

2014-15 Draft Budget

Report to: Board

Date: 28 March 2014

Report by: Kenny Dick, Head of Finance and Corporate Governance

Report No. B-01-2014

Agenda Item: 9

PURPOSE OF REPORT

To present draft budget proposals for 2014/15 to the Board for approval.

RECOMMENDATIONS

That the Board:

1. Approves the draft budget set out in this report.
2. Approves the draft 2014/15 Capital Plan (Section 5 and Appendix 3).
3. Agrees that all fees charged to regulated care service providers remain unchanged from 2013/14 rates.

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
	Senior Management	ET	Budget deficit of £194k considered and changes were agreed to produce a balanced budget for submission to Resources Committee	30/01/14
	Legal Services			
	Resources Directorate			
	Resources Committee Consultation	Resources Committee	Draft budget considered and approved	18/03/14

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

NO

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: Head of Finance & Corporate Governance

Authorised by Director

Name: Gordon Weir

Date: 20 March 2014

1.0 INTRODUCTION

1.1 Corporate Plan Reference

Outcome 3

“The Care Inspectorate performs effectively and efficiently as an independent scrutiny and improvement body and works well in partnership with other bodies”

Outcome 3, Strategic Objective No 5

“Ensure that we make the best use of all our resources and provide value for money”

1.2 Background

1.2.1 The Care Inspectorate’s new financial year commences on 1 April 2014 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 Scottish Government has to a large extent protected the Care Inspectorate’s budget to ensure we can maintain and enhance the public assurance and protection we provide.

1.2.3 Although we are in a better budgetary position than many other public bodies we still continually strive to identify and implement efficiencies and re-invest the money or time saved into improving and developing our scrutiny activities to better provide public protection and assurance.

1.2.4 This draft budget (Appendix 1) has been developed alongside the Inspection and Strategic Planning 2014/15 report (ISP 14/15) considered by the Strategy and Performance Committee at its meeting of 12 November 2013 and takes account of the Committee’s recommendations.

The Resources Committee considered the draft budget at its meeting of 18 March 2014 and recommend the Board approve the recommendations set out in this report.

The draft budget must balance the gross expenditure control figure and available funding provided by the Sponsor Department to the aspirations contained within the ISP 14/15 report. The budget is sufficient to deliver the statutory inspection frequency as set out in the Public Services Reform (Social Services Inspections) (Scotland) Amendment Regulations 2012 and the minimum inspection frequency set out in Appendix 1 of the ISP 14/15 report.

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The draft budget being recommended to the Board is a balanced budget that maximises the resources directed towards scrutiny, protection and assurance.

2.0 OVERALL FINANCIAL POSITION

The Sponsor Department has provided confirmation of the grant in aid available to the Care Inspectorate and the gross budget control figure for 2014/15 (Appendix 2).

Year	Grant in Aid £m	Fee Income £m	Gross Expenditure Control Figure £m
2014/15	22.158	11.876	34.034

3.0 DRAFT BUDGET COMPILATION

The draft budget is shown in Appendix 1 (“Draft 2014/15 Budget” column).

The draft budget includes additional expenditure incurred as a result of shared services (£1.124m) and “miscellaneous income” (£0.441m) including grant funding. This additional income and associated expenditure is added to the gross controlled expenditure figure to provide a gross expenditure budget of £35.599m.

3.1 Staff Costs

3.1.1 Incremental Progression and Pay Award

The budget is based on the following pay cost assumptions:

- The 2014/15 pay award effective from 1 April 2014 will be a £250 increase to all staff currently receiving a full time equivalent salary of less than £21k per annum and a 1% pay increase for all staff.
- All staff not at the top of their grade (and who perform satisfactorily) will progress by one incremental step with effect from 1 April 2014.

3.1.2 Employer’s Pension

Most Care Inspectorate staff contribute to the Tayside local government pension fund administered by Dundee City Council. The most recent triennial actuarial valuation determined the common employer’s contribution rate for the Fund as being 18% of pensionable pay for financial years 2012/13, 2013/14 and 2014/15.

The draft budget, as in previous years, assumes all staff eligible to join the pension scheme are members. Auto enrolment of staff to the pension

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scheme commenced on 1 January 2014 and actual pension scheme membership is anticipated to increase for 2014/15. As a consequence the budget saving arising from staff opting out of the pension scheme is expected to be lower than previous years. These pension scheme membership savings contribute towards the savings required to achieve the slippage assumptions detailed in section 3.1.4 below.

3.1.3 Employer's National Insurance

Employers' national insurance contributions have been calculated based on the latest available earnings thresholds and contribution rate information.

3.1.4 Staff Costs Slippage

Staff cost slippage is a saving that arises through the normal turnover of staff i.e. the salary and on-cost saving associated with the delay between an employee leaving and the vacant post being filled. The draft budget adopts the slippage assumptions of 2.75% (2013/14: 3.00%) on Inspectors costs and 2.00% (2013/14: 2.00%) on most other staff.

The Care Inspectorate is anticipated to be staffed to the FTE numbers contained in the draft budget by 1 April 2014. Staff turnover is expected to be low and the impact of pension auto-enrolment (see 3.1.2 above) will make the achievement of the slippage savings target challenging in 2014/15.

3.1.5 Executive Team

This budget comprises the Chief Executive and 3 Directors.

3.1.6 Senior Managers

This budget comprises 3rd tier managers and the Heads of Inspection posts.

3.1.7 Admin & Professional Staff

This budget includes the establishment changes agreed at the Resources Committee of 17 September 2013 (Organisational Restructure Report).

The budget includes provision for the following temporary posts (all costs include employers' on-costs):

- 3 posts awaiting the conclusion of Registration, Complaints and Legal best value and methodology reviews. Head of Legal Services displaced post is occupied by a permanent member of staff (£82.6k). Pending the review(s), it is proposed to fund the extension of the temporary posts of Registration Manager (£64k) and Complaints Manager (£64k) to 31 March 2015. It is anticipated that the reviews will have concluded significantly before this.

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- 2 Organisational Development Adviser posts agreed to June 2015 (£92.6k)
- 1 Involvement Coordinator post to September 2015 (£29.7k)
- 1 Policy Intern post to 31 March 2015 (£19.7k).

3.1.8 Strategic Inspectors

The draft budget includes provision for the 24 FTE Strategic Inspectors identified in the ISP 14/15 agreed by the Strategy and Performance Committee on 12 November 2013.

3.1.9 Team Managers

The draft budget includes 32 FTE Team Manager posts and this is based on the agreed organisation structure. The 2013/14 budget included 1 additional FTE for the promotion of dementia standards. This resource has been transferred to Inspectors and this work will become embedded into the work of all relevant Inspectors.

One Team Manager has been seconded to Analysis and Business Planning to contribute to the development of the inspection planning process. This secondment is until 27 October 2014 and is therefore 0.6 of an FTE.

The Team Manager posts have been allocated on the following basis:

Budget Area	2013/14 FTE	2014/15 FTE
Children and Criminal Justice Inspection	12.0	12.0
Adult Services Inspection	12.0	12.0
Legal Complaints & Registration	8.0	8.0
Promotion of Dementia Standards	1.0	0.0
Inspection Planning Secondment	0.0	0.6
Total budgeted Team Leader posts:	33.0	32.6

3.1.10 Inspectors

The number of Inspector FTEs provided for in this draft budget is 304.5. This is the same number of FTEs provided for in the 2013/14 budget.

Inspection Plan – Regulated Care Services

The number of Inspector FTEs has been calculated by applying the workload and workforce management strategy planned average hours assumptions to the regulated care service inspection plan contained within the ISP 14/15 report as submitted to the Strategy and Performance Committee on 12 November 2013.

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The Inspection Plan requires a resource of 220.7 Inspector FTEs. The equivalent figure for 2013/14 was 221.7 Inspector FTE.

A further 2 Inspector FTEs will be allocated to Inspection to provide development time for the embedding of dementia standards.

Registration and Complaints

The budget assumes the same 68 Inspector FTE basic requirement for Registration and Complaints as was deployed in 2013/14.

Best value / efficiency / quality reviews are planned for Registration and Complaints in 2014/15.

Other Inspector Requirements

An allowance of 1.3 Inspector FTE is provided to fund backfill for the residual staff undertaking the Regulation of Care Award (ROCA) qualification.

In line with previous years an allowance of 1 Inspector FTE is provided to fund backfill for staff undertaking trade union duties.

An Inspector (1 FTE) was seconded to Organisational Development in 2013/14. It is not necessary for this arrangement to continue into 2014/15 as the new OD team structure is in place.

Inspector FTE Available for Flexible Deployment and Enhanced Scrutiny

The draft budget provides a resource of 11.5 Inspector FTE that may be deployed flexibly to:

- create capacity to respond immediately on a crises intervention basis to unexpected but inescapable demands on the Care Inspectorate front line resources.
- provide resources to follow up progress made in implementing inspection recommendations and requirements and supporting improvement in high risk, poorer performing services. It is envisaged that a variety of approaches to supporting improvement other than additional inspections will be taken.
- Provide resources to cope with work load peaks in complaints, registration and enforcement work areas.

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Summary of Inspector Resource

	2013/14 FTE	2014/15 FTE
Regulated Care Service Inspection Plan	221.7	220.7
Promotion of Dementia Standards	1.0	2.0
Registration and Complaints	68.0	68.0
Flexible Deployment & Enhanced Scrutiny	10.5	11.5
Qualifications backfill	1.3	1.3
Trade union duties	1.0	1.0
Secondment to Organisational Development	1.0	0.0
Total	304.5	304.5

3.1.11 Grant Funded Posts

The Care Inspectorate receives specific grant funding from the NHS to employ the following staff and provide associated administration:

- Nurse Consultant (Infection Control)
- Nurse Consultant (Older People)

Discussions are on-going with the NHS to confirm extended funding for the AHP Rehabilitation Consultant post. The costs and off-setting income associated with additional grant funded activities will be incorporated into a revised budget once funding is confirmed.

3.1.12 Sessional and Lay Carers

The sessional and lay carers budget has been reduced as all budgeted Strategic Inspectors will be in post at the start of the financial year and Associate Inspectors are being recruited. As a result there should be capacity sufficient to limit the requirement to use Sessional Inspectors.

3.1.13 Secondees (Inward)

The secondees budget of £208k is intended to fund the secondments of:

- 1 Promotion of dementia standards professional (full year)
- 1 Nurse Consultant (CAMHS) (to 20/07/2014, secondment ends.)
- 1 HMICS secondment (full year)

3.1.14 Terms & Conditions Harmonisation / Restructure Costs

A job evaluation exercise for senior posts is intended to be completed in the 2013/14 financial year. Costs associated with this will be in the main incurred in 2013/14 but there is potential for increased salary and salary protection costs to impact on the 2014/15 budget. In addition, job evaluation of other posts will be undertaken during 2014/15.

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A reduced budget of £25k (2013/14: £58k) has been retained to fund job evaluation and restructure costs such as grade changes and salary protection arrangements.

3.1.15 Hired Agency Staff

This budget of £450k (2013/14: £625k) is allocated mainly to ICT. The budget has reduced due to ICT posts formerly funded on a temporary basis being made permanent as agreed by the Resources Committee on 17 September 2013. 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.

3.1.16 Recruitment Advertising

A budget provision of £30k (2013/14: £60k) has been allowed for recruitment advertising. It is anticipated that low staff turnover, increased use of on-line advertising and the implementation of the Pulse e-recruitment module will result in reduced costs. The budget has been reduced accordingly.

3.1.17 Training, Courses and Conferences

This budget of £480k (2013/14: £425k) was reduced in 2013/14 but the need to fund the new award and programmes on the professional development of administration staff and leadership requires an increase back towards the 2012/13 funding level of £500k.

3.1.18 Other Staff Costs

Analysis of current year expenditure has been used to set the other staff costs budget at £95k

3.2 Accommodation Costs

3.2.1 Rent

The rent arrangements for all Care Inspectorate properties have been analysed to set the 2014/15 rent budget. There is a reduction of £34k when compared to 2013/14 as a result of rent reviews concluded during 2013/14.

3.2.2 Rates

The rates budget for each property has been reviewed, An increase of 3.2% has been applied to the revised rates figures as per advice from our property advisors.

The net impact is a £25k increase in the rates budget when compared to 2013/14.

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3.2.3 Other Property Costs

The budget includes provision for increases to planned maintenance, utilities and energy costs. Utilities and energy cost have been increased in line with Scottish Government guidance (collaborative contract owners).

Included within the 2014/15 accommodation costs are costs of £705k that are subsequently recharged to the SSSC and OSCR. A further £210k is recharged to the Scottish Government for the office sharing arrangement in Aberdeen.

There is no provision for general inflation.

The net impact is a £21k increase in the other property costs budget when compared to 2013/14.

3.3 Administration Costs

There is no provision for general inflation.

3.3.1 Printing and Stationery

The printing and stationery budget has been reduced to fund the temporary Policy Intern post and this is made possible by the increased use of on-line, production and electronic communication

3.3.2 Postages

This budget has been increased to reflect the increased use of recorded delivery and an increase in mail between CI offices.

3.3.3 Telephones

The budget for telephone costs has been reduced by £50k due to more advantageous contract terms and the wider implementation of VOIP (Voice Over Internet Protocol) technology.

3.3.4 Advertising & Communications Events

The adjustments to these budgets mainly comprise a reduction of £47k due to the employment of a Senior Press Officer which supersedes the need for a media relations contract (as agreed by Resources Committee 17 September 2013).

This budget includes additional funding of £20k for the development and implementation of national and local quality of care events for all stakeholders. This is an action set out in the Operational Improvement Plan.

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3.3.5 Professional Fees

Professional fees have reduced by £42k. This is mainly due to a reduction of £40k in the legal fees budget. The majority of legal work is undertaken by the in-house legal team and the revised legal fees budget of £10k is in line with 2013/14 expenditure projections.

3.3.6 Other Administrative Costs

The reduction in budget is due to there being a reduced requirement to budget for bad debt and debt impairment. Income collection performance remains strong.

3.4 Transport Costs

The transport costs budget has been increased in line with 2013/14 travel and subsistence cost projections. An additional £20k is included for increased Inspection Volunteer (formerly known as lay assessors) and Associate Inspector travel and subsistence costs.

There is no provision for general inflation.

3.5 Supplies & Services Costs

A underspend in 2013/14 allowed planned ICT expenditure to be brought forward to 2013/14 from 2014/15. The ICT budget has been reduced by £50k to partially reflect this. There is a large programme of planned ICT activity and projects can be taken forward where funding becomes available. Therefore if the financial position in 2014/15 indicates an underspend is projected then this ICT budget may be re-instated as an in-year adjustment.

Analysis of 2013/14 expenditure has indicated that budget for storage and distribution costs can be reduced by £20k. Service providers now pay Disclosure Scotland fees directly to Disclosure Scotland. The 2013/14 budget included transitional funding which is not needed in 2014/15 budget. Therefore this budget has been reduced by £8k.

These underspends are partially offset by an increase in the budget required for hospitality and venue hire. This increase is in line with current expenditure projections.

There is no provision for general inflation.

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3.6 Relevant Income

3.6.1 Shared Services

Income from recharges for shared services is budgeted to increase by £73k. This is mainly as result of the SSSC requiring extended use of the meeting rooms on the ground floor of Compass House.

3.6.2 Secondment Income

No outward secondments are currently confirmed for 2014/15. The budget assumption is that any such secondments will be fully funded.

3.6.3 Miscellaneous Income

The miscellaneous income budget has reduced by £113k. This is primarily due to there being less confirmed grant funding at this point in the year. In addition there is no budgeted income for strategic inspection work such as the charges made to the States of Jersey in 2013/14.

4.0 Draft Budget Position

4.1 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 i.e. costs after recharges of shared costs and grant income. Gross controlled gross expenditure is the amount that is funded by grant in aid from the Sponsor Department and fees paid by service providers.

	2013/14 Approved Budget £m	2014/15 Draft Budget £m
Staff Costs	27.390	27.754
Other Operating Costs	7.912	7.845
Relevant Income	(1.605)	(1.565)
Controlled Gross Expenditure	33.697	34.034
Sponsor Department Control Figure	33.697	34.034
Variance to Control Figure	0.000	0.000

The Sponsor Department has confirmed that £22.158m (2013/14: £21.821m) of grant in aid will be available to the Care Inspectorate for 2014/15.

The budget assumes fee rates will be unchanged for 2014/15.

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A continuation of registration fee income budget of £11.382m has been calculated using the same service provider information as was used to determine the Inspector FTE requirement.

New registration fee income is assumed to be at a budgeted level of £0.494m.

This provides total budgeted fee income of £11.876m.

Therefore total available funding (grant in aid and fee income) is £34.034m which matches the gross controlled expenditure figure.

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 2014/15.

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 2014/15 or subsequent years. Property related alterations and improvements 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 2014/15 is included as Appendix 3.

6.0 FEES

Scottish Government has advised that there are no proposed changes to the maximum fee rates for 2014/15. The draft budget has therefore been prepared on the basis that all fees charged to regulated care service providers remain unchanged from the 2013/14 rates.

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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 Strategic and Regulated Care Service Inspection Plan 2014/15 and the Care Inspectorate's

overall aim of making a positive impact on the quality of services, while focussing and targeting scrutiny activity where it is most effective.

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 2014/15 Budget
- Appendix 2** - Funding Letter from Sponsor Department
- Appendix 3** - Draft Capital Plan 2014/15