers to become responsible for social work and social care support for adults, for children, and relating to the justice system. As set out in the policy memorandum, further work is required to consider the risks and opportunities, costs and benefits of the transfer of services for children and justice, and the transfer may be phased over a longer period. However, since no decisions have yet been taken on such phasing, the figures in tables 5 and 6 assume that the NCS would ~~will~~ take on the full range of services from the start. As the Scottish Ministers already have responsibility for primary care and community health, and teams in the Scottish Government managing those areas, it is assumed there will be no change in costs relating to that work

41. Running costs for the NCS have been estimated based on this full range of functions. This includes staff costs across various different teams, the majority being the existing staff from the establishment phase. Total headcount is expected to grow ~~to the region of 500—700 people, though not to the previous estimate of 500 – 700 people, which is in line with other large areas within government, such as Social Security as the programme resource requirement has been reviewed and streamlined.~~ These are not all additional posts compared to current headcount profile, and as per the headcount profile for the establishment phase, the staff base for the NCS will be built over the next ~~3-4~~ 2-3 years.

42. The estimated set up and running costs have been established by ~~assessment of current programme progress and requirements alongside the anticipated expansion as the programme moves from set up to running and what that will involve and the NCS National requirements. comparison to the existing costs of national management of the National Health Service and other large scale transformation programmes in the public sector, such as the creation of Social Security Scotland.~~

43. The range of functions has been considered that would need to be developed to support the NCS – quality improvement, performance and delivery, workforce planning, policy development, finance (for example) and how these might be delivered most efficiently. The costs of national management of the NHS have been referenced while considering the drive for public sector reform and increased efficiency.

44. Non staff costs are set out in table 5 below. As above, these are high level ranges based on current estimates, and further work is required to refine these estimates.

Table 5: NCS National running costs - non-staff costs

As per published Financial Memorandum on 20 June 2022

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|----------|----------|----------|--------------|--------------|
| | £m | £m | £m | £m | £m |
| Systems and IT | 0 | 0 | 2 | 11-16 | 10-16 |
| Training and other staff costs | 0 | 0 | 0 | 3-5 | 3-5 |
| Premises costs | 0 | 0 | 0 | 5-7 | 5-7 |
| Third part advice (legal / consulting) | 0 | 0 | 0 | 4-6 | 4-6 |
| Total | 0 | 0 | 2 | 23-34 | 22-34 |

Updated as per December 2023:

| | 2022-23 | 2023-24 | 2024-25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 |
|----------------------------|----------|----------|----------|------------------|------------------|----------------------------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Systems & IT | 0 | 0 | 0 | 0 - 1 | 0 - 1 | 0 - 1 | 0 - 1 | 0 - 1 | 0 - 1 | 0 - 1 |
| Staff Related | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Engagement | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Grants | 0 | 0 | 0 | 1 - 2 | 1 - 2 | 1 - 2 | 1 - 2 | 1 - 2 | 1 - 2 | 1 - 2 |
| Co-Design | 0 | 0 | 0 | 0 - 1 | 0 - 1 | 0 - 1 | 1 | 1 | 1 | 1 |
| Research & External Advice | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 3 - 5 | 3 - 5 | 3 - 5 | 3 - 5 | 3 - 5 | 3 - 5 | 3 - 5 |
| Variance | 0 | 0 | 2 | -20 - -29 | -19 - -29 | No figures for comparison | | | | |

Note – As above the £0 notation has been used to signify costs below the £500k threshold but above £0. There are no costs incurred prior to 2025-26 as these all sit in the set up phase. Staff related costs average £120k while Research & External Advice average £320k per annum

Underlying calculation assumptions:

The costs identified within the running phase of the NCS have been reassessed. It is assumed that the NCS National, under the Bill as introduced would exist within Core Scottish Government and as such will be able to utilise existing premises, IT systems and legal services. The costs of running a complaints system have been evaluated based on the desired approach of a web hosted service. There is an expectation that the grant funding to partner organisations will increase to enable them to deliver key services while co-design will become an ingrained part of the ongoing improvement of the NCS.

Cost ranges – As with the set up phase the costs are reduced to a lower limit of 80% to reflect the inherent uncertainty in requirements with an upper limit of 120%

Reasons for Variances:

- Inflation assumptions have changed, see table 1A for full details.
- Certain non-staff elements have been substantially reduced due to a clearer understanding of how the NCS will function within core Scottish Government. The assumed costs around systems, e.g new payroll and HR systems have been removed and these contributed a large cost to the overall position. The digital costs associated with running a complaints system, based on current design analysis, are significantly reduced as well.
- It is anticipated existing premises will be used thereby removing the need for another large additional cost.
- The figure set aside for consulting and legal is significantly reduced as existing Scottish Government legal services will be utilised while external procurement of services has been reassessed with a focus on more in house provision to better manage the use of available resources on a recurrent basis and deliver value for money.
- Non-Staff costs have been re-categorised to better align with programme developments and to provide more clarity and relevance in the relation to non-staff spend against the revised forecasting categories.

45. All the costs of the national management of the NCS will fall to the Scottish Administration.

National Social Work Agency

46. The Scottish Government is committed to establishing a National Social Work Agency, to support and provide national leadership to the social work profession. This would be part of the NCS national management. It is currently estimated that this will contribute costs of ~~£8-121-~~ 2 million in additional staffing annually, which are included in the figures in table 6. The NSWA will support and invest in the social work profession, enabling social workers to work with people to transform their lives and implement rights-based practice as part of the overall objectives on the NCS.

Table 6: Costs for NCS National (Costs on the Scottish Administration)

As per published Financial Memorandum on 20 June 2022

| Cost Category | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|------------------------------|--------------|--------------|---------------|---------------|---------------|
| | £m | £m | £m | £m | £m |
| Establishment phase | | | | | |
| <i>Staff costs</i> | 18-27 | 47-71 | 48-72 | 5-7 | 0 |
| <i>Non-staff costs</i> | 6-9 | 13-19 | 22-34 | 6-8 | 0 |
| Totals | 24-36 | 60-90 | 70-106 | 10-16 | 0 |
| Ongoing running costs | | | | | |
| <i>Staff costs</i> | 0 | 0 | 0 | 59-88 | 60-91 |
| <i>Non staff costs</i> | 0 | 0 | 2 | 23-34 | 22-34 |
| Totals | 0 | 0 | 2 | 82 - 122 | 83 - 124 |
| | | | | | |
| Overall Total | 24-36 | 60-90 | 72-108 | 92-138 | 83-124 |

Updated as per December 2023

| Cost Category | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
|----------------------------|------------------|------------------|------------------|-------------------|------------------|----------------------------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| <i>Establishment</i> | | | | | | | | | | |
| Staff | 10 | 10 - 12 | 11 - 14 | 7 - 8 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Staff | 3 | 1 | 2 - 3 | 2 - 4 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total Establishment | 13 | 11 - 13 | 13 - 17 | 9 - 12 | 1 | 0 | 0 | 0 | 0 | 0 |
| <i>Running</i> | | | | | | | | | | |
| Staff | 0 | 0 | 0 | 7 - 10 | 14 - 20 | 14 - 21 | 14 - 21 | 15 - 22 | 15 - 23 | 15 - 23 |
| Non-Staff | 0 | 0 | 0 | 3 - 5 | 3 - 5 | 3 - 5 | 3 - 5 | 3 - 5 | 3 - 5 | 3 - 5 |
| Total Running | 0 | 0 | 0 | 10 - 15 | 17 - 25 | 17 - 26 | 17 - 26 | 18 - 27 | 18 - 28 | 18 - 28 |
| Total NCS National | 13 | 11 - 13 | 13 - 17 | 19 - 27 | 18 - 26 | 17 - 26 | 17 - 26 | 18 - 27 | 18 - 28 | 18 - 28 |
| Variance | -11 - -23 | -49 - -77 | -59 - -91 | -73 - -111 | -65 - -98 | No figures for comparison | | | | |

Underlying calculation assumptions:

The assumptions outlined below tables 4 and 5 apply to this summary table. The one additional item is the basis for calculating the costs of the running phase staffing. Currently it is anticipated that the majority of staff will migrate from current Scottish Government functions into NCS National. There will of course be those posts that are no longer required and they have been removed, as well as the creation of specific functions that will be expected to go live with the National launch, such as the running of a complaints system. The staff associated with these functions have therefore been included.

Reasons for Variances:

- Inflation assumptions have changed, see table 1A for full details

- The most significant reduction evidenced above is in relation to the ongoing staffing requirement and cost. Previously the estimate had been based on assessing the current health directorate spend and attributing a similar cost profile. However, following development in the understanding of the needs of the NCS and assessing opportunities to utilise existing staff and the changing of existing roles, the staff numbers have been streamlined to ensure the NCS delivers value for money yet is flexible enough to meet the challenges faced. The reduction in assumed premium contractor costs in favour of upskilling current staff to provide in house provision is also a contributing factor.
- The previous assessment of reductions in tables 3,4 and 5 apply to this summary as well.
- See Table 3 for further breakdown of variances for establishment phase staff costs, and Table 4 for establishment phase non-staff costs.
- For breakdown of ongoing running non-staff costs variances please see Table 5.

Care Boards

47. The Bill gives the Scottish Ministers powers to establish care boards, which are expected to carry out the delivery functions of the NCS and replace the current Integrated Joint Boards (creating an additional body in Highland). Care boards will be accountable to the Scottish Ministers and directly funded by them, and they will employ their own staff. Summary costs for these boards are set out in table 7.

Table 7: Summary costs of establishment and running costs of care boards

As per published Financial Memorandum 20 June 2022

| Sector | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|-------------------------|---------|---------|---------|-----------|---------|
| | £m | £m | £m | £m | £m |
| Scottish Administration | 0 | 4 - 6 | 12 - 18 | 0 | 0 |
| Care Boards | 0 | 0 | 0 | 132 - 326 | 142-376 |

Updated as per December 2023:

| Sector | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
|-------------------------|---------|---------|---------|---------|---------|---------|----------|----------|-----------|-----------|
| | £m | £m | £m | £m |
| Scottish Administration | 0 | 0 | 0 | 0 | 0 | 7 - 30 | 0 | 0 | 0 | 0 |
| Care Boards | 0 | 0 | 0 | 0 | 0 | 0 - 0 | 33 - 247 | 70 - 309 | 106 - 371 | 109 - 433 |

Due to the significant change in phasing the variance table has been excluded.

Underlying Assumptions:

These will be set out under the detail tables 8A and 8B as will the basis for the ranges.

It is assumed Care Boards will go live in 2028-29. The costs shown in 2027-28 are the preparatory costs to enable launch. The range is based on either a full roll out of Care Boards at the upper end or a phased introduction at the lower end.

Reasons for Variances:

- Inflation assumptions have changed, see table 1A for full details
- Rephasing of the Care Board inception date to 2028/29
- Revision of estimates for running costs and premises/IT (further detail beneath tables 8A and 8B).

48. Section 4 gives the Scottish Ministers power to determine the number of local care boards and the areas they will cover. Decisions on the number of care boards will require rigorous assessment to ensure value for money, while also considering the best approach to ensure services are designed to meet local needs and circumstances. While the number of local care boards has yet to be decided, the figures in table 7 assume at the top end of the range there will be ~~323~~31, one for each **Integration Joint Board**.

49. The Scottish Ministers will also have powers to create special care boards, which could provide central functions in a similar way to the Special Health Boards. Any decisions to create such special care boards would take account of the costs of setting up a new board balanced against the benefits and any savings to be gained from providing central services. The cost of creating any special boards, should they be formed, will be calculated based on the function and size of the board. Of the current eight Special Health Boards, in ~~2019/20~~2022-23 their resource allocation share ~~budgets~~ ranged from £~~18-30~~ million - £~~425-492~~ million.

50. Set up costs such as recruiting board members and acquiring premises prior to establishment of the boards will fall to the Scottish Administration, while ongoing running costs will be allocated to the boards themselves as public bodies. The figures in table 7 include **assumed efficiencies from incorporating support services that already exist** across the health boards and local authorities, and from the abolition of Integration Joint Boards, which is set against the additional costs of the new boards. The range of costs which have been offset as assumed to already exist are between **£25-27 - £40-45 million per year, inflated to 2028-29 costs when Care Boards are due to go live.**

51. The timing and phasing of establishing care boards and transferring functions to them will be subject to further discussion through the co-design process and the production of business cases. These will need to consider local tests of change, implementation plans tailored to individual areas and a delivery readiness assessment to ensure no detriment to services while change takes place. The top end of the range of costs in table 7 is based on all care boards having their first year of operation in **2025-26/2028-29**, and assuming that all social workers and care workers will transfer **in a phased approach** to the NCS. The lower end reflects the possibility that decisions may be taken to start the transfer in a small number of areas, building up over time, to allow appropriate planning, consultation and impact assessment **with no staff transferring across.**

52. The **core management costs of care boards social care staff cost** is shown in table 8A while the management costs of care boards are shown in table 8B and will include the following. As noted above, these are all high-level estimates which will be refined as proposals are further developed through the co-design and options appraisal process.

- Governance and Executive Team – the Bill gives the Scottish Ministers powers to determine in secondary legislation how many members each care board must have and how they provide representation for people with experience of accessing support, workforce and service providers, carers, and partner organisations.
- Premises and digital set up – high level assumptions are included on costs for digital and premises set up, assuming staff would need digital devices, software licences and access to systems, existing and potentially new. As Integration Joint Boards currently use premises from either the local authority or the health board, it is assumed there will be some need for additional office space, although the current premises will then be freed up for alternative use. Further work will be required to refine this, as the number and size of care boards becomes clearer.
- Support functions (**renamed to Back Office Care Board Staff**) – it is assumed that a number of support functions will be required to assist care boards, such as finance, HR, analytics, business support etc. The Scottish Government is considering the opportunity for shared services and what functions the National NCS structure could provide and which need to be held by care boards at the local level.
- Communications and administration costs (**renamed to Running Costs**). **These are the general running costs of the board. This covers aspects such as, audit fees, legal advice, general administration and communications, supplies and services and staff related costs.**

Provision has also been made in 2027-28 for the inception costs in preparing the board to launch, such as setting up the IT infrastructure and the recruitment of new board members.

- Pay and terms and conditions – this currently assumes a phased approach to the movement of local authority staff into care boards. As this will depend on future discussions between the Scottish Government and local authorities, costs are estimated here to show the quantum of the potential impact. Costs rise from ~~2025/26 to 2026/27~~ 2028-29 to 2031-32 at the top end of the estimate as it is assumed a varying percentage of staff would transfer each year. The lower end of the estimate assumes that no staff would transfer. These costs have been baselined against current pay and terms and conditions costs as far as is possible with existing data, compared to the future direction of travel of public sector terms and conditions. Much of the overall costs of care boards reported here are therefore for front line delivery services.

Staff transfer

53. The Scottish Government has agreed that local government continue in its role as a direct provider of social care services. This includes continuing to hold and invest in assets and employ staff directly. Under the Bill as introduced, decisions on the role each local authority wants to play, and associated staffing decisions, will be taken locally once the structure and governance of care boards and their localities have been decided. However, an ability to transfer staff, and assets, is necessary to support the transfer of accountability that may at some point require care boards to take on the ability to deliver services in-house.

54. Table 8A currently assumes a phased approach in which all local authority staff would eventually transfer into care boards. However, it is not a foregone conclusion that this will be the case, and it will depend on future, and ongoing, discussions between care boards and local authorities. The recently adopted Shared Accountability Agreement sets out that staff and assets will remain with the local Authority however, as noted the intention of this document is to establish the potential cost were staff to move as per the provisions in the Bill. Costs are estimated here to show the maximum potential impact.

55. Approximately 75,000 staff are currently employed by local authorities in social work and social care support services, including children's services and justice social work. If staff were to transfer to the NCS, pay rates and terms and conditions would need to be rationalised within the single service. While it has never been expected that all 75,000 staff will transfer, even in the long term, this represents the maximum limit for estimating costs. Estimating the cost of staff transfers is difficult as all local authorities may have different pay rates and terms and conditions for their staff, The figures for pay and terms and conditions set out in table 8A have been baselined against current assumptions on Fair Work. "Pay" represents the additional cost of increased basic pay rates, while "terms and conditions" represents the cost of other issues, for example increased sick pay or covering increased holiday entitlements and pension contributions. Further assessment and engagement with

local authorities and with the workforce would be required, if the Bill were to be passed as introduced, to determine how many staff were likely to transfer and on what conditions.

56. Costs in table 8A rise from 2028-29 to 2031-32 at the top end of the estimate as it is assumed a varying percentage of staff would transfer each year. The lower end of the estimate assumes that no staff would transfer. Much of the overall costs of care boards reported here are therefore for front line delivery services.

57. It is expected professional expert support will be required to identify costs further in a number of areas including VAT as well as assets and pensions **were the transfer of staff and assets to occur.**

- For pensions, a number of options for the provision and ongoing management of pensions have been initially considered for staff who may be affected by any changes. More work and engagement will be required to determine the most suitable and affordable design, as decisions are made on the scope of the NCS. A standard pension contribution rate of 20.9% is currently assumed in the care board costs, based on expected future direction of travel of public sector terms and conditions.
- Assets directly linked to care delivery will also have to be considered, as to whether ownership or leases will be transferred to new care boards. Data does not currently exist in one place on market value of social care properties, backlog maintenance or other associated costs. This will be further investigated. No capital costs of any asset transfer, or revenue costs of any asset maintenance, are assumed in table 7 or 8 .

VAT

58. Currently Integration Joint Boards are established in a similar way to a local authority body, and can therefore reclaim VAT on services. The Scottish Government are committed to securing a VAT neutral status for Care Boards to ensure maximal funding is directed to support front line services. As such, work is underway to understand and mitigate any VAT implications including engagement with HMT and HMRC to discuss options for obtaining this neutral status.

59. Prior to the agreement of a broadly neutral VAT accounting arrangement with HMRC in 2014, the VAT cost impact associated with the establishment of Integrated Authorities under the Public Bodies (Joint Working) (Scotland) Act 2014 was estimated to be around £32 million. After taking account of inflation and making provision for an increase for a larger volume of contracts of between 2% and 3% per annum, the equivalent VAT cost for providing the same services in 2025/26 is estimated to be between £54 million to £60 million. Without this increase in contract volume the cost would be £42 million.

60. Note VAT costs are not assumed in table 7 or 8 at present as we are working towards the assumption that a VAT neutral status will be agreed.

61. After taking into account the re-phasing of the NCS, the NCS Local Go Live date is expected to be 2028/29. The VAT cost estimate for this year, if a VAT neutral status is not achieved and after including further inflation and an assumed annual increase in contract volumes of 2-3% (lower & upper limits), is £59 million to £69 million. This would be an annual recurring cost.

Transfer of functions

~~Where local authorities deliver social care services directly, that delivery may in future transfer to care boards, together with the staff who provide those services. This could involve up to 75,000 employees across social work and social care. Costing of this is difficult as all local authorities may have different pay rates and terms and conditions for their staff, which will need to be rationalised within a single service. The figures for pay and terms and conditions set out in table 8 have been baselined against current assumptions on Fair Work. Decisions will require further assessment and engagement with local authorities and with the workforce, to determine how many staff are likely to transfer and on what conditions. “Pay” represents the additional cost of increased basic pay rates, while “terms and conditions” represents the cost of other issues, for example increased sick pay or covering increased holiday entitlements.~~

Table 8: Additional costs for Care Boards

As per published Financial Memorandum 20 June 2022:

| Cost Category | Costs to Scottish Administration | | | Costs to care boards | |
|--|----------------------------------|------------|--------------|----------------------|----------------|
| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
| | £m | £m | £m | £m | £m |
| <i>Governance and Board costs</i> | 0 | 0 | 0 | 22-33 | 23-34 |
| <i>Premises and digital</i> | 0 | 2 - 4 | 10 - 15 | 63 - 94 | 69-103 |
| <i>Support services</i> | 0 | 0 | 0 | 45 - 67 | 46 - 69 |
| <i>Administration and communications</i> | 0 | 1-2 | 2 | 2-4 | 4-6 |
| <i>Pay</i> | 0 | 0 | 0 | 0 - 43 | 0 - 43 |
| <i>Terms and Conditions</i> | 0 | 0 | 0 | 0-84 | 0-120 |
| Totals | 0 | 4-6 | 12-18 | 132- 326 | 142-376 |

Updated as per December 2023:

Table 8A: Staff Transfer Costs

| | Scottish Administration | | | | | | Care Boards | | | |
|----------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|---------------|----------------|----------------|----------------|
| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 |
| Pay Parity | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 15 | 0 - 23 | 0 - 25 | 0 - 32 |
| Terms and conditions | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 81 | 0 - 131 | 0 - 187 | 0 - 238 |
| Total | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 0 | 0 - 96 | 0 - 154 | 0 - 212 | 0 - 270 |

Table 8B: Care Board Running Costs

| | Scottish Administration | | | | | | Care Boards | | | |
|--------------------------------|-------------------------|----------|----------|----------|----------|---------------|-----------------|-----------------|------------------|------------------|
| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 |
| Back Office (Care Board Staff) | 0 | 0 | 0 | 0 | 0 | 2 - 7 | 19 - 90 | 42 - 92 | 63 - 95 | 65 - 98 |
| Premises and IT | 0 | 0 | 0 | 0 | 0 | 0 - 1 | 1 - 6 | 3 - 6 | 4 - 6 | 4 - 6 |
| Running Costs | 0 | 0 | 0 | 0 | 0 | 5 - 22 | 11 - 53 | 24 - 54 | 36 - 55 | 37 - 56 |
| Governance and Board costs | 0 | 0 | 0 | 0 | 0 | 0 | 1 - 3 | 2 - 3 | 2 - 3 | 2 - 4 |
| Total | 0 | 0 | 0 | 0 | 0 | 7 - 30 | 32 - 152 | 71 - 155 | 105 - 159 | 108 - 164 |

*Note – slight variance between Table 7 and the sum of tables 8A and 8B is due to rounding

Underlying Calculation Assumptions:

The Scottish Social Services Council provided a public sector specific breakdown of their workforce data. This formed the basis of the calculations as it allowed the splitting up of care staff, auxiliaries and managers. The cost of each group was calculated by taking their Whole Time Equivalent against their hourly rate. Hourly rates were based on National Living Wage commitments for care staff, Real Living Wage for auxiliaries and Agenda for Change manager bands for management staff. Varying levels of on costs were applied to determine the potential additional cost.

For Care Boards it is assumed that they will now go live in 2028/29 and that there would be 31 to match up with the current Integration Joint Boards (IJBs). Each board is assumed to require staff to run the various functions allowing it to operate effectively such as admin, finance, procurement etc. There is also the requirement to have an executive board.

The approach to Care Board costing has changed from the Financial Memorandum in June 2022. The specific elements are detailed below but broadly, given the anticipated size and nature of the Care Boards it was felt that an assessment of Non Departmental Public Body (NDPB) costs would provide a reasonable barometer for the likely costs attributable to running a Care Board.

Cost Range – The lower range is based on all staff remaining within the Local Authority and also a phased approach to the establishment of Care Boards, building up from 2028-29 to full running by 2030-31. The upper range is based on a full staff transfer with all Care Boards going live in 2028-29.

Reasons for Variances:

- Inflation assumptions have changed, see table 1A for full details
- Categories have been re-named to better reflect our understanding of how future costs are expected to be incurred.
- Staff transfer costs have been split out in table 8A with table 8B showing all other running costs.
- Premises cost estimates have been revised with the approach now being the use of current commercial rental rates and the approximate space size requirements of the anticipated staffing numbers. Edinburgh prices were used as a proxy given they are generally higher than elsewhere in the country, so as not to underestimate the potential liability. The prior estimate had built in a more significant contingency factor given the uncertainty. The reduction of this contingency due to the new costing approach has reduced the premises cost. The new estimate for Care Board rental is in more closely aligned with some of the (NDPB) costs which has given assurance that these are more robust.
- The approach to IT costs has also changed from the previous iteration. The basis now is the evaluation of annual account data for multiple NDPB with a mid-range figure becoming the estimate applicable, scaled up by the number of Care Boards. Previously, the approach had also factored in large contingency costs for the potential transition and corporate costs given the uncertainty, though this made the cost vastly higher than the comparable figures assessed and so the revised approach felt more closely aligned to the likely outcome
- Running costs have also been established from assessment of NDPB annual accounts figures. The common elements for the various accounts were taken and then the associated costs were adjusted to reflect the anticipated size and operation of Care Boards. This again brought the overall cost more in line with similar bodies.

Costs to local authorities and health boards

62. ~~The~~ If functions were to be transferred ~~transfer of functions~~ from local authorities to the NCS, in line with the Bill as introduced, ~~in particular may this could~~ have additional financial implications ~~These may include including~~, for example, costs for the transition process, ~~but t~~—There may ~~also~~ be ~~potential~~ savings on central services such as finance, digital systems and premises, if a significant number of staff move to the NCS, ~~but alternatively local authorities could experience a loss of economies of scale~~. These costs and savings will depend on what services are to be included in the NCS, when the transfer is to take place and how the transition process will be staged. ~~If this approach were to be taken~~, the Scottish Government ~~would~~ carry out thorough options appraisal, working with COSLA, to identify these financial implications at the appropriate time and inform the approach taken. Further information ~~would~~ be provided to the Scottish Parliament when the relevant secondary legislation is brought forward.

63. The financial implications for health boards are expected to be less significant, because of the expectation that they will continue to deliver services commissioned by the NCS. As with local authorities, those implications will be considered when more detail of the arrangements is known.

Costs on other bodies, businesses or individuals

64. It is not anticipated that the establishment of the NCS and care boards, and the transfer of functions to those bodies, **would** have any financial implications for any other public bodies, businesses or third sector organisations, or for individuals.

65. If social care functions are transferred from local authorities to care boards, it is assumed that in the first instance, all contracts and arrangements with external organisations for the provision of social care support services will also transfer. Over time, changes to policies on ethical procurement and Fair Work may lead to changes in the requirements on potential providers. While the Bill will enable the Scottish Ministers to promote such policies more effectively, the detail is not set out in the Bill and will be subject to separate financial and regulatory impact assessment.

HEALTH AND SOCIAL CARE INFORMATION

66. Part 2 of the Bill gives the Scottish Ministers the power to set up a statutory scheme through Regulations to permit data sharing for the efficient and effective provision of services by, or on behalf of, the NCS and NHS, and to produce information standards to ensure information is processed in a consistent way. This will enable **better sharing of information across the health and social care sector, to the benefit of people and professionals. Crucially, it will also support** the creation of the nationally-consistent, integrated and accessible electronic social care and health record. ~~The creation of these provisions will have no immediate financial implications for the NCS, NHS or Scottish Government. The NCS consultation noted that improvements to data and digital would require additional investment in data and digital systems locally and nationally. This is expected to cover infrastructure, staffing, training and development costs. The Scottish Government will work closely with people who access support, carers, providers and front line staff to develop the social care and health record.~~

67. The development of the electronic social care and health record ~~does not arise from the NCS Bill, and is therefore not covered in this financial memorandum. The integrated record requires~~ a full process of discovery and design, which includes co-design with **all** stakeholders. Work has been initiated on discovery and alpha phases of the integrated record to develop detailed requirements which will inform the development work ahead. ~~At this early stage it is not possible to provide an exact position on the total cost of investment or how the costs will be phased.~~ As part of this work The Scottish Government has begun the drafting of the Strategic Outline Case for the integrated record, which includes an options appraisal and outline of indicative costs for the integrated record. ~~Through this co-design process and wider work to develop~~

~~the evidence base it will be possible to robustly estimate costs.~~ Supporting business cases and appropriate assurance will be created while the process of seeking funding and scope decisions continue.~~here significant investment will be required.~~ The final costs will depend on **user engagement to finalise the ultimate** scope and specification, and the outcomes of any future competitive tender processes to deliver those requirements to ensure optimal public value. **Scope and specification will be informed by the co-design approach being taken to the NCS.**

68. There will also be work to develop digital services to underpin and enable the NCS as well as investment in people to make sure they have the right skills to use digital platforms and analyse data. Again, more investigation and co-design is required to define this. All options will be subject to rigorous assessment to ensure value for money and affordability.

REFORMS CONNECTED TO DELIVERY AND REGULATION OF CARE

Right to Breaks from Caring NOTE – this section to be updated once new carers population figures are published on 5 December

69. Section 38 of the Bill makes changes to the Carers (Scotland) Act 2016 (“the Carers Act”) to establish a right to personalised short breaks support for carers who have an identified need for that support, through an adult carer support plan (ACSP) or young carer statement (YCS). These changes will adjust and extend the duties of Local Authorities and Integration Authorities, which are expected to pass to care boards when the NCS is established. These duties will lead to additional costs in providing breaks from caring.

70. The Scottish Government also intends to maintain a national short breaks fund, using existing powers⁷, to enable easy-access support for people in less intensive caring roles. This will build on existing non-statutory voluntary sector short breaks funding. These schemes provide micro grants schemes for unpaid carers to help them take short breaks that meet their needs. Individual grants can be used flexibly, e.g. for a weekend away, entertainment subscription or sporting or hobby equipment. [Time To Live](#) grants are delivered locally, usually by local carer centres. [Take a Break Scotland](#) grants for carers of disabled children and young people and their families are delivered nationally by the Family Fund. The Scottish Government is committed to increasing this funding to provide easy access to breaks for carers without the need for a support plan or statement. While this fund does not require new legislation, it will have an impact on the costs of providing the personalised support required by the provisions of the Bill, depending on the balance of whether carers access personalised support or easy access breaks.

71. The cost of these measures has been estimated using data on the following:

- Number of carers by intensity of caring⁸

⁷ Social Work (Scotland) Act 1968, section 10

⁸ Intensity of caring based on the bands of number of hours per week, as per table 9.

- Balance of replacement care between residential and home based
- Unit costs for replacement care, carer breaks and easy access support
- Cost and Whole Time Equivalent for young carer support workers.

72. There are number of areas of uncertainty, for which information is incomplete or missing, where assumptions have had to be made, in particular:

- the number of carers who will seek to exercise their right to breaks
- the average amount of replacement care required for personalised support
- the balance of breaks between personalised support and easy access support
- current levels of local authority and Integration Authority expenditure on breaks and replacement care, for which local authority systems do not generally differentiate short breaks support from other services, and
- the rate at which demand and available provision will build over time.

73. The full set of assumptions for all groups is extensive, the following example is provided for illustration: For adult carers providing over 50 hours of care per week, it is assumed that 50% of those with an ACSP will take up replacement care, and that this will average 4 weeks per carer per year, of which 65% is assumed to be residential care and the remainder intensive homecare at 22 hours per week. Additionally, it is assumed that 60% of this group will take up a carer break (additional support to help them recharge during their time away from caring), averaging 3 breaks per year. These figures can then be combined with the numbers of carers set out in table 10 and the costs of breaks⁹ identified above and netted against estimates of existing expenditure to estimate the total net cost of implementing breaks for carers.

74. Table 9 shows how a selection of the assumptions vary for different intensity groups.

⁹ Care home respite at weighted average of cost of £981 per week and homecare at £21 per hour. Carer breaks costed at £300 per break. All at 2022/23 prices.

Table 9: Assumptions used in calculating costs of breaks from caring

| | <20 hours a week | 20 - 34 hours a week | 35 - 49 hours a week | 50 or more hours |
|---|------------------------|----------------------|----------------------|------------------|
| Proportion of adult carers with ACSP that receive replacement care (%) | 5% | 10% | 20% | 50% |
| Number of weeks replacement care per carer (Adult carers) | 1 | 2 | 3 | 4 |
| Proportion of adult carers with ACSP that receive carer break (%) | 10% | 20% | 40% | 60% |
| Number of carer breaks per adult carer | 1.0 | 2.0 | 2.0 | 3.0 |
| Proportion of young carers with YCS with activity enabling break | 100% | 100% | 100% | 100% |
| Proportion of young carers with YCS receiving replacement care | 0% | 100% | 100% | 100% |
| Easy access payment (per carer) ¹⁰ | £300.0 £330 | | | |
| Uptake of easy access support by adult carers who do not receive personalised support | 10% | 40% | 40% | 40% |
| Uptake of easy access support by young carers | 10% | 40% | 40% | 40% |

* The only variances since the original Finance Memo are an update to the easy access payment (per carer) from £300 to £330 and to include replacement care for young carers caring for 20 + hours per week.

75. The calculations produce estimates for a future steady state of support in which the proportion of carers with an ACSP and or a YCS has reached the same proportions as those assumed in the Financial Memorandum for the Carers (Scotland) Bill¹¹, specifically 34% of adult carers and 64% of young carers (see table 10, rows 2 and 5 for steady state number of carers with ACSP and YCS respectively). The estimates for personalised support are based on the number of carers with plans and statements, and those for easy access support are based on the balance of carers who do not have plans/statements.

¹⁰ Estimate based on feedback from providers of Time to Live and Take a Break Scotland grants

¹¹ [https://archive2021.parliament.scot/S4_Bills/Carers%20\(Scotland\)%20Bill/b61s4-introd-en.pdf](https://archive2021.parliament.scot/S4_Bills/Carers%20(Scotland)%20Bill/b61s4-introd-en.pdf)

76. Table 10 shows the number of carers (updated using the latest published carer population data¹²) by intensity of caring and our estimate for how many will have ACSP/YCS in the steady state. The distributions assume that 80% of carers in the 50+ hours per week band will have plans/statements, with reducing proportions for less intensive bands and with the balance in the <20 hours per week band to give total proportions of 34% and 64%.

As per December 2023:

¹² Scotland's Carers update release [Scotland's Carers - gov.scot \(www.gov.scot\)](https://www.gov.scot)

Table 10: Number of carers and proportion expected to have ACSP / YCS in steady state

As per published Financial Memorandum 20 June 2022:

| | <20 hours per week | 20 - 34 hours per week | 35 - 49 hours per week | 50+ hours per week | Total |
|---------------------------------------|--------------------------|------------------------------|------------------------------|--------------------------|----------------|
| Number of adult carers | 624,864 | 59,280 | 29,640 | 125,215 | 839,000 |
| Number of carers with ACSP | 143,592 | 23,712 | 17,784 | 100,172 | 285,260 |
| Proportion of carers with ACSP | 23% | 40% | 60% | 80% | 34% |
| Number of young carers | 27,900 | 900 | 300 | 900 | 30,000 |
| Number of carers with YCS | 17,670 | 585 | 225 | 720 | 19,200 |
| Proportion of carers with YCS | 63% | 65% | 75% | 80% | 64% |

Table 11: Costs of Carers Act breaks (£m) – costs to local authorities / Integration Authorities, transferring to Care Boards

As per published Financial Memorandum on 20 June 2022:

| | 2023-24 | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 | 29-30 | 30-31 | 31-32 | 32-33 | 33-34 | 34-35 |
|----------------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Upper Estimate | 0 | 0 | 13 | 27 | 40 | 53 | 66 | 80 | 93 | 106 | 120 | 133 |
| Lower Estimate | 0 | 0 | 8 | 16 | 25 | 33 | 41 | 49 | 58 | 66 | 74 | 82 |

Updated as per December 2023:

| | 2023-24 | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 | 29-30 | 30-31 | 31-32 | 32-33 | 33-34 | 34-35 |
|------------------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Upper Estimate | 0 | 0 | 19 | 38 | 59 | 80 | 102 | 125 | 148 | 173 | 198 | 225 |
| Lower Estimate | 0 | 0 | 13 | 27 | 40 | 55 | 70 | 86 | 102 | 119 | 137 | 155 |
| Central Estimate | 0 | 0 | 16 | 32 | 50 | 67 | 86 | 105 | 125 | 146 | 167 | 190 |

Reasons for Variances:

- Updating estimates using the latest available data on carer population and intensity of caring (as Table 10);
- Uprating the unit costs from 2022/23 to 2023/24 prices;
- Including an estimate for replacement care for young carers caring for 20+ hours per week as part of Carers Act short break support;
- Increasing the number of carers to reflect the projected increase due to demographic change over the growth period;
- Inflating the estimated costs from 2023/24 prices to nominal prices (in line with the approach in the rest of the Financial Memorandum);
- Central estimates have been added to the updated table as a new row.

78. Table 12 on the costs of easy access breaks is included to show the balance of funding, although this is not a consequence of the Bill (and is not included in the total costs of the Bill in Table 1). Table 12 includes estimated costs from 2023-24 as this support does not require new legislation and ~~can therefore be implemented immediately~~ is already building on existing support. The model assumes this support builds over time allowing the sector to expand its staffing and provision while growing the numbers of unpaid carers being supported. These figures are predicted to reach a steady state towards the middle of the period as higher numbers of carers are expected to be receiving personalised breaks under the Carers Act.

Table 12: Costs of easy access breaks (£m) – costs to the Scottish Administration:

As per published Financial Memorandum on 20 June 2022:

| | 2023-24 | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 | 29-30 | 30-31 | 31-32 | 32-33 | 33-34 | 34-35 |
|----------------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Upper Estimate | 10 | 15 | 20 | 25 | 30 | 35 | 37 | 37 | 37 | 37 | 37 | 37 |
| Lower Estimate | 10 | 15 | 20 | 25 | 30 | 34 | 34 | 34 | 34 | 34 | 34 | 34 |

Updated as per December 2023:

| Easy access breaks (Scottish Ministers) | 2023-24 | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 | 29-30 | 30-31 | 31-32 | 32-33 | 33-34 | 34-35 |
|--|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Upper Estimate | 0 | 5 | 10 | 15 | 21 | 26 | 32 | 34 | 35 | 35 | 36 | 37 |
| Lower Estimate | 0 | 5 | 10 | 15 | 21 | 26 | 30 | 31 | 31 | 32 | 33 | 33 |
| Central Estimate | 0 | 5 | 10 | 15 | 21 | 26 | 32 | 33 | 33 | 34 | 35 | 36 |

Reasons for Variances:

- Updating estimates using the latest available data on carer population data and intensity of caring (as Table 10);
- Upgrading the unit costs from 2022/23 to 2023/24 prices;
- Bringing the estimate for existing funding in line with Scottish Government easy-access breaks budgets for 2023/24;

- Increasing the number of carers to reflect the projected increase due to demographic change over the growth period;
- Inflating the estimated costs from 2023/24 prices to nominal prices (in line with the approach in the rest of the Financial Memorandum).

79. Combining the estimates for **personalised** breaks under the Carers Act (as a consequence of the Bill) and easy access breaks, the cost of the steady state is estimated to be between ~~£116m and £170m~~ £188m and £261m by 2034/35, with the central estimate being a cost of ~~£143m~~ £225m. at 2034/35 prices (£158, £221m and £190m respectively at 2023/24 prices).

Table 13: Total additional cost of rights to breaks (£m)

As per published Financial Memorandum on 20 June 2022:

| | 2023-24 | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 | 29-30 | 30-31 | 31-32 | 32-33 | 33-34 | 34-35 |
|------------------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Upper Estimate | 10 | 15 | 33 | 52 | 70 | 88 | 103 | 117 | 130 | 143 | 157 | 170 |
| Lower Estimate | 10 | 15 | 28 | 41 | 55 | 67 | 75 | 83 | 92 | 100 | 108 | 116 |
| Central Estimate | 10 | 15 | 31 | 47 | 62 | 78 | 90 | 101 | 111 | 122 | 133 | 143 |

Updated as per December 2023:

| Total Carers Act & Easy Access Breaks | 2023-24 | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 | 29-30 | 30-31 | 31-32 | 32-33 | 33-34 | 34-35 |
|---------------------------------------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Upper Estimate | 0 | 5 | 29 | 54 | 79 | 106 | 134 | 158 | 183 | 208 | 234 | 261 |
| Lower Estimate | 0 | 5 | 23 | 42 | 61 | 81 | 100 | 117 | 133 | 151 | 169 | 188 |
| Central Estimate | 0 | 5 | 26 | 48 | 70 | 94 | 118 | 138 | 159 | 180 | 202 | 225 |

Reasons for Variances:

- See reasons at Tables 11 and 12 above.

80. Recognising the considerable uncertainty inherent in these estimates, it will be important to continue to monitor the rate of growth in provision of breaks from caring as implementation progresses and refine estimates accordingly. Decisions on funding will also be dependent on future government spending reviews. The Carers Census already aims to collect information about breaks provided under the existing Carers Act. However, this information has proven challenging for organisations to return and so the data available is largely incomplete. The Carers Census ~~is currently being~~ has been reviewed and work is ongoing to support local areas to improve the collection.

Savings due to rights to breaks

81. The Scottish Government estimates unpaid care is currently saving Scotland £12.8 billion per year in social care costs, plus £320 million in health care costs – a total saving of £13.1 billion per year¹⁴.

82. The measures in the Bill are designed to protect carers' health and wellbeing, helping sustain caring relationships. This will reduce costs which would otherwise arise for the NHS, Local Authorities and Integration Authorities, and subsequently the NCS, through unplanned hospital admissions, failed hospital discharge and additional residential care when caring relationships break down. There are around 156,000 people in Scotland providing 35 hours of unpaid care or more per week¹⁵. If the right to breaks helps prevent 1% of these intensive caring relationships

¹⁴ Scottish government calculation of replacement care and hospital days avoided (April 2022) using results in Weaver et al: Does availability of informal care within the household impact hospitalisation? Health Econ Policy Law. 2014 Jan; 9(1):71-93.

¹⁵ The number of adult carers is based on the Scottish Health Survey (SHeS) 2020 (published at: Scotland's carers: update release - gov.scot (www.gov.scot), Scottish Government 2021) and the profile is based on Scottish Surveys Core Questions (SSQC) data (2016-19).

breaking down, that will save £68 million per year in health and social care costs. If the right protects 5% of these intensive caring relationships, the saving will be £318 million per year¹⁶.

83. Research suggests that unpaid carers have on average 11¹⁷ fewer days of full health per year compared with non-carers. For Scotland's unpaid carers this is 9.6 million days per year. If these measures reduce carer ill health by 1%, that will avoid 96,000 days of ill health valued £8 million per year. If they reduce days of carer ill health by 5%, that will result in 478,000 fewer days of ill health, valued at £39 million per year¹⁸.

84. There are around 268,000 people in Scotland balancing paid work with an unpaid caring role¹⁹. Women make up 61% of unpaid carers of working age²⁰. Protecting carer health and wellbeing should also lead to wider benefits to the Scottish economy by enabling more carers to remain economically active, reducing the gender pay gap and social security costs. It is not possible to precisely estimate the size of these wider savings and benefits but they are expected to be considerable. Additional breaks can make the difference to help people remain in work or return to work. If the right to breaks helps 1% more carers to remain in work, the benefit to them and to Scotland's economy would be worth £71 million²¹. If it means an extra 5% are working, the benefit would be £353 million per year. This would also reduce the current £340 million per year expenditure on Carer's Allowance (DWP) and on Carer's Allowance Supplement (Social Security Scotland).

“Anne’s Law” – Visits to or by care home residents

85. Section 39 makes provision for “Anne’s Law”, which ensure that people living in adult care homes to see the people important to them even during outbreaks of infectious disease. The financial cost of these measures should be viewed in the context of the progress made since 2021 in maximising meaningful social connections and visiting in adult care homes, effectively readying the care home sector for the implementation of the statutory requirements provided for in the Bill.

86. In September 2021, the Scottish Government in collaboration with Public Health Scotland, the Adult Social Care Clinical and Professional Advisory Group and groups representing families and care home provider published updated “Open with Care” visiting guidance.

¹⁶ Scottish government analysis of replacement care and hospitalisation (April 2022)

¹⁷ Informal carers' health-related quality of life and patient experience in primary care: evidence from 195,364 carers in England responding to a national survey. Thomas et al. BMC Family Practice (2015) 16:62

¹⁸ Scottish government calculation of unpaid carer days of ill health (April 2022)

¹⁹ Scotland's Carers report, Scottish Government, 2015: www.gov.scot/publications/scotlands-carers based on Scotland's Census 2011.

²⁰ Scotland's Carers report, Scottish Government, 2015: www.gov.scot/publications/scotlands-carers

²¹ Scottish government calculation using data from Annual Analysis of Hours and Earnings (ASHE) 2021, ONS

This ~~allowed recommended that for~~ people living in care homes ~~are supported to being able~~ to nominate “named visitors” to see them - even in a COVID-19 outbreak situation. The guidance promotes and encourages care homes to maximise opportunities for meaningful contact both in and away from the home. ~~It has been adopted in the most part and serves to practicably and financially prepare the sector for Anne’s Law.~~

87. On 31 March 2022, the Scottish Government utilised powers conferred by Section 50 of the Public Services Reform (Scotland) Act 2010 and introduced two new statutory Health and Social Care Standards relating to visiting. The Health and Social Care Standards set out what people should expect when experiencing health, social care or social work services in Scotland. ~~As with the current “Open with Care” guidance. They are taken into account by the Care Inspectorate in relation to inspections, and registration, of social care services. the Care Inspectorate is required, by law to consider how care service providers are upholding the Standards both in relation to registering and inspecting care services.~~

88. The Bill will enable the Scottish Ministers to exercise a new power under subsection 2 of the Public Services Reform (Scotland) Act 2010 to require care home service providers to comply with any direction issued by the Ministers about visits to residents, and visits by residents, of accommodation provided by a care home service (“a visiting direction”). The use of Directions will allow the Scottish Ministers to ~~set expectations around supporting meaningful connection and visiting and potentially~~ respond quickly to what may be a rapidly developing situation. ~~and impose requirements on care homes to remove any barriers to full and normalised visits that may have emerged.~~ This will build further on the principles established through the guidance and Health and Social Care Standards and ensure that Anne’s Law is enshrined in legislation.

89. As a result of this incremental approach, the costs of ~~supporting implementing~~ visiting ~~rights and meaningful contact~~ in care homes fall to both the introduction of the new Standards and to the Bill, and it is not possible to precisely separate them.

Costs to other bodies and businesses

90. Representatives from care home service providers, local care home oversight teams (~~now known as Collaborative Care Home Support Teams~~), Care Inspectorate and Public Health form part of the Scottish Government’s expert reference group ~~on Anne’s Law~~, along with families of care home residents, and help shape and promote the guidance. It is expected that there will be some costs to these groups ~~for example care home providers and those supporting care homes~~, to promote and champion Anne’s Law ~~through in their staff and provider awareness sessions, formal training, updating visiting policies and for printing leaflets and other administration. However, there has already been work to support the adoption of the new Health and Social Care standards around visiting and no specific costs have been highlighted by care home providers, and~~. ~~Accordingly~~ it is anticipated that the new requirements will be absorbed within the usual costs of updating training and other materials. ~~There are~~ is potentially a time burden associated with any proposed local oversight and assurance arrangements for Anne’s Law involving professional leads from Local Authorities and NHS Boards. However this could be facilitated through existing local mechanisms for care home support and is not expected to result in additional staff costs.

91. The Scottish Government will continue to consult widely on the anticipated practical application of Anne’s Law within the expected provisions of the legislation and make note in any divergence from current guidance and potential costs. While this process is ongoing, it has not highlighted additional costs to the sector.

Costs to the Care Inspectorate

92. Currently, complaints regarding visiting can be made to registered services, or directly to the Care Inspectorate and for individual staff via the Scottish Social Services Council (SSSC). ~~Less commonly~~ eComplaints can also go via the local authority, the Health and Social Care Partnership (HSCP), or the individual NHS health board. If individuals are not happy with the decision relating to their complaint, from any of these bodies, they can approach the Scottish Public Services Ombudsman

93. The Scottish Government estimates that there will be heightened public interest in the new legislation, ~~and this which~~ may result in ~~adults living in care homes, or their friends and families,~~ people exercising their right to complain. ~~Therefore~~ eComplaints to the Care Inspectorate ~~are may expected to~~ increase in the short term, ~~although current arrangements for adopting the new Health and Social Care Standards and supporting visiting during outbreaks are already well adopted within the sector. while improvements to visiting become embedded in the sector, but to fall away within 32 years. This is reflected in part in the additional costs below.~~ Any increase in complaints via other routes is not expected to be significant.

Additional Costs

94. The Care Inspectorate will also incur costs in the lead up to and following the introduction of Anne’s Law, as there is a need to promote the guidance, the new Standards and prepare the sector for Anne’s Law with the aim of building capacity and capability within the sector for improvement.

95. We have worked with the Care Inspectorate to determine the work over and above their core responsibilities. We have agreed a package of additional measures, materials and resources to support ~~preparation for Anne’s Law “Open with Care” guidance~~ including support for care homes to develop new policies reflecting the Health and Social Care Standards; staff induction and internal and external training; self-evaluation improvement support for services; and developing capacity to enable the immediate resolution of complaints through direct engagement with providers and services.

96. In the year 2022/23, total Care Inspectorate costs to support the introduction of Anne’s Law ~~are was~~ estimated to be £186,000, ~~and~~ £90,000 in 2023-24 ~~and £50,000 in 2024-25~~ as shown in table 14. Thereafter, improvements to visiting will become embedded in the sector and we estimate that costs will fall away from year ~~20245/256~~ onwards.

Table 14: Costs to the Care Inspectorate of implementing Anne’s Law

| Cost Category | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|--|---------|---------|---------|---------|---------|
| | £m | £m | £m | £m | £m |
| Other public bodies (Care Inspectorate) | £0.186 | £0.090 | £0.050 | 0 | 0 |

Benefits

97. The financial cost of Anne’s Law should also be viewed in the context of the benefits to the health and wellbeing of adult care home residents and their friends and families, with a case to be made that that there will be savings realised in other aspects of the Health and Social Care system.

98. A consultation was launched on 24 September 2021 to seek views on the Scottish Government’s proposals for delivering Anne’s Law in primary legislation. Analysis of the consultation showed that there is considerable support for the approach of introducing Anne’s Law. Many respondents commented on their own experiences of family members being isolated in care homes over the course of the pandemic and the lasting harm this has caused.

99. Reference to the potential individual and wider system benefits because of improved health and wellbeing was highlighted by NHS Greater Glasgow and Clyde:

"There is a wide range of evidence internationally that social connectedness is required for good health. Anne's Law would reduce social isolation, poor mental health and associated effects on physical health. This creates a more efficient and effective service as there are less care needs for staff to manage and residents, carers and staff are happier"

Changes to powers and functions of the Care Inspectorate

100. A number of proposals have been made in recent years to enhance and strengthen the powers currently available to the Care Inspectorate, as the independent regulator and scrutiny body for social care services under the Public Services Reform (Scotland) Act 2010 (“the 2010 Act”). These proposals would enable the regulator to speedily take action with poor performing services, better protect social care users, and drive up the consistency and quality of care expected across all social care services in Scotland. The Bill makes provision for two changes which require primary legislation.

Enhanced enforcement powers

101. Section 42 of the Bill amends the 2010 Act to give the Scottish Ministers power to set out circumstances in which the Care Inspectorate can move directly to proposing to cancel a care service's registration without first issuing an improvement notice, including on the basis of previous enforcement action.

102. It is not anticipated that the enhanced criteria to propose to cancel a service's registration would impose any additional costs or resource requirements on the Care Inspectorate, care providers or any other organisation. The change is not expected to lead to any increase in enforcement cases, but it will enable the Care Inspectorate to cancel a service's registration more quickly, therefore better protecting social care users.

Additional joint inspection powers

103. Section 43 enables the Healthcare Improvement Scotland (HIS) to assist the Care Inspectorate to carry out inspections and the option to charge the Care Inspectorate a reasonable fee determined by HIS for any assistance provided by it. HIS could be asked to provide additional expertise to contribute to an inspection led by the Care Inspectorate, for example, advice on infection prevention and control in care homes. Any request for assistance from HIS is expected to be in exceptional circumstances only, such as during a pandemic. Should the request be for short-term assistance with a small number of inspections then this may be delivered within HIS' existing resources. In the unlikely scenario that HIS assistance is requested for a larger number of inspections or over a longer time period HIS may request payment to cover additional staff costs they incur. Experience during the Covid pandemic suggests that costs might be between £1000 and £1500 per inspection, if required. No costs for this provision have been included in table 1 because it is not possible to predict when, or whether, such exceptional circumstances might arise.

National Care Service (Scotland) Bill – Financial Implications of Proposed Changes

Introduction:

1. In support of the National Care Service (Scotland) Bill, the Scottish Government have provided an update to accompany the Financial Memorandum (FM) that outlines the costs associated with the Bill as introduced.
2. Following the agreement between COSLA and the Scottish Government on shared accountability for the NCS, the Scottish Government proposes to bring forward changes to the Bill at Stage 2 which, if agreed by Parliament, will result in a significant change to the underlying assumptions associated with the FM. Accordingly, this paper provides a further revision of the updated costings to reflect the proposed changes, in so far as these can be estimated at this stage. The main differentiating factors between the updated FM and the Shared Accountability agreement focus on reforming the current Integration Joint Boards (IJB) as opposed to creating new public bodies (Care Boards), to remove the potential for any staff transfer from Local Authorities as well as adding the costs associated with the establishment of a National Board. For the purposes of this paper the reformed IJBs will be referred to as Integration Authorities (IA).

Updated Financial Memorandum – Bill as introduced

3. Table 1 sets out the costs from the updated FM detailing the range of costs associated with the Bill as Introduced.

Table 1 – Updated Financial Memorandum – Total Costs of Bill Provision

| Sector | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | £ millions |
| Total estimated costs of Bill provisions | 13 | 11 - 13 | 13 - 17 | 32 - 46 | 45 - 64 | 64 – 115 | 105 – 353 | 158 – 438 | 210 – 524 | 229 – 609 |
| Establishment and running of NCS at national level – table 6 | | | | | | | | | | |
| Scottish Administration | 13 | 11 - 13 | 13 - 17 | 19 - 27 | 18 - 26 | 17 – 26 | 17 – 26 | 18 – 27 | 18 – 28 | 18 – 28 |
| Establishment and running of care boards – table 7 | | | | | | | | | | |
| Scottish Administration | 0 | 0 | 0 | 0 | 0 | 7 - 30 | 0 | 0 | 0 | 0 |
| Care Boards | 0 | 0 | 0 | 0 | 0 | 0 | 33 - 247 | 70 - 309 | 106 - 371 | 109 - 433 |
| Total Establishment and running of care board | 0 | 0 | 0 | 0 | 0 | 7 - 30 | 33 - 247 | 70 - 309 | 106 - 371 | 109 - 433 |
| Total NCS costs | 13 | 11 - 13 | 13 - 17 | 19 - 27 | 18 - 26 | 24 – 56 | 50 – 273 | 88 – 336 | 124 – 399 | 127 - 461 |
| Right to breaks from caring* - table 11 | | | | | | | | | | |
| Social Care / Care Boards | 0 | 0 | 0 | 13 - 19 | 27 - 38 | 40 - 59 | 55 - 80 | 70 - 102 | 86 - 125 | 102 - 148 |
| Anne’s Law – table 14 | | | | | | | | | | |
| Care Inspectorate* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | | |
|------------------------------------|---|---|---|---------|---------|---------|---------|----------|----------|-----------|
| Total right to breaks & Anne's law | 0 | 0 | 0 | 13 - 19 | 27 - 38 | 40 - 59 | 55 - 80 | 70 - 102 | 86 - 125 | 102 - 148 |
|------------------------------------|---|---|---|---------|---------|---------|---------|----------|----------|-----------|

(Table numbers refer to the corresponding table in the update to the FM)

(*The costs relating to the Care Inspectorate for Anne's Law are not £0 throughout but instead £186k in 2022/23, £90k in 2023/24 and £50k in 2024/25)

Table 2 sets out revised costs for the NCS, taking account of the Scottish Government's proposed changes, where these can be estimated at this time.

Table 2 – Revised cost reflecting proposed changes

| Sector | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
|--|------------|----------------|----------------|----------------|----------------|-----------------|-----------------|------------------|------------------|------------------|
| | £ millions | £ millions | £ millions | £ millions | £ millions | £ millions | £ millions | £ millions | £ millions | £ millions |
| Total estimated costs of Bill provisions – subject to Shared Accountability agreement | 13 | 11 - 13 | 13 - 18 | 33 - 48 | 50 - 72 | 70 – 104 | 86 – 126 | 102 – 149 | 118 – 175 | 135 – 198 |
| Establishment and running of NCS at national level | | | | | | | | | | |
| Scottish Administration | 13 | 11 - 13 | 13 - 18 | 20 - 29 | 21 - 31 | 20 – 31 | 21 – 31 | 22 – 32 | 22 – 34 | 22 – 34 |
| Total Establishment and running of Reformed IAs | | | | | | | | | | |
| Reformed IAs | 0 | 0 | 0 | 0 | 2 - 3 | 10 - 14 | 10 - 15 | 10 - 15 | 10 - 16 | 11 - 16 |
| Total NCS costs | 13 | 11 - 13 | 13 - 18 | 20 - 29 | 23 - 34 | 30 – 45 | 31 – 46 | 32 – 47 | 32 – 50 | 33 – 50 |
| Right to breaks from caring* | | | | | | | | | | |
| Social Care | 0 | 0 | 0 | 13 - 19 | 27 - 38 | 40 - 59 | 55 - 80 | 70 - 102 | 86 - 125 | 102 - 148 |
| Anne's Law | | | | | | | | | | |
| Care Inspectorate * | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total right to breaks & Anne's law | 0 | 0 | 0 | 13 - 19 | 27 - 38 | 40 - 59 | 55 - 80 | 70 - 102 | 86 - 125 | 102 - 148 |

(*The costs relating to the Care Inspectorate for Anne's Law are not £0 throughout but instead £186k in 2022/23, £90k in 2023/24 and £50k in 2024/25)

For the purposes of consistency and to provide a direct comparison to the update to the FM the costs from 'Rights to break from caring' have been included. However, the shared accountability agreement has no impact upon these cost estimates and so in

Table 3 below, the variance assessed is those costs directly attributable to the NCS development. These are the ‘Total NCS Costs’ line in the above tables.

Variations & Assumptions:

4. Table 3 sets out the overall variance between the updated FM and the costs reflecting the proposed changes.

Table 3 – Variance analysis between the updated FM and the Costs reflecting the proposed changes

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
|---|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| | £ millions | £ millions | £ millions | £ millions |
| Total estimated costs of Bill provisions (FM) | 13 | 11 - 13 | 13 - 17 | 19 - 27 | 18 - 26 | 24 – 56 | 50 – 273 | 88 – 336 | 124 – 399 | 127 - 461 |
| Total estimated costs of Shared Accountability | 13 | 11 - 13 | 13 - 18 | 20 - 29 | 23 - 34 | 30 – 45 | 31 – 46 | 32 – 47 | 32 – 50 | 33 – 50 |
| Variance | 0 | 0 to 0 | 0 to 1 | 1 to 2 | 5 to 8 | 6 to -11 | -19 to -227 | -56 to -289 | -92 to -349 | -94 to -411 |

5. There are three significant changes from the updated FM to the shared accountability costings that drive the difference in estimates. Under the shared accountability agreement, Local Authorities will retain responsibility for delivering social work and social care services and there will be no transfer of staff and assets. This means that business as usual expenditure will remain and there will be no additional costs associated with the movement of staff. The basis of the cost was transferring circa 75,000 social care staff over to terms and conditions baselined against current assumptions on Fair Work and a change in employer pension contribution rates. At the start of the phased implementation in 2028-29, this was estimated to be £96m rising to £270m per annum in 2031-32 at full implementation. This is reflected in Table 8A of the updated FM.

6. The second substantial change is that the FM assumed there would be 31 Care Boards created along with the associated functions required to run these, Table 8B of the FM sets out the detail of these costs. However, alternative mechanisms to delivering policy mandates through reforming current local structures are being explored. Reforming Integration Authorities (IA) rather than creating new Care Board public bodies would result in a significant cost associated with the setup, operation and governance of these new Boards being removed, with some new, but smaller, costs being incurred in place. The detail of the proposals is currently being worked through as part of the ongoing Co-Design with service users and discussions with COSLA, NHS and partners to find the optimal operating model but associated costs will likely include:

- Increased support for lived experience representatives on IA boards, including support provided for those who undertake caring responsibilities to facilitate their involvement.
- Greater training and development and induction support for all board and committee members.
- Strengthening of localities through increased community engagement. This will entail the creation of additional posts to engage more fully within the localities, addressing and supporting members of the community to ensure their voices are heard.
- There may be the provision made for the IA to directly employ staff such as the Chief Officer and so provision has also been made for a centrally hosted team who will manage the operational requirements of the transfer such as HR and payroll. Table 4 below is a comparator to Table 8B of the updated FM.

Table 4 – Estimated Care Board / Reformed IA Costs with proposed changes, and variance

| | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 |
|-----------------------------------|---------------|-----------------|--------------------|--------------------|--------------------|--------------------|
| | £ millions | £ millions | £ millions | £ millions | £ millions | £ millions |
| Staffing | 1 – 2 | 6 - 9 | 6 - 9 | 6 - 9 | 6 - 9 | 6 - 9 |
| Premises and IT | 0 | 0 | 0 | 0 | 0 | 0 |
| Running Costs | 1 | 2 | 2 | 2 | 2 - 3 | 2 - 3 |
| Governance and Board costs | 0 | 2 - 3 | 2 - 3 | 2 - 3 | 2 - 4 | 2 - 4 |
| Total | 2 - 3 | 10 - 14 | 10 - 15 | 10 - 15 | 10 - 16 | 11 - 16 |
| FM Table 8B | 0 | 7 - 30 | 32 - 152 | 71 - 155 | 105 - 159 | 108 - 164 |
| Variance | 2 to 3 | 3 to -16 | -22 to -137 | -61 to -140 | -95 to -143 | -97 to -148 |

* costs in 2026-27 represent the transition costs as the move from IJBs to IAs take place.

Breakdown of Costs:

7. The majority of the staffing costs cover the expansion of community engagement teams to support the work with local communities and lived experience groups. There is also provision made for the creation of a small hosted team who will deliver the HR, payroll and associated functions should reformed IAs directly employ the Chief Officer and Chief Finance Officers. These posts are currently employed by Local Authorities or NHS Boards and seconded to the IA. The Premises and IT costs are reduced as the assumption is that existing premises will continue to be used, so there is no additional cost, while a small provision has been made for the expansion in IT requirements related to the additional staff. The running costs provide funding in the form of grant support to

the new lived experience board members to ensure their full participation is not limited by their caring responsibilities, there is also further funding to support the engagement and co-design work of the new locality staff, additional training and development for board members as well as funding to ensure all documents are available in easy read format. Finally, the Governance and Board costs reflect the remuneration of additional lived experience members who will sit on the reformed IA boards. The transitional costs in 2026-27 are those related to the early adoption of the new staff and their associated recruitment, training and equipment in order to ensure a smooth transition into the new operating model.

8. The third significant change is that within the Bill as introduced, there was no provision for the establishment of a National Care Service Board. However, as set out in the letter from the Minister for Social Care, Mental Wellbeing and Sport to the Health, Social Care and Sport Committee on 6 December 2023, COSLA and the Scottish Government have agreed that the NCS should have a National Board to be the main route through which shared accountability is operationalised and managed. As stated in that letter, we are currently developing the delivery mechanism for the National Board. While this may be in the form of a public body, the final shape of the entity is still to be agreed. There is a rigorous approval process within Scottish Government for any new public body and the proposals for this Board will be subject to that in due course. However, for the purposes of this paper, the revised costs presented here have assumed that it will be established as a body with its own legal identity, such as a Non Departmental Public Body (NDPB), as means of identifying the upper range costs for the Board. We are acutely aware however, of the financial pressures faced across Government and so while the costing of a new public body provides assurance over the upper levels of liability, the design approach has also endeavoured to maximise value for money and make the body as streamlined as possible.

9. To determine estimated costs for the National Board, numerous sets of annual accounts of current NDPBs have been assessed to determine consistent cost elements that can be included, based on the anticipated size and function of the National Care Service Board. Community Justice Scotland specifically was identified as being a relevant baseline for subsequent comparison. Table 5 below sets out high level cost estimates for the National Board. It is estimated that Board will go live on the 1 April 2026. Costs associated with the setting up of the National Board are expected in 2024-25 and 2025-26 to enable this go live date.

Table 5 – National Board Cost

| Cost Area | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | £ millions |
| Staff | 0 | 1 | 2 - 3 | 2 - 3 | 2 - 3 | 2 - 4 | 2 - 4 | 2 - 4 |
| Premises & IT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Running Costs | 0 - 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Governance & Board Costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 - 1 | 1 - 2 | 3 - 5 | 3 - 5 | 4 - 5 | 4 - 5 | 4 - 6 | 4 - 6 |

Breakdown of Costs:

10. The staffing cost covers the running of the body, complete with its own operational staffing complement. We have assessed the options for shared services for areas like payroll and HR, such as those found in other public organisations, and have built in provision for other specific activities, for example, to ensure the Board can carry out the functions set out below as well as administration, communications and engagement. The premises and IT costs cover provision for rental costs and the set up and ongoing costs associated with IT capabilities, these are noted as £0 above but that is due to them being below the £0.5m threshold for rounding up, the average annual cost is estimated as £0.2m. The running costs cover the operational costs of the Board with provision for, but not limited to, external legal advice, audit fees, administration and communications, supplies and staff related expenditure. The governance and board costs cover the executive management function and the associated costs attributable to the decision making board, such as member remuneration.

Scope & Function

11. The NCS National Board will drive forward improvements across the system by supporting collaborative leadership and greater collaboration between partners. It will also seek to improve quality and consistency of services and ensure services are sustainable and person-centred by undertaking new functions at the national level..

12. The high level functions of the National Care Service Board are expected to include:

- setting national strategic direction;
- developing standards, guidance and operating frameworks;

- overseeing and seeking delivery assurance on local strategic plans and ethical commissioning strategies;
- monitoring system performance;
- maintaining a support and improvement framework which will aim to provide support to local areas when monitoring indicates that standards are not being met with powers of intervention, when required, as a last resort;
- ensuring visibility of data, information, and analysis about social care support, social work and primary and community health services through reporting on delivery;
- national commissioning and procurement by agreement for complex and specialist social care services which will include prison social care;
- seeking assurance on public protection arrangements; and
- providing support to local delivery partners.

13. Members of the Board will include Scottish Government, local government, NHS Boards and, importantly, people who access these services, workforce representatives and unpaid carers. The wider membership of the board will be co-designed. We recognise the importance of embedding the voice of the third sector and unions, for example, in the governance structures for the NCS nationally and locally.

14. There are a number of elements that have remained consistent in the cost estimates presented within the updated FM and this revised costing. An internal Scottish Government function would be required either to implement the Bill as introduced or to implement the proposed shared accountability arrangements, to organise and deliver the setup of the NCS and reformed IA / Care Boards. When established, the National Board will need to be supported to fulfil its functions. The intention is for the National Care Board to enhance capacity in the system, therefore staffing arrangements must reflect this approach and remain flexible. Options are still being considered for supporting the National Board. The cost estimates presented in this paper assume that the Board, if established as a separate body with its own legal identity, will require a core staff team of its own with broader support for the work of the Board coming from existing Scottish Government teams.

Affordability

15. Throughout the work undertaken on shared accountability and more widely in the ongoing design of the NCS, affordability and achieving value for money is a primary concern. We are acutely aware of the challenging financial position and as highlighted

in Table 3 above, the recurrent operating cost has been substantially reduced with this shared accountability approach. In terms of the additional investment required, Table 2 above sets out the anticipated cost of the NCS development (excluding carer's breaks) which over the 10 year time frame, at the upper level, sits at £345 million. However, it should be noted that currently we are incurring in excess of £10 million per annum by way of Scottish Government staff, costs which even were the NCS to cease would continue to be incurred. Table 6 below therefore, sets out the NCS development costs compared to the current staff cost. For the purpose of comparison the staff numbers have been kept constant but adjusted for inflation. This table therefore highlights what additional investment would be required excluding those currently employed staff in order to give the truer reflection of the additional liability.

Table 6 – Additional Investment

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 2031/32 |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | £m |
| Total NCS costs | 13 - 13 | 11 - 13 | 13 - 18 | 20 - 29 | 23 - 34 | 30 - 45 | 31 - 46 | 32 - 47 | 32 - 50 | 33 - 50 |
| Current Staff Cost | 10 | 10 | 11 | 11 | 11 | 12 | 12 | 12 | 13 | 13 |
| New Costs | 3 | 1 - 3 | 2 - 7 | 9 - 18 | 12 - 23 | 18 - 33 | 19 - 34 | 20 - 35 | 19 - 37 | 20 - 37 |

Based on this comparison the additional investment over and above employed civil servants sits between £120 million and £227 million across this 10 year time period. Work will continue to Co-Design the NCS in the most financially sustainable way.