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Kenneth Gibson MSP  
Convener  
Finance and Public Administration Committee

10 November 2022

Dear Kenneth,

I am writing to you in relation to the National Care Service (NCS) (Scotland) Bill and the Finance and Public Administration Committee's request for further information following my evidence session on the Bill with the Committee on 8 November.

Please find my responses to your questions as follows:

**Q. Details of Scottish Government's current estimates of the costs associated with VAT, including the potential range of costs depending on different scenarios, and informed by the independent advice it is taking on this issue.**

External advisors Anderson Anderson Brown (AAB) have advised NCS Care Boards could potentially fall under Section 33 or Section 41 of the VAT Act 1994 (VATA).

Section 33 is a Full Recovery Model which allows all VAT costs associated with both taxable business and non-business activities to be recovered. Section 41 permits a body to claim a refund of VAT incurred on some services but not all.

Prior to the agreement of a broadly neutral VAT accounting arrangement with HMRC in 2014, the VAT cost impact associated with the establishment of Integrated authorities under The Public Bodies (Joint Working) (Scotland) Act, 2014 was estimated to be circa £32 million. As this was for adult health and social care functions only, the worst-case VAT cost impact associated with the creation of the NCS would likely be in excess of this estimate. Further work will therefore need to be undertaken to refine this estimate.

We are looking to achieve a fiscally neutral VAT position. We are engaging with HMT officials to work towards achieving this within the legislative timetable for establishing the Care Boards.

We are working towards an Outline Business Case for Care Boards within which VAT will be a consideration, and we will fully consider the VAT impact of any options.

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**Q. Further information on the impact of portfolio changes in the Emergency Budget Review related to NCS Bill expenditure originally planned for this financial year (announced on 2 November), which the Minister noted related to slippage due to recruitment and digital issues, and whether this slippage means equal funds will now be required in 2023-24.**

The rephrasing outlined is to ensure that we have right skills in place to take the programme forward, and to move at a pace that allows for meaningful engagement with people with living and lived experience. This rephrasing has resulted in £15 million of savings for financial year 2022/23. The requirement for 2023/24 has already been identified in conjunction with the budget setting process.

**Q. The range of potential costs in relation to IT projects to support this structural reform, including on the proposed health and social care information scheme.**

Robust data and digital infrastructure will be a key enabler of the National Care Service by: enabling ethical commissioning, underpinning regulation and improvement; supporting workforce planning; facilitating research; and, ultimately supporting people to live fulfilling, independent lives. The co-design approach to the NCS development across the programme, will inform the data and digital infrastructure requirements.

As part of our work on data and digital infrastructure we are working to create the nationally-consistent integrated and accessible electronic social care and health record. The information sharing regulations will support the integrated record, but not create it. The costs have therefore not been included in the Financial Memorandum as discussed. The integrated record will be co-designed and early discovery work has started. Projects are in hand now to build a robust evidence base for data and digital investment. The integrated social care and health record will be subject to a formal, dedicated business case. All data and digital investment will be subject to vigorous assessment via the Scottish Government's Technology Assurance Framework.

The Financial Memorandum already includes indicative costs for IT infrastructure costs for NCS National and Care Boards. Table 5 shows a line for systems and IT for NCS National running costs and Table 8 shows a line for premises and digital.

**Q My explanation at the evidence session on 8 November that the Bill would have a neutral impact on local authorities.**

We recognise that in establishing a NCS, including any transfer of accountabilities (and associated financial resources from local authorities), we need to take into consideration the impact on local authorities' ability to resource and deliver other important public services.

The nature of the impact on local government from the establishment of the NCS will depend on the details of the transfer of functions to Scottish Ministers, and on local decisions about how services are to be provided.

We will continue to work closely with local government to understand current costs and financial impact of any detailed options being considered following co-design.

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**Q. When more details on costings relating to the Bill would be made available in the form of business cases.**

The NCS Programme is continuing to develop a Programme Business Case, which we anticipate publishing in early 2023.

The Programme Business Case will set out an assessment framework. That framework will be aligned to the HM Treasury Green Book guidance and will consider not only costs, but the strategic, economic, and commercial value of this reform, as well as a plan for its effective management.

It is important to note, that the NCS Programme is at a relatively early stage in terms of delivery. The Scottish Government is committed to getting this reform right for everyone. That means taking the time to undertake meaningful co-design work, with:

- the people who use and deliver health and social care services;
- the organisations which represent them; and
- our delivery partners.

The business case for NCS delivery will have to evolve alongside our understanding of the needs of people receiving and working in social care, which will grow as a result of our evidence gathering and co-design work. The Programme Business Case will set out key decision points and how these key decisions will be made in a robust, evidence-based way, which is subject to proper scrutiny; and how these decisions will be made in a way which delivers the best value for the people of Scotland. We currently anticipate that this will involve the delivery of more detailed business cases throughout the lifetime of the NCS Programme, to support future decisions.

We will ensure that the Committee has the timetable for business case development once they have been informed by the co-design programme.

I hope this further information is useful to the Committee for Stage 1 of the Bill. Please do not hesitate to ask if the Committee has any further queries on the Bill.

**KEVIN STEWART**

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