

## Finance and Public Administration Committee

# National Care Service (Scotland) Bill: Financial Memorandum - Themes paper

## Background

The [National Care Service \(Scotland\) Bill](#) ('the Bill'), was introduced on 20 June 2022. The stated purpose of the Bill is to improve the quality and consistency of social services in Scotland. The [Financial Memorandum](#) outlining the estimated costs of the proposed legislative changes was published alongside the Bill

In order to inform its scrutiny of the Financial Memorandum (FM) accompanying the National Care Service (Scotland) Bill, the Finance and Public Administration Committee included a number of specific questions in the general [call for views on the Bill](#). A separate paper summarises responses to the call for views, although some points are also highlighted in this paper.

[SPICe has also published a briefing on the Bill](#), which includes a detailed section on the FM. This paper draws on the material included in the briefing, while also reflecting some of the broad issues raised in responses to the call for views.

## What costs does the Financial memorandum cover?

Estimated costs are set out in relation to the various aspects of the Bill as follows:

- establishment of a National Care Service
- establishment of Care Boards
- health and social care information
- right to breaks from caring
- “Anne’s Law” – visits to or by care home residents
- changes to powers and functions of the Care Inspectorate.

In line with standard practice for FMs, the costs are set out separately in relation to:

- The Scottish Administration

- Local Authorities
- Health Boards
- Other public bodies
- Businesses and third sector organisations
- Individuals.

It is important to note that the purpose of an FM is to provide costs relating to the implementation of the associated legislation. An FM is not intended to consider the wider policy environment in which the Bill sits; it is only intended to consider the direct costs of the proposed legislation.

The Scottish Government has a programme of health and social care reform that includes a range of measures that are not covered by this Bill and, as such, do not feature in the costings. As explained in the FM, commitments that are not covered by the Bill's provisions (and so are not covered by the FM) include:

- To increase pay and improve terms and conditions for adult social care staff in commissioned services.
- 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.

These measures do not require primary legislation. The FM notes that:

“ these are policy decisions to be made or sustained under the new framework, not necessary consequences of the Bill provisions.”

As such, the FM reflects the costs associated with the primary legislation that has been introduced. This specific focus on the legislative proposals, rather than the broader policy context was the subject of some frustration among those responding to the call for views, who felt that a broader perspective should have been reflected in the FM. (See separate paper summarising call for views.) However, in relation to Standing Orders and associated guidance (see clerks cover paper), the FM is not required to reflect broader policy intent.

The “framework” nature of the legislation introduced also raised some concerns for those responding to the call for views. The Bill documentation indicates a number of areas where further changes and decisions will be implemented via secondary

legislation. Some major decisions on the proposed delivery arrangements have yet to be taken and the Scottish Government has said that these will be agreed through consultation with those affected by the changes. While this co-design process may have merits, from a financial scrutiny perspective, it presents some challenges.

The costs of changes introduced via secondary legislation would not normally receive the same level of Parliamentary scrutiny as changes that are introduced via primary legislation, so there is a risk that scrutiny in relation to decisions with major cost implications may be lacking. Again, this caused some frustration among those responding to the call for views, who felt that this meant important areas of costs would not receive in-depth Parliamentary scrutiny. As noted by CIPFA:

“CIPFA welcomes the fact that the Scottish Government commits to providing financial and regulatory impact assessments alongside secondary legislation, and that Parliament will have further opportunities to examine the associated financial implications. However, we understand that subsequent secondary legislation can significantly alter the financial implications of primary legislation, and there is the risk that secondary legislation provides fewer opportunities for robust scrutiny, even when subject to the affirmative procedure.”

Separately, CIPFA Directors of Finance said:

“It is difficult to see how such significant changes to public services can be properly scrutinised and agreed when there are such large gaps in the analysis and so many questions yet to be answered.”

Audit Scotland also felt there was a need for further updates as details are agreed and greater certainty emerges over the delivery model:

“...it will be critical to regularly update estimates of overall costs and other financial implications and report on these regularly to Parliament and local authorities.”

## Overall costs and general considerations

The total costs of the Bill over the five year period 2022-21 to 2026-27 are estimated at between £644 million and £1,261 million. A breakdown of these estimated costs by year and according to the part of the Bill to which they relate is shown in Table 1. The FM provides a range of estimates; both lower end and upper end estimates are shown in the table.

**Table 1: Estimated costs of National Care Service Bill provisions**

£ million	2022-23	2023-24	2024-25	2025-26	2026-27
<b>Total costs</b>					
Total estimated costs - lower end	24	63	84	232	241

Total estimated costs - upper end	36	95	126	477	527
<b>Establishment and running of NCS national organisation</b>					
Total estimated costs - lower end	24	60	72	92	83
Total estimated costs - upper end	36	90	108	138	124
<b>Establishment and running of care boards</b>					
Total estimated costs - lower end	-	4	12	132	142
Total estimated costs - upper end	-	6	18	326	376
<b>Rights to breaks from caring</b>					
Total estimated costs - lower end	-	-	-	8	16
Total estimated costs - upper end	-	-	-	13	27
<b>Anne's Law</b>					
Total estimated costs	0.186	0.090	-	-	-

Source: [Financial Memorandum](#), as corrected by [Letter to Finance and Public Administration Committee, dated 30 June 2022](#)

It is not clear whether these figures (and other figures in the FM) are presented in cash or real terms and – if they are in real terms – what assumptions have been made regarding inflation over the period shown. Social Work Scotland commented that “inflation is not dealt with properly in the Financial Memorandum.” Also commenting on the lack of clarity around inflation assumptions, COSLA said:

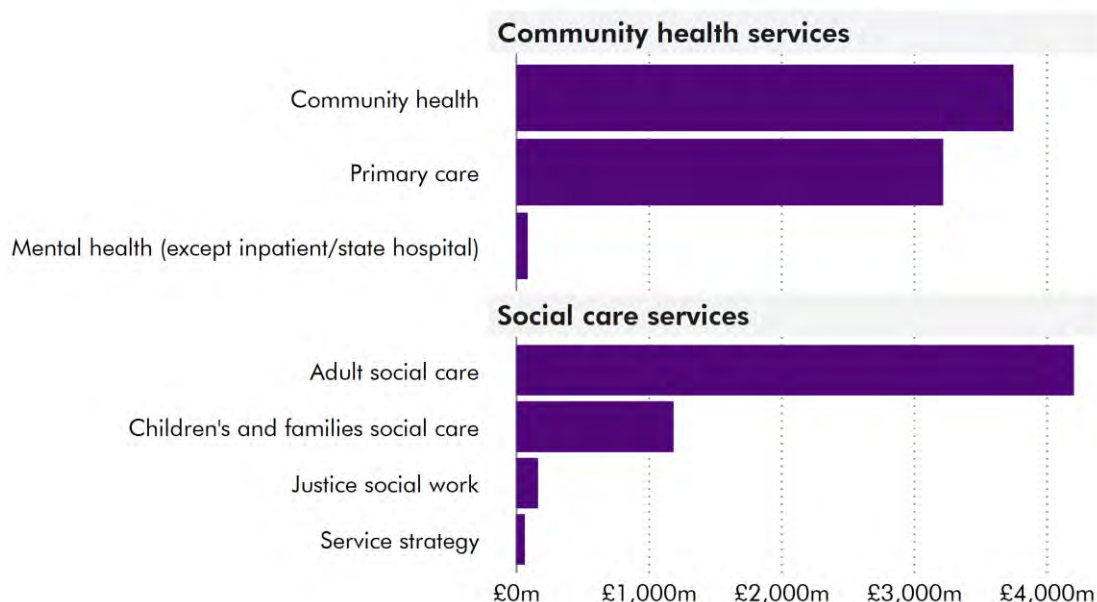
“More fundamentally in terms of the contents of the FM itself, it is not apparent whether the figures for expected costs of the various elements of the National Care Service are in cash terms or real terms (or at what year's prices they are stated) – especially in the current context of high inflation, this has a substantial impact on the actual costs that will be incurred. Following contact with Scottish Government officials, we understand that varying uplifts, generally of 2-3%, have been applied to different elements of the costs shown in the FM, based on a degree of intuition about each of those costs. Given the nature and scale of the financial implications of what is being proposed, the lack of transparency around this process is disappointing.”

## Scope of care boards

The wide range in the estimated costs reflects uncertainties over the costs of establishing and running the national NCS organisation and the associated care boards. This, in turn, reflects uncertainties around the exact format and responsibilities of these organisations. According to the FM, the lower end of the cost estimates reflects a scenario in which only adult social care services are transferred, while the upper end of the cost estimates would reflect a scenario in which adult social care and social work, children's social work and social care, and justice social work are all transferred. As shown in Figure 1, according to data presented in the FM, adult social care accounts for estimated expenditure of £4.2 billion in 2022-23, which is three-quarters of the total £5.6 billion spend on social care services. A further £7 billion of expenditure is accounted for by community health services that

could potentially be transferred to care boards, although the FM notes that the scope of health functions that might be transferred to care boards has yet to be determined.

**Figure 1: Estimated levels of expenditure on social care and community health services, 2022-23**



Source: [Financial Memorandum](#)

The FM notes that these expenditure figures are illustrative and intended to give a scale of the services in scope and provide context for the policy proposals. They are not direct costs associated with the Bill. The expenditure estimates are projected forward using inflation plus a 3% uplift to reflect other pressures, such as pay, prescribing and energy prices. (Note that this is the only area of the FM where explicit consideration has been given to inflation assumptions.)

The estimates for future years project forwards based on existing expenditure profiles and do not reflect any policy decisions e.g. to increasing spend on adult social care. Furthermore, in the current volatile inflation environment, the projections for future years could look quite different if revised to reflect the latest inflation data, so may be of limited value other than for reflecting the relative scale of expenditure on different service areas.

In responding to the call for views, many respondents raised concerns over the basis for estimating the scope of services that might be transferred, including around the inflationary assumptions and the lack of acknowledgement that, under the new arrangements, there would no longer be access to local government income sources (such as council tax and non-domestic rates income) to support the financing of social care. (See separate paper summarising call for views for further detail.)

Tracking [spend on social care is not straightforward](#) under the current funding arrangements, so it will be important to get a clear baseline position on services

being transferred to the NCS to support future monitoring of spend in this area. Following the [Police and Fire Reform \(Scotland\) Act 2012](#), there have been significant challenges in tracking local government budgets and expenditure on a comparable basis.

## Alternative delivery models

As noted in the FM and elsewhere in the Bill documents, delivery of services might take a number of formats, with decisions to be taken locally following options appraisals and consultation with stakeholders. For example, where services are currently provided in-house by local authorities, this arrangement might continue through a procurement arrangement. Alternatively, care boards may take on direct delivery of services, with staff transferring to care boards. It is also not yet determined which functions might be delivered at national level by the NCS national organisation, rather than at local level.

Decisions relating to the delivery model will have a significant bearing on costs and this is reflected in the broad range of cost estimates. The lack of any certainty around the future delivery model was a major concern for those responding to the call for views as they said that this made it impossible to assess whether the costs set out in the FM are reasonable or not. (See separate paper summarising call for views for further detail.)

## Phasing of transfer of functions

The FM highlights that transfer of functions might take place immediately on creation of the care boards, or might be phased over a number of years. The FM acknowledges that “a phased approach may result in a period of double running costs or transfer costs in addition to the costs set out [in the FM]”. However, no indication is given of the potential scale of such double running costs or further potential costs.

In responding to the call for views, CIPFA highlighted that potential double-running costs during the implementation phase were potentially significant, but had not been costed:

“The Bill states that a “phased approach may result in a period of double running” in addition to the costs of providing services which could be transferred to care boards cited in the FM. However, there is no attempt made to determine or explain the likelihood, extent or time period for such potentially significant double running costs.”

In relation to un-costed double running costs, Audit Scotland said:

“These may be significant and it will not be [possible] to unpick existing services from the other services these bodies provide.”

## Establishment of the National Care Service - national organisation

The FM notes that, at national level, there will not be a new body. The new responsibilities for social work and social care will be handled by Scottish Government staff reporting directly to Scottish Ministers, in a similar way to the current Health Directorates of the Scottish Government that oversee the NHS in Scotland. The proposed National Social Work Agency will be set up as a unit within the NCS.

The NCS is to be established by 2025-26 and the FM notes that preparatory work is already underway, including:

- Policy development and co-design
- Programme and project management (PPM)
- Recruitment costs
- Financial forecasting
- Data and digital discovery work
- Workforce planning.

Both staff and non-staff costs are identified and these are shown both for the establishment phase and the operational phase. For the first planned year of operation of the NCS (2025-26), there are both establishment phase costs and running costs.

Estimated costs for establishment of the NCS are summarised in Table 2. These costs fall entirely to the Scottish Administration and cover both the establishment phase (2022-23 to 2025-26) and the operational phase (from 2025-26). The financial year 2025-26 incorporates elements of both establishment and running costs. A range of estimates is given, with the table below showing both the lower end and upper end estimates.

**Table 2: Establishment and running costs for NCS**

	2022-23	2023-24	2024-25	2025-26	2026-27
<b>Lower end estimates</b>					
Staff	18	47	48	64	60
Systems and IT			11	13	10
Training and other staff costs		2	2	3	3
Premises costs		1	2	7	5

Third party advice (legal/consulting)	6	10	10	6	4
<b>Total – lower end</b>	<b>24</b>	<b>60</b>	<b>72</b>	<b>92</b>	<b>83</b>
<b>Upper end estimates</b>					
Staff	27	71	72	95	91
Systems and IT		1	15	20	16
Training and other staff costs		2	2	5	5
Premises costs		1	4	9	7
Third party advice (legal/consulting)	9	14	14	8	6
<b>Total – upper end</b>	<b>36</b>	<b>90</b>	<b>108</b>	<b>138</b>	<b>124</b>

Source: [Financial Memorandum](#)

## Staff costs

The headcount on which the establishment phase staff costs are based are set out in the FM and shown in Table 3.

**Table 3: Assumed headcount for establishment phase of NCS**

	2022-23	2023-24	2024-25	2025-26
Establishment phase	200-300	440-660	440-660	60-90

Source: [Financial Memorandum](#)

This would suggest that there will be between 200 and 300 additional staff engaged in preparatory work for the NCS in the current financial year, at a cost of between £18 million and £27 million. The staff costs, combined with headcount assumptions imply an average annual cost per full-time equivalent (FTE) staff of between £80,000 and £110,000 through the establishment phase. Note that these are not salary costs, but will include wider costs such as employer National Insurance Contributions (NICs) and employer pension contributions. The FM notes that many staff in this phase will be in the data and digital space, including short-term contractors. Although employer NICs and pension costs will not apply to contractors, the remuneration costs for staff in these sectors might be higher due to the specialist skills involved.

The FM notes that the staff costs are based on estimates of the resource requirements at various stages of the programme but cautions that “this headcount profile is likely to change significantly as more detail is known.”

Staff costs are shown for the operational phase of the NCS at £59-88 million in 2025-26 and £60-91 million in 2026-27. The FM indicates that this is based on the assumption that the full range of services (including children’s services and justice social work) will be transferred to the NCS from the outset. In practice, a narrower range of services might be transferred, or the transfer could be phased over a



number of years. These staffing costs might therefore be expected to represent the upper end of potential costs in these years.

The FM states that the costs are based on an increase of 500-700 in the Scottish Government headcount, although the FM also states that these are not all additional posts, so it is unclear whether the costs relate specifically to additional posts (and if so, how many additional posts have been included in the cost estimates). No further details on the planned staffing profile are provided e.g. on staff grading structures. The estimated costs, combined with an increased headcount of 500-700 would imply average annual costs per staff member of between £85,000 and £180,000 depending on which end of the range is ultimately delivered. Again, these would include employer NICs and pension contributions. The Scottish Government has noted that, as with the establishment phase, there will continue to be data and digital contractors employed during the early years of the NCS, which affects the average.

For reference, [according to a recent FOI response](#), the existing Scottish Government Directorate for Health and Social Care employs around 1,200 staff on a headcount basis. These proposals would therefore imply an increase of around 50% in the number of staff employed in the Scottish Government in the area of health and social care. Note that this refers only to staff employed centrally and does not include any staff employed locally in the proposed care boards.

It is not clear how these plans for increased staffing sit in the context of the Scottish Government's stated intent to restrain the public sector paybill and reduce the overall size of the public sector, as set out in the [May 2022 Resource Spending Review](#).

## Non-staff costs

Non-staff costs are also set out and include:

- Systems and IT
- Training and other staff costs
- Premises costs
- Third party advice (legal/consulting)

These non-staff costs are much lower than the staff costs, representing around a quarter of total costs through the establishment and operational phase. Table 4 shows the totals over the full five year period for each of these areas, with lower and upper end estimates provided. Staff costs are also shown for comparison. The FM notes that "further work is required to refine [the non-staff cost] estimates".

**Table 4: NCS establishment and operational costs, 2022-23 to 2026-27**

	Total estimated costs for 5-year period 2022-23 to 2026-27
Staff	237-356
Systems and IT	34-52
Training and other staff costs	10-14
Premises costs	15-21
Third party advice (legal/consulting)	36-51

Source: [Financial Memorandum](#)

In the past (and as noted by a number of respondents to the call for views), major public sector IT projects have been affected by cost over-runs and management issues, including the relatively recent Scottish Social Services Council's ICT project. Audit Scotland has reported on the [Scottish Social Services Council's ICT project](#) and [wider issues in relation to public sector ICT projects](#) and the Scottish Parliament's Public Audit Committee receive [regular updates on Major ICT Projects](#).

## Care boards

Care boards are expected to replace the current Integration Joint Boards (IJBs). They will carry out the delivery functions of the NCS and be directly accountable to Scottish Ministers and directly funded by them. This is an important difference from the current IJB arrangements, where funding is allocated to IJBs via Health Boards and Local Authorities and accountability is to the Health Boards and Local Authorities. Care boards will also employ their own staff, unlike IJBs where staff remain employed by Health Boards or Local Authorities.

Highland does not currently have an IJB as it opted to use a different model of integration. As such, the new arrangements will involve the creation of a new body in this region.

When the care boards become operational in 2025-26, costs are expected to range from £132-326 million, rising to £142-376 million in 2026-27 (see Table 5). In the set up phase, there will be some costs to the Scottish Administration relating to recruitment and acquisition of premises.

The estimates assume that there will be some savings on current expenditure. For example, the FM costings are based on the assumption that IJBs will be abolished (although there is nothing specific in the legislation in relation to this). These savings are estimated at £25-40 million per year, although no detail is provided on the basis for these estimates.

**Table 5: Establishment costs and running costs of care boards**

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

Source: [Financial Memorandum](#)

Ministers will determine the number of care boards to be established. The FM states that the top end of the estimated costs reflects:

- an assumption of 32 Care Boards – one in each local authority area
- an immediate transfer of social workers and care staff to the NCS.

The lower end estimates assume a more gradual set up of care boards, possibly in a more limited number of areas. The FM is not specific about the exact assumptions around the timings and phasing, although does note that the lower end costs assume that no staff would transfer initially. This lack of detail, with significant decisions to be determined via secondary legislation was a source of much criticism in the call for views (see separate analysis of call for views).

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, any costs associated with any such 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.

The FM notes uncertainties around costs in relation to pensions, VAT and treatment of assets:

- In respect of pensions, an employer contribution rate of 20.9% has been assumed.
- In relation to VAT, the FM notes that IJBs are able to reclaim VAT on services (unlike Health Boards). The current costings do not assume any VAT costs, but the FM acknowledges that such costs could be considerable if the set up arrangements require VAT to be paid.
- No capital costs in relation to asset transfer or maintenance costs have been included in the FM costings. The FM notes that further investigation is required in respect of such costs.

Respondents to the call for views were highly critical of the lack of detail in these areas and noted that there could be significant implications for costs, in particular in relation to the VAT status of the new care boards. On this specific point, Social Work Scotland said:

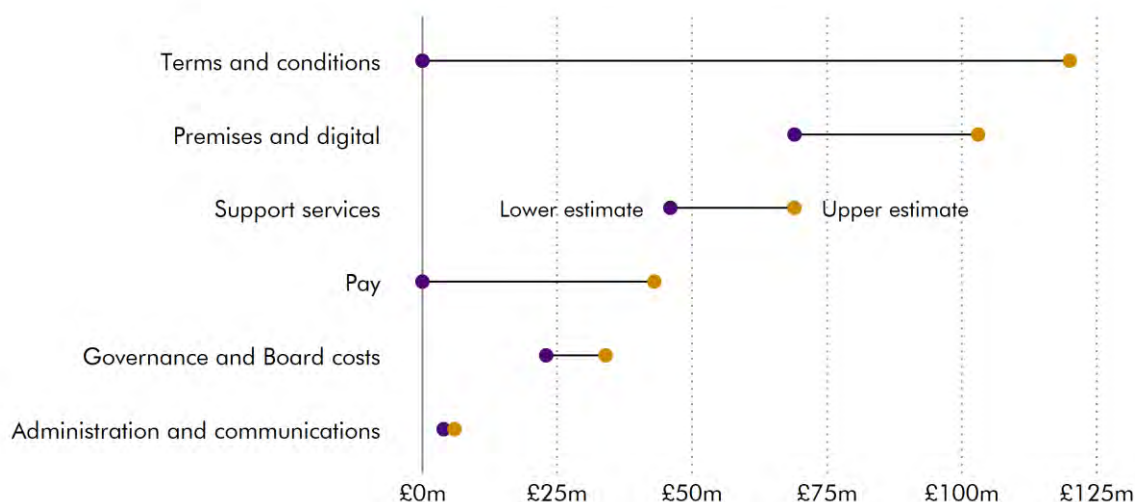
“The VAT position for the National Care Service appears potentially serious, and may increase costs significantly. Local authorities can reclaim VAT on

non-business and other exempt activities, but government departments and the NHS cannot.

...VAT is an important financial issue and we believe that MSPs are entitled to know the worse-case additional cost scenario.”

A breakdown of estimated additional care board costs in 2026-27 is shown in Figure 2.

**Figure 2: Estimated additional care board costs, 2026-27**



Source: [Financial Memorandum](#)

The FM notes that there are potentially up to 75,000 social work and social care staff that could transfer from local authorities to the new bodies. Depending on the extent to which staff transfer to the new care boards, the costs associated with ‘Terms and Conditions’ for care board staff could represent up to £120 million in 2026-27, equivalent to around a third of the total costs for that year. This would involve aligning factors such as sick pay and holiday entitlement. In addition, additional pay costs could add a further £43 million to costs as rates of pay would need to be aligned. At present, rates of pay and terms and conditions for social work staff vary across local authorities.

The FM notes that there could be further costs and savings for local authorities and (to a lesser extent) health boards as a result of the transfer of functions to care boards. However, these are not estimated in the FM, which notes that this information will be included alongside the relevant secondary legislation in due course. Cost information associated with secondary legislation would not routinely be scrutinised by the Parliament’s Finance and Public Administration Committee.

The FM also notes the assumption that existing contracts for delivery of social care services with external partners will be transferred, so there would be no immediate cost implications for these partners. The FM does, however, note that changes to policies on (for example) ethical procurement or Fair Work could have implications for such partners in the future and that any costs associated with such policy

changes will be subject to separate financial and regulatory impact assessment. Again, these financial and regulatory impact assessments would not receive the same level of scrutiny as an FM.

## Health and social care information

The FM does not include any estimated costs associated with Part 2 of the Bill, which deals with information sharing and information standards. According to the FM, “this will enable the creation of the nationally-consistent, integrated and accessible electronic social care and health record”. The FM acknowledges that there will be costs involved in achieving this, but states that “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”.

Although these costs will be included in business cases in due course, these would not be subject to Parliamentary scrutiny and it would normally be expected that the FM should include at least some indication of likely costs, even where these are uncertain.

In their submission to the Committee, CIPFA raised concerns in relation to this gap in the cost information:

“No cost estimates are provided for the proposed electronic health and social care record, which could represent a very significant outlay. The National Audit Office has reported that the track record for digital transformation in the NHS has been poor, with previous major national programmes being “expensive and largely unsuccessful”. This precedent suggests that the Scottish Government need to meticulously evaluate and analyse the costs of the proposed digital project, which will be a very complex – and potentially costly – undertaking. For such a major component of the Bill, it is surprising and disappointing that no estimates are provided.”

A number of other organisations raised concerns over the lack of costings in this area.

## 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. 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 assumptions are set out clearly in the FM, but the range of different assumptions on which the calculations are based means that the estimates will be sensitive to alternative assumptions. Reflecting this uncertainty, upper and lower end estimates are given.

Also, as the demand and scale of provision is expected to build over time, estimated costs are given for a longer time period than for other aspects of the Bill. In the early years of implementation, costs are expected to be £8-13 million in 2025-26 and £16-27 million in 2026-27. However, by 2034-35, costs are expected to have increased ten-fold to between £82 million and £133 million. There are no estimated costs associated with this aspect of the Bill prior to 2025-26.

**Table 6: Estimated additional costs associated with breaks for carers**

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	-26	-27	-28	-29	-30	-31	-32	-33	-34	-35
Lower end estimate	8	16	25	33	41	49	58	66	74	82
Upper end estimate	13	27	40	53	66	80	93	106	120	133

Source: [Financial Memorandum](#)

The FM also sets out the costs of easy access breaks, although these are not a direct consequence of this Bill.

The FM notes that information on breaks collected from the Carers Census that could be used to inform cost estimates is largely incomplete, but that measures are underway to improve the quality of information gathered.

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 FM does 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.

## Visits to/by care home residents (“Anne’s Law”)

“Anne’s Law”, which would be brought into effect by Section 39 of the Bill proposes statutory rights for those living in adult care homes to visit or be visited by relatives or others. The FM notes that changes to guidance were introduced in the light of the pandemic and new Health and Social Care Standards are now in place. As such, it is not possible to disentangle the costs of the new Standards from any related to the Bill. The FM does note that there may be costs for care homes and others in promoting the new arrangements, but that these are expected to be absorbed within updates to existing training and other materials.

Some modest costs are identified for the Care Inspectorate as a result of a larger number of individuals (care home residents, friends and family) exercising their right to complain in the light of the new arrangements. Any such increase is expected to be short-lived in nature while the changes are implemented, and so costs are not expected to persist beyond 2023-24.

As well as any increase in costs associated with additional complaints, there will also be modest costs for the Care Inspectorate in promoting the new guidance and Standards and in building capacity and capability within the sector. In 2022-23, additional costs are estimated at £186,000, falling to £90,000 in 2023-24.

The FM also highlights the health and wellbeing benefits of allowing such visits and notes that these benefits can also result in cost savings for the delivery of services. These costs are not quantified in the FM.

## Changes to powers and functions of the Care Inspectorate

The Bill proposes some minor changes to the powers and functions of the Care Inspectorate, namely:

- enabling the Care Inspectorate to cancel a service’s registration without first issuing an improvement notice under certain circumstances
- allowing for Health Improvement Scotland (HIS) to support the Care Inspectorate in carrying out inspections (with HIS potentially charging for services).

The Scottish Government has taken the view that neither of these changes are expected to result in significant costs, so are not included within the FM estimates.

## Summary

The FM reflects the Scottish Government’s best current estimate of the costs associated with the Bill. However, a range of uncertainties are acknowledged, the most significant of which include:

- the range of services to be transferred to the NCS
- the nature of the delivery model to be introduced

- the phasing of introduction of the new model
- staffing requirements and the extent to which staff will transfer to new bodies
- the VAT status of new bodies
- the transfer of assets to new bodies and the maintenance costs associated with these assets

However, where decisions are taken that are implemented through secondary legislation, these would not normally receive further in-depth scrutiny by the Finance and Public Administration Committee as there would not be an associated FM. Similarly, any business cases or financial and regulatory impact assessments would not be subject to Parliamentary scrutiny in the same way as an FM.

This leaves scope for estimated costs to change considerably without any detailed Parliamentary scrutiny, so it might be considered appropriate for updated costs to be presented to the Parliament's Finance and Public Administration Committee as the Bill progresses through its Parliamentary stages and as further decisions are reached on the scope and nature of the NCS. A number of organisations, including CIPFA and Audit Scotland, have recognised this risk and have recommended that updated estimates be provided to Parliament as further decisions are taken and uncertainties resolved.

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