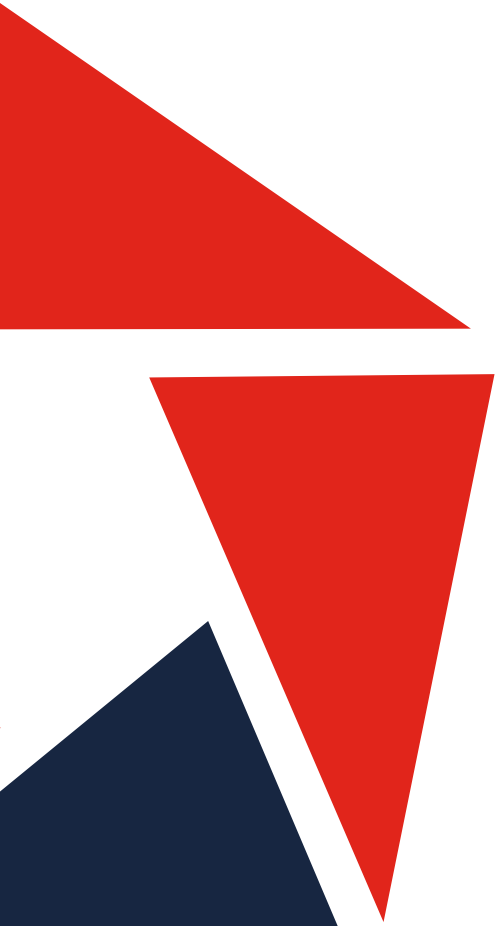


Annex C

Financial Memorandum - National Care Service

August 2022



A series of contextual evidence papers have been produced, setting out key sources of information about social care and related areas in Scotland, linking to the National Care Service Consultation proposals published in August 2021. All documents are available [here](#).

The [Financial Memorandum](#) set out in the National Care Service (Scotland) Bill sets out a range of figures that are expected to be additional costs due the legislation, as well as potential movements of costs across the current system.

There are two areas -

- Costs due to the set up and running of the National Care Service (NCS) including Care Boards, compared to the current Social Care structure.
- Costs that relate to additional service provisions that are set out in the Bill: rights to breaks from caring and Anne's Law

The figures are summarised in Table 1.

With regards to the set up and running of the NCS, the figures assume that adults social care, child services and social work and criminal justice social work are all transferred to the NCS

On the whole, additional costs come about due to:

“additional costs relating to setting up the new bodies, and to issues such as aligning terms and conditions for staff transferring from different organisations”

There is also an assumption that new staff will be required, for example for the design and delivery of the integrated social care and health record, and there will be new associated costs such as premises, equipment, and IT. There are some costs that the NCS will incur that are assumed to already exist in local authorities, health boards and Integration Joint Boards. These total £25-£40 million per year and these 'savings' have been offset in the figures provided in the financial memorandum.

Rights to breaks and caring and Anne's Law are the only areas that directly impact on front line services.

Other potential future changes are set out as commitments, but not costed as they are not included directly in the Bill. These are:

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

This document lays out the method for calculating the figures that are in the financial memorandum:

1. Costs associated with the establishment and running of the NCS
2. Costs associated with the establishment and running of Care Boards
3. Rights to breaks from caring

The creation of an electronic integrated health and social care record is in the legislation, but no costing has been produced. The reason given is that the work is at a too early stage to estimate costs, but it will be provided in the Programme business case due in Autumn 2022.

Table 1: Costs that are presented in the financial memorandum (£m, 2022/23 prices)

1. Establishment and running of NCS national organisation										
	2022-23		2023-24		2024-25		2025-26		2026-27	
	Low	High	Low	High	Low	High	Low	High	Low	High
Establishment	0	36	60	89	71	105	11	15	0	0
Staff costs	18	27	47	71	48	72	5	7	0	0
Non-staff costs										
Systems & IT	0	0	0	1	9	13	2	4	0	0
Training & other staff costs	0	0	2	2	2	2	0	0	0	0
Premises costs	0	0	1	1	2	4	2	2	0	0
Third part advice (legal / consulting)	6	9	10	14	10	14	2	2	0	0
Ongoing	0	0	0	0	2	2	82	122	82	125
Staff costs	0	0	0	0	0	0	59	88	60	91
Non-staff costs										
Systems & IT	0	0	0	0	2	2	11	16	10	16
Training & other staff costs	0	0	0	0	0	0	3	5	3	5
Premises costs	0	0	0	0	0	0	5	7	5	7
Third part advice (legal / consulting)	0	0	0	0	0	0	4	6	4	6
Total	0	36	60	89	73	107	93	137	82	125
	2022-23		2023-24		2024-25		2025-26		2026-27	
	Low	High	Low	High	Low	High	Low	High	Low	High
2. Establishment and running of care boards										
Scottish Administration	0	0	3	6	12	17				
Governance & Board costs	0	0	0	0	0	0				
Premises & digital	0	0	2	4	10	15				
Support services	0	0	0	0	0	0				
Administration & communications	0	0	1	2	2	2				
Pay	0	0	0	0	0	0				
Terms and Conditions	0	0	0	0	0	0				
Care Boards							132	315	142	375
Governance & Board costs							22	23	23	34
Premises & digital							63	94	69	103
Support services							45	67	46	69
Administration & communications							2	4	4	6
Pay							0	43	0	43
Terms and Conditions							0	84	0	120
Total	0	0	3	6	12	17	132	315	142	375
3. Right to breaks from caring	0	0	0	0	0	0	8	13	16	27
4. Anne's Law	0.186	0.186	0.09	0.09	0	0	0	0	0	0
Totals	0.2	36.2	63	95	85	124	233	465	240	527

Costs associated with the establishment and running of the National Care Service

Table 2 provides an overview of the costs required to set up and oversee the management of the National Care Service.

Responsibilities for social care and social work have assumed to be overseen by civil servants with the Scottish Government's directorate structure (i.e., no new 'National Care Service' public body will be created). A proposed National Social Work Agency sits within a unit in this structure (i.e., within the Scottish Government). The costs in Table 2 all sit with the "Scottish Administration" i.e., the core Scottish Government Budget.

There is reference made to some staff transferring into the NCS structure (primary care, community health, social care policy development). We understand that the costs for these staff are not stated in Table 2, as they are already within the Scottish Administration and there would be no additional costs associated with their transfer. All other costs in Table 2 are assumed to be additional costs to the Scottish Budget.

It is assumed that the NCS will be established by 2025-26, with an additional year shown in Table 2 to show full transition to steady state operating costs.

Headcount assumptions are based upon an assumption of skills required for the establishment and set-up (some of which will be short-term) with a final headcount assumed to be between 500-700 which is in line with other large government departments (social security is given as an example). It is advised that, as development work continues, these figures are likely to change.

Other costs have been established by comparison to the national management of the NHS and transformation programmes such as the setting up of Social Security Scotland.

Table 2: Establishment and Running Costs of the National Care Service (£m 2022/23 prices)

1. Establishment and running of NCS national organisation										
	2022-23		2023-24		2024-25		2025-26		2026-27	
	Low	High	Low	High	Low	High	Low	High	Low	High
Establishment	0	36	60	89	71	105	11	15	0	0
Staff costs	18	27	47	71	48	72	5	7	0	0
Non-staff costs										
Systems & IT	0	0	0	1	9	13	2	4	0	0
Training & other staff costs	0	0	2	2	2	2	0	0	0	0
Premises costs	0	0	1	1	2	4	2	2	0	0
Third part advice (legal / consulting)	6	9	10	14	10	14	2	2	0	0
Ongoing	0	0	0	0	2	2	82	122	82	125
Staff costs	0	0	0	0	0	0	59	88	60	91
Non-staff costs										
Systems & IT	0	0	0	0	2	2	11	16	10	16
Training & other staff costs	0	0	0	0	0	0	3	5	3	5
Premises costs	0	0	0	0	0	0	5	7	5	7
Third part advice (legal / consulting)	0	0	0	0	0	0	4	6	4	6
Total	0	36	60	89	73	107	93	137	82	125

Costs associated with the establishment and running of Care Boards

Community Health and Social Care Boards (referred to as Care Boards from here on in) are the means by which the NCS will carry out its delivery functions. These will be set up as Public Bodies and will replace Integration Joint Boards, which will be abolished. Table 3 sets out the additional costs that setting up and running these Care Boards could require.

Table 3 shows net costs, with savings from the abolition of Integration Joint Boards and existing supporting services in Health Boards and Local Authorities offset against Care Board costs. These savings are assumed to be in the region of £25 - £40m per year.

Decisions relating to the number of Care Boards have not yet been made, and the figures in Table 3 assume 32 are created, one for each local authority area. The creation of any “Special Care Boards” are not included in Table 3.

Set up costs (recruitment of board members, acquiring premises) will fall to the Scottish Administration with running costs then transferring to Care Boards. The top end of the range in Table 3 is based on all Care Boards having their first full year of operation in 2025-26.

Table 3 assumes all social workers and social care staff transferring to Care Boards. Additional costs for staff come from differences in pay and terms and conditions for staff who transfer over if Care Boards take over direct service delivery where it was previously delivered by Local Authorities.

The lower end estimates for pay, terms and conditions assume no staff transfer (i.e., assumes Care Boards procure services from Local Authorities rather than run services directly so staff do not transfer).

For procured services, no costs are assumed for changes in procurement strategy that could lead to higher costs although such improvements are envisaged (i.e., via so-called “ethical procurement”).

Table 3: Establishment and running costs of care boards (£m 2022/23 prices)

2. Establishment and running of care boards											
	2022-23		2023-24		2024-25		2025-26		2026-27		
	Low	High	Low	High	Low	High	Low	High	Low	High	
Scottish Administration	0	0	3	6	12	17					
Governance & Board costs	0	0	0	0	0	0					
Premises & digital	0	0	2	4	10	15					
Support services	0	0	0	0	0	0					
Administration & communications	0	0	1	2	2	2					
Pay	0	0	0	0	0	0					
Terms and Conditions	0	0	0	0	0	0					
Care Boards							132	315	142	375	
Governance & Board costs							22	23	23	34	
Premises & digital							63	94	69	103	
Support services							45	67	46	69	
Administration & communications							2	4	4	6	
Pay							0	43	0	43	
Terms and Conditions							0	84	0	120	
Total	0	0	3	6	12	17	132	315	142	375	

Rights to break from caring

This Bill makes an amendment to the Carers (Scotland) Act 2016 and establishes a right to short breaks for carers who have this as an identified need in an Adult Carer Support Plan (ACSP) or a Young Carer Statement (YCS). This will mean additional costs in providing these breaks, initially for Local Authorities and then, if the Bill passes as intended, this cost will pass to Care Boards once they are set up.

Table 4: Rights to breaks from caring (£m 2022/23 prices)

3. Right to breaks from caring											
	2022-23		2023-24		2024-25		2025-26		2026-27		
	Low	High	Low	High	Low	High	Low	High	Low	High	
	0	0	0	0	0	0	8	13	16	27	

Separately, the Scottish government will also create a fund to enable support for short breaks without an ACSP or YCS. Whilst this fund does not require legislation, the Financial Memorandum states that it “will have an impact on the cost of providing the personalised support required by the provisions of the Bill depending on the balance of whether carers access personalised support or easy access breaks”. The cost of easy access breaks will be additional to the Scottish Government, but do not require legislation, and therefore do not appear in the figures in Table 4 (and Table 1).

Direct costs

The method for deriving costs for rights for breaks from caring requires working back from ‘steady state’ costs once ACSP and YCS numbers have reached the levels set out in the Carers (Scotland) Act 2016 in 2034/35. These steady state costs are shown in Table 4.1.

Table 4.1: Total costs by 2034/35 (£m, 2022/23 prices) – Central Scenario

	Adult Carers	Young Carers	Total
Cost of replacement care	169		169
Cost of carer breaks	79		79
Cost of Young Carer Support Workers		7	7
Cost of young carer breaks		2	2
Total for Financial Memorandum	248	9	257
<i>Cost of easy access support</i>	35	0.4	36
<i>Total</i>	283	10	293

The right to breaks from caring is assumed to begin in 2025-26 and are assumed to increase by a fixed proportion each year.

Direct financial savings

In order to reach a net funding position in 2034/35, the current funding delivered for replacement care and respite has been estimated. These are costs that are currently within the local government settlement.

Actual amounts spent on respite and breaks are not, we understand, available as local authorities are unable to produce figures which disaggregate this type of spending. The Scottish Government do not ring-fence spend for carers and there is no specific amount within the local government settlement which can be attributed as a contribution to carer respite and breaks. Whilst it is acknowledged that local authorities spend some money on carer respite and breaks, the level of uncertainty around the actual amount is substantial. The Scottish Government have estimated a figure based on:

1. An assumption 3% of carers being supported by breaks/respite (taken from the Scottish Health Survey) multiplied by an average cost of support of £3,200.
2. Carer specific support that is already underway in 2022-23 under the provisions of the Carer's Act (£51.2m for adults, £6.493 for young carers plus an adjustment)
3. £5m extracted from the £200m additional funding that went to local authorities in 2022/23 that has been attributed to support for carers

Table 4.2: Estimated direct financial savings by 2034/35 (£m 2022/23 prices)

Estimated expenditure on respite	83.4
Carer Act Support	60.7
NCS 2022/23 funding attributed to carers	5
Total	149.1

Net costs and profile

Table 4.3: Net cost by 2034/35 (£m 2022/23 prices)

Gross cost	Savings	Net cost
257.1	149.1	108

The range presented in the financial memorandum varies some of the assumptions around cost of replacement care and the proportion of carers that take up replacement care and breaks.

Costs each year are assumed to increase by a fixed amount between 2023-26 (when rights to breaks are assumed to start) and 2034/35 when the steady state in terms of carers with ACSP and YCS numbers.

Table 4.4: Cost trajectory to 2034-35 (£m 2022/23 prices) L = Low scenario; C = Central scenario, H = High Scenario

	2023 -24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	2028 - 29	2029 - 30	2030 - 31	2031 - 32	2032 - 33	2033 - 34	2034 - 35
H	0	0	13	27	40	53	66	80	93	106	120	133
C	0	0	11	22	32	43	54	65	76	86	97	108
L	0	0	8	16	25	33	41	49	58	66	74	82

Nb. These numbers are marginally different from those in the financial memorandum due to an element of rounding in net costs

The next section details the assumptions and calculations which have been used for the central assumption, with the subsequent section explaining the assumptions that have been varied for the upper and lower estimates.

Central Scenario – assumptions and calculations

Adult carers

To reach the 2034/25 estimates, the following estimates are used:

- i. The number of carers with an ACSP
- ii. The take up and cost of replacement care and whether it takes place at home or in a care home
- iii. Assumed take up of breaks for adults with a ACSP and the number and cost of breaks

a) Number of adult carers with an ACSP

Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Number of carers	624,864	59,280	29,640	125,215
Number of carers with ACSP	143,592	23,712	17,784	100,172

b) Take up and cost of replacement care

Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Assumed proportion of adult carers with ACSP that will take up replacement care	5%	10%	20%	50%
Assumption of average weeks respite per carer per year	1	2	3	4
Care home respite (per week)	£981	£981	£981	£981
At home respite (per week)	£168	£210	£462	£462
Assumed proportion of replacement care provided in a care home	0%	10%	30%	65%
Assumed proportion of care provided at home	100%	90%	70%	35%
Calculation: Assumed cost per carer of replacement care	£168	£574	£1,853	£3,197
Calculation: Cost of replacement care	£1.2m	£1.3m	£6.6m	£160m

Based on sum of the cost of care across care intensities, the total cost of replacement care for 2034/35 is estimated to be **£169.3 million**

c) Take up and cost of carer breaks

Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Assumed proportion of adult carers with ACSP who take up a carer break	10%	20%	40%	60%
Assumed number of breaks	1	2	2	3
Calculation: Assumed cost per carer of breaks	£360	£720	£720	£1,080
Calculation: Cost of breaks	£5.2m	£3.4m	£5.1m	£65m

Based on the sum of the cost of breaks across care intensities, the total is estimated to be **£78.6 million** in 2034/25.

Young carers

The method is similar to adult carers, except no replacement care is assumed for young people and there are some additional costs for young carer support workers. The costs are derived from estimates of:

- i. The number of carers with a YCS
- ii. Assumed take up of breaks for young people with a YCS and the number and cost of breaks
- iii. Cost for young carer support workers

a) Number of carers with a Young Carer Support Plan

Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Number of carers	27,900	900	300	900
Number of carers with YCS	17,670	585	225	720

The number of carers with a YCS is assumed to be 80% in >50-hour band and reduces for less intensive bands. The cumulative total proportion of young carers with a YCS is 64%, as set out in the Carers (Scotland) Act 2016

b) Number and cost of breaks

All young carers with a YCS are assumed to take one carer break a year, costing £360 a year (2022/23 prices).

Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Assumed proportion of young carers with YCS who take up a carer break	100%	100%	100%	100%
Calculation: Assumed number taking up breaks	17,670	585	225	720
Assumed number of carer breaks	1	1	1	1
Cost of Break	£360	£360	£360	£360
Calculation: Cost of breaks	£6.4m	£210,600	£81,000	£259,200

Summing these costs provides an estimate of the cost of breaks for young people with a YCS of **£6.9 million** in 2034/35.

c) Cost of Young Carer Support Workers

Additionally, a cost is allocated to additional young carers support workers. This is based on assumed cost per young carer of £118 which assumes that one support worker can support 388 young carers. There are estimated to be 19,200 young people with a YCS by 2034/25 which equates to a total cost of **£2.2 million**.

Easy Access Breaks

Easy access breaks provide financial support for carers who do not have an ACSP or a YCS, or (in the case of adults) for those who do have these plans in place but do not take up a carer break through this route. Easy Access Breaks are not part of legislation, and therefore are not part of headline financial memorandum figures but will represent additional costs to the exchequer.

Adults				
Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Number of carers without an ACSP	481,272	35,568	11,856	25,043
Number of carers with an ACSP but not taking up right to break	129,233	18,970	10,670	40,069
Total	610,505	54,538	22,526	65,112
Uptake of easy access breaks for carers without an ACSP or with an ACSP but not taking up a break	10%	40%	40%	40%
Total taking up easy access break	61,050	21,815	9,011	26,045
Number of breaks assumed	1	1	1	1
Cost of break assumed	300	300	300	300
Calculation: Cost of easy access breaks for adults	£18.3m	£6.5m	£2.7m	£7.8m

Young carers				
Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Number of carers without an YCS	10,230	315	75	180
Uptake of easy access breaks for carers without YCS	10%	40%	40%	40%
Total taking up easy access break	1,023	126	30	72
Number of breaks assumed	1	1	1	1
Cost of break assumed	300	300	300	300
Calculation: Cost of easy access breaks for young carers	£306,900	£37,800	£9,000	£21,600

Scenarios

The lower and higher scenarios vary the take up assumptions for adults accessing replacement care and carer breaks. The numbers for young carers do not change.

Table 4.5: Lower, Central and High Scenarios – costs by 2034/34 (£m 2022/23 prices)

	Lower	Central	High
Cost of replacement care	151	169	188
Cost of carer breaks	72	79	86
Adult total	223	248	273
Cost of Young Carer Support Workers	7		
Cost of young carer breaks	2		
Total Costs	232	257	282
Direct Savings	149		
Net costs	83	108	133

- i. The number of carers with an ACSP (does not change)
- ii. The take up and cost of replacement care and whether it takes place at home or in a care home (take-up adjusted)
- iii. Assumed take up of breaks for adults with a ACSP and the number and cost of breaks (take up adjusted)

a) Number of adult carers with an ACSP

Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Number of carers	624,864	59,280	29,640	125,215
Number of carers with ACSP	143,592	23,712	17,784	100,172

b) Take up and cost of replacement care

Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Assumed proportion of adult carers with ACSP that will take up replacement care	5%	5/10/15%	15/20/25%	45/50/55%
Assumption of average weeks respite per carer per year	1	2	3	4
Care home respite (per week)	£981	£981	£981	£981
At home respite (per week)	£168	£210	£462	£462
Assumed proportion of replacement care provided in a care home	0%	10%	30%	65%
Assumed proportion of care provided at home	100%	90%	70%	35%
Calculation: Assumed cost per carer of replacement care	£168	£574	£1,853	£3,197
Calculation: Cost of replacement care	£1.2m	£683,298/ £1.4m/ £2m	£4.9m / £6.6m/ £8.2m	£144m/ £160m/ £176m

Based on sum of the cost of care across care intensities, the total cost of replacement care for 2034/35 is estimated to be **£169.3 million**

c) Take up and cost of carer breaks

Caring intensity	<20 hours	20 - 34 hours	35-49 hours	>50 hours
Assumed proportion of adult carers with ACSP who take up a carer break	10%	15/20/25%	35/40/45%	55/60/65%
Assumed number of breaks	1	2	2	3
Calculation: Assumed cost per carer of breaks	£360	£720	£720	£1,080
Calculation: Cost of breaks	£5.2m	£2.6m/ £3.4m/ £4.3m	£4.5m/ £5.1m/ £5.8m	£59.5m/ £64.9m/ £70.3m

Fraser of Allander Institute

University of Strathclyde
199 Cathedral Street
Glasgow G4 0QU
Scotland, UK

Telephone: 0141 548 3958

Email: fraser@strath.ac.uk

Website: fraserofallander.org

Follow us on Twitter: @Strath_FAI

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