

Kenneth Gibson MSP
Convener,
Finance and Public Administration Committee
Scottish Parliament

23 January 2024

Dear Convener,

We write to share our reflections on the revised Financial Memorandum for the National Care Service (Scotland) Bill, and associated papers, attached to Ms Todd's letter to you of 11 December 2023.

We welcome the additional information in the revised Financial Memorandum (FM), and also the new 9-page paper *National Care Service (Scotland) Bill – Financial Implications of Proposed Changes*, following the agreement between COSLA and the Scottish Government on shared accountability for the National Care Service. Through correspondence with Scottish Government officials we have also received some helpful supplementary information. However, overall the information provided still lacks the transparency and sufficient detail needed to provide legitimate challenge from parliamentarians, stakeholders, other interested parties, users of services or the public.

The many sections in the revised FM that set out “reasons for variance” between the original and revised FM are helpful but do not disentangle the effects of changes in policies, proposed implementation phasing, methods, cost-modelling assumptions, unit costs and other input data, inflation, and demography.

For example, comparison between the original and revised FM for NCS establishment and running costs is obscured by the different price-bases, unit costs, and approaches to inflation. The original FM figures used 2022-23 unit costs and added unspecified annual inflation (understood to be at 2-3% per year); while the revised FM is based on 2023-24 unit costs with inflation added differently for two staff categories (at 2.8% for SG staff and 5% annually for direct care staff) and for non-staff costs (at CPI forecasts originally made by the Office of Budget Responsibility in March 2023). For carers' right to a break, the original FM was at constant estimated 2022-23 prices with no subsequent inflation all the way to 2034-35 (a fact made clear in neither the original nor revised FM). The revised FM has been updated to 2023-24-unit costs with inflation added but on a different basis than for the NCS costs. In both cases, the revised unit costs were calculated before the base year's outturn inflation was known.

Greater transparency could have been achieved by providing more detail about the unit cost uplifts, and then showing both the original and revised FM time series *at constant 2023-24 prices*. Differences for the other variances mentioned earlier given could then be presented, again in constant prices. The revised FM could have also included the original and revised cost times series at estimated outturn prices, specifying the inflation indices used (on a more consistent basis). These would be only illustrative, being subject to inflation revisions when implemented in Scottish Budgets.

There could also be more attention to “relative price effects”, which is to say differences between the topic-specific and general inflation. It is, for example, a considerable merit of the revised NCS FM that it seeks to uprate direct care staff cost by 5% per year on Fair Work grounds. Extending that approach more widely would be beneficial.

Another area of concern is the relationship between the NCS costs and the costs of the Social Care Improvement Programme. The original wording of the FM was ambiguous on this point, and is unchanged in the revised version:

13 [...] 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).

The Minister's letter of 11 December clarifies the relationship between the Scottish Government's commitment to “increase funding for social care by 25%” (£840 million) and the costs of the NCS.

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.

As many commentators previously assumed that the £840M included the costs of the NCS, this clarification is welcome. Our concern, articulated in our original response to Parliament's

call for views, is whether the money allocated to the NCS would not achieve greater value and impact if invested in services. The Scottish Government has still not brought forward a social care programme plan which sets out what has been achieved, and what has still to be done, with timescales, costs and funding. The £840M never had a price-basis so was always “nominal” and subject to erosion by inflation. Necessarily, much will be spent on Fair Work. We very much support the Scottish Government’s commitment to pay uplifts for low-paid care workers, but the current levels – funding for £12 per hour for commissioned care services for 2024-25 – are still not competitive with many less stressful jobs in retail, and are not high enough to really impact upon the ongoing recruitment and retention crisis. Furthermore, there is still not a ‘prevention’ strategy, detailing how demand will be reduced or deferred, supported by “what works” evidence, and backed by an invest-to-save approach. There also remain several recommendations from the Independent Review of Adult Social Care that are not covered, by the NCS FM or the £840M, such as reviewing eligibility criteria and the implementation of ethical commissioning.

In the table below, we have attempted to estimate the scale of the reductions in the costs of the NCS between the three documents – original FM, revised FM, and the Stage 2 financial implications report. We take the original central cost estimate of £362.5.2M by 2026-27, and then uprate that by 2% inflation to 2031-32 – the new steady state year for running costs. Inflation of 2% is consistent with what was used in the original FM, but significantly less than that in the revised FM. However, it provides a reasonable approximation to what would have been the case by 2031-32 on the 2022 FM costings.

Total NCS establishment and running costs - central estimates

£ Millions	2022 -23	2023 -24	2024 -25	2025 -26	2026 -27	2027 -28	2028 -29	2029 -30	2030 -31	2031 -32
2022 FM	30	80	105	344	362.5					
2022 +2% from 2027-28						369.8	377.1	384.7	392.4	400.2
2023 revised FM	13	12	15	23	22	40	161.5	212	261.5	294
2023 Proposed Stage 2 changes	13	12	15.5	24.5	28.5	37.5	38.5	39.5	41	41.5
2023 Further Stage 2 change deducting £10M of civil service cost	3	2	4.5	13.5	17.5	25.5	26.5	27.5	28	28.5

Note: central estimates calculated by average min and max figures; 2% per year added to 2022 FM estimates from 2027-28

We are assuming that the figures in the Stage 2 report have been calculated on the same unit costs and inflation estimates as the NCS sections of the revised FM, unless otherwise stated.

The table above shows the central estimates to 2031-32 in the revised FM and Stage 2 paper. The scale of cost reduction is very significant, compared with the implied £400M annual costs in the earlier FM. An average (i.e. central estimate) reduction of 27% in the revised FM, increased to 90% in the Stage 2 amendments report, whose final table nets off a further £10M of current civil service spend to bring the cost reductions to 93% of the original £400M figure.

Table 6 of the *Financial Implications of Proposed Changes* paper is perhaps the most mysterious – it makes a further revision, shown as central estimates in the last row in our table above. Not only is there no information on the numbers, costs and roles of the civil servants

included, or separation into establishment and running costs, but the rationale for this last cost reduction is unclear. All the FM tables were supposed to show the additional costs of the NCS, which would not be the case if they included the more or less permanent costs of civil servants who were working anyway on social work and social care issues, or had been switched from other duties.

At face value, the NCS cost reductions are welcome. But the scale of revision raises concerns that some costs may not have been included or may need further revision and / or explanation. For example, in Table 6 of the *Financial Implications of Proposed Changes* paper, there is no information on the numbers and costs of the civil servants included, or separation into establishment and running costs. The rationale for this last cost reduction is unclear.

We welcome the fact that the Stage 2 costings have been undertaken on the assumption that the **National Care Service Board** might take the form of a public body (NDPB), although this is still to be decided. A Board established on a partnership basis needs to have an independent legal status from government. And we believe that similar arguments apply to the **National Social Work Agency**. The revised FM adds the changes in red to the original text:

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 £1-2 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.
[Page 23]

Costs are now estimated in terms of 'additional staffing' of £1-2M per year, although it is not clear what the extra staffing is in addition too. The figures are also significantly lower than the original FM's £8-12M per year, for reasons which have not been explained in the revised FM. We welcome any additional funding for social work, but are disappointed that more resources than an additional £1-2M are not being provided to make possible the extensive and ambitious improvement programme the Scottish Government has articulated for the National Social Work Agency.¹

On behalf our members, and the people and communities they serve, Social Work Scotland will continue to examine the costings for the National Care Service and for carers right to a

¹ Scottish Government, December 2023: "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" [Letter to Health, Social Care and Sport Committee, PDF pages 45-46]

break from caring. In due course we would be happy to discuss these matters with the Committee.

Yours sincerely,



Ben Farrugia
Director
Social Work Scotland