



The Scottish Parliament  
Pàrlamaid na h-Alba

**Finance Committee**  
**Convener: Kenneth Gibson MSP**

Duncan McNeil MSP  
Convener  
Health and Sport Committee  
The Scottish Parliament  
Edinburgh, EH99 1SP

18 May 2012

*Dear Duncan,*

**SOCIAL CARE (SELF-DIRECTED SUPPORT) (SCOTLAND) BILL FINANCIAL MEMORANDUM**

The Finance Committee gave consideration to the above at its meeting on 9 May 2012 when it took oral evidence from the Scottish Government Bill team. I am aware that your Committee began its Stage 1 consideration on 8 May and that you plan to publish your Stage 1 Report before the summer recess.

There were a number of points discussed with the Bill team ([Official Report 9 May 2012](#)) and I hope these are of interest and use to your Committee in its examination of the Bill. These may be matters which you wish to raise with the Minister for Public Health when you take oral evidence from him later this month.

As you know, our role is to scrutinise the financial implications of all Bills introduced in the Parliament. The Financial Memorandum (FM) must distinguish separately costs that would fall on—

- (a) the Scottish Administration (i.e. the Executive, in the broad sense of Ministers, departments and agencies);
- (b) local authorities; and
- (c) other bodies, individuals and businesses.

It must set out the best estimates of the administrative, compliance and other costs to which the provisions of the Bill would give rise, best estimates of the timescales over which such costs would be expected to arise, and an indication of the margins of uncertainty in such estimates.

**Room T3.60, The Scottish Parliament, Edinburgh, EH99 1SP**  
[finance.committee@scottish.parliament.uk](mailto:finance.committee@scottish.parliament.uk)

Our approach to considering the FM was to invite a number of organisations, including all 32 local authorities, to respond to a series of specific questions. That we did on 7 March and we received responses from nine local authorities and from COSLA. These responses are published on our website:

[www.scottish.parliament.uk/S4\\_FinanceCommittee/General%20Documents/Web\\_version\\_of\\_all\\_responses.pdf](http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Web_version_of_all_responses.pdf)

As you know, the Scottish Government considers that self-directed support will be 'cost-neutral' in the long term and that there is 'not expected to be a long term demand for increased funding within the local government finance settlements arising from this new framework of choice' (paragraph 83 of the FM).

There was much discussion at our meeting on the level of funding which the Scottish Government will make available to local authorities for transformation. This was the main issue raised in the local authority and COSLA responses. Views were expressed that the funding is not enough and should be available over a longer period. The Scottish Government is to make £23 million available across the years 2012-13 to 2014-15 to assist local authorities with transformation (bridging finance, leadership, commissioning and contracting, IT and accounting systems, information material, administration and reporting requirements) to implement the Bill's provisions.

The methodology underpinning this figure is dealt with at Table 2 and paragraph 106 of the FM. The Scottish Government has used three local authorities to determine the level of funding to be made available. One point to make here is that it would have been more helpful had a larger and more geographically dispersed and diverse number of local authorities been used rather than only three, all from the central belt and with two of these being our largest cities.

There was much discussion on the concerns raised that this £23 million will be insufficient. In particular, COSLA stated (paragraphs 11 and 12) in its written submission—

'Both the financial memorandum, and indeed previous research studies, acknowledges it is difficult to accurately estimate the costs that will arise from the changes outlined above. Indeed, the timing and extent of these shifts in commissioning arrangements, administrative costs, and dual running costs are partly dependent of the choices individuals make under SDS. That said, the £23m identified falls far short of even councils' most conservative estimates. Whilst it is difficult to fully estimate the exact cost for all Councils, from the information provided by Councils even the *lowest* estimate for each of the cost areas outlined above over three years would total just over £50m nationally. Given that councils are at different stages in implementing SDS, it is highly likely that these costs would be higher, and indeed even based on the median of the estimates which were received the total cost to councils, over the next three years would be over £90m. Clearly this is very different to the actual level of funding which has been provided.

**Room T3.60, The Scottish Parliament, Edinburgh, EH99 1SP**  
[finance.committee@scottish.parliament.uk](mailto:finance.committee@scottish.parliament.uk)

These estimates are of course subject to the limiting factors outlined earlier and COSLA is in no way presenting these figures as definitive. What we do wish to highlight however, is the level of disparity between even our most conservative estimates and the resource being made available.

COSLA did not produce a methodology or breakdown of what the level of transformation funding should be. I am aware that you have requested COSLA to provide your Committee with information on this issue and I hope that will add clarity to its position and give foundation to its estimate. The Bill team did say it had requested such information on a number of occasions in order to establish how the estimated £90 million came about. It also stated that the COSLA estimate may well include a number of elements which are not within the £23 million and for which funding may be provided elsewhere. There is therefore a degree of uncertainty around this.

The Committee therefore recommends that the lead committee explores further why such a significant disparity exists between these two estimates.

The Scottish Government supplied us with a breakdown of how this £23 million will be allocated to local authorities and a copy of this is attached. The point was made about the number of variables which must be considered. An example was given with respect to East Ayrshire Council which, in its written submission, sets out its estimates over the three year period but which are lower than the funding which it is to receive from the Scottish Government in each year. There is therefore clearly a need for detailed communication now and in the coming months, between the Scottish Government and each local authority and COSLA, to determine where each local authority is in the shift towards self-directed support and establish what funding is actually needed and for what precise purpose. This may be something which the Minister can update the Committee on.

While the Scottish Government has outlined its approach to preparing the FM, and it has drawn on the University of Stirling research, the Reid Report of 2003, and the University of Kent research, we must recognise the gap between its estimate and that of COSLA and of the local authorities (whatever these are). It is important that the Scottish Government's estimated costs are as informed and precise as possible, particularly since any additional transformation costs would need to be covered from within local authority budgets.

In addition to the actual amount of funding to be made available, concerns were expressed as to the period over which funding will be provided. For example, Scottish Borders Council considers there will be a 'substantial cost implication over at least 6 years'. As stated above, the Scottish Government will provide funding across the years 2012-13 to 2014-15. COSLA highlighted this issue in its submission—

'Whilst COSLA recognises that SDS may deliver savings over the longer term, the SDS strategy is a 10 year vision. Whilst resources have been provided to support the next 3 years, it is clear that both changes to culture and associated infrastructure often take time to emerge, and will require resources to support


**Room T3.60, The Scottish Parliament, Edinburgh, EH99 1SP**  
[finance.committee@scottish.parliament.uk](mailto:finance.committee@scottish.parliament.uk)

the necessary changes. Given the Bill places new duties on Councils, it is difficult to estimate what level of savings may be realised going forward. Whilst the Scottish Government have made it clear that the level of resources which are currently provided are for the next Spending Review only, there will be a need to consider any future anticipated resources going forward.'

Again, this disparity may be an issue you wish to raise with the Minister.

I do hope this information is useful to your Committee. Should you wish to discuss, please do get in touch (alternatively, your clerks can discuss with Finance Committee clerks).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ken Gibson', is written over a faint, illegible stamp.

**Kenneth Gibson MSP**  
**Convener**

### Self-directed Support: Transformation funds to local authorities 2012/13 – 2014/15

In 2011/12, £1.12m was distributed to local authorities at a flat rate of £35,000 each. The Financial Memorandum to the Social Care (Self-directed Support) (Scotland) Bill identified a further £23m to support transformation within local authorities over the next 3 years - £6m in 2012/13, £11m in 2013/14 and £6m in 2014/15. At the time of writing the Memorandum, the Government was still in negotiation with COSLA about how that resource would be allocated. A formula has now been agreed and approved by the Minister for Public Health and the COSLA leadership, and the Government has commenced distributing the money for 2012/13.

The funding will be divided as follows:

- a flat rate of £50,000 per local authority per year; and
- the remainder to be divided up using a formula based on existing Social Work Grant Aided Expenditure (GAE) lines relating to older people and adults with community care needs plus 12% of the GAE lines relating to children and families.

The flat rate £50,000 per year is in recognition of the need for a properly resourced Implementation Manager in each local authority and also creates a minimum amount per local authority.

The distribution of the remainder of the funding follows a similar approach to that used for the allocation of the Older People's Change Fund and therefore avoids creating a new distribution process for what is short-term funding. The formula gives a weighting of 100% to lines relating to older people and adults with community care needs, in recognition that SDS will apply to the majority of people in these groups. In relation to children and families, the Bill will mainly apply to children and young people with a disability and their carers. However, there are no specific GAE lines for this group. Statistics suggest that 12% is the best estimate for children and young people with a disability as a proportion of the groups covered in children and families' GAE lines. This is therefore applied as the weighting for these lines.

Overall, this results in a distribution of funding as set out below:

	2012/13	2013/14	2014/15
<b>Aberdeen City</b>	£ 226,440	£ 426,000	£ 225,560
<b>Aberdeenshire</b>	£ 234,360	£ 445,740	£ 236,560
<b>Angus</b>	£ 151,640	£ 268,080	£ 152,520
<b>Argyll and Bute</b>	£ 136,680	£ 235,180	£ 136,680
<b>Clackmannanshire</b>	£ 88,280	£ 131,780	£ 88,720
<b>Dumfries and Galloway</b>	£ 194,760	£ 359,260	£ 195,640
<b>Dundee City</b>	£ 187,720	£ 343,280	£ 186,840

<b>East Ayrshire</b>	£ 152,960	£ 269,960	£ 152,520
<b>East Dunbartonshire</b>	£ 130,520	£ 222,020	£ 130,960
<b>East Lothian</b>	£ 130,080	£ 222,020	£ 130,960
<b>East Renfrewshire</b>	£ 121,720	£ 204,160	£ 122,160
<b>Edinburgh, City of</b>	£ 452,160	£ 909,160	£ 452,160
<b>Eilean Siar</b>	£ 75,960	£ 104,520	£ 75,520
<b>Falkirk</b>	£ 170,560	£ 307,560	£ 170,560
<b>Fife</b>	£ 358,880	£ 710,820	£ 360,200
<b>Glasgow City</b>	£ 579,760	£ 1,168,600	£ 567,440
<b>Highland</b>	£ 233,920	£ 446,680	£ 237,000
<b>Inverclyde</b>	£ 126,120	£ 211,680	£ 125,240
<b>Midlothian</b>	£ 115,120	£ 190,060	£ 115,560
<b>Moray</b>	£ 123,480	£ 207,920	£ 123,920
<b>North Ayrshire</b>	£ 169,680	£ 305,680	£ 169,240
<b>North Lanarkshire</b>	£ 299,480	£ 583,920	£ 299,920
<b>Orkney Islands</b>	£ 66,280	£ 84,780	£ 66,280
<b>Perth and Kinross</b>	£ 186,840	£ 344,220	£ 188,600
<b>Renfrewshire</b>	£ 189,480	£ 347,980	£ 189,480
<b>Scottish Borders</b>	£ 150,760	£ 265,260	£ 150,760
<b>Shetland Islands</b>	£ 67,600	£ 87,600	£ 68,040
<b>South Ayrshire</b>	£ 160,880	£ 286,880	£ 160,880
<b>South Lanarkshire</b>	£ 304,760	£ 596,140	£ 306,520
<b>Stirling</b>	£ 121,720	£ 204,160	£ 122,160
<b>West Dunbartonshire</b>	£ 129,200	£ 217,320	£ 127,440
<b>West Lothian</b>	£ 161,320	£ 290,640	£ 163,960
	<b>£ 5,999,120</b>	<b>£10,999,060</b>	<b>£ 6,000,000</b>