



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Finance and Public Administration Committee

**Tuesday 23 January 2024**

**Session 6**



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**FINANCE AND PUBLIC ADMINISTRATION COMMITTEE**  
**4<sup>th</sup> Meeting 2024, Session 6**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*Michael Marra (North East Scotland) (Lab)

**COMMITTEE MEMBERS**

- \*Ross Greer (West Scotland) (Green)
- \*Jamie Halcro Johnston (Highlands and Islands) (Con)
- \*John Mason (Glasgow Shettleston) (SNP)
- \*Liz Smith (Mid Scotland and Fife) (Con)
- \*Michelle Thomson (Falkirk East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

- Donna Bell (Scottish Government)
- Lee Flannigan (Scottish Government)
- Richard McCallum (Scottish Government)

**CLERK TO THE COMMITTEE**

Joanne McNaughton

**LOCATION**

The Robert Burns Room (CR1)



# Scottish Parliament

## Finance and Public Administration Committee

Tuesday 23 January 2024

*[The Convener opened the meeting at 10:00]*

### National Care Service (Scotland) Bill: Financial Memorandum

**The Convener (Kenneth Gibson):** Good morning, and welcome to the fourth meeting of the Finance and Public Administration Committee in 2024.

The only item on our public agenda today is an evidence session with Scottish Government officials to discuss the Government's response to the committee's report on the original financial memorandum for the National Care Service (Scotland) Bill and the information that is presented in the updated financial memorandum, which was provided to the committee on 11 December last year.

We are joined today, from the Scottish Government, by Donna Bell, who is the director of social care and national care service development; Lee Flannigan, who is the national care service senior finance manager; and Richard McCallum, who is the director of health and social care finance, digital and governance. I welcome you all to the committee; I understand that Ms Bell will make a brief opening statement.

Ross Greer, one of our members, is struggling to get here in time due to transport difficulties, but hopes to join us before too long.

Over to you, Donna.

**Donna Bell (Scottish Government):** Thank you for inviting us to talk about the financial information for the NCS bill. As you said, we provided a full response to the committee on 11 December. The national care service is a central component of our investment strategy for sustainable public services, and we remain committed to taking that programme forward.

The response to the committee's stage 1 report set out an update to the costs that were given with the bill when it was introduced. Following shared accountability discussions with the Convention of Scottish Local Authorities and the national health service, there is an updated financial memorandum and an accompanying explanatory document, as well as a financial implications document giving information about the Scottish Government's proposed changes to the bill at

stage 2. The response also included a programme business case outlining the background to the finances and the basis of our proposed reforms. We believe that that provides a substantial and robust package to explain what would happen either if the bill continued as it is or if it were amended as the Scottish Government wishes.

Subject to the will of Parliament, the Scottish Government proposes to make amendments to the bill at stage 2, as we have described. That is in response to evidence that was taken at stage 1, on-going feedback from stakeholders and evidence that was taken as part of the Scottish Government's co-design programme.

The updated financial memorandum relates to the bill as introduced. The update gives a revised costing associated with the bill as introduced, while also providing greater detail about its underlying assumptions and some calculations to aid the committee's scrutiny of costs. In our consideration of the current financial position, both nationally and within the Scottish Government, we have reviewed what is achievable.

It is expected that the national level part of the NCS, as part of the core Scottish Government, will be established during 2025-26. In the bill as introduced, it was assumed that NCS local care boards would go live in 2028-29. The costs that are outlined in the updated FM have been re-phased across a 10-year period from 2022-23 to 2031-32 to account for that, so there are some significant differences between the original financial memorandum and this update.

The Scottish Government proposes some amendments to the bill at stage 2, with the primary changes relating to the delivery mechanism and to accountability. Following the shared accountability discussions, there are three main changes.

First, local authorities will retain responsibility for all current functions and for delivery of social work and social care services and, on that basis, there will be no transfer of staff, or of assets.

Secondly, there will be reform of integration authorities, rather than the creation of new care boards. A national care service board will be established and we expect that it will be responsible for a range of duties, including setting a national strategic direction; developing standards, guidance and operating frameworks; and seeking delivery assurance and overseeing local strategic plans.

Thirdly, ministerial powers to intervene, which were outlined in the bill as it was introduced, are likely to become part of the role of the proposed national board.

As I said, the financial implications of the proposed changes are significant. We have taken

account of the very challenging fiscal environment and have reassessed the original proposals with relevant stakeholders.

We are proposing to take a phased approach to implementation, as outlined in the 11 December correspondence to the committee. We believe that that is the most responsible and feasible approach that we can now take, in what is a very different economic climate.

Under the shared accountability approach, the costs drop substantially. Excluding the carers' break costs, the NCS-specific costs over the 10-year time frame drop from an estimated £487 million—the range is £487 million to £1,621 million—to £238 million to £345 million, which is a saving of £249 million to £1,276 million.

If the Parliament agrees to our proposed changes at stage 2, the costs of the bill will decrease substantially. The costs of the bill will be reduced by removing the need to set up care boards and to transfer staff and assets. There will be some new costs associated with reforming integration authorities and establishing a national board, but overall costs will be significantly reduced. Costs will also be reduced by the new proposal because it phases reforms over a much longer timeframe than was originally intended.

It is as important to note what has not changed as it is to note what has. The vision for the NCS remains unchanged, although the delivery mechanisms might be different. The vision, which was set out in the policy memorandum at the time of the bill's introduction, remains the same. The Scottish Government remains committed to responding to the need for reform, with significant changes being needed at local level to realise the intended quality and consistency that will be required. By providing timely support when it is needed, we can reduce overall service costs in the long term and empower people to maintain their physical and mental health, which will, in turn, create a healthier overall economy.

**The Convener:** Thank you for that opening statement.

Over the 10-year period, total costs under the revised proposals will now amount to between £631 million and £916 million, which is a variance of around 45 per cent. The estimated costs over the equivalent 10-year period were between £880 million and £2,192 million, which is a variance of around 150 per cent, so there has been a huge improvement in terms of variance and in what costs have been assessed as.

As you said in your opening statement, that means that the revised proposals represent substantially lower overall costs, which are estimated to be between £249 million and £1,276 million. If the committee had accepted the

previous financial memorandum, over 10 years the Scottish Government and the Scottish Parliament would have been between £249 million and £1,276 million worse off, and we would have had all the issues of transfer of staff and so on, which will now not be included in the bill.

However, the central issue that we are dealing with is that, given the dramatic changes that have been made to costings and the reassessment by the Scottish Government over the past year or so, how can we have faith in the figures that are being presented for that 10-year period?

**Donna Bell:** As you say, convener, we have been able to pin down the costs and reduce the range, as you have described, so we are now in a much more certain position about the way forward. The range of variables that the previous approach presented was much more significant and, frankly, much more variable.

We have worked hard with colleagues to present what we believe is a much more certain approach. Although there is still a range—you would expect us to build in a range of costs because of future potential uncertainty—we are confident that we have the best possible estimates in the financial memorandum, and in the shared accountability paper, for you to scrutinise.

**The Convener:** Thank you for that. I note that in the financial memorandum, in every area of cost, from financial year 2023-24—the current year—until 2031-32, which is an eight-year period, it looks as though there will be a 41.5 per cent estimated increase in costs. That appears to be assessed by assuming a 2 per cent inflation rate plus a 3 per cent increase in real terms. Therefore, we are talking about a 25 per cent increase in real terms. Given the fact that the Scottish budget is not growing at 3 per cent a year in real terms and is—it seems to me—unlikely to do so, how can you be confident that those figures are sustainable and deliverable?

**Donna Bell:** We have used the standard inflators. I know that we have previously had conversations about consumer prices index and gross domestic product, so we have used standard approaches to increasing costs. We also know that those are changeable and that GDP is currently significantly lower than CPI.

It is important that we have noted the possibilities of future increased costs and ensured that we have taken the worst-case scenario in order to build in the most pessimistic approach. Although we can do that, we do not have full certainty about it.

Richard McCallum might want to come in on the future budget position. Budget choices for the future are made annually, and we expect that

choices on where to invest will be made at the time.

**Richard McCallum (Scottish Government):** That is right. Choices will be subject to the annual budget process, and we will go through that. Obviously, we understand what is in the financial memorandum as set out, and that will be factored into the budget process.

Although there are constraints on the overall Scottish Government budget, there has been an increase in health and social care investment that has run ahead of the overall uplift or the growth that we have seen in the Scottish Government budget more widely. For example, social care pay, which is paid at the real living wage rate, will move from £10.90 to £12 an hour in 2024-25, which is greater than the uplift that we see in other parts of the budget. That reflects the prudent approach of using the CPI as we build the system in and as we plan.

**The Convener:** Yes, but I just do not know how that will be sustainable, given the current projections by the Scottish Fiscal Commission.

You talk about CPI, and the committee has discussed types of inflation. Whether we like it or not—I am not one who really likes it—using the GDP deflator is unrealistic, especially when we think, for example, of salary increases in the past year or the expense on capital.

However, the reality is that the Scottish Government has used the Treasury GDP deflator across its current budget. It just seems to be a wee bit out of kilter to use a measure that other areas of the Scottish Government do not seem to use. Why was it decided to use the GDP deflator here when CPI is being used elsewhere in the Scottish budget? The issue that you talk about with salaries and so on is understandable, but that is the case with other areas of the Scottish budget. We still have to use the GDP deflator.

**Donna Bell:** I will hand over to Lee Flannigan to answer that.

**Lee Flannigan (Scottish Government):** When we were looking through some of the costs, we compared the GDP deflator with the CPI. I had a couple of discussions with some of our analytical colleagues, and because the GDP deflator does not include import costs, including the issue with imported gas, it just looked artificially low. Because what we are trying to establish—

**The Convener:** Is that inflator artificially low? Is it artificially low across the entire Scottish budget?

**Lee Flannigan:** It could be.

**The Convener:** That is the point that I am making.

**Lee Flannigan:** I was going to say that, from the costing perspective, when we are looking to be as prudent as possible and not to understate the costs, that was felt to be a more prudent estimate. We could have referred to the GDP deflator, but it felt too low, because of the significant impact of its not factoring in the import costs of natural gas. Because we are trying to set out a realistic cost base, we figured that it would be better to edge towards potentially estimating slightly higher than lower.

We ran through that with analytical colleagues before we decided on the matter, and they were comfortable with the use of CPI.

**Donna Bell:** If it would be helpful to the committee, we would be happy to run the figures again, based on the GDP deflator rather than the CPI.

**The Convener:** We are comparing apples with oranges with regard to the rest of the Scottish budget. It seems to be really odd that one particular aspect of the Scottish budget should be different from the rest. We all agree that the GDP deflator is not necessarily a realistic assessment, and that it has not been for the past couple of years, although the Scottish Fiscal Commission hopes that we might be more aligned with it in the next two or three years. However, the reality is that that is what we are using.

10:15

**Lee Flannigan:** That was previously possibly an error on our part. Across the whole piece, when we looked at all areas of the various costs, even though the costs are all significantly lower, we tried not to be too optimistic about that.

There is always a worry when we put out a set of costings that the reality does not match that and we underestimate costs. Across the piece, to have slightly overestimated is a better position to be in than underestimating is, because it gives a better indicator of potential scale.

**Donna Bell:** Would it be helpful to see the costs rerun, convener?

**The Convener:** Yes, that would be helpful for us.

In our report on the original financial memorandum, we highlighted that

“The Fraser of Allander Institute 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.”

That is an issue of concern, because, proportionally, in the new financial memorandum, annual costs will increase and are estimated at

between £155 million and £225 million. Given that caveat that was made by the Fraser of Allander Institute, can you explain how you came to those figures?

**Donna Bell:** Yes, I am happy to do so. The updated data that we received at the beginning of December helped us to refine the costs. A number of new pieces of information helped us to do that. I will hand over to Lee Flannigan to take you through the specifics, but we are certainly still operating within quite a large range, and we will continue to refine that as we go.

**Lee Flannigan:** Our colleague Paul Leak pulled together a “right to breaks” calculation. It is a very detailed calculation and a significant number of different variables are built in. When I was chatting with Paul, he said that, in terms of the cost differential, there were three main parts to it.

The new Scottish health survey data that was released on 5 December showed a drop in the overall number of carers. The prior report that went out was done during Covid, and was done through a number of telephone consultations, which seemed to overestimate the number of carers, based on the historical data. However, although the number of carers came down, what also came out from the new figures was that the intensity of the caring has ramped up.

The other factor was that the main difference between the previous iteration and this one was that, in the original financial memorandum, the costs were based on the 2022-23 unit rates and were continued all the way through. In this instance, we have the new 2023-24 unit rates, but they have also built in inflation based on the same inflationary assumptions that we have. They have been the main drivers behind the costs.

Having had a run through it in conjunction with Paul Leak, I know that it is a very detailed calculation with a significant number of assumptions and variables built in. If it would be helpful for the committee, we can send that calculation to set out the detail behind the assumptions that were made.

**The Convener:** Thank you for that.

The Scottish Government and COSLA are operating a partnership approach to provide legal accountability—accountability is one of the issues that you touched on in your opening remarks, Donna. In an update, the minister stated that that was to

“improve the experience of people accessing services by introducing a new structure of national oversight to drive consistency of outcomes while maximising the benefits of reformed local service delivery”,

which would

“provide Scottish Ministers, local authorities and NHS boards with overarching shared accountability for the care system.”

Is that not a recipe for confusion? How will the partnership with local authorities, national health service boards and Scottish ministers relate to the new national board, the exact format of which is still to be decided?

**Donna Bell:** As you say, the exact format is yet to be fully agreed, but we have been able to agree the potential functions of the national board, which we outlined in the letter to the committee in December.

The intention is that shared accountability will be discharged through the national board. The membership will include representatives of Scottish ministers, local government and the NHS. It is likely that there will also be other members to ensure that people with lived and living experience are represented—they could be service users or people who have caring responsibilities—and, indeed, staff-side representatives. However, the exact combination of membership has not yet been decided.

The intention is that the board will have oversight of the provision of community health and social care in Scotland. It will have the opportunity to engage with local areas and understand how their strategic planning and ethical commissioning strategies are working. It will also oversee and seek delivery assurance on that local strategic planning.

A significant change is the monitoring of system performance to ensure consistent and fair social care support and community health services. We propose to maintain a support and improvement framework that will aim to provide support to local areas when monitoring indicates that they need support and that standards are not being met. That is attached to powers of intervention, when those are required as a last resort. Coupled with that, we will need to ensure visibility of data, information and analysis about community health and social care support, social work and other areas covered by integration authorities.

There is an opportunity to drive up standards and ensure consistency. The intention is that the people around that table will hold one another to account for their statutory responsibilities, and that it will be a transparent approach. Issues around transparency in relation to how decisions are made, and the transparency of data and performance, have come to us throughout the co-design process, particularly from people and staff who work in social care and community health. I think that the board will really help with that.

**The Convener:** Given the length and detail of your answer, it sounds as though we are in a

situation whereby we still do not really know where we are with the national care board. The stage 1 debate will take place in only a few weeks. I know for certain that parliamentarians will want answers and will demand them of the minister in that stage 1 debate. When will the hatch be battened down in that regard? Will we have that information before the stage 1 debate?

**Donna Bell:** We have given a fair amount of information to the Health, Social Care and Sport Committee that outlines the functions and responsibilities of the national board. We have also provided information about the relationship with local integration authorities. The intention is that they will account to the national board through the mechanisms that we will put in place. We have given quite a detailed set of information on responsibilities and functions.

The board's membership will be important, and we still have work to do on that. However, given the potential changeability of that, we do not propose to put that in primary legislation. Further detail in the secondary legislation will set out the exact nature of the board.

There is also a read-across to the Public Bodies (Joint Working) (Scotland) Act 2014 for local partnerships, as I described, because we are not planning to have local care boards. The intention is to reform integration authorities.

**The Convener:** Do you see the national board as being a fairly small but perfectly formed board, such as that of Community Justice Scotland, with perhaps 45 staff members, or as a much more encompassing organisation? We need to have more clarity on costs and staff numbers. Can you share any information on that?

**Donna Bell:** Yes. Lee Flannigan can talk through the detail of the assumptions for the national board, but I can say that we do not expect it to be an expansive board. We are conscious of the need to make good use of public funds. We still have work to do to finally define the exact numbers.

We also need to think about the interaction with what the Government, COSLA and the NHS do at the moment. The directorate that I run at the Scottish Government has a number of staff, and we will need to think carefully about the distribution of duties and how functions are discharged. There might be some cross-referencing and cross-substitution that we will need to think about.

**The Convener:** I am struggling to have confidence in the process, given how far on we are. It is 15 months since we last discussed and deliberated on the previous financial memorandum. One would have thought that some of this would have been pinned down a bit more

by now. However, I will move on, as colleagues will want to come in with further questions on that area.

One issue that has concerned the committee from the start has been co-design. As a committee, we are much more in favour of having primary legislation, for scrutiny reasons and because it helps to pin down costs. The problem with the framework and co-design approach is that there are increased uncertainties around the cost estimates and the timing of those costs.

Given that it has been around 15 months since we last deliberated on the financial memorandum, how have we moved forward in terms of co-design? How much of that co-design will now be incorporated into the primary legislation, perhaps through amendments at stage 2?

**Donna Bell:** In reference to your previous question, if it would be helpful, we can give you the breakdown of the assumptions around staff for the national board—unless, of course, it comes up in further conversation here first.

**The Convener:** I would be quite happy if you could tell us that.

**Donna Bell:** Okay.

The co-design work has been very intensive over the past nine months. We did a huge amount of work with people over the summer. We engaged with thousands of people who use services or work in services on five themes: keeping care support local; information sharing; making sure that people's voices are heard; realising rights and responsibilities; and valuing the workforce. We have taken in all that information, which has helped us to refine the primary legislation.

One of the key things for us is that we have been engaging with colleagues from local government and the NHS who have particular views about how things should move forward, and we have balanced those views with what we have heard from the co-design work. We feel that that approach presents a good consensus, as it is based on engagement with public sector partners, third sector partners, people who use services and staff. We have factored that into the activity.

We said in our letter to the committee that the co-design work for the primary legislation has, in effect, been concluded and that we will move on to the development of further work on areas such as the charter, complaints and advocacy. We have made significant progress since we last spoke.

**The Convener:** How much of that work will come in at stage 2?

**Donna Bell:** I think that we already have a good understanding of what is required for the

secondary legislation. Obviously, amendments will be lodged; we certainly have a good understanding of the amendments that the Government is likely to lodge. Those are outlined in the letter that we sent to the committee.

**The Convener:** The updated memorandum presents some of the costs associated with the NCS national board, but they are quite varied—they vary from £20 million to £29 million. However, the estimated costs have been rounded up to the nearest million, with the result that any costs below £0.5 million have been rounded down to zero. That makes it difficult to understand the detail of the costings and whether certain costs are indeed zero or simply fall below the threshold.

Why has more detail not been put into that? If something costs £421,000 and something else costs £385,000, why not just add all the figures up in order to narrow the variances? We have been presented with bald figures that have been heavily rounded; it is almost as though they have been plucked from somewhere, rather than assessed effectively.

10:30

**Donna Bell:** I assure you that they have not been plucked—

**The Convener:** I am sure that you are right, but that is how it looks.

**Donna Bell:** We provided the figures in that way for presentational reasons; we would be happy to give you the detailed figures. Lee Flannigan has worked hard to make sure that there is absolute clarity on what is needed. Where figures have been rounded, we would be happy to provide you with the exact figures. Is there a specific area that you are interested in?

**Lee Flannigan:** I will quickly jump in to say that, in keeping with what was done in the original financial memorandum, the totals were rounded to the nearest million, but the backing calculations that feed into those figures are down to the nearest pound. The overall totals are not rounded—in other words, the rounded totals do not factor into the total total; the total total is based on the specific numbers. We rounded the figures to the nearest million purely for presentational reasons. We can give a more detailed breakdown—I have that information, so we can show it. We rounded the figures simply to keep the format consistent.

**The Convener:** I am one of those people who likes precise figures. Over the years, we have had plenty of financial memorandums that have provided precise figures.

I will ask just one more question, because I know that colleagues are keen to come in; it is

about additional Scottish Government staff costs. Our briefing paper states:

“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.”

What are those staff currently engaged in, and what will their role be if the proposals do not go ahead? There does not seem to be any detail on the number of staff involved or on their salaries or grades; we simply have a statement that those costs are in the region of £10 million. It is not very transparent.

**Donna Bell:** We would be very happy to provide a breakdown, if that would be helpful. The £10 million that you refer to is associated with the development of the national care service. We talked about that earlier. There is bill development activity. Everything that is outlined in the bill has a development need that is being addressed by staff in the directorate at the moment.

More broadly, the directorate also covers social care improvement and policy development for a range of social care policy aspects, such as carers and self-directed support. There are multiple aspects of performance and delivery. The reason that we said that those costs would continue to be incurred is that we will need to continue to carry out that work, regardless of whether the national care service is in place.

**The Convener:** I will let others ask further questions on that.

Table 2 of the new financial memorandum shows costs to the Scottish Administration of between £128 million and £193 million, but it is unclear whether those costs are associated with the establishment of the board.

The new financial memorandum is only nine pages long, whereas the previous one was 28 pages long. It feels as though a wee bit more detail could have been provided.

**Donna Bell:** We have all the underlying assumptions. As we move forward, the shared accountability paper—which we have asked that you read in tandem with the financial memorandum—will add further detail. We have taken out quite a lot of the figures because they are no longer relevant, which possibly adds to the feeling that there is less detail.

**The Convener:** I appreciate that there is no point in talking about the transfer of local authority workers if that is not going to happen. However, we are keen to get a bit further under the skin of the financial memorandum, because of the bill's importance from a financial perspective.

I open up the session to committee members, the first of whom to ask questions will be John Mason.

**John Mason (Glasgow Shettleston) (SNP):** The convener touched on various areas, and I want to explore the integration authorities a little more.

This might be my ignorance, but a lot of terms are floating around. We used to talk about integration joint boards; in Glasgow, we talk about the health and social care partnership; and now we are talking about an integration authority. Are those just three different names for the same thing?

**Donna Bell:** Not exactly. "Integration authority" is how the integrated partnership is described in the 2014 act, and the integration joint board is the board that delivers that integration authority. The health and social care partnership is slightly different—that is where the operational activity comes together. I understand that it is confusing, but they are all essentially slightly different parts of the entirety of the governance and delivery landscape.

**John Mason:** Okay—that is helpful. I will probably explore that on my own at some future point.

Some of the points that have been made refer back to the way in which funding has worked for integration joint boards or integration authorities. Sometimes, it seems that the council and the health board have put in funding and then almost taken it back. There is a suggestion—if I can find the wording—that it is an almost circular process. At one point, the business case document says:

"funds were ceded to IAs and then largely given back to the hosts".

At another point, it says:

"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)".

Will the new system work better? Will there be better integration? On the one hand, integration is a good thing, but it can also make it difficult for councils and health boards to follow the pound.

**Donna Bell:** The integration joint board is responsible for the commissioning of community health and social care support and services. It undertakes the strategic planning and then commissions the services and supports that are required. The health boards and local authorities are often the providers of those services, which is why the funding has a circular nature. Local authorities also procure from the third sector, so that is where that circular nature comes from.

The improvements in the transparency of funding are important. There are a couple of contributors. One of the things that we are keen to understand—the minister will probably talk about this on Thursday—is the relationship between the strategic plan and the delivery plan and the funding of those, so that plans are funded and can be delivered. The consolidation of funding within the IJB allows you to see across the piece—from the NHS and local government—what the totality of that funding is and how it is being spent.

**John Mason:** If the chief executive or the board of the integration authority wants to stop doing something, to whom will they be answerable? Will the new national body, the health board or the local council be able to say no or veto them, or will they have to keep pleasing all three bodies?

**Donna Bell:** The locality integration bodies will remain a partnership between the local authority and the NHS. There will likely be other members of the local integration authority, such as people with lived experience and carers, although that has yet to be defined. We are very clear that local decision making is really important, because we need to make sure that the supports and services that are made available are suitable for the local area. The current accountabilities to the integration joint board will remain, and it will be accountable to the national board for strategic planning and delivery.

We will have to ensure that local decision making is still paramount, because it is a real priority for local government that its democratic accountability continues to be discharged at local level. However, where improvements are required, the national board will be able to support areas to make those improvements and, as a last resort, will have powers of intervention.

The intention is not to intervene on every decision that the Government does not agree with. The national board will be able to take a view, particularly on statutory duties. If, for example, an area did not meet its statutory duties and the Care Inspectorate or some other regulatory body flagged that up, I am sure that the national board would be interested in that.

**John Mason:** I was thinking of practical issues. It is a slightly different topic, but we had an issue in Glasgow with link workers, who are linked to general practices. The local general practitioner opinion—that is, the NHS—said that link workers were good and that we needed to fund them, but the HSCP said that it could not fund them and the Government came in with more money. Would that kind of decision making change in future?

**Donna Bell:** There would certainly be a better mechanism for having that discussion and seeing the impact of the decision. People tell us that there

is not always a comprehensive impact assessment, particularly of the impact on people who use services. There would be a different relationship with the national board and local boards, but we need to be clear that local democratic accountability will remain.

**John Mason:** It has been suggested that integration authorities could amalgamate. Would that be an entirely local decision or would there be national input?

**Donna Bell:** We have spoken to local government and the NHS at length about that. There was a strong view that it should not be a central decision by ministers or the national board but that, if areas wanted to come together, that should be facilitated. There are clear public value opportunities of which local partners might want to take advantage, so we should facilitate that through the bill.

**John Mason:** I have one other question about integration authorities. I note that VAT is mentioned. If money went directly to the integration authorities, would that create a VAT problem?

**Donna Bell:** We are still assessing that with His Majesty's Treasury. We know that IJBs are not currently VAT exempt. If we fund them directly—which we expect to happen only in specific and limited situations—we will do an assessment at the time. I expect that we will have a response from HMT in advance of taking any of those decisions, but it is important to note that, given the specific and limited nature of the likely investments, we would consider them case by case.

**John Mason:** We have not yet touched on the idea of integrated social care and health records. According to the papers, they

“don't yet exist and as such will require major investment in their own rights”.

Am I right in saying that no money is set aside for those records, as there could be data sharing without them?

**Donna Bell:** The bill makes provision for information to be shared, rather than for the creation of the record itself. We have not gone into huge detail about the investment in integrated care record technology. Given that we are trying to ensure that information can be shared and that there is a legal basis for doing so, that is what we have costed.

Richard McCallum might want to say a wee bit about the record.

10:45

**Richard McCallum:** I will say two things. First, you are absolutely right; the financial memorandum to the bill does not detail the cost associated with the infrastructure that is required to support a digital care record. However, although it is not a primary part of the memorandum, it is critical to recognise that the record will be a core plank of our digital investment in health and social care. As part of the wider budget considerations for the health and social care portfolio, particularly the investment made in digital by health boards, local authorities and the Scottish Government, it will be costed and worked out over the coming months and years.

**John Mason:** Are there even any rough ideas of what it will cost?

**Richard McCallum:** We are still working through that. As you have alluded to, there is a lot of capacity in our existing budgets to proceed with digital sharing in a way that will not incur significant additional costs. However, we are still working through the specifics of the business case for the integrated care record.

**John Mason:** In the programme business case, you contrast what would happen if we carried on as usual with what could happen if we had the new system. It says that a new system could enable various things, such as

“strategic integration, national oversight, accountability and opportunities to invest in preventative care rather than crisis responses,”

and the possibility of avoiding

“expenditure on poor outcomes such as those that are experienced by people who are delayed in hospital”.

The business case goes on to say:

“there could be considerable costs that are avoidable if the current system can be improved”.

Can you go into that a little bit more? Are we saying that passing the bill and having the national care service will automatically produce savings that we can put into preventative care? The committee has been looking at that issue for quite a long time now. Alternatively, is it just that there is a possibility of savings?

**Donna Bell:** One of the reasons for not defining the savings—and Lee Flannigan has already referred to this—is that we do not want to make what might appear to be spurious claims. With some of the comparisons around improvement, for example, I would say that delayed discharge is always a popular area for focus, and we have considered the areas that are performing best in that respect and the areas that are in real need of improvement. We have done calculations to suggest the sorts of savings that might be

available if we can improve those areas where there are real issues.

There will be other areas. In the work that we are doing on getting it right for everyone, where we are taking a multi-agency and multidisciplinary approach, efficiency savings are being realised through, for example, information sharing.

**John Mason:** Surely, information sharing cannot in itself lead to big savings, can it?

**Donna Bell:** Availability of information is certainly important. Some of this comes out of the getting it right for everyone activity, and it links very much to prevention. In the serious case reviews, which are part of the activities that are under way at local level, we have seen how a lack of multi-agency joined-up working has led not only to people being worse off but to a huge amount of inefficiency in the system.

The “Hard Edges Scotland” report that was published a number of years ago looked at people who were being supported by multiple services, and there are estimated savings that could be made in that area. There are a number of areas where we believe that there will be savings, but we have not recorded them in the programme business case, because we do not want to make spurious claims at this point.

**John Mason:** This will be my final question. You mentioned the programme business case. Am I right in saying that the programme business case will be updated when there are significant changes? Will we see a new version every quarter, every month or every six months? How does that work?

**Donna Bell:** There will be a few key milestones. This is all based on the proposals for the amended bill for the next phase. Obviously, we will take into account the changes associated with stage 2, and there might be other issues that we will need to take into account in whatever context arises. We can bring the programme business case back to the committee quarterly. We will not update it monthly, but we can agree to do so quarterly or when there is any significant change, if that would be helpful.

**John Mason:** Okay. Thanks.

**The Convener:** I do not have the information in front of me, but my understanding was that you said that you would not be able to report even every six months, as it would contradict the Scottish Government’s annual financial assessments. It would have to be once a year. However, you are now saying that it could be once a quarter.

**Donna Bell:** In the event of any significant change to the policy assumptions that we are talking about. I do not think that we would

necessarily change the financial aspects, but we might want to do things in a different way. It is a matter of whatever is most helpful for the committee.

**The Convener:** Okay. Thanks. I call Liz, to be followed by Michael.

**Liz Smith (Mid Scotland and Fife) (Con):** I want to pursue co-design issues and the implications for costs, which are the central concern for the committee. I would like a bit of clarity, please. You said in an answer to the convener that there has been considerable co-design over the past nine months. That takes us back to April 2023. Can you make it clear whether co-design was on-going before then? When did the co-design start?

**Donna Bell:** We have been co-designing since the beginning of the process. We set up the initial phase of that with the social covenant steering group almost at the same time as the consultation began. We also had the consultation process. Throughout that period, we have had various engagements with people and stakeholders.

The more formal co-design approach, with the lived-experience expert panel and the stakeholder panel, kicked off in spring last year. We have done a number of pieces of work with them, such as various surveys, engagement on the charter, and the broader work over the summer in person and online.

**Liz Smith:** Did the substantial changes that have been made to the bill in respect of no transfers of staff and assets to local authorities and no new care board plans result from your co-design discussions since spring last year?

**Donna Bell:** The significant changes on accountability and governance, the shared accountability agreement and everything that flows from that resulted from engagement with COSLA and the NHS. As I said earlier, we have balanced that with what we have heard from co-designing. I think that the Minister for Social Care, Mental Wellbeing and Sport will talk about this on Thursday. She has been absolutely clear that she does not want the principles or the policy intent of the bill to change. Where we have achieved consensus, we have been confident that we can still achieve the bill’s aims and principles while delivering in a different way.

**Liz Smith:** Why was that not possible, given that co-design was on-going before? If people were advising those changes, why did the Scottish Government not respond to that at an earlier point?

**Donna Bell:** As you will be aware, the majority of those changes and the shared accountability activity came from local government. We have

kept the conversation with local government on-going since we introduced the bill. There was a change in May last year, when there was a ministerial decision to re-engage with COSLA and the NHS and to seek to achieve consensus.

**Liz Smith:** Did that decision to re-engage largely come from concerns over costs, or did other factors require that re-engagement?

**Donna Bell:** I do not think that cost was at the top of the list. First, there were some questions about relationships with local government. Secondly, it was about the on-going deliverability of the work that was under way. There was also probably a fair bit of discussion about the potential associated disruption.

**Liz Smith:** That is helpful—in a way.

Co-design can, in principle, have a strong case behind it, as you are engaging with the stakeholders who are collectively making representations to the Government about what the right process might be, but do you accept that, because that process is on-going, it is exceptionally difficult to come to any accurate assessment of what the costs are going to be?

**Donna Bell:** No, I do not accept that we find it difficult to come to an assessment of the costs. We have a range within the costs, and that is illustrated throughout. Doing the work on co-design very intensively over the past nine months or so has allowed us to pin down those costs further, and we now have them within a much more acceptable range.

**Liz Smith:** But is it not the case that co-design is on-going?

**Donna Bell:** Yes.

**Liz Smith:** So, if co-design is on-going, and if further representations are made to the Scottish Government about possible changes, does that not have implications for future costs?

**Donna Bell:** As regards the primary legislation, we are confident that the co-design activity has given us a very comprehensive and helpful set of issues that we need to include, and those have all now been included. Amendments may be lodged at stage 2, but the Scottish Government has set out the amendments that it intends to propose.

**Liz Smith:** Sorry, but can we go back a little bit? In effect, you are saying that, up until this point, the co-design has made the Government have a bit of a rethink about the bill. It has made three substantial changes, two of which involve reducing the costs, in that there will be no transfer of local authority staff or assets and no new care boards. That saves a lot of costs. Should co-design be on-going, and should the outcome of the further co-design be that more substantial changes are

suggested, does that not have implications for the costs?

**Donna Bell:** It might have implications, but I do not see where those substantial changes would add to the costs. We now have a good understanding of the framework that is required to deliver both the policy intent and the principles that are outlined in the bill. I do not see that we are likely to have more significant change in the primary legislation. The secondary legislation will need to fit within the frame of the primary legislation, and I do not see any additional—

**Liz Smith:** But what do you think the on-going discussions on co-design will be about if there are no suggestions of further substantial changes?

**Donna Bell:** The on-going discussions will be about how we deliver on the bill, rather than what is to be delivered. If I could give an example, we have defined the intention to have a national board, we have defined its functions and we have set out, as best we can at this point in time, what its staff will be.

**Liz Smith:** I understand that. The key point here, in relation to what you have just said, is that how the bill is implemented surely has a direct relationship to cost.

**Donna Bell:** Yes.

**Liz Smith:** The committee's concern is to assess that with more certainty. As the convener said in his questions, we need much greater clarity about the nature of the costs that will be involved in implementing the bill. That is the central issue. There might be lots of good things about it—I am not taking sides on whether it is good or bad—but the principal role of the committee is to understand what the future costs will be and, therefore, how accurate the new financial memorandum is. We have considerable difficulty with that because of the uncertainty that is unfolding from quite a lot of your answers this morning. We simply do not know some of those things. Do you accept that?

11:00

**Donna Bell:** No, I do not. We have built in the range of costs that will be required to deliver the framework of the bill.

**Liz Smith:** But those are not related to future co-design.

**Donna Bell:** The future co-design will be about how we deliver the frame of the bill. The activities that we have undertaken to develop the costs for that have included assumptions. For example, on the national board, we have included assumptions about the staff who will be required. The co-design will be about how the board delivers its functions, but the staff who will be required to deliver those

functions have already been included in the costings.

**Liz Smith:** I will leave it there, convener.

**The Convener:** Thank you. I should have said that it is Michelle next, not Michael; so, it is Michelle Thomson to be followed by Michael Marra.

**Michelle Thomson (Falkirk East) (SNP):** I have been called a lot of things on this committee, convener.

I want to follow up on the points that Liz Smith has been making. What she was trying to flesh out is also a concern of mine. I can see that you have done a huge amount of work since we last met, and I absolutely give you credit for that. However, this talks to a question about the co-design process, and it mirrors our concerns as a finance committee about the extent to which we can be confident that the end cost will bear some relation to the start cost, accepting that the end cost is never accurate. That is the only point when your costings can be accurate—I understand all that.

As we move to stage 2 and amendments, that will be done by the Health, Social Care and Sport Committee, so this committee will not undertake financial scrutiny of them or have oversight. Also, as the co-design process carries on and further business cases are developed, that will incur costs. I accept what you are saying about their being framed, but that will still introduce further costs over which we will have no oversight, over a 10-year period.

You have clearly done a huge amount of good work, and I am not saying that I am against a co-design process because of the issues that have been brought out today. However, I am saying that, as it stands, I cannot be confident that we as a finance committee have any sense of the ultimate cost. From a parliamentary perspective, against a backdrop of huge challenges around public sector funding, that is a concern. Do you accept the framing that I have set out and the rationale that I have given?

**Donna Bell:** I understand what you are setting out, Ms Thomson. To the best of our ability, we have built in as much as possible of the uncertainty, including the activities that need to be undertaken through co-design. As we have said, Maree Todd has already offered to the committee the updated business cases, the specific business cases and regular updates. There is also an opportunity for on-going engagement with the Parliament. Perhaps Lee Flannigan would come in on the issue.

**Lee Flannigan:** There are two points to make on the uncertainty over costs. The revised financial memorandum, which still assumes the

transfer of staff and the creation of the care boards, has a large degree of uncertainty in it because, in theory, 75,000 staff might or might not transfer. We have built in a large cost base for that, depending on the type of transfer as they move across. In the shared accountability approach, that is removed because we will not be transferring staff, which reduces a significant portion of the cost.

The financial memorandum originally covered a proposal to create 31 care boards, and the figures in it included all the associated operating costs, but, again, under the shared accountability agreement, we are instead looking to reform the IJBs and their cost base appears to be significantly lower.

Broadly speaking, we have, to a large extent, removed the uncertainties—I am referring to those aspects that had the biggest range of possible costs. However, with co-design, depending on how that is approached, there can be some changes in costs. Having revised the financial memorandum, and taking account of shared accountability, we can see that the potential range of cost differentials in relation to the national board and the reformed IJBs has been reduced quite considerably. There will still be variability to costs, but we have tried, within reason, to limit those.

When considering the national board, we have assumed that we would take a non-departmental public body-type approach, although that is still to be agreed through the ministerial control framework, because from our previous work that seemed to be the most expensive option. On the scale of the board, we have looked at similar NDPBs. We refer to Community Justice Scotland in the revised financial memorandum. We have a couple of colleagues who worked on setting up that body, and they felt that, based on their involvement in developing the policy for the national board, the two bodies are broadly comparable. We have got reasonable certainty—I say that it is reasonable because there are still caveats around it—that the board would roughly be in line with that.

On the reform of the IJBs, again, there are still question marks around that, and we have a range of costs. However, the scale of the change is significantly reduced from the care board proposal.

If we look at the Scottish administration costs, you will see a significant drop in that, and that is—

**Michelle Thomson:** Sorry to interrupt. What you are articulating increases my confidence level that you have taken on board what we said before. Those are all examples showing that, but the issue is the basis on which you will proceed. To go back to Liz Smith's point, even from a well-estimated framing, the continued co-design means that there

is the significant potential for cost overrun, unless you have us breathing down your necks saying, "You said this. It's going to be that." I have heard a million times, in another life, people saying, "We thought it was going to be A plus C plus E, but, actually, the person over there has made a very good point about G", after which they go away and look at it again.

That is the critical risk factor for the costs that you are outlining. I have seen that kind of situation in private industry, where people have taken the approach that you are, which is a function of complexity. They have said, "Right. There's going to be a fixed budget. That is it; end of." Then, as managers come in and change, they might entertain the idea that option E looks quite interesting, but that approach would require them to de-scope and take things out because of the fixed budget.

Ultimately, despite my crediting you with doing all that work, we have no control over the end cost. Therefore, perhaps the question is whether anybody has said that, allowing for an inflationary uplift, which we cannot control, and potentially for other variables, they will put a fixed cost on that. For me, that would be the real test of how much extra work you have done.

**Donna Bell:** We have not done that, but we would be happy to consider it.

A lot of the engagement that we have had on co-design is about working practice rather than about financial investment. If I take the keeping care support local theme as an example, people were really clear that there was some excellent care locally, but they were really keen to highlight issues such as there being no portability of support between local authorities. We know that that is an issue in which there are differences in provision across local authorities. So, it is things like that—

**Michelle Thomson:** You are almost making my point for me. There is a very good rationale and a very good reason for doing things like that, but having that detailed discussion will take time, and using all that resource—as opposed to spend through capital expenditure or whatever—will, by necessity, increase costs.

I am just trying to set out my conclusion from a financial perspective that, despite the good work that you have done, there will inevitably be significant cost overruns over time. That is a concern, which is counterintuitive to a very difficult fiscal environment. I appreciate that that is a bit technical.

**Donna Bell:** Just to be clear, are you talking about the investment in co-design?

**Michelle Thomson:** Yes, I am talking about the investment time. That is the activity where significant costs are often incurred. For example, if people are doing a good job, taking in soundings from other elements and there are multiple stakeholders with whom changes need to be worked through, it can incur a real on-going cost. If you are operating to a fixed budget, there will be a sharpness to that, but if there is no fixed budget line, that will not be the case.

**Donna Bell:** Right, so we have already built the co-design activity into the programme, both in terms of time and budget.

**Michelle Thomson:** So, in other words, it will not take any longer than the time for which you have already costed.

**Donna Bell:** That is right. We have already built that into the programme of activity for development.

**Michelle Thomson:** What happens if someone comes up with a really good idea that you have not yet thought of?

**Donna Bell:** The time is built into the programme. If that happened, we would pivot our policy approach. That might take a bit more time but it would depend on what the suggestion was.

**Michelle Thomson:** That is my point. Thank you.

**Michael Marra (North East Scotland) (Lab):** I am keen to get on the record the costs in the first instance. We have quite an unusual set of papers. There was an original financial memorandum, then an updated financial memorandum, and now there is a new financial memorandum. According to the first set of figures in the original financial memorandum, the delivery could cost between £644 million and £1,261 million. Is that correct?

**Lee Flannigan:** For comparability and to keep everything consistent, we extrapolate the figures out over the 10 years and factor in inflation. If we take the original FM over the full 10-year timeframe, the figures come out at £1.8 billion to £3.9 billion.

**Michael Marra:** That was going to be one of my questions. Would you say that my figures are correct because the original memorandum covered five years?

**Lee Flannigan:** Yes, the original memorandum was for five years. As I said, I deliberately extrapolated from the original FM in order to make a comparison with the revised FM. If we extrapolated from the original FM, the figure would be £1.8 billion to £3.9 billion, whereas the revised FM gives us £487 million to £1.6 billion.

I will let you finish your question.

**Michael Marra:** Could you give me those extrapolated figures again, please?

**Lee Flannigan:** Yes. If we take the figures from the original FM and extend them over 10 years, building in inflation, along with a slight tweak to the transfer of staff—the full 100 per cent would not have been transferred by the end of five years—according to the current model, the figure is £1.8 billion to £3.9 billion. Those would have been the figures under the original remit.

**Michael Marra:** Do you mean that, if the committee had signed off the original FM, we would potentially have been looking at a bill of £3.9 billion?

**Lee Flannigan:** Yes.

**Michael Marra:** I have not heard that figure before, but that might just be ignorance on my part. The figure in the updated financial memorandum is £880 million to £2,192 million over 10 years. Is that correct?

**Lee Flannigan:** Yes. That factors in the carer breaks costs.

**Michael Marra:** The new financial memorandum—given the likely amendments at stage 2—gives us a figure of £631 million to £916 million.

**Lee Flannigan:** That is correct.

**Michael Marra:** That is useful.

Following on from Mr Mason's questions, I want to touch on the integration authorities. Can you give me an update of your estimated costs for the changes necessary to introduce the new versions of the IJBs?

**Lee Flannigan:** If we assume that we start phasing in the integration authorities in 2026-27, with a view to their being fully operational in 2027-28, the figures are £2.37 million in 2026-27; £12 million in 2027-28; and then annual incremental rises with inflation to £12.4 million, £12.7 million, £13 million, and £13.4 million. The total cost across that 10-year period will be £65.8 million. That is the mid figure, but we have then ranged it either side to give a lower estimate and an upper estimate as well.

11:15

**Michael Marra:** So, if the total cost is £65.8 million, it feels to me, given the answers that you gave to my colleague, that the costs are pretty much going to be the same.

Let us take the health and social care partnership in Dundee. At the moment, there are 18 members sitting on that board and the votes are split equally. There are six voting members—three from local authorities and three from the

health board. Are you proposing that we change that model?

**Donna Bell:** That is one of the areas under discussion with local government at the moment. We have not yet agreed with local government on the prospect of having an independent chair of the local bodies. There is also on-going discussion about the membership, which we have discussed, and the make-up of those boards might be different. There are also the accountabilities, which I have outlined. There are other aspects around improvement and escalation, and there are options for ministers to fund integration authorities directly.

**Michael Marra:** Your last point, about how the dynamics of the money work, is perhaps key. Those dynamics do not work at the moment because the partnerships are funded jointly by the NHS and local authorities. They put money into the pot and then pull it back out again, and there is no real strategic intent as to what they are doing. The six voting members are split 50:50, so that is where it lands. Are you proposing to change that, or are you in a process of longer-term negotiation about what that might look like?

**Donna Bell:** Yes.

**Michael Marra:** Okay, but you do not think that the fundamental power dynamic will change. The two organisations—the NHS and local authorities—will continue to put money into the pot to fund the social care outcome.

**Donna Bell:** The funding flows will remain more or less the same. As I said, there may be some areas where, in specific and agreed circumstances, the Government funds integration authorities directly. People have told us that the key issue for them—I have talked a bit about this already—is transparency. The creation of the new approach to strategic planning and delivery assurance, particularly assurance around funding for delivery, will give us a much better collective understanding both of strategic planning and delivery planning and of the funding to support those.

**Michael Marra:** You said in one of your earlier answers that you want to enhance local democratic accountability. In the health and social care partnership in Dundee—the IJB or integration authority; they are the same thing—there are three elected members out of 18 people. Do you not think that there should be a majority of elected councillors on those bodies?

**Donna Bell:** As I say, that is still for discussion.

**Michael Marra:** You do not know—okay. I think that that role is key. My view is that those organisations are non-strategic because of the critical interaction between the two sources of

finance, and I am not hearing any clarity in the proposals about how you are going to deal with those finances differently. It is all tied up in the votes, as far as I can see. If you do not deal with that issue, I do not think that we have answers to that.

On the interaction with the national care board, from the answers that you have given, I am still struggling to understand the point at which a decision might be taken nationally to instruct one of the integration authorities to do something. Is that the relationship that you foresee?

**Donna Bell:** I think that that is the relationship in extremis. The intention, given the partnership approach, is that the board will work together with local partners to create appropriate improvements and, working with the improvement organisations, to support improvement options. Everybody who is involved in health and social care is keen to see improvement and is committed to improving. Bringing all of that together nationally is a very sensible thing to do.

Where there are issues, and where those are highlighted by information such as performance data or inspection reports, the escalation and improvement framework that will be developed will set out where help and support might be required. Members will be familiar with the NHS escalation framework. We are not suggesting a carbon copy of that, but it gives us some really good learning about what works.

Earlier support and intervention, and particularly support to help areas to deal with their issues—whether that comes on a peer-to-peer basis or from engaging with the improvement organisations or any other organisation that can assist—will be really important. We are trying to create a culture of improvement and to build networks and learning collaboratives. That is the first bit.

Members will know that the 2014 act already gives ministers the power of direction where there are issues and intervention is required. That will not change, but we expect that the board would be heavily involved in providing support in advance of any ministerial direction.

**Michael Marra:** The intervention powers are already there and ministers can already do that. You have said that you want to increase local democratic accountability; I am wondering about the interaction between that and the national board. Suppose a local authority says that it does not have any money and is skint because it has had its budget cut for more than a decade—or probably for 15 years by then—and that it does not have any more money to put in. Is it your view that the national body will tell it to put money in?

**Donna Bell:** That would be a matter for the national board, but it is not something that I would

envisage happening. It is important that statutory responsibilities are met. That will be wrapped up in the deliverability of the strategic plan, so it is important to be transparent about what is deliverable. Given its potential make-up, I do not think that the national board will want to be in a position of directing or ordering local government to take different approaches.

**Michael Marra:** How much is that national body going to cost, according to the memorandum?

**Lee Flannigan:** Some of the work to phase in the national board will begin in 2024-25. We have built in £0.5 million for 2024-25, going up to £1.4 million in 2025-26 as we finalise it, with a view to going live in 2026-27. After that, the figure is £4.2 million, £4.3 million, £4.4 million, £4.5 million, £4.6 million and £4.8 million.

**Michael Marra:** What is the total?

**Lee Flannigan:** The total is £28.8 million. That is the midpoint. We have also stretched the upper and lower ranges, as is set out in the report.

**Michael Marra:** That is 30 million quid to not tell local authorities to do things differently, because you said that you do not envisage local authorities being told that they should do things differently or spend more money.

**Donna Bell:** I am saying that the powers of direction remain but that it is not the sole purpose of the board to tell local authorities what to do. The functions of the board were set out pretty clearly in the letter and include oversight, support, national standards and ensuring that people's human rights are embedded.

This committee and Audit Scotland have picked up on a number of areas. There was an Audit Scotland report in 2018, followed by reports dealing with issues of data, information and analysis. There are also options for national commissioning and procurement, which are other areas in which we would expect to see savings. There are urgent needs in workforce planning, which is not carried out locally but happens in various ways across different workforces. I would not suggest that the board has the sole function that you describe, and local government, the NHS and the Scottish Government certainly agree that multiple functions will be useful at a national level.

**Michael Marra:** I find that broader illustration useful. I am trying to explore the interaction between how money is spent and raised at local and national levels and the point at which there is an instruction on that, rather than saying that that is the only function.

Perhaps you could explain to me a bit about co-design, which you mentioned. I find it a little difficult to believe that a group of care users—people who rely on care services and the great

work that our carers do through local authorities and others—came together in a room and said, “What we need in order to make our lives better is a fairly cosmetic tweak to the IJB and a board that might advise ministers as to when they might want to use the powers that they already have.” Was that the tone of the conversation? Those people have the lived experience that you have mentioned. Surely they were saying, “I need more frequent care visits, and I need somebody who will be able to stay longer.” I recognise that you are setting out the framework, but drawing the line between the money that we are spending and those outcomes seems to me to be pretty tenuous at best.

**Donna Bell:** I have already described the co-design themes: keeping care support local; information sharing; making sure my voice is heard; realising rights and responsibilities; and valuing the workforce. Some really comprehensive work has been done. We published five reports on the learning outcomes, which included many comments on keeping care support local, culture, collaboration, communication, person-centred care, transitions and information sharing. However, there were also comments about governance, transparency, accountability and resource allocation. Of course, people did tell us about their own experiences of care, their specific circumstances and their needs, but they were also interested in the infrastructure that supported those who were making such decisions. We received quite a lot of clear opinions. We can certainly send those reports to the committee if that would be helpful.

The other interesting and useful area is information sharing. Issues of governance, transparency, accountability and decision making in that context were highlighted as being one of the major areas in which people had concerns about their information not being shared or about barriers being raised because no one knew what they needed. Although those concerns were not expressed in ways such as, “We need a national board,” or, “This is what the membership of a local care board needs to look like,” clear themes emerged about them, which we have reflected in the primary legislation.

**Michael Marra:** That is useful. Government policy includes a presumption against establishing new public bodies, but is it your view that the national care service would be an exception? Has the minister agreed that it would be a further exception to that rule?

**Donna Bell:** We still need to pursue the ministerial control framework, the first stages of which we have completed. We concluded that having a public body would be most likely to give effect to the shared accountability arrangements,

which is why we have recorded the service as such. However, we still need to complete that framework and have it agreed.

As Lee Flannigan mentioned, we originally said that we would have 31 or 32 local care boards as public bodies. We have now concluded that we will not do that and that, instead, we will potentially have one public body at a national level.

**Michael Marra:** For clarity, because we talked about the different names for the same thing—IJB, integration authority—you are suggesting that the new integration authority will replace what is there. You are suggesting not that it will be an additional body but that it will be a replacement.

**Donna Bell:** No. It is a reform of the current arrangements.

11:30

**Jamie Halcro Johnston (Highlands and Islands) (Con):** Michael Marra has covered quite a lot of what I was looking to cover, but I will ask you to look at it from a rural perspective. Do you envisage there being any additional costs to councils because of the bill?

**Donna Bell:** No. We have not included any additional costs to councils.

**Jamie Halcro Johnston:** Okay. Given that one of the bill's aspirations seems to be about providing better access and combating the postcode lottery, you will appreciate that delivering care services in rural island communities is very difficult, extremely expensive and so on. I know that there is a shortage in parts of my region because a lot of people are writing to me. They are not writing about transparency; they are writing to me, as Michael Marra said, about access, more visits and longer time. How is the bill likely to improve access? How will it mean that those communities will get the care support that they have been allocated but that is not being delivered because of a shortage of carers and so on?

**Donna Bell:** I will maybe ask Richard McCallum to pick up the point about rural funding in a minute, but I will pick up on your point about workforce planning.

We now have a variegated approach to workforce planning for social care workers and social work. We have quite a lot of work under way on workforce, including the ministerial task force on the social services workforce. One of the priorities for that is the recruitment and retention of social care staff, and it might be that the task force will focus specifically on rural areas in due course.

Promising approaches are also under way around different models of care and arrangements for the provision of care. We know that there are

co-operatives operating locally in rural areas and that they are working very well. We would be keen to think at a national level about the sorts of activities that the board might undertake around sharing the learning about what is making a difference, as well as workforce planning for specific areas.

**Jamie Halcro Johnston:** Surely that could all be done without a board and these reforms. Councils could and should speak to one other on best practice and efficiency. What additional benefits would a board bring in those scenarios?

**Donna Bell:** Yes, councils can and, in some cases, they do, but the national board provides a structure and a forum for that to happen in a planned and intentional way. I expect that the data and the additional information that can be gathered at a national level will lend itself to an improved position. It will also allow us to bring in more coherently a range of partners, such as the Care Inspectorate, the Scottish Social Services Council, the Institute for Research and Innovation in Social Services and other bodies that are involved in the social services workforce. I think that the national board will provide additionality.

Richard, do you want to say anything about rural funding?

**Richard McCallum:** Yes, very briefly. Funding is based on two separate formulas, one of which is allocated to local authorities and one that is allocated to health boards. That funding is then passed to the integration authorities.

In the case of the NHS, the NHS Scotland resource allocation formula takes into account a range of factors, including those that Jamie Halcro Johnston made about remote and rural areas. That does not necessarily take away the workforce challenges, but the funding reflects the remote and rural factors. That is updated annually, and it is also updated to reflect changes in demographic and other factors. As I said, the current formula has been based on those two formulas coming together to give that allocation to integration authorities.

One of the benefits of having that national oversight is that it will look at the funding mechanism and continue looking at it. It is complex—many factors go in to it—but national oversight is another thing that the board can provide to help to ensure that the funding formulas are appropriate and right as we move forward.

**Jamie Halcro Johnston:** Take for example a scenario in which a number of people somewhere in the Highlands are not getting the care that they should get. That would be an issue. What practical role could the national board play in that? If there was an identified funding issue, would the board

have any scope to allocate more funding? It would not hold reserves itself, would it?

**Donna Bell:** The national board will build a much better understanding of matters such as unmet need—we do not have a good understanding of that across the country—which will allow us to plan to meet unmet need. The areas on which we also want to focus—workforce issues, which I mentioned, and ensuring that demand and capacity are matched up—are things that we would expect to see in any strategic needs assessment that would flow through to a strategic plan. We expect the national board to look at that type of information to understand whether areas are matching their capacity to demand. This is all hypothetical, but if that was not the case, the national board would likely want to engage with that area to see what the mismatch was and how improvement and support could be provided to help it to get that into balance.

**Jamie Halcro Johnston:** However, that intervention would not be fiscal. It would involve advisory and other forms of support. It would not be a financial intervention or a legal intervention to say that the council had to deliver something specific. I doubt that any council intentionally delivers a poor standard of service; it does it because of the challenges that it faces. I am struggling to understand how the new system would help with such cases.

**Donna Bell:** The Care Inspectorate has a fair amount of regulatory activity under way on the provision of care. It does thematic inspections on various aspects of care. There might be a statutory responsibility for areas that are found not to be meeting the standards to get back on track on that front.

One point that was discussed in the joint accountability arrangement that was agreed with COSLA and the NHS is that local government and the NHS are keen to retain the functions and the associated statutory duties that were already with them. They will continue with those and are absolutely committed to meeting them. Again, this is hypothetical but, as the board develops, it might be that, if areas do not meet their statutory duties, there could be further intervention from the regulatory bodies or from the board under the escalation framework and powers of intervention.

**Jamie Halcro Johnston:** I appreciate that carer breaks are a large part of the costs. However, as colleagues highlighted, there have been lots of changes to the original plans. If you take out carer breaks, which could be delivered in other ways, are we now left with a costly rebranding of what we had previously but with a few additional tweaks? Is the bill still a substantial change to the care landscape?

**Donna Bell:** Yes, absolutely. The functions that the national board will take on, and the shared accountability agreement, are definitely significant.

It is important to look across the bill. We are focusing an awful lot on the structural aspects of the service, and a little bit on carers. As the committee will know, however, the bill includes areas relating to the charter such as complaints and redress, and there are the aspects in the first parts of the bill that support cultural change. In addition, the final part of the bill relates to carers support and to Anne's law. We can see, therefore, that the bill in its entirety is a very strong package of change.

**Jamie Halcro Johnston:** Lastly, who will head up the national board?

**Donna Bell:** The current intention—the minister will confirm this—is that there will be an independent chair of the national board.

**Jamie Halcro Johnston:** Will there be a chief executive sitting under that, on the professional side?

**Donna Bell:** The make-up of the administrative function is yet to be determined. We have said that we will bring back the business case to this committee for further scrutiny.

**Jamie Halcro Johnston:** Thank you.

**The Convener:** I have a couple of points to finish. I want to follow up on what John Mason said on the IT front. The new financial memorandum says that from

"2023-24 through to 2025-26 costs are significantly lower than previously estimated".

It also says:

"The internal staff skillset will be utilised in favour of externally contracted services."

I am not really sure what that means. I would have thought that it would say "rather than" instead of "in favour of"—there seems to be a contradiction there.

The memorandum goes on to say:

"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."

Whenever I see the word "contractors", I always see pound signs ratcheting up pretty quickly, so I am wondering where the parameters are for that.

**Donna Bell:** Wherever possible, we will use—I was going to say "take advantage of", but that is probably the wrong expression—the skills that we have. It would be only in very specific circumstances, where we did not have the necessary skills or could not access them through

internal resources, that we would engage with contractors.

Digital is a very specific area where that might be the case. Richard McCallum has more experience of that, so I will bring him in.

**Richard McCallum:** You are right, convener. We will always push for the position—and for scrutiny of it—that if we do not need to use contractors, we should not and we will not. That is the position that we would take.

I highlight that although the bill is focused on the national care service, the care record, which we mentioned earlier, will have huge implications and huge potential for the NHS. We have within NHS National Services Scotland a core and key digital function, and a key component of the bill is to ensure that, in addition to accessing the skills in the civil service and the Scottish Administration, we get the best use of and the best value from our agencies in the NHS.

**The Convener:** My final question is about timescale. We have seen a one-year delay in the stage 1 process; however, we also see that there is a three-year delay in full implementation of the bill, to 2028-29. That is more than four years away. We will have a stage 1 debate in a few weeks, and then we are gonnae have more than four years before the bill is fully implemented.

It is hard to see why that is the case, given that there has, in fact, been a reduction in what the bill is trying to achieve. We will not see the transfer of 75,000 staff, assets and so on, and we are not going to have 31—or potentially 32—care boards: we will have one national care board.

It almost seems as if there is a lack of a sense of urgency in all this. Is it because there is a lack of resources for delivery? Can you advise us as to why we are seeing such a huge delay in the actual delivery of the bill?

**Donna Bell:** Our priority has been to ensure that there is a safe and secure transition for people, and I absolutely agree that the new arrangements will make that transition smoother. For everybody who is involved in the programme of work, the most important thing is continuity of care and making sure that people get the support that they need.

11:45

We have been pessimistic. Again, our overarching approach to the planning and financial costings for the bill has been to build in as much contingency as possible, which applies as much to deliverability as it does to the financial costings. As we work through the activity that is needed, we might find that we are able to do that more quickly. If we can do so, of course we will, but we need to

make sure that the service is deliverable and safe and secure for people.

**The Convener:** It is just that, if people know that they are working to a four-year deadline, it does not exactly create any oomph behind the delivery of a bill. If they know that it is expected to be delivered in a year or two, it creates a greater sense of urgency. I find it bizarre that a bill with less content than it had a year ago now has twice as long to be implemented. I am wondering what the logic for that is. I know that you have said that you have been pessimistic, but I prefer realism to optimism or pessimism. It is quite a significant increase in the timescale for a bill that is not as complex as it was a year ago.

**Donna Bell:** Although it is not as complex as it was a year ago, it is still potentially quite complex.

We will continue to look at the phasing as we go along. If we can do the work more quickly, we will be happy to do so.

**The Convener:** Thank you—we will certainly return to that on Thursday. I thank Donna Bell, Lee Flannigan and Richard McCallum for their contributions.

The committee will continue to take evidence on the updated financial memorandum at our next meeting, which will be on Thursday 25 January, when we will hear from the Minister for Social Care, Mental Wellbeing and Sport. That concludes the public part of today's meeting—we will now move into private session to discuss our work programme.

11:47

*Meeting continued in private until 11:52.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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