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Financial Scrutiny Unit Briefing Children and Young People (Scotland) Bill: Financial Memorandum

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This briefing summarises the main issues relating to the Financial Memorandum accompanying the Children and Young People (Scotland) Bill. A separate SPICe briefing ([SB 13-38](#)) sets out the context for the Bill and discusses policy issues.



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Pàrlamaid na h-Alba

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EXECUTIVE SUMMARY

The Children and Young People (Scotland) Bill (“the Bill”) proposes a range of policy measures relating to the rights of children and young people, services and support for children and young people, early learning and childcare and other measures in relation to looked after children. The total costs associated with the implementation of these measures are estimated at £79.1m in 2014-15, rising to £138.9m in 2016-17, then falling back to £108.9m by 2019-20. The majority of costs (around 90% on average) fall on local authorities. According to COSLA, the Scottish Government has committed to fully funding the requirements of the Bill in respect of their impact on local authorities.

The estimated costs largely relate to two particular proposals: the provision of a ‘Named Person’ for every child in Scotland and the extension of early learning and childcare provision for 3 and 4 year olds and some 2 year olds. In addition, net savings are anticipated as a result of proposals in relation to kinship care, family therapy and counselling services.

On 12 September 2013, the Minister for Children and Young People wrote to the Convener of the Finance Committee outlining plans to increase funding in respect of the extension of early learning and childcare provision. The letter set out plans to increase funding by £4.2m per year over and above the levels set out in the FM. However, the letter does not provide details on how this relates to the original calculations set out in the FM or why this additional funding is required.

Named Person

The costs of implementing and delivering the Named Person duties are expected to peak at £16m in 2016-17, falling back to £11m by 2019-20. These estimates rest on a number of assumptions, including that:

- Training costs for local authorities and the NHS will only be incurred in year one of implementation, after which they are assumed to be absorbed within regular training activities
- For schools, the costs associated with fulfilling the Named Person duties are also assumed to be incurred in the first year alone, after which any costs are assumed to be offset by savings through efficiencies elsewhere in the delivery of support to children. The basis for this assumption has been questioned by a number of organisations, including COSLA and the Educational Institute of Scotland.
- In contrast, for the NHS, ongoing costs associated with delivery of Named Person duties are assumed, although these decline over time, on the basis that the preventative approach will deliver savings over the longer term

The cost estimates are also highly sensitive to the number of additional hours of support that are assumed. In the case of school children requiring additional help, an additional 3.5 hours per year of support is assumed; in the case of pre-school children, an additional 10 hours per year of support is assumed in the first year of implementation. The FM does not provide any analysis to show the impact of varying these assumptions.

Early Learning and Childcare

The original FM indicates that the costs of extending early learning and childcare provision are estimated to peak at £108m in 2016-17, falling back to £96m by 2019-20. In a letter to the Convener of the Finance Committee on 12 September 2013, the Scottish Government set out its intention to provide an additional £4.2m per year to meet the costs of the extension to early learning and childcare provision. This is in addition to the costs set out in the FM, although the basis for this additional funding is unclear and no further explanation of this funding has been provided.

All the costs fall to local authorities and the majority of the additional costs relate to staff costs associated with the increased provision. Limited detail is provided in the FM on the derivation of the staff costs, other than to say that local authorities were asked to cost five different options and these formed the basis of the estimates. Respondents to the Finance Committee's call for evidence noted that much would depend on the precise models implemented and the starting points of individual local authorities, with current delivery models varying considerably. This, they have argued, makes it difficult to be definitive about final costs at this stage.

Other costs in this area relate to capital costs associated with adapting the existing nursery infrastructure, operational/support costs, additional support for learning, extended provision for 2 year olds and costs associated with increasing reimbursement rates for independent, private and third sector partner providers.

Kinship care, family therapy and counselling services

The FM anticipates potential savings from the provisions relating to kinship care, family therapy and counselling services. Revisions to these estimates are expected to be provided by the Scottish Government at Stage 2 of the Bill proceedings. The savings are anticipated to result primarily from a reduced dependency on formal care (with the alternative services and options proposed providing a less costly model of care). On the basis of anticipated savings, transitional costs of £2.6m in 2015-16 are included in the estimates, but no ongoing costs for later years. Any ongoing costs are assumed to be offset by savings elsewhere in the care system. In 2019-20, net savings of between £0.5m and £3.5m are anticipated, having peaked at £2m-£6m in 2017-18.

The methodology used to produce the estimates in this section of the FM is detailed and relies on a large number of assumptions in relation to the current costs of delivery, the uptake of new services/care options and the growth in formal care in the absence of these measures. The basis for many of these assumptions is unclear in the FM and a number of organisations, including COSLA and individual local authorities, have questioned their basis. If the anticipated savings are not delivered, there would be the potential for costs associated with implementation of these provisions which are not reflected in the FM.

INTRODUCTION

The Children and Young People (Scotland) Bill (“the Bill”) was introduced in the Scottish Parliament on 17 April 2013 (Scottish Parliament, 2013a). The Bill’s stated aim is to “address the challenges faced by children and young people who experience poor outcomes throughout their lives” (Scottish Parliament, 2013b). To this aim, the Bill proposes a range of policy measures relating to the rights of children and young people, services and support for children and young people, early learning and childcare and other measures in relation to looked after children. This briefing focuses on the costs associated with implementation of the Bill proposals, as set out in the Financial Memorandum (FM) accompanying the Bill (Scottish Parliament, 2013b). A separate [SPICe briefing](#) sets out the policy context for the Bill and considers the Bill provisions in detail (Kidner, 2013).

The Bill incorporates a wide range of provisions with different starting dates which are costed within five broad headings:

- Rights of children and young people
- Getting it right for every child (GIRFEC)
- Early learning/childcare
- Looked after children
- Other proposals

Costs are estimated for the period 2014-15 to 2019-20 and are analysed in relation to four groups:

- Scottish Administration
- Local authorities
- National Health Service
- Other bodies, individuals and businesses

Total costs in the first year of implementation (2014-15) are estimated at £79.1m rising to £138.9m in 2016-17, then falling back to £108.9m by 2019-20. On 12 September 2013, the Minister for Children and Young People wrote to the Convener of the Finance Committee outlining plans to increase funding in respect of the extension of early learning and childcare provision. The letter set out plans to increase funding by £4.2m per year (Scottish Government, 2013). However, details have not been provided on how this relates to the original calculations set out in the FM or why this additional funding is required. It should also be noted that all written evidence received and referred to in this briefing was on the basis of the FM as originally published. Tables and charts also relate to the figures in the original FM.

The majority of costs (around 90% on average) fall on local authorities, with costs to local authorities peaking at £121.9m in 2016-17. This reflects the fact that, in terms of the policy areas, the majority of costs are associated with the implementation of changes to early learning and childcare provision, which will be the responsibility of local authorities. The Scottish Government has committed to fully funding the requirements of the Bill in respect of their impact on local authorities. (COSLA, 2013a)

In its written submission to the Education and Culture Committee, COSLA commented that:

“The Children and Young People Bill is a complex piece of legislation with significant financial implications for local authorities. The accuracy of the Scottish Government’s analysis and therefore the funding that would be made available depends on a large

number of assumptions that will not be fully tested until the Bill is implemented. Councils have concerns over the future financial impact of the policies and that for this reason the financial implications to local authorities require in-depth scrutiny during the parliamentary passage of the Bill.” (COSLA, 2013a)

In written evidence to the Finance Committee, COSLA also commented that:

“COSLA is of the view that there are several areas covered by the Bill for which the financial assumptions made are not robust enough and therefore the financial implications for local authorities may not be accurately reflected.” (COSLA, 2013b)

This briefing reviews the FM associated with the Bill following the broad policy areas set out above. The FM states that the Bill is founded on the key principles of early intervention and prevention”, going on to note that “there have been methodological challenges in estimating the costs of some provisions” and that “these challenges in large part relate to estimating how the preventative approach set out...will result in future avoided costs” (Scottish Parliament, 2013b).

Figure 1: Children and Young People (Scotland) Bill estimated costs by body, £

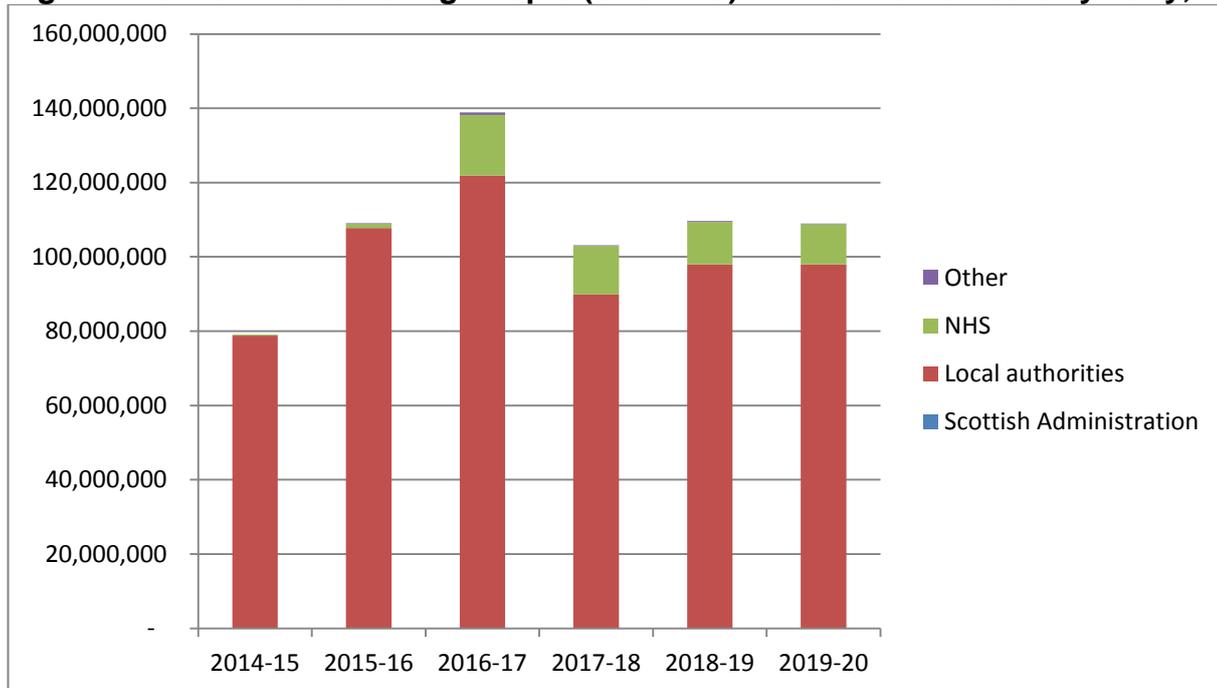
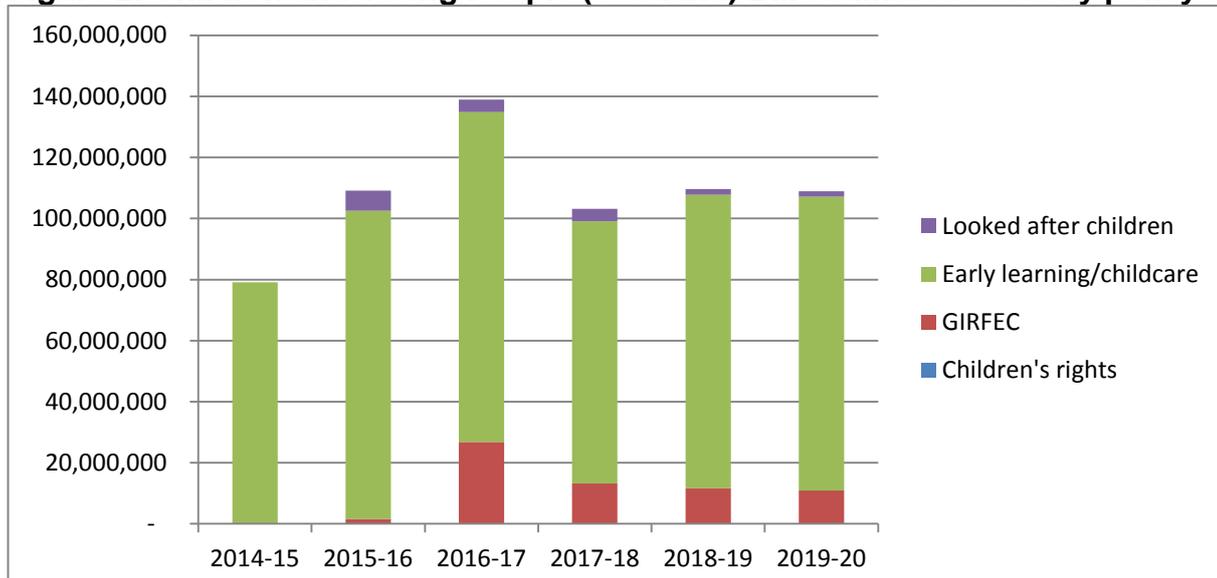


Figure 2: Children and Young People (Scotland) Bill estimated costs by policy area, £



RIGHTS OF CHILDREN AND YOUNG PEOPLE

The proposals in relation to children and young people’s rights have relatively modest cost implications, which are summarised in Table 1.

Table 1: Estimated costs of provisions relating to Children and Young People’s Rights, £

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Scottish Administration	25,000	32,500	-	-	32,500	-
Other bodies etc.	-	83,190	162,109	162,109	162,109	162,109
Total	25,000	115,690	162,109	162,109	194,609	162,109

The costs relate to:

- Implementation of the United Nations Convention on the Rights of the Child (UNCRC)** – as Scottish Ministers consider that they currently meet the requirements of this convention, additional costs are considered to be minimal and relate to developing and disseminating guidance (£25,000 in 2014-15) and reporting on progress once every three years (£32,500 every three years). The Scottish Government does not anticipate that reporting requirements will result in additional costs for local authorities or other bodies, but that such reporting will be captured by existing processes.
- Commissioner for Children and Young People in Scotland** – the Bill proposes to extend the powers of the Commissioner for Children and Young People in Scotland (CCYPS). The FM notes that this might result in the Commissioner undertaking between 1 and 4 investigations per year, examining the extent to which service providers have had regard to the rights, views and interests of children and young people. The FM states that, as no such investigations have been undertaken to date, the estimates presented should be considered “speculative” (Scottish Parliament 2013b, para 30). The CCYPS has noted that “it is not clear what the Scottish Government’s estimate that there will be between 1 and 4 investigations per year is based on” (Commissioner for Children and Young People in Scotland, 2013). The additional costs shown in Table 1 in relation to “other bodies, individuals and businesses” all relate to anticipated additional costs for the CCYPS. In order to undertake these additional investigations as well as any additional enquiries that might result from the new powers, the FM assumes that 3 additional full-time staff will be required (at a cost of £113,109 per year) and additional accommodation space (at a cost of £33,000 per year). Remaining costs are attributed to training/travel, start-up costs and expert advice. Given the uncertainty over the potential number of investigations that will be undertaken, the actual requirements could differ from these estimates. The Scottish Parliament’s Corporate Body (SPCB), which is responsible for the budget of the CCYPS, has raised concerns over the scale of additional costs proposed and “is sceptical that undertaking an estimated 4 investigations over the year will require 3 additional staff and cost an extra £162,109” (Presiding Officer, 2013). However, the CCYPS has also noted that investigations are only one aspect of its workload and that “‘complaints casework’ will significantly increase and is likely to form the majority of work carried out under the proposed power in Part 2” (Commissioner for Children and Young People in Scotland, 2013).

GETTING IT RIGHT FOR EVERY CHILD (GIRFEC)

The anticipated costs associated with the proposals in relation to the GIRFEC approach are summarised in Table 2.

Table 2: Estimated costs of provisions relating to GIRFEC, £

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Local authorities	-	398,097	9,764,210	-	-	-
NHS	300,000	1,088,949	16,315,681	13,056,680	11,414,442	10,803,505
Other bodies etc.	-	41,800	584,488	-	-	-
Total	300,000	1,528,846	26,664,379	13,056,680	11,414,442	10,803,505

The FM notes that: “Different parts of Scotland are at different stages in fully embedding the GIRFEC approach, and unfortunately none have established a cost analysis or benefit realisation model which could inform this Memorandum. It is difficult to create a definitive costing for implementation of the duties set out in the Bill and a margin of error is anticipated.” (Scottish Parliament 2013b, para 41)

Named Person Role

The majority of the costs in relation to GIRFEC are associated with the proposals to provide a “Named Person” for every child in Scotland from birth until they leave school and, where appropriate, to prepare a Child’s Plan. In order to deliver the Named Person role, education and health service staff will require training, creating a requirement to backfill staff while this training takes place. There will then be costs associated with delivering the activities associated with the Named Person role.

Training

In schools, the FM calculations assume that the head teacher, deputy head teacher or principal teacher will take on the Named Person role (although the Bill itself does not specify who would take on the role). Backfilling costs are associated with delivering the teaching commitments of these senior staff during the two day training period. If the Named Person role was taken on by more junior staff, the costs would be higher as the more junior staff have greater teaching commitments requiring backfilling. However, this possibility is not considered in the costings and no training costs are assumed for other teaching staff or administrative staff. City of Edinburgh Council noted that: “We would expect staff other than teachers to also require training which will incur additional costs” (City of Edinburgh Council, 2013). COSLA also commented that: “In primary schools it is likely that the best placed person to be the Named Person will be the head teacher, but the class teacher will certainly require to have a role in the process and be involved with the Named Person in delivering that role. This will have training costs and as noted above it is viewed that this will displace other training on CPD days and will therefore require an element of backfilling.” (COSLA, 2013b)

The local authority training costs are treated as one-off costs applied in 2015-16 only (totalling £398,097). In future years, it is assumed that the training will form part of standard Continuing Professional Development training activities and so will not incur additional costs. The Association of Headteachers and Deputies in Scotland commented that: “We are unconvinced that the training costs identified are adequate for successful implementation of this legislation” (AHDS, 2013). COSLA commented that: “the suggestion that the on-going training can be absorbed into CPD is unrealistic.” (COSLA, 2013b)

The training costs for those undertaking the Named Person role in independent schools (shown under ‘other bodies’) are calculated by assuming a cost of £95 per day, based on current

training costs for training provided by the Scottish Council of Independent Schools (SCIS). One-off costs of £41,800 are included in 2015-16, after which the costs are assumed to be absorbed within existing training budgets. SCIS has noted that these costs are likely to be an underestimate of the true costs as there is no allowance for development of training materials or for backfilling of staff. SCIS has also stated that it would be more cost effective for relevant staff from the independent sector to attend training courses being delivered to local authority staff. This would also ensure consistency of approach. (SCIS, 2013)

For schools, it is assumed that the training materials will have been developed by the Scottish Government (although there do not appear to be any costs attributed to the Scottish Government for this task).

For pre-school children, midwives, health visitors and public health nurses will be involved in the delivery of the Named Person role. For the NHS, £300,000 has been included in 2014-15 in respect of costs associated with the development of training materials. As with schools, backfill costs have been estimated to allow for two days of training for relevant staff, with total costs of £1,088,949 in 2015-16. Again, this is treated as a one-off cost, with the assumption that in future years, such training will form part of existing training programmes. The Royal College of Nursing (RCN) has questioned the assumption that only midwives and health visitors will require training, suggesting that a wider team of staff nurses, nursery nurses, health care support workers and administrative staff will also require training. (Royal College of Nursing, 2013)

Delivery of Named Person Duties

In addition to training, there are costs associated with the delivery of the Named Person duties, although costs are only included in the first year of implementation – beyond 2016-17, no additional costs are assumed on the basis that “the experience of GIRFEC...suggests that the system change accommodates the additional hours with efficiency savings”. For schools, it is assumed that 10% of children might require additional support in relation to the Named Person role. For those requiring extra support, the costings assume that an additional 3.5 hours support will be provided over the course of the year. The costs of this additional support, on the basis of a Grade 6 teacher salary, are calculated at £7.8m in 2016-17. In addition, it is assumed that extra administrative support of between 1 to 4 hours per week will be required to support the Named Person role. This adds a further £1.9m to the estimated costs, giving total costs of £9.8m in 2016-17.

In relation to these estimates, it should be noted that:

- The costs are only applied in 2016-17; after that, it is assumed that there will be off-setting savings as a result of the early intervention approach e.g. through reduced time spent on dealing with children in crisis circumstances and/or attendance at meetings and children’s panel reports. The FM cites evidence from the Highland Pathfinder evaluation which found tangible benefits as a result of the GIRFEC approach. However, these appear to relate to the GIRFEC approach as a whole, rather than the Named Person role specifically. Also, they are not presented in financial terms, so it is difficult to assess how they might compare to the costs presented for the Named Person role. The Educational Institute of Scotland (EIS) noted that: “It must be recognised that the costs associated with the provision of adequate resources to schools including increased staffing and additional management time for teachers undertaking the role of 'named person' will be on-going and not 'one-off” (EIS, 2013). COSLA also commented that: “the assumption...that some form of system change will accommodate these costs for years 2 onwards is speculative and basically assumes that £7.8m can be saved from elsewhere in the system to accommodate this” and also that: “It is not the experience of

some local authorities that implementing GIRFEC is reducing the number of meetings or administration.” (COSLA, 2013b)

- The costings are based on an assumption of an additional 3.5 hours support for 10% of school age children. The cost estimate is highly sensitive to these assumptions and a small variation in the assumption has a significant impact on the costs. For example, if it is assumed that 10% of children will require 6.5 hours of support a year, rather than the 3.5 hours assumed in the FM, then the costs rise from £7.8m to £14.5m, even though this still represents a fairly low level of support across a full year (3.5 hours a year would equate to 5 minutes per week across the 39 weeks of the school year). In its written submission to the Finance Committee, Falkirk Council noted that: “the allocation of 3.5 hours...underestimates the potential complexity of the role” (Falkirk Council, 2013). The Scottish Government has noted that the 3.5 hours relates to additional time spent supporting these children, over and above the support that they already receive. (Scottish Government, personal communication)
- The costings do not provide for any duties out of school term time. In its written submission, Getting It Right For Every Midlothian Child Partnership referred to “arrangements that will need to...put in place a robust referral and response system that works both during term time and also during school holidays, in order to ensure that referrals are dealt with throughout the year, not just during school term time. The FM looks at the costs of training teaching and school support staff and for backfilling posts, but not at this wider perspective.” (Getting It Right For Every Midlothian Child Partnership, 2013) In evidence to the Education and Culture Committee, the Scottish Government stated that, outside term time, “the local authority...will have to put arrangements in place to ensure that the named person is available.” (Scottish Parliament Education and Culture Committee 2013)

A similar approach is taken for estimating the costs of delivering the Named Person functions in independent schools (shown under ‘other bodies’). Total costs are estimated at £584,488 in 2016-17, but are assumed to be absorbed into standard practice and offset by savings elsewhere in subsequent years.

For the NHS staff that will be responsible for delivery of Named Person duties, the following assumptions underpin the estimates:

- 80% of children will require marginal additional support (2 hours per year pre-birth, then 1 hour per year for those aged 0-2)
- Of the remainder, 2% will have complex needs and will already be receiving significant support, so the Named Person role will not lead to additional costs
- The remaining 18% will have emerging/significant concerns, resulting initially in a need for an additional 10 hours support per child per year, reducing to between 3 and 8 hours per year as the system beds in

Delivery of the Named Person functions is estimated to result in additional costs to the NHS of £16.3m in the first year of implementation (2016-17), reducing to £10.8m in 2019-20 as the system beds in and the benefits of preventative intervention are realised, leading to a reduction in the level of intervention required in later years. For the NHS, although the costs are expected to reduce after 2016-17, they are not expected to be offset by savings (which differs from the approach taken in the local authority costings). It should also be noted that, if the assumed reduction in hours required is not achieved, the costs will not reduce as anticipated. The RCN has questioned some of the assumptions underpinning the estimates for the NHS, including the

assumed reduction in levels of intervention in later years. (Royal College of Nursing, 2013) NHS Lothian also stated that: “We estimate that the actual cost of the Named Person service is greater than is stated in the FM” and noted that additional recruitment would be required in order to deliver the role as described. NHS Lothian also commented that the assumed hourly rate of £19.04 was too low and £21 per hour would be a more accurate figure (NHS Lothian, 2013). If used, this higher hourly rate would imply a 10% increase in overall costs.

Scotland’s Commissioner for Children and Young People stated that: “I welcome the provision in the Financial Memorandum for additional resources for Health Visitors, but they are insufficient and are required now, rather than later. For these reasons, I urge the Committee to closely scrutinise this aspect of the Bill to ensure that the aspirations for early years developments are matched by the resource allocation.” (Scotland’s Commissioner for Children and Young People, 2013)

EARLY LEARNING/CHILDCARE

The most costly of the Bill’s proposals are the plans relating to early learning and childcare. The Bill proposes to increase the statutory provision of pre-school education from the current 475 hours per year to 600 hours per year for 3 and 4 year olds and for 2 year olds who are (or have been since turning 2) looked after or subject to a kinship care order. The estimated costs, which fall solely to local authorities, peak at £108.1m in 2016-17, falling back to £96.2m in 2018-19.

Table 3: Estimated costs of provisions relating to early learning/childcare, £

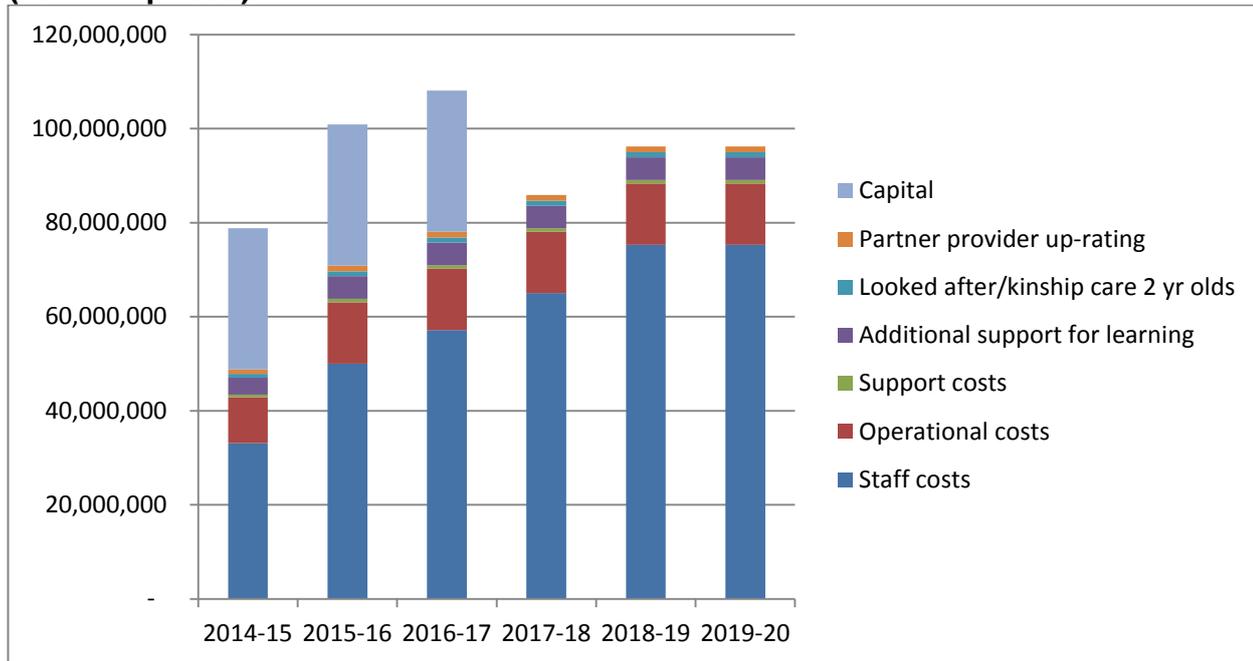
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Local authorities	78,782,982	100,895,976	108,064,976	85,895,976	96,195,976	96,195,976

On 12 September 2013, the Minister for Children and Young People wrote to the Convener of the Finance Committee outlining plans to increase funding in respect of the extension of early learning and childcare provision. The letter set out plans to increase funding by £4.2m per year. The additional funding relates to the costs of providing early learning/childcare to two year olds who are looked after or subject to a kinship care order (additional £3.4m), and to the costs of uprating payments to partner providers (additional £0.8m) (Scottish Government, 2013). However, details have not been provided on how this relates to the original calculations set out in the FM or why this additional funding is required. Table 3 and the text below relates to the information provided in the original FM, as do the quotes from written evidence.

All costs relate to estimated additional costs over and above the costs currently incurred by local authorities in the delivery of 475 hours of pre-school provision. This section of the FM specifically states that all costs are shown at 2011-12 prices. The basis for costs elsewhere in the FM is not explicitly stated, so it is unclear whether this approach has been taken consistently across all aspects of the FM.

Figure 3 shows a breakdown of these estimates by category of cost. The largest category of costs is staff costs, although in the first three years, there are also significant capital costs associated with improving infrastructure to adapt and improve the suitability of accommodation for re-configured provision. Once the capital costs end in 2017-18, staff costs account for around three-quarters of the total costs.

Figure 3: Estimated additional costs of early learning and childcare provisions, £ (2011-12 prices)



Staff costs

Additional staff costs are anticipated to be £75.3m by 2019-20, which the FM indicates reflects “a combination of models” (Scottish Parliament 2013b, para 77). However, details are not provided on the exact models that have been assumed in developing this estimate. According to the FM:

“Working with COSLA and individual local authorities, the additional staff costs associated with a range of patterns of delivery have been estimated. The derivation of the revenue and capital costs for the early learning and childcare costs outlined below demonstrates that the incremental increase in flexibility is more complex to estimate than just additional hours. The other complex factor has been that models of flexibility used have been indicative examples developed by local authorities in advance of consultation with local populations. We have sought to mitigate this uncertainty by working closely with COSLA and others on their models and estimates of anticipated costs and, by building in an incremental approach which allows re-configuration of services in response to consultation which is planned and manageable.” (Scottish Government 2013b)

Limited detail is provided in the FM on the derivation of the staff costs, other than to say that local authorities were asked to cost five different options (reflecting the options set out in the consultation paper, *A Scotland for Children*, para 101) (Scottish Government, 2012). The FM does note that additional costs will to some extent reflect the range of different starting positions across local authorities, with current provision varying across the country. The FM notes that “costs are indicative” but does not provide details of the basis for the costings presented or present any alternative scenarios. East Renfrewshire Council acknowledged that “it was inevitably going to be a difficult exercise to cost” but also noted that “Given the range of models, it would have been thought that a range of costs per year would also have been determined”. (East Renfrewshire Council, 2013)

Staff costs increase over time and this appears to be the reflection of an “incremental” approach as more costly, flexible models are introduced over time (or a combination of model is offered). However, it is not clear from the FM what assumptions have been made in respect of implementation, or what effect different implementation options might have on the costs. It is

unclear whether the modelling takes into account population projections over the period concerned.

Additional staff costs of £75.3m would represent an increase of just over a third on the current staff costs relating to pre-school education. This is more than a proportional increase (the increase in provision represents a 26% increase in hours), which will reflect the added costs associated with delivering more flexible models of provision.

In its written submission to the Finance Committee, Getting It Right For Every Midlothian Child Partnership commented that: "Midlothian Council is in the process of carrying out an options appraisal, including costing, for the increase in early learning and childcare hours and these estimates come in significantly below the figures in the FM (once they have been extrapolated using the population aged under five in Midlothian as a proportion of the Scottish population)." (Getting It Right For Every Midlothian Child Partnership, 2013) Scottish Borders Council "anticipated that the figures quoted in the FM (based on this council's proportionate share of the national GAE) will be sufficient to cover additional costs", but noted that they "have not agreed their delivery model so it is difficult to give a definitive response at this stage" (Scottish Borders Council, 2013). COSLA also noted that: "local authorities have indicated that they are broadly happy that they are an accurate assessment of implementation costs" but cautioned that any requirement for greater flexibility for parents could have implications for delivery costs. (COSLA, 2013b)

The FM refers to consultation with local populations in order to determine the most appropriate delivery models in individual local authorities; however, there do not appear to be any costs included in the FM for such consultation.

Operational/support costs

Operational costs include items such as premise repairs, janitorial/cleaning, office supplies, equipment/furniture and utilities. Support costs include items such as central management, finance, IT, HR, legal and procurement costs. These costs are not assumed to rise in direct proportion to the increase in provision but, rather, the increases are adjusted downwards (to reflect economies of scale etc.). So, for example, a 10% increase in hours is assumed to result in a 5% increase in operational costs and a 3% increase in support costs. It is not clear from the FM how the adjustment factors were determined.

Operational/support and other costs are not assumed to increase over time. This differs from the staff costs which are assumed to increase over time as more complex models of delivery are introduced. The implication is that – unlike staff costs – other costs would not be affected by more complex models of delivery.

Additional support for learning

Additional costs are estimated on the basis of the existing special education budget, assuming that 3.3% of children in special needs schools are of pre-school age. The hourly cost of this provision is adjusted downwards by 10% to reflect the lower cost of special education for younger children relative to older children.

Looked after/kinship care 2 year olds

In the original FM, an additional £1.1m per year was included to allow for the extra provision for looked after/kinship care 2 year olds. This figure was subsequently revised to £4.5m per year in a letter from the Minister for Children and Young People to the Finance Convener (Scottish Government, 2013). However, neither the FM nor the letter provides details of the basis for these estimates.

Partner provider up-rating

The FM provides an estimate of the cost of uprating the payments made to partner providers. It is assumed that 40% of total provision will continue to be provided by such partners. In the original FM, a revised hourly cost of £4.09 has been assumed, although this does not appear to reflect actual payments to providers at present and the FM refers to a lack of consistency of approach across local authorities. The £4.09 figure is based on a recommended floor level for payments to providers set in 2007, uprated to reflect inflation over the period since 2007. However, the National Day Nursery Association notes that in its most recent survey, “nurseries reported average funding rates of £3.28, giving them an average shortfall of £1.23 per child per hour. Therefore, even if rates were increased to a £4.09, this would still incur an average shortfall of £0.42 per child per hour, equivalent to £252 per child per year for 600 hours of provision. Shortfalls will be significantly greater than this in higher cost areas.” (National Day Nursery Association, 2013)

It is unclear from the FM, but the Scottish Government has indicated that the figure of £1.2m for partner provider uprating included in the FM relates solely to the costs of providing a higher rate of reimbursement to partner providers. It does not reflect the full costs of provision, which would be reflected within the total staff cost figures discussed above, but only the additional costs associated with increasing the reimbursement rate (Scottish Government, personal communication). SCIS has highlighted the lack of detail around the methodology used to arrive at the figure of £1.2m (SCIS, 2013). In a letter from the Minister for Children and Young People to the Convener of the Finance Committee on 12 September 2013, the Scottish Government set out its intention to provide £2m rather than £1.2m in respect of the costs of partner provider uprating (Scottish Government, 2013). This appears to reflect a change in assumptions about the levels of payments to partner providers currently in place. It is unclear how the Scottish Government would intend to ensure that this additional funding is passed on to partner providers.

It is also unclear whether partner providers will be in a position to accommodate this level of additional provision and the FM states that “the National Day Nursery Association and some partner providers have raised the issue of unsustainable funding levels for the majority of partner providers placements, especially if the patterns of placements change to full or half days” (Scottish Government 2013b). This could have an impact on total costs for partner provision. The National Day Nursery Association has also highlighted the lack of any provision for staff training in partner nurseries or for capital investment in partner nurseries. (National Day Nursery Association, 2013)

Capital costs

Capital costs of £30m per year for three years have been included to allow for alterations to and/or expansion of current facilities in order to accommodate the increased hours as well as more flexible models of provision. This cost is based on an assumption of £2,350 per square metre and 7.5 square metres per child, reflecting Scottish Futures Trust metrics for primary schools. On this basis, the £30m estimated could, over three years, provide a range of adaptations to existing accommodation or up to 60 new stand alone nurseries for 80 children. Without details on models of delivery, it is difficult to ascertain what level of investment in infrastructure will be required. East Renfrewshire Council noted that: “There is not much detail on how the total capital of £30m per year for 2014-2017 has been determined” and that “the starting point for each authority will be different based on existing capacity, potential development, availability of partnership provider places and model of delivery to implement the flexible 600 hours of provision agreed with stakeholders. It is therefore difficult to ascertain at a local level if the allocation of this will be sufficient to meet local needs.” (East Renfrewshire Council, 2013)

LOOKED AFTER CHILDREN

The provisions relating to looked after children would result in estimated costs of £6.5m in 2015-16, falling to £1.8m by 2019-20. These costs result from extending the range and number of corporate parents and extending throughcare and aftercare support for looked after children. The majority of the costs would be borne by local authorities.

Table 4: Estimated costs of provisions relating to looked after children, £

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Local authorities	-	6,471,515	4,033,640	4,033,640	1,777,046	1,777,046
Other bodies etc.	-	74,240	-	-	74,240	-
Total	-	6,545,755	4,033,640	4,033,640	1,851,286	1,777,046

Corporate parenting

Additional costs of £74,240 are estimated, which relates entirely to the costs of preparing reports every three years. No costs are attributed to any additional costs related to the delivery of corporate parenting duties. All these costs are attributed to other bodies, although some of these costs would be expected to be borne by local authorities and the NHS as corporate parents.

Extending throughcare and aftercare support

The provisions to extend throughcare and aftercare support account for all the additional costs to local authorities in the years 2016-17 to 2019-20 and the majority (£3.9m) of the additional costs in 2015-16. The numbers eligible (and the resulting costs) decline after the initial increase reflecting the change in eligibility rules.

The FM provides a detailed explanation of the methodology used to arrive at these estimates. The key assumptions that underpin the costings are:

- The proportion of care leavers aged 19-25 granted support will be 65% (compared to the current 56% of 19-21 year olds)
- Average support costs are £2,100 a year per young person (although the FM notes difficulties in obtaining data on current costs and states that there is variation in practice across local authorities)
- The average cost of dealing with an application is £1,042 (which seems high relative to the average level of support and there is no assumption that average processing costs might decline as demand increases)
- One off support of £2,000 will be available to 25% of applicants

Taken together, these assumptions form the basis for the estimated costs. No sensitivity analysis is presented to indicate the effect that alternative assumptions would have on the costs, despite a number of references to limited data availability. COSLA has raised concerns over the accuracy of the estimates (although, according to the FM, were consulted on the methodology, along with 7 local authorities). Their view was that the actual costs could be higher, commenting that:

“COSLA has less certainty over the accuracy of the costings of this aspect of the Bill due to the difficulties for local authorities in estimating the financial impact. In particular, we

are not convinced that the Scottish Government have accurately assessed the average annual cost of support, estimated at £3142 per young person in the FM...from experience a figure nearer £6,000 per person is considered more realistic by some local authorities.” (COSLA, 2013b)

Glasgow City Council estimated that its costs alone would rise to £1.4m. If this is the case, the Scotland-wide estimate of £1.8m for the end of the period may be an underestimate. (Glasgow City Council, 2013)

Falkirk Council also noted (in their submission to the Finance Committee) that they viewed the assumed costs as an underestimate of the true position. (Falkirk Council, 2013)

Kinship care, family therapy and counselling services

Note: the Scottish Government has indicated that there will be revisions to this section of the FM at Stage 2.

The FM models potential savings from these provisions, resulting primarily from a reduced dependency on formal care (with other alternatives providing a less costly model of care). On this basis, transitional costs of £2.6m in 2015-16 are included in the estimates, but no ongoing costs. Any ongoing costs are assumed to be offset by savings, although the Getting It Right For Every Midlothian Child Partnership notes that: “In some cases the FM offsets...savings in the short term, where in fact it may be many years, and in some case a generation or longer, before the provision of, and funding for, some services can be reduced.” (Getting It Right For Every Midlothian Child Partnership, 2013)

Additional costs are estimated at between £8m and £16m by 2019-20 and relate to:

- Existing formal kinship carers applying for the new kinship care order and thereby qualifying for additional support – the FM assumes that 2-4% of formal kinship carers would choose to do so initially, rising to 6-11% of formal kinship carers by 2019-20.
- Existing informal kinship carers applying for the new kinship care order and thereby qualifying for additional support – the FM assumes that between 1.5% and 3.5% of informal kinship carers would choose to do so. However, the FM notes the uncertainty over the current scale of informal kinship care.
- Provision of counselling services – the FM assumes that between 2.5% and 7.5% of ‘at risk’ families might access these services, at a unit cost of between £750 and £2,500.

The anticipated gross savings are estimated at £8-20m by 2019-20 as a result of the various measures, although COSLA notes that: “There is a concern...that this new order will not be embraced by families and therefore not free up monies as assumed. The potential loss of income to families during this period of economic pressure may well play a significant part in decision making by families considering this option. If only a small number of formal and informal kinship carers apply for a kinship care order then it is unlikely that any savings would be achieved in the first few years as the cost of the various elements of support would outweigh any savings” (COSLA, 2013b). The FM does note that the margins of uncertainty are particularly significant with regard to the duties relating to kinship carers and counselling services. In addition to the assumptions about uptake of the kinship care order, the savings estimates are based on the assumption that:

- In the absence of the Bill's provisions in relation to kinship care orders, the numbers in formal kinship care will increase by 6.5% per year
- As a result of the Bill's provisions in relation to kinship care orders, by 2019-20 between 887 and 2,187 children per year will avoid becoming looked after
- The annual cost of formal kinship care totals £8,998 per child
- The provision of counselling to 'at risk' families will result in a child avoiding the need for formal care in 50-60% of cases, with associated savings.

A number of councils highlighted concerns relating to the assumptions made in this area of the FM. Falkirk Council noted that: "there is no substance behind the estimated avoided costs [from diverting children from formal kinship care] and the margin for error is significant" (Falkirk Council, 2013). The City of Edinburgh Council noted that:

"There was a significant difference in opinion in potential additional costs due to the Council believing that the number of informal kinship carers taking advantage of the new legislation would be significantly higher than the Government estimates.

There was also a significant difference in the assumptions of value of savings, or avoided costs that would be delivered to the Council as a result of the new legislation. The difference was due to a view, by the Council, that the stated aim of the legislation itself would not lead to the reduction of Looked After Children entering kinship care and therefore the level of savings is significantly over estimated."

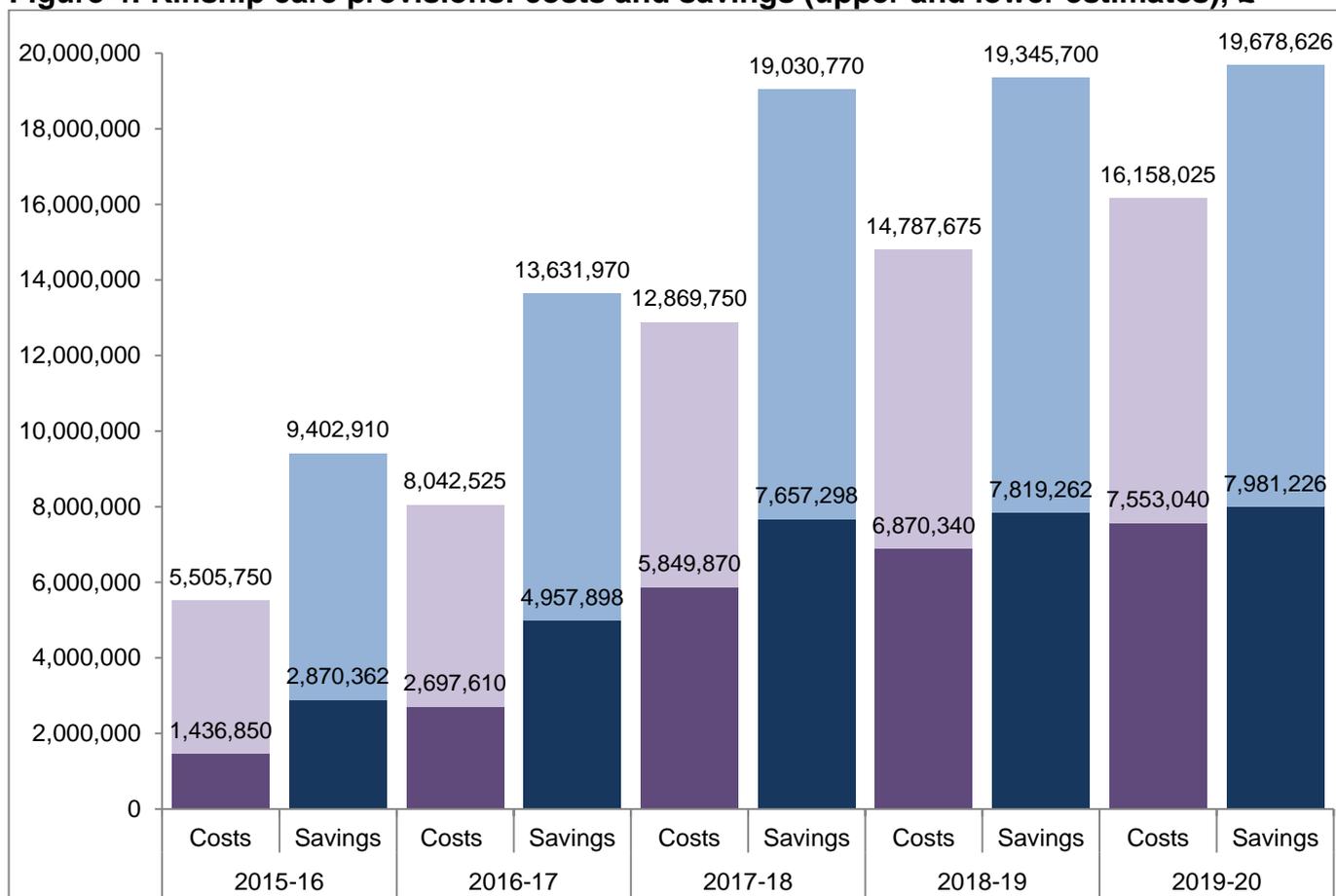
And:

"In relation to throughcare and aftercare the estimates of the numbers taking advantage of the legislation and the number that would cease to receive support as their age increased also differed, with the Council believing the numbers taking advantage to be higher and the number ceasing to be lower." (City of Edinburgh Council, 2013)

In relation to counselling services, COSLA also noted that: "There appears to be no substance behind the estimated avoided costs and the margin for error would be significant." (COSLA, 2013b)

In all years for which estimates are given, the estimated savings offset the estimated costs, provided that either the lower end estimates or higher end estimates are compared (see Figure 4). This is the only section of the FM to set out both lower end and higher end estimates and the range between the lower and higher end estimates is broad, with higher end estimates 2-4 times higher than the lower end estimates.

Figure 4: Kinship care provisions: costs and savings (upper and lower estimates), £



The margin between the lower projected costs and savings is narrow. In 2019-20, lower end savings exceed lower end estimated costs by only £0.4m and a 6% increase in costs would mean that costs would exceed savings. Alternatively, if the higher end cost estimates are compared with the lower end savings estimates, the result is net costs rather than net savings. Given the margins of uncertainty that the FM highlights in this area, there would appear to be the potential for net costs to arise as a result of these provisions. Dundee City Council commented that:

“the FM does not take cognisance of the various and distinct Kinship Care and Residence arrangements in place across Scotland and it is argued that the avoided costs have been overestimated... the assumption that further Social Work interventions and expenditure would no longer be required as a result of these arrangements is unrealistic. We have concerns that a number of informal kinship care arrangements not currently known to Social Work will become eligible for enhanced support resulting in additional costs to the authority.” (Dundee City Council, 2013)

OTHER PROPOSALS

The other proposals detailed in sections 69-76 of the Bill are not anticipated to have any cost implications.

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