

2015/16 Draft Budget

Report to: Board
Date: 6 March 2015
Report by: Kenny Dick, Head of Finance and Corporate Governance
Report No. B-01-2015
Agenda Item: 11

PURPOSE OF REPORT

To present draft budget proposals for 2015/16 to the Board for approval.

RECOMMENDATIONS

That the Board:

1. Approves the draft budget set out in this report.
2. Approves the draft 2015/16 Capital Plan (Section 4 and Appendix 2)
3. Agrees that all fees charged to regulated care service providers remain unchanged from 2014/15 rates.

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
	Senior Management	ET	Base budget with a deficit of £419k together with growth and savings proposals was considered. Some savings options were agreed and some growth items rejected. The Committee's view on some guiding principles will be sought.	27/11/14
			Revised draft budget considered and agreed for presenting to Resources Committee.	15/01/15
	Legal Services			
	Resources Directorate			
	Committee Consultation (where appropriate)	Resources	Principles upon which further budget reductions should be progressed agreed.	09/12/14
			Draft budget considered and approved to submit to Board.	04/02/15

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: Head of Finance & Corporate Governance
Authorised by Director	Name: Gordon Weir Date: 27 February 2015

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1.0 INTRODUCTION

1.1 Corporate Plan Reference

The budget is developed to support the achievement of all 6 strategic objectives set out in Corporate Plan 2014 – 18.

1.2 Background

1.2.1 The Care Inspectorate's new financial year commences on 1 April 2015 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 decided not to increase the grant in aid made available to the Care Inspectorate and grant in aid remains at the amount agreed for 2014/15 of £22.158m.

1.2.3 The Scottish Government has also decided not to increase the maximum fees the Care Inspectorate can charge. This together with no increase in grant in aid has required a real terms cut in budgeted expenditure for 2015/16. Although relatively modest real terms cuts (in comparison to some other public sector bodies) have been required 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 The draft 2015/16 budget (Appendix 1) has been developed alongside the Scrutiny and Improvement Plan 2015/16 considered by the Policy Committee at its meeting of 28 November 2014 and takes account of the Committee's recommendations.

The draft 2015/16 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 Scrutiny and Improvement Plan 2015/16 report.

The Resources Committee considered this draft budget at its meeting of 4 February 2015 and recommend the Board approve the recommendations set out in this report.

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

2.0 DRAFT 2015/16 BUDGET COMPILATION

The draft base budget is shown in Appendix 1 ("Draft 2015/16 Budget" column).

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Appendix 1 also shows the variances in cash and percentage terms in comparison to the agreed 2014/15 budget.

2.1 Staff Costs

2.1.1 Incremental Progression and Pay Award

The salary related budget is based on the following:

- The 2015/16 pay award effective from 1 April 2015 was agreed as part of a 2-year award covering 2014/15 and 2015/16 and this has been applied to all established posts as appropriate.
- All staff not at the top of their grade (and who perform satisfactorily) will progress by one incremental step with effect from 1 April 2015.

2.1.2 Employer's Pension

Most Care Inspectorate staff contribute to the Tayside local government pension fund administered by Dundee City Council. A triennial actuarial valuation is still to be signed off but the Actuaries have confirmed that it is appropriate to use a reduced common employer's contribution rate of 17% (reduced from the 18% determined by the previous triennial valuation). The common employers contribution rate of 17% will apply to financial years 2015/16, 2016/17 and 2017/18.

2.1.3 Employer's National Insurance

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

2.1.4 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 3.00% (2014/15: 2.75%) on Inspectors costs and 3.00% (2014/15: 2.00%) on most other staff.

2.1.5 Executive Team

This budget comprises the Chief Executive and 3 Directors.

2.1.6 Senior Managers

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

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2.1.7 Admin & Professional Staff

This budget is the establishment agreed for 2014/15 adjusted for any agreed permanent or temporary changes made during the year.

In addition this budget includes:

- £28.4k growth as a result of the changes to for the Registration and Complaints management structure agreed by the Resources Committee on 9 December 2014.
- the full cost (£52.4k) of employing a Systems Development Accountant on a 2 year temporary basis. There are compensatory budget reductions in professional fees and shared service income that partially offsets this cost.
- £48.3k is included to fund the Modern Apprenticeship programme.
- The net impact of minor changes to posts including adjusting the budget to reflect part time working for 2 posts is a budget reduction of £6.4k

2.1.8 Strategic Inspectors

The draft budget includes provision for the 24 FTE Strategic Inspectors identified in the Scrutiny & Improvement Plan 2015/16 considered by the Policy Committee on 28 November 2014.

2.1.9 Team Managers

The draft budget includes 32 FTE Team Manager posts and this is based on the agreed organisation structure.

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

Budget Area	2014/15	2015/16
	FTE	FTE
Children and Criminal Justice Inspection	12.0	12.0
Adult Services Inspection	12.0	12.0
Legal Complaints & Registration	8.0	8.0
Inspection Planning Secondment	0.6	0.0
Total budgeted Team Manager posts:	32.6	32.0

2.1.10 Inspectors

The number of Inspector FTEs provided for in the base budget is 304.5. This is the same number of FTEs provided for in the 2014/15 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

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regulated care service inspection plan contained within the Scrutiny and Improvement Plan 2015/16 report as submitted to the Policy Committee on 28 November 2014.

The Inspection Plan requires a resource of 212.85 Inspector FTEs. The equivalent figure for 2014/15 was 220.70 Inspector FTE. The inspection plan requires approximately 8 less FTE due to fewer inspections as a result of a reduction in the number of services, the impact of reduced frequency now being fully realised and changes to the size and risk profile of services.

However, the Inspector resource model is based on each Inspector undertaking an average inspection time of 1,076 hours with a balance of productive time available for other scrutiny activity and development work. Analysis of data captured via the capacity tool has highlighted that with specialist teams an across the board inspection hours assumption of 1,076 is no longer appropriate. The capacity tool information has highlighted that Inspectors of older people's services require proportionately more "other scrutiny" time and that it would be beneficial to revise the average inspection hours downwards for these services. This will create additional "other scrutiny" capacity and as a result will reduce the extent to which this other scrutiny work draws on resources intended to be allocated to planned inspections.

Analysis indicates that a reduction in inspection hours to within the range 850 to 950 hours would make a significant impact towards making overall workload more manageable. The draft 2015/16 budget is based on older people's services requiring 950 planned inspection hours. This will require an additional 9 FTE.

The 2014/15 budget included a further 2 Inspector FTEs which were allocated to Inspection to provide development time for the embedding of dementia standards. Adjustments to planned inspection activity and the reduction of planned inspection hours for older people services to 950 hours as described above means there is no requirement for a specific dementia resource in 2015/16.

Registration and Complaints

The budget assumes the same 28 Inspector FTE requirement for Registration as was deployed in 2014/15.

The number of complaints received has been increasing significantly year on and year and there is now pressure on Complaint Inspector workloads. The Complaints resource model indicates a further 4 FTE Inspectors are required for 2015/16 using prudent estimates of continued growth in complaints received.

The draft 2015/16 budget includes provision for 44 Inspector FTEs for complaints. This is an increase of 4 FTE when compared to the 40 Inspector FTEs deployed in 2014/15.

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Other Inspector Requirements

The 2014/15 budget included an allowance of 1.3 Inspector FTE to fund backfill for the residual staff undertaking the Regulation of Care Award (ROCA) qualification.

The draft 2015/16 budget does not include any provision for the Regulation, Inspection Scrutiny Award (RISA) as it is unclear at this stage how the ROCA replacement award is to be taken forward. Inspectors will undertake the EFQM award meantime and therefore the budget retains this 1.3 FTE.

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

Inspector FTE Available for Flexible Deployment and Enhanced Scrutiny

The 2014/15 budget provided a resource of 11.5 Inspector FTE that was to 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 was envisaged that a variety of approaches to supporting improvement other than additional inspections would be taken.
- Provide resources to cope with work load peaks in complaints, registration and enforcement work areas.

At its meeting of 9 December 2014, the Resources Committee agreed that Inspector FTEs should be to a large extent protected and retained as far as was possible at the 2014/15 complement of 304.5 FTE. After adjusting for variances in the requirements of the Scrutiny and Improvement Plans for 2014/15 and 2015/16, the adjustment to planned hours for older people services and the allocation of an additional 4 FTE Inspectors to Complaints there is 8.36 Inspector FTE available for flexible deployment and enhanced scrutiny.

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Summary of Inspector Resource

	2014/15 FTE	2015/16 FTE
Regulated Care Service Inspection Plan Adjustment for older people services	220.7	212.9 9.0
Total Regulated Care Service Inspection Plan	220.7	221.9
Promotion of Dementia Standards	2.0	0.0
Complaints	40.0	44.0
Registration	28.0	28.0
Flexible Deployment & Enhanced Scrutiny	11.5	8.3
Qualifications backfill	1.3	1.3
Trade union duties	1.0	1.0
Total	304.5	304.5

2.1.11 Grant Funded Posts

The Care Inspectorate will receive specific grant funding for 50% of the cost of employing a Rehabilitation Consultant. The Rehabilitation Consultant is currently seconded member of staff and therefore costs are included in the "Secondees" expenditure line (see 2.1.13 below).

2.1.12 Sessional and Volunteer Inspectors

The sessional and volunteer inspector budget has been reduced to reflect the Scrutiny and Improvement Plan and actual experience during 2014/15. £12k of the budget has been transferred to professional fees to fund services associated with young volunteer inspectors.

2.1.13 Secondees (Inward)

The secondees budget of £216k is intended to fund the secondments of:

- 1 HMICS secondment (282 days)
- 1 Rehabilitation Consultant (1 FTE)
- 1 Audit Scotland secondment (0.7 FTE)

2.1.14 Terms & Conditions Harmonisation / Restructure Costs

It is intended to job evaluate approximately 120 posts in the last quarter of 2014/15 and early 2015/16. It was originally intended to retain this budget to provide funding for any resulting salary increases but this contingency has been removed as a budget deficit reduction measure.

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2.1.15 Hired Agency Staff

This budget of £450k (2014/15: £450k) is allocated mainly 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.

2.1.16 Recruitment Advertising

A budget provision of £30k (2014/15: £30k) has been allowed for recruitment advertising.

2.1.17 Training, Courses and Conferences

This budget of £435k has been reduced by £45k compared to 2014/15. The budget reductions are detailed in the table below:

	Budget Increase / (Reduction) £000
Reduce the budget allocated to leadership development	(13.7)
Reduce external training and run more internal events	(10.5)
No expansion of the coaching scheme	(10.0)
Reduce budget allocated to the development of PDRS	(6.0)
Reduce the budget for the customer service qualification	(5.0)
Total Training Budget Reduction	(45.2)

2.1.18 Other Staff Costs

This budget of £71k has been reduced by £24k compared to 2014/15. The budget reductions are detailed in the table below:

	Budget Increase / (Reduction) £000
Undertake the employee survey every 2 years i.e. do not repeat in 2015/16	(10.0)
Reduce the relocation expenses budget	(8.0)
Reduce the assessment centre budget	(3.0)
Reduce the interview expenses budget	(2.8)
Total Other Staff Costs Budget Reduction	(23.8)

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2.2 Accommodation Costs

2.2.1 Rent

The rent arrangements for all Care Inspectorate properties have been analysed to set the 2015/16 rent budget. The SSSC is now paying Quadrant House rent directly to the landlord. Previously the Care Inspectorate paid this and then recharged the SSSC. This accounts for £111.5k of the £115.4k reduction in rent compared to 2014/15.

2.2.2 Rates

The rates budget for each property has been reviewed. An increase of 3.23% has been applied to the revised rates figures as per advice from our property advisors.

The net impact is a £4k increase in the rates budget when compared to 2014/15.

2.2.3 Other Property Costs

The budget includes provision for dilapidations work due in 2015/16, other planned and unplanned maintenance, utilities, energy costs and service charges.

Included within the 2015/16 accommodation costs are costs of £598k that are subsequently recharged to the SSSC and OSCR. A further £211k 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 £33k increase in the other property costs budget when compared to 2014/15. The table below provides an analysis of the budget movements contributing to this budget increase.

	Budget Increase / (Reduction) £000
Electricity savings from energy efficiency measures	(14.5)
Water charges savings	(7.8)
Property alterations, repairs & maintenance	33.5
Service contracts and insurance	17.0
Property professional services	4.7
Total Other Property Costs Budget Increase	32.9

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2.3 Administration Costs

This budget of £1.685m has been reduced by £88k compared to 2014/15. The budget movements are detailed in the table below:

	Budget Increase / (Reduction) £000
Print and postage budget reduced due to increased e-communication	(26.0)
Reduce expenditure on involvement events	(3.0)
Reduce expenditure on Advertising & Publicity	(15.0)
Reduce expenditure on subscriptions and publications	(2.0)
Prof Fees – young volunteer inspector support (see 2.1.12)	12.0
Prof Fees – Systems Development Accountant (2.1.7)	(17.0)
Prof Fees - Reduced expenditure on public reporting and refreshing the Hub	(12.0)
Prof Fees - Reduce budget for internal audit days	(6.8)
Prof Fees – reduced translation costs	(2.0)
Reduce budget required for bad debt provision	(16.0)
Total Admin Costs Budget Reduction	(87.8)

2.4 Transport Costs

The budget for 2014/15 was increased to account for increased transport costs associated with the creation of specialist teams based on actual costs for the first 3 quarters of 2013/14. However, travel costs peaked during the last quarter of 2013/14. Therefore, the 2014/15 budget is proving insufficient to meet actual costs in 2014/15. The latest projection for 2014/15 travel costs is £1.52m which would require a budget increase of £180k.

The draft budget includes an increase of £150k for travel costs on the basis that efficient travel and subsistence will be promoted from both a financial and environmental perspective. It is also anticipated that Inspector recruitment will be structured to start to address the known geographical imbalances between services and Inspectors in the area with the specialist knowledge to inspect these services.

2.5 Supplies & Services Costs

The Supplies & Services budget has been reduced by £73k compared to 2014/15.

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The budget reductions consist of an £18k reduction in the furniture budget and a £55k reduction in ICT costs. The ICT budget reduction will be delivered via a combination of ICT equipment replacement efficiencies made possible by the roll out of iPads and the use of dumb terminals as opposed to laptops and contracting efficiencies.

2.6 Relevant Income

2.6.1 Shared Services

Income from recharges for shared services is budgeted to increase by £27k. The SLA with the SSSC has been revised and this has resulted in an increase of £138k for services provided. This increased income is partially offset by the removal of the rent recharge for Quadrant House (see 2.2.1).

2.6.2 Secondment Income

No outward secondments that will attract secondment income are currently confirmed for 2015/16.

2.6.3 Miscellaneous Income

The miscellaneous income budget has reduced by £165k. This is mainly due to a reduction in specific grant income and the cessation of income from the Scottish Public Pensions Agency to offset increased employer pension contributions for the Care Inspectorate staff that have remained within the NHS Pension Scheme.

3.0 DRAFT BUDGET FUNDING POSITION

3.1 Gross Controlled Expenditure

Gross controlled expenditure is the budget figure that the Sponsor Department use to control the Care Inspectorate budget. This figure represents net expenditure that is solely attributable to the Care Inspectorate i.e. costs after recharges of shared costs, grant income and other income.

Gross controlled expenditure is funded by a combination of grant in aid and fees charged to service providers.

The gross controlled expenditure based on the draft 2015/16 budget is:

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	2014/15 Budget £000	Draft 2015/16 Budget £000	Variance £000
Gross Expenditure	35,599.0	35,434.4	(164.6)
Less:			
Shared service charges	(1,124.0)	(1,150.9)	(26.9)
Miscellaneous income	(441.0)	(275.5)	165.5
Gross Controlled Expenditure	34,034.0	34,008.0	(26.0)

3.2 Grant in Aid

The Sponsor Department has confirmed that the grant in aid available to the Care Inspectorate will be the same amount as 2014/15 i.e. £22.158m. This is a real terms budget cut. The Sponsor Department will provide a formal grant in aid letter in March 2015.

3.3 Fee Income

The reduction in number of registered care services which is a contributory factor to the reduction in Inspector FTE required to deliver the Scrutiny and Improvement Plan also means that continuation of registration fee income will be reduced by £37k in comparison to 2014/15. The budget assumption is that income from new registration fees will be £11k more than budgeted in 2014/15.

The fee rates for all service types are currently set at the statutory maximum with the exception of care home fees. It is not intended to increase the current fee charged to care home services in isolation from a strategic review of fees charged to all service types. Therefore the draft 2015/16 budget has been prepared on the basis that fee rates will remain unchanged from 2014/15.

3.4 Budgeted Expenditure and Funding

The table below shows the draft 2015/16 budget and the funding position.

	Approved Budget 2014/15 £000	Draft Base Budget 2015/16 £000
Gross Controlled Expenditure	34,034	34,008
Grant in Aid	(22,158)	(22,158)
Continuation Fee Income	(11,382)	(11,345)
New Registration Fee Income	(494)	(505)
Budgeted Deficit / (Surplus)	0	0

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3.5 Summary of Budget Movement

The table below summarises the budget growth and savings that have been implemented to deliver a balanced draft budget for 2015/16.

	Report reference	Budget Movement £000
Incremental progression and pay award	2.1.1	482.5
Employers Pension	2.1.2	(210.7)
Staff cost slippage assumptions increased to 3%	2.1.4	(160.5)
Admin & Professional growth	2.1.7	122.7
Grant funded posts	2.1.11	(173.0)
Sessional inspectors	2.1.12	(50.0)
Secondees budget is zero based and reflects planned secondments	2.1.13	7.7
Remove terms & conditions contingency	2.1.14	(25.0)
Training budget reductions	2.1.17	(45.2)
Other staff cost budget reductions	2.1.18	(23.8)
Total movement in staff costs budget		(75.3)
Property costs – rent Quadrant House	2.2.1	(111.5)
Property costs – other rent changes	2.2.1	(3.9)
Property costs - rates	2.2.2	4.0
Property costs - other	2.2.3	32.9
Total movement in property costs budget		(78.5)
Administration costs	2.3	(87.8)
Transport costs	2.4	150.0
Supplies and Services	2.5	(73.0)
Shared service recharge – Quadrant House rent	2.6.1	111.5
Shared service recharge – revised SLA	2.6.1	(138.4)
Miscellaneous income	2.6.3	165.5
Total movement on gross controlled expenditure	3.1	(26.0)
Reduced funding from fees	3.3	26

4.0 CAPITAL PLAN 2015/16

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 2015/16.

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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 2015/16 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 2015/16 is included as Appendix 2.

5.0 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.

6.0 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 Corporate Plan, Scrutiny and Improvement Plan 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 2015/16 Budget

Appendix 2 - Draft 2015/16 Capital Plan

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