



2012-13 Draft Budget

Report to: Board

Date: 8 March 2012

Report by: Kenny Dick, Finance and Procurement Manager

Report No. B-03-2012

Agenda Item: 9

PURPOSE OF REPORT

To present the 2012/13 draft budget for approval.

RECOMMENDATIONS

That the Board:

1. Approves the 2012/13 Draft Budget (Appendix 1).
2. Approves the 2012/13 Draft Capital Plan (Section 5 and Appendix 2).
3. Approves a reduction in the annual continuation fee for care home services to £157 per place.

Version Control and Consultation Recording Form

| Version | Consultation | Manager | Brief Description of Changes | Date |
|----------------|--|----------------|-------------------------------------|-------------|
| | Senior Management | | | |
| | Legal Services | | | |
| | Resources Directorate | | | |
| | Committee Consultation (where appropriate) | | | |

Equality Impact Assessment

To be completed when submitting a new or updated policy (guidance, practice or procedure) for approval.

| | | |
|--|--|--|
| Policy Title: | | |
| Date of Initial Assessment: | | |
| EIA Carried Out | YES <input type="checkbox"/> | NO <input checked="" type="checkbox"/> |
| If yes, please attach the accompanying EIA and briefly outline the equality and diversity implications of this policy. | The budget is the expression of corporate and business plans in financial terms. Specific plans, expenditure and income proposals and the policies on which the budget is based should all have been equality impact assessed where appropriate. | |
| If no, you are confirming that this policy will have no negative impact on people with a protected characteristic and a full Equality Impact Assessment is not required. | Name: Kenny Dick Position: Finance & Procurement Manager | |
| Authorised by Director | Name: Gordon Weir | Date: 27 February 2012 |

1.0 INTRODUCTION

1.1 Corporate Plan Reference

Outcome 3, key objective 4:

'The Care Inspectorate delivers value for money and efficiency through excellent management of its people, assets and finances'.

1.2 Background

- 1.2.1** The Care Inspectorate's new financial year commences on 1 April 2012 and there is a requirement to have in place an agreed budget before that date. This budget is then used as the basis for measuring financial performance throughout the year. The budget must be agreed by the Care Inspectorate Board and by the Sponsor Department for funding purposes.
- 1.2.2** The original business plan for the Care Inspectorate agreed by Scottish Ministers in November 2010 set out a 25% reduction of the combined budgets of the Care Inspectorate's predecessor bodies over the first four years of the Care Inspectorate's operational existence ie a reduction from the combined predecessor bodies 2010/11 budgets of £35.9m to £27.4m. The Care Inspectorate's 2011/12 operating budget made a significant step towards the budget reduction target by setting the budget at £32.8m which represents a reduction of 8.6% on the combined predecessor bodies' budget position.
- 1.2.3** The Scottish Government subsequently announced that the Care Inspectorate's budget would be protected at 2011/12 levels to maintain and enhance the public assurance and protection the Care Inspectorate must provide.
- 1.2.4** The Care Inspectorate throughout most of 2011/12 has been preparing for a reduction in budget, therefore expenditure has been closely scrutinised and all identified opportunities to avoid cost and drive efficiencies have been pursued. The result of this is that the Care Inspectorate is in a position to redirect the savings and efficiencies identified to invest in improving and developing our scrutiny activities to better provide public protection and assurance.
- 1.2.5** The Resources Committee considered a suite of options designed to enhance the public protection and assurance the Care Inspectorate provides. The total value of the options considered by the Resources Committee was £3.65m and there was £2.25m of identified efficiencies and savings that could be redirected to funding these options. The 2012/13 Inspection Plan as considered by the Strategy and Performance Committee on 17 January 2012 was integral to the Resources Committee budget options considerations. The Resources Committee considered the options together with the Strategy and

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Performance Committee's recommendations and agreed a position that makes the most effective use of the available funding in order to meet the Care Inspectorate's corporate objectives.

1.2.6 The draft budget as detailed in this report is sufficient to deliver the minimum inspection frequency in the 2012/13 Inspection Plan including the new statutory inspection frequency as set out in the Public Services Reform (Social Services Inspections) (Scotland) Amendment Regulations 2012. The draft budget also includes the re-direction of savings and efficiencies to provide resources in the following areas:

- Sampling of better performing services not due an inspection under frequency rules.
- Increased time for inspectors to focus on users of care services.
- Inspector time allocated in response to the additional work around Dementia Standards which now needs to be effectively rolled out across care homes and care at home settings.
- The creation of capacity to allow the Care Inspectorate to respond effectively and flexibly on a crisis intervention basis and to respond to emerging intelligence.

2.0 OVERALL FINANCIAL POSITION

The recent Scottish Government Comprehensive Spending Review (CSR) set out indicative grant in aid funding for the Care Inspectorate to 2014/15. The Sponsor Department on 24 February 2012 provided revised indicative grant in aid funding figures. The 2012/13 figure is £112k less than previously indicated and an additional budget adjustment to those considered by the Resources Committee on 31 January 2012 has been necessary. The adjustments may be summarised as an increase of 0.5% in the staff slippage assumption for staff other than Inspectors which reduced the draft budget by £53k and an additional £59k slippage is assumed for Inspectors to account for the fact that it will be very difficult to start all newly recruited Inspectors on 1 April 2012. The table below shows the CSR indicative grant in aid figures together with the revised figures supplied by the Sponsor Department.

| Year | CSR Grant in Aid £m | Sponsor Grant in Aid £m | Variance £m |
|-------------|------------------------------------|--|------------------------|
| 2012/13 | 21.600 | 21.488 | (0.112) |
| 2013/14 | 21.800 | 21.821 | 0.021 |
| 2014/15 | 21.900 | 22.158 | 0.258 |

The estimated 2012/13 fee income (with all fee rates unchanged except care home services where the annual continuation of registration fee has been reduced from £162 to £157 per place) is £11.876m. This provides total funding for 2012/13 of £33.364m.

3.0 DRAFT BUDGET COMPILATION

The draft budget is shown in Appendix 1.

3.1 Staff Costs

3.1.1 Incremental Progression and Pay Award

The budget is based on the following pay cost assumptions:

- The 2012/13 pay award effective from 1 April 2012 will be a £250 increase to all staff on spinal column points less than point 24 (salaries less than £22,854) on the salary scale.
- All staff not at the top of their grade (and who perform satisfactorily) will progress by one incremental step with effect from 1 April 2012.

3.1.2 Employer's Pension

Most Care Inspectorate staff contribute to the Tayside local government pension fund administered by Dundee City Council. The result of an actuarial valuation is awaited. The actuarial valuation determines the common employer's contribution rate for the Fund. The draft budget anticipates that employers' contribution rate will remain at the 2011/12 rate of 18.5% of pensionable pay.

Staff costs will increase or decrease by £90k for each 0.5% change in the employer's contribution rate.

3.1.3 Employer's National Insurance

Employers' national insurance contributions have been calculated after allowing for changes in earnings thresholds and a reduction in the contracted out employers' contribution rebate from 3.7% to 3.4%

3.1.4 Staff Costs Slippage

Staff cost slippage is a saving that arises through the normal turnover of staff ie the salary and on-cost saving associated with the delay between an employee leaving and the vacant post being filled. The draft budget adopts higher slippage assumptions than were used for the 2011/12 budget and the Care Commission budgets since 2008/09. The Sponsor Department confirmed the Care Inspectorate's grant-in-aid funding at £21.488m which is £112k less than was anticipated in the CSR. On this basis it was decided to take a greater risk with slippage assumptions and increase slippage from 1.5% to 2.0% on all staff categories with the exception of Inspectors (formerly Care Commission Officers). Slippage for Inspectors is assumed at 3% plus an additional allowance of £59k to account for anticipated delays in starting the full intake on 1 April 2012.

3.1.5 Chief Officers

This budget comprises the Chief Executive and the four directors. The budget is reduced from last year due a reduction in an assumption on the costs of compensation for staff moving from the civil service pension scheme to the local government pension scheme.

3.1.6 Admin and Professional Staff

This budget includes the two new information analysts recruited for the purposes of the Care Inspectorate becoming a provider of official statistics.

Administration support has been re-configured throughout the year to respond to the demands of the new organisational structure.

The draft 2012/13 budget includes provision to employ:

- a further two Lay Assessor Co-ordinators to support the extension of the Lay Assessor Scheme.
- an additional secretary post to support the Chair, committee administration and the Head of Legal Services.
- an additional 3 FTE administrative support workers to support increased inspection frequency, the sampling of better performing services, increased time for user focus, dementia standards and flexible deployment.

3.1.7 Senior Inspectors

When the Care Inspectorate was set up, planning assumptions indicated that 19.5 Senior Inspectors were needed. 24 FTE senior Inspectors actually transferred to the Care Inspectorate from SWIA and HMIE. In order to move towards the planned Senior Inspector requirement senior inspectors who left throughout 2011/12 have not been replaced. The 2012/13 budget contains budget for 19.7 Senior Inspector FTEs and this is consistent with planned need.

3.1.8 Inspector Managers

The 2012/13 budget included provision for one Inspector Manager (IM) who was seconded to another organisation. The costs of this seconded IM was recovered as seconded officer income. This secondment arrangement stopped during 2011/12 and both the cost and income has been removed from the 2012/13 budget.

Following allocation of inspectors to inspection areas and the associated caseload it was established 33 FTE IMs were needed as opposed to the 2011/12 budget estimate of 34 FTE. The draft budget has provision for 36

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FTE Inspector Managers which is consistent with the increase in the number of Inspectors and the additional IM level work associated with increased inspection frequency for care homes and care at home, increased scrutiny activity in relation to better performing services, user focus, dementia standards and flexible deployment.

3.1.9 Inspectors

The number of Inspector FTEs has been calculated using the draft 2012/13 workload and workforce management strategy assumptions and service statistics downloaded from the Workload Management Tool (WMT) as at 15 November 2011. The revised inspection frequency criteria as detailed in the 2012/13 Inspection Plan Report agreed by the Strategy and Performance Committee have been applied.

The inspector requirement of 196.4 FTE derived from the above is adjusted by adding allowances to cover for staff undertaking the Regulation of Care Award (RoCA) qualification (+2.5 FTE) and trade union duties (+1 FTE).

The allowance for ROCA backfill has reduced from 10 FTE in 2011/12 to 2.5 FTE to reflect the significantly reduced number of inspectors undertaking ROCA in 2012/13.

Inspectors allocated to the Complaints and Quality Assurance and Registration National teams are 40 and 28 FTE respectively. The number of inspectors allocated to Registration has increased by 4 FTE and this is supported by a newly developed (and developing) Registration resource model.

The Resources Committee agreed that additional Inspector resource should be employed to enhance scrutiny in the following areas:

- Sampling of better performing services not due an inspection under frequency rules: 6.5 FTE
- Increased time for inspectors to focus on users of care services: 11.3 FTE
- Inspector time allocated in response to the additional work around Dementia Standards which now needs to be effectively rolled out across care homes and care at home settings: 4 FTE.
- The creation of capacity to allow the Care Inspectorate to respond effectively and flexibly on a crisis intervention basis and to respond to emerging intelligence. The staff allocated to this role will be expected to supplement the programme of sampling better performing services during quieter periods. : 4 FTE

In total, the budget contains provision for the employment of 293.7 FTE Inspectors.

3.1.10 Sessional and Lay Carers

The sessional and lay carers' budget has been reduced to reflect the level of expenditure incurred in 2011/12. Work is continuing on the involvement review and a report with fully worked up proposals and resource implications will be submitted to the Strategy and Performance and Resources Committees in 2012/13.

3.1.11 Secondees

Of this budget, £100k is intended to fund the secondment of an officer from Lothian and Borders Police to work as a Senior Inspector primarily on the integrated children's services inspections.

The Resources Committee agreed to re-direct £200k of the savings and efficiencies identified towards funding secondments from health, social work and other specialist sources as part of a wider pooling of current resources in order to promote improvement, innovation and best practice. The secondments will allow the Care Inspectorate to keep pace with new developments; continue to build capacity both internally and more widely across the social care sector.

The Care Inspectorate currently employs two Nurse Consultants and one Rehabilitation Consultant. The funding for both Nurse Consultants is due to finish on 31 March 2012 and the Rehabilitation post is funded to 14 September 2012. Indications are that this specific funding will be extended for 2012/13 but this is as yet unconfirmed.

Should specific funding not be available then business cases for the continuation of these posts will be considered. The funding for successful business cases would be drawn from the £200k identified above. Extending all three posts to 31 March 2013 would require £215k.

If specific funding is confirmed then the cost of extending the consultant posts would be added to the staff costs budget and there would be a corresponding increase in the budgeted grant income. Therefore there would be no overall impact on gross controlled expenditure.

3.1.12 Supplementary Pension Charges

The 2011/12 budget included an estimate of £120k to cover the costs of protected pension rights of civil servants transferring to the Care Inspectorate. It has now been confirmed that these costs will arise at the point when a transferred civil servant decides to retire. Given the uncertainty over the amount and timing of these costs no budgetary provision has been made. Pension protection costs that do arise in any financial year will be the subject of specific funding discussions with the Sponsor Department.

3.1.13 Terms and Conditions Harmonisation Costs

It is likely that there will be costs associated with Terms and Conditions harmonisation. The Director of Resources and HR Manager have considered the likely outcomes and the costs are estimated to be in the range £100k to £300k.

The Resources Committee agreed to include the lower projected cost of £100k in the draft budget to ensure funding availability to improve scrutiny in the identified areas of better performing services, user focus, dementia standards and flexible deployment is maximised.

3.1.14 Hired Agency Staff

This budget (£610k) is allocated to ICT. The budget is used by ICT to fund temporary staff working on limited life projects. The flexibility afforded by agency staff is appropriate given the nature of ICT work. However, a review of ICT staff requirements is currently underway and initial indications are that the financial implications arising from this review will be contained within the ICT permanent and hired agency staff budget as detailed in Appendix 1.

It is anticipated that a report on the ICT staff requirements review will be submitted to the Resources Committee meeting of 20 March 2012.

3.1.15 Recruitment Advertising

A budget provision of £60k has been allowed for recruitment advertising. It is anticipated that most of the recruitment associated with the 2012/13 business plan and budget will be completed by the end of the current financial year (2011/12).

3.1.16 Training, Courses and Conferences

This budget has been reduced by £90k to a total of £500k as agreed with the Employee Development Manager. The 2011/12 budget combined the previous Care Commission and SWIA budgets and it has transpired that this exceeds requirements. In addition, the number of staff undertaking RoCA in 2012/13 is significantly reduced.

3.1.17 Other Staff Costs

Analysis of current year expenditure has been used to set the other staff costs budget at £59k.

3.2 Accommodation Costs

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Rent

The 2012/13 rent budget has been adjusted when compared to the 2011/12 budget as follows:

- Ladywell House is no longer part of the Care Inspectorate estate – reduction of £37k.
- Assumed Europa House will not form part of the Care Inspectorate estate on or before 30 June 2012 – reduction of £66k.
- A negotiation on the renewal of the Paisley lease has secured a rent reduction of £65k.
- Rent reviews on the remainder of the estate – increase of £4k.

Rates

The rates budget includes provision for a 5.6% increase in rates.

Other Property Costs

The other property costs budget has been adjusted to remove the costs associated with Ladywell and Europa House. The 2011/12 budget included significant amounts for dilapidations, maintenance and office move costs associated with rationalising the Care Inspectorate estate. These costs have been reviewed and the budget has been reduced in line with lease terms and property condition.

The budget includes provision for an 8% increase in energy costs and allowance for professional fees associated with rent reviews that are to be performed during 2012/13.

Included within the 2012/13 accommodation costs are costs of £544k that are subsequently recharged to the SSSC and OSCR.

There is no provision for general inflation.

3.3**Administration Costs**

The 2011/12 ‘other administrative costs’ budget was the combined Care Commission, SWIA and HMIE budgets. There were no specific spending plans for this budget for 2011/12 and as a result most of this budget was held centrally. The Care Inspectorate has been able to subsume other administrative costs within a budget similar to the level of the Care Commission alone. Therefore this budget has been reduced by £662k in line with 2011/12 actual experience. This is a major contributor to the funding available to re-direct towards enhancing scrutiny and regulation.

The budget for printing, stationery and postage has reduced by £19k as the Care Inspectorate continues to develop and implement electronic forms of

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communication. The reduction in this budget would have been greater but provision has been made for increased costs associated with the increased scrutiny of better performing services, increased user focus, dementia standards work and flexible crisis response.

Budgets for subscriptions, publications and conference advertising have been reduced by a total of £13k.

Professional Fees have increased by a total of £72k mainly due to increases allowed for legal fees, audit fees, media relations and additional estates/facilities advice following the deletion of the Facilities Manager post.

The telephone and ICT network budget has increased by £60k mainly due to a 10% increase in annual rental for network services recently announced by BT. A procurement process has been initiated to procure an interim solution for ICT networking for the Care Inspectorate and SSSC pending the McClelland Review work delivering a technical architecture for the public sector in Scotland.

The budget provision for debt impairment has been increased by £15k. This is due to financial difficulties experienced by some care service providers during 2011/12 which may impact in terms of debt being written off in 2012/13 and the likelihood that a difficult financial climate will prevail into 2012/13.

There is no provision for general inflation.

3.4 Transport Costs

Transport costs are projected to underspend by approximately £150k in 2011/12 and a budget reduction would normally follow. However, 2012/13 will see increased frequency of inspection for care homes and care at home services, the introduction of new integrated inspection methodologies, additional inspections of better performing services and more intensive crisis response. To provide for this, the budget has increased by £25k.

There is no provision for general inflation.

3.5 Supplies & Services Costs

The budget lines within the Supplies and Services have been reviewed. Mainly as a result of combined predecessor bodies' budgets being more than needed it has been possible to include provision for equipment for the new staff to be employed as a result of re-directing savings and efficiencies toward enhanced scrutiny and still reduce the budget by £7k.

There is no provision for general inflation.

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3.6 Non-Recurring Costs

The current contract for payroll and human resource administration and management information services has been extended to allow time for an European Union tender exercise to be undertaken.

It is intended that the new contract will go 'live' in November 2012. There will be initial set up and implementation costs associated with this and these are estimated at £150k to £250k.

The Resources Committee agreed to include the lower projected cost of £150k in the draft budget to ensure funding available to improve scrutiny in the identified areas of better performing services, user focus, dementia standards and flexible deployment is maximised.

Approximately 18% of the implementation costs will be chargeable to the SSSC.

3.7 Relevant Income

3.7.1 Shared Services

Income from recharges for shared services is budgeted to increase by £33k.

3.7.2 Secondment Income

No outward secondments are currently planned for 2012/13.

3.7.3 Miscellaneous Income

The miscellaneous income budget has reduced by £178k. This is due to the likely termination of a sub lease arrangement with the NHS for the Hamilton office which did provide £78k of income in 2011/12 and a reduction of £97k in grant funding for nurse consultants (see section 3.1.11).

4.0 GROSS CONTROLLED EXPENDITURE

Gross controlled expenditure is the budget figure that the Sponsor Department use to control the Care Inspectorate budget. This figure represents expenditure that is solely attributable to the Care Inspectorate ie recharges of shared costs and grant income have been removed. Controlled gross expenditure is the amount that is funded by grant in aid from the Sponsor Department and fees paid by service providers.

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| | £m |
|-------------------------------------|---------------|
| Staff Costs | 26.188 |
| Other Operating Costs | 8.181 |
| Non-recurring Costs | 0.150 |
| Relevant Income | (1.155) |
| Controlled Gross Expenditure | 33.364 |
| Funded by: | |
| Grant in Aid | 21.488 |
| Fee Income | 11.876 |
| Total Funding | 33.364 |

The Sponsor Department has confirmed the grant in aid figure of £21.488m.

5.0 CAPITAL PLAN

The Care Inspectorate does not receive any funding specifically for capital expenditure and the capital plan submitted with this report does not infer any additional resources for 2012/13.

Capital expenditure is financed by using an appropriate amount of grant-in-aid intended for revenue purposes to fund the capital expenditure.

ICT equipment requires to be replaced on a cyclical basis. There are currently no other commitments to any planned capital projects in 2012/13 or subsequent years. However some of the work associated with potential office moves may need to be treated as capital expenditure, requiring a contingency for unplanned expenditure of a capital nature.

Contingency expenditure is intended to provide an allowance to enable the Care Inspectorate to react to events such as equipment failures that require to be capitalised without the need to obtain retrospective approval from the Board and Sponsor Department. The contingency allowance is a reasonable estimate of the expenditure anticipated to be incurred during the year. Expenditure that exceeds the contingent amount agreed in the capital programme would require the appropriate approval.

The Capital Plan for 2012/13 is included as Appendix 2.

6.0 DELIVERING EFFICIENCY

- 6.1 In January 2012, the Strategy and Performance Committee of the Board approved the draft inspection plan for the Care Inspectorate which then formed part of the Resources Committee review of the budget. Even though

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Scottish Government grant is being broadly maintained at 2011-12 levels, the total financial pressures exceeded the likely income levels by £1.4m. The Resources Committee has therefore had to prioritise elements of the budget for recommendation to the full Board.

There is an explicit need to continue the ongoing drive for efficiencies even with the budget broadly maintained at the 2011/12 level. The Care Inspectorate still faces budget pressures and still desires to be more effective and to do more than it is currently able to do.

Set out below are the ways in which the Care Inspectorate intends to deliver efficiencies. The Resources Committee will be the lead Committee for oversight of the various strands of Care Inspectorate's efficiencies regime as part of the approach to being a Best Value organisation.

6.2 Major Change Projects

All of the Care Inspectorate's major change projects will have an efficiencies focus and are expected to report specifically on this.

6.3 Efficiencies Projects Programme

It is intended to commence a programme of efficiencies projects in 2012/13. This programme of projects will be overseen by a small group to be titled the 'Efficiencies Project Management Group' which will be chaired by the Director of Resources and will have Partnership Forum representation. This Group will report to the Resources Committee.

The intention is that a manageable number of projects will be running at any one time but it is also necessary to be able to 'fast-track' any ideas that can be quickly and easily implemented. The Efficiencies Project Management Group will encourage the generation of ideas for efficiencies from as wide a pool as possible. This will include staff and stakeholders as well as areas that come to light through audits or benchmarking or shared service reviews.

6.4 Activity Costing

In 2012-13, work will commence on a detailed costing of the various activities that contribute to the Care Inspectorate's stated outcomes as part of a move away from thinking about the organisation on functional lines. This will support both the service prioritisation and the efficiency agendas.

7.0 BENEFITS FOR PEOPLE WHO USE CARE SERVICES AND THEIR CARERS

Setting a budget and the subsequent monitoring of the budget to actual income and expenditure throughout the year ensures that the resources available to the Care Inspectorate are directed in accordance with corporate

plans and objectives, with the ultimate aim of bringing benefits to people who use care services and their carers.

8.0 CONCLUSION

This draft budget has been set with a view to maximising public assurance and benefits to people who use care services and their carers. This draft budget is closely aligned and is intended to support the Inspection Plan 2012/13 and the Care Inspectorate's overall aim of making a positive impact on the quality of services, while focussing and targeting scrutiny activity where is most effective.

This draft budget has identified that there is insufficient funding to deliver the full range of scrutiny and regulation enhancements and therefore it is essential that the Care Inspectorate continues to identify and implement efficiencies in order to maintain and, where possible, accelerate progress on re-directing resources to where they are most needed.

LIST OF APPENDICES

Appendix 1 - Draft 2012/13 Budget

Appendix 2 - Draft Capital Plan