



2014-15 Budget Monitoring

Report to: Resources Committee

Date: 9 December 2014

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

Report No. RC-23-2014

Agenda Item: 6

PURPOSE OF REPORT

To advise the Committee of the projected financial position for the year to 31 March 2015 (based on October ledger).

RECOMMENDATIONS

That the Committee:

1. Considers the revenue monitoring statement for the year to 31 March 2015.
2. Considers the capital monitoring statement as at 31 October 2014.

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

NO

If yes, please attach the accompanying EIA and briefly outline the equality and diversity implications of this policy.

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: 2 December 2014

EXECUTIVE SUMMARY

The current projected net expenditure variance for the Care Inspectorate as at 31 March 2015 is an underspend of £101k. This is a decrease of £184k in projected budget expenditure from the anticipated position reported to Committee at its meeting of 23 September 2014.

The summary of main movements in budget variance is shown in the table below:

	£'000
Overspend reported to Committee at 23 September 2014	83
Current projected underspend	(101)
Movement in projected variance	<u>(184)</u>
 <u>Summary of Movement</u>	
Staff costs	(242)
Accommodation costs	(67)
Administration costs	22
Transport costs	35
Supplies & Services costs	52
Fee Income	17
Other income	(1)
	<u>(184)</u>

MOVEMENT IN PROJECTED VARIANCE

The main changes in budget variance from the position reported to Resources Committee at its meeting of 23 September 2014 are detailed below. Action is currently underway to utilise the identified underspend and the Executive Team (ET) has approved Alternative Expenditure Proposals (AEPs) which are included in the projections.

Staff Costs - Decrease of £242k

Projected expenditure includes £81k for the following AEPs approved since the last report to Resources Committee:

- KA1401 - Equalities & Engagement Advisor (£18k)
- GW1402 - Health & Safety Arrangements (£16k)
- GW1403 – eForms Helpdesk Support (£12k)
- RP1401 – Audit Scotland Secondment (£12k)
- RP1402 – MAPPA Secondment (£23k)

This leaves a decrease of £323k in budgeted staff costs due to the following:

- The projected variance in Inspector & Locum staff costs has decreased by £176k. This is mainly due to slippage in recruitment. There are currently 17.5 FTE vacancies in Inspectors. It was previously projected

that 12.0 FTE vacancies would be filled in December. It is now projected that 12.5 FTE will be filled mid January.

- The projected variance in Team Managers has increased by £64k. This is due to the extension of the Project Lead – Methodologies post for a further 12 months (£27k) and the cost of a Team Manager undertaking the Comments & Complaints Co-ordinator post which was previously reported in Admin & Professional (£53k) now being reported in Team Managers costs. These increases have been partly offset by vacancy slippage of £16k.
- The projected variance in Admin & Professional, when coupled with Hired Agency Staff, has decreased by £104k. This is mainly due to slippage in vacant posts (£51k) and the Comments & Complaints Co-ordinator post being undertaken by a Team Manager with the associated costs being reported in Team Manager costs (£53k) as noted above.
- The projected variance in Sessional Staff costs has decreased by £40k. There have been fewer vacancies in Strategic Inspector posts than in previous years, with a corresponding reduction in the requirement to use Sessional Staff.
- The secondee budget included an allowance for specialist support for joint inspections which is not required in full this financial year. Projected costs have decreased by £38k.
- Recruitment costs, including the cost of running assessment centres are lower than anticipated with a projected decrease of £37k.
- There are other minor variances resulting in a projected increase of £8k.

Accommodation Costs – Decrease of £67k

The decrease in projected variance in Accommodation Costs of £67k is mainly due to revised billing arrangements being put in place for the SSSCs share of Quadrant House, where the SSSC is now being charged directly by the landlord. The reduction of £66k in rent is offset in full by a corresponding reduction in Shared Service Income. There are other minor decreases in other running costs of £1k.

Administration Costs - Increase of £22k

Projected Administration Costs have increased by £22k due to the following:

- The Rehabilitation Consultant secured additional funding of £13k from Scottish Government to undertake an evaluation of the 'Go for Gold Scotland Challenge' programme developing a resource to support care homes and to produce additional 'Falls' DVD resources for care homes. This is offset in full by a corresponding increase in miscellaneous income.
- A projected increase in legal fees of £13k which is mainly due to a petition relating to a judicial review.
- Estimated costs of £7k to undertake a review of the Legal team.

- Other minor increases of £1k.
- These increases have been partly offset by a projected decrease of £12k which is mainly due to a reduction in the volume of mail being posted and efficiencies realised from the increased use of electronic media.

Transport Costs - Increase of £35k

Transport costs have previously been reported as an area of expenditure at risk due to the increase in staff numbers and the creation of specialist teams. The latest projection shows an increase of £35k from the position last reported to Committee.

Supplies & Services Costs – Increase of £52k

Projected expenditure includes £60k for the following AEPs approved since the last report to Resources Committee:

- GW1401 – online registration application forms

This leaves a projected decrease of £8k in budgeted supplies & services costs. The approved budget allowed for approximately one third of the workforce requiring PVG Disclosures, however, the requirement for all staff to undertake full disclosure has been reviewed, resulting in projected savings of £8k.

Fee Income – Decrease of £17k

Income from fees is projected to decrease by £17k. This is mainly due to changes in the number of care homes that have either cancelled, or are proposing to cancel, their registration before their invoice date.

Other Income - Increase of £1k

A projected increase in income of 1k is mainly due to the following:

- A projected increase of £2k in secondee income. This is offset in full by a corresponding increase in staff costs following implementation of the Scottish Government pay award.
- Additional grant of £33k from Scottish Government to fund the Rehabilitation Consultant costs. This includes two projects as noted in Administration Costs (£13k) and administration support & transport costs for this post (£20k).
- Recovery of sessional staff costs and transport costs of £22k for work undertaken on behalf of Health Improvement Scotland.
- A projected increase in recovery of legal fees of £3k.

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- A projected increase of £4k for additional finance related shared services to the Office of the Scottish Charity Regulator. This is partly offset by a projected reduction of £1k in accommodation services.
- A projected increase of £4k for design services provided to the SSSC.
- The above increases are partly offset by a projected decrease of £66k in rent recharge income from SSSC shared services as noted in accommodation costs above.

1.0 INTRODUCTION

1.1 Corporate Plan Reference

Strategic Objective No 6

To perform effectively and efficiently as an independent scrutiny and improvement body and work in partnership with others

Key Priority 6.3

Strengthen our governance arrangements, programme and project planning and performance reporting so that we are transparent, accountable and open to challenge on how we evidence our success and use of public monies and resources.

1.2 Background

The Care Inspectorate is responsible and accountable for the administration of an annual budget with predicted gross expenditure (revenue and capital) of £35.599m in the current financial year.

The Care Inspectorate manages those resources and has in place formal processes for the accurate recording, reporting and effective managerial control of its funds.

Attached as Appendix 1 is the 2014/15 revenue budget monitoring statement for the year to 31 March 2015, based on the financial ledger to 31 October 2014.

- Budget virement represents the transfer of resources between budget headings to reflect expected changes in income or expenditure patterns and will be subject to compliance with the budget virement policy.
- Revised budget shows approved budget amended for budget virements.
- Phased budget details the budget required at the ledger date i.e. for this report the phased budget represents planned income and expenditure to 31 October 2014.
- Actual expenditure shows actual and committed expenditure as at the ledger date of 31 October 2014.
- The variance column represents the difference between actual expenditure and phased budget, with figures in brackets representing an underspend.
- The projected outturn forecasts the expected position at the end of the financial year, based on estimates prepared in conjunction with the budget managers.
- The final 'Projected Variance' column shows the anticipated variance to revised budget at the end of the financial year.

2.0 2014/15 PROJECTED BUDGET OUTTURN

The net revenue position projected as at 31 March 2015 is an underspend against revised budget of £101k. The main variances in budget headings are noted below.

2.1 Staff Costs – (£136k)

Staff cost projections are based on staff currently in post projected to the year end and adjusted for known recruitment and leavers. There is an overall underspend of £136k projected in staff costs with the main variances as detailed in paragraphs 2.1.1 to 2.1.10 below:

2.1.1 Chief Officers & Senior Managers - £96k

A projected overspend of £96k in Chief Officers and Senior Managers is mainly due to pay increases following the job evaluation of senior managers (£54k) and the appointment of a temporary Head of Inspection to support strategic development (£44k). These are partly offset by other projected underspends of £2k.

2.1.2 Admin & Professional and Hired Agency Staff – (£122k)

The following AEPs have been agreed by ET:

- KA1401 - Equalities & Engagement Advisor (£18k)
- GW1402 - Health & Safety Arrangements (£16k)
- GW1403 – eForms Helpdesk Support (£12k)

This leaves a projected underspend of £168k against the original budget. This is mainly due to staff slippage being greater than anticipated. Projections also include the cost of a Communications Co-ordinator on a short term secondment to Scottish Government, with the seconded costs of £13k being offset by a corresponding increase in Seconded Officer income.

2.1.3 Specialists - (£85k)

A projected underspend in Specialists of £85k is due to a budgeted full time post remaining vacant pending the review of the Health Team and a budgeted full time post being filled on a part time basis.

2.1.4 Team Managers - £93k

A projected overspend in Team Managers of £93k is due to the cost of backfill arrangements to provide cover for flexible retirements (£66k) and the extension of the Project Lead – Methodologies post (£28k). This has been partly offset by other projected underspends of £1k.

2.1.5 Inspectors – (£4k)

Inspector costs, including expenditure on Locums, project an underspend of £4k. There are currently 17.5 FTE inspector vacancies of which it is assumed 12.5 FTE will be filled mid-January 2015. It is projected the remaining 5.0 FTE vacancies will remain unfilled pending the return of the substantive postholders who are currently seconded to other posts within the Care Inspectorate. The staff cost slippage created by the vacancies has been largely offset by the additional cost of using locums and overtime to ensure every effort is made to achieve the planned inspection targets, and to resource registration and complaints activity.

Projections also include the cost of an Inspector on secondment to Health Improvement Scotland until 30/06/15, with the seconded costs of £47k being offset by a corresponding increase in Seconded Officer income.

2.1.6 Strategic Inspectors and Sessional/Inspection Volunteers- (£50k)

The following AEP has been agreed by ET:

- RP1402 – MAPPA Secondment (£23k)

This leaves a projected underspend of £73k against the original budget.

An underspend of £33k is projected for Strategic Inspectors. Projected slippage in Strategic Inspectors is £115k, with 2 vacant posts assumed to be filled in January 2015. This is partly offset by the cost of a Strategic Inspector on secondment to Scottish Government, with the seconded costs of £82k being offset by a corresponding increase in Seconded Officer income.

The Strategic Inspector establishment is closely aligned to the Inspection Plan and there are 21.3 FTE actually in post compared to the budget establishment of 24.0 FTE. A further 2.0 FTE posts are projected to be filled by January 2015. This means there is less of a requirement to use Sessional Staff than in previous years and there is a corresponding decrease in projected costs of £40k.

2.1.7 Secondees - (£38k)

The following AEP has been agreed by ET:

- RP1401 – Audit Scotland Secondment (£12k)

This leaves a projected underspend of £50k against budget. The use of specialist staff to support strategic inspections is projected to be less than budget. This along with VAT savings realised from one of the secondees now being employed directly by the Care Inspectorate is the reason for the projected underspend of £50k.

2.1.8 Grant Funded Posts - £5k

The budget included provision for the Nurse Consultant (Older People) post of £87k. This post has not been filled, however, the Rehabilitation Consultant post, at a cost of £92k, is now being funded by Scottish Government. The marginal difference in pay costs between these posts has led to a projected overspend of £5k.

The changes to grant funded posts are reflected in a corresponding adjustment to income as detailed in 2.6.4

2.1.9 T&C Harmonisation/Restructure - £5k

This budget was intended to cover any costs associated with the job evaluation of senior posts undertaken in 2013/14 and implemented in 2014/15, and any costs associated with the job evaluation of other posts to be undertaken this financial year. The job evaluation costs are included in the staff costs described above in 2.1.1.

In addition, we have received information from the Government Actuary's Department (GAD) that the pension protection arrangements which apply to staff who transferred from SWIA and HMIE at 1 April 2011 are likely to exceed what was originally estimated at the date of transfer by £30k. The projected costs of this exceed the budget available by £5k.

2.1.10 Other Staff Costs – (£36k)

A projected underspend of £36k in other staff costs is due to a reduction in recruitment costs. This is mainly attributable to lower than estimated assessment centre costs.

2.2 Accommodation Costs – (£63k)

A projected reduction in rent of £66k is due to revised billing arrangements being put in place for the SSSCs share of Quadrant House, where the SSSC is now being charged directly by the landlord. The reduction of £66k in rent is offset in full by a corresponding reduction in Shared Service Income.

A small overspend of £3k is projected for other accommodation costs. This is due to additional services provided to the Office of the Scottish Charities Regulator and is offset in full by additional shared service income.

2.3 Administration Costs - £22k

A projected overspend of £22k in Administration Costs is due to the following:

- The Rehabilitation Consultant secured additional funding of £13k from Scottish Government to undertake an evaluation of the 'Go for Gold Scotland Challenge' programme developing a resource to support care

homes and to produce additional 'Falls' DVD resources for care homes. This is offset in full by a corresponding increase in miscellaneous income.

- A review of the Legal function is being undertaken with an estimated cost of £7k.
- An increase in legal fees of £13k which is mainly due to a petition for a judicial review.
- These overspends are partly offset by a projected reduction of £10k in postages costs. This is due to a reduction in the volume of mail being posted and efficiencies realised from the increased use of electronic media
- Other minor underspends of £1k.

2.4 Transport Costs - £118k

Although the budget for 2014/15 was increased to account for increased transport costs associated with the creation of specialist teams, costs peaked during the last quarter of the financial year. Therefore, the 2014/15 budget does not fully reflect the increased travel costs experienced in 2013/14. A similar pattern of expenditure is anticipated this financial year, with projected costs being £118k more than budget.

2.5 Supplies & Services Costs - £52k

The following AEP has been agreed by ET:

- GW1401 – online registration application forms (£60k)

This leaves a projected underspend of £8k in budgeted supplies & services costs which is due to lower than anticipated PVG Disclosures being submitted for processing.

2.6 Income (£93k)

2.6.1 Fee Income – £61k

Fee income is projected to be £61k less than budget.

Income from continuation fees is projected to be £87k less than budget. This is due to changes in the number, size and type of services registered between when the budget is set and when invoices are raised.

Registration income is intrinsically difficult to predict and a prudent estimate of registration income is taken in the budget. Based on average registrations over the last three financial years, an additional £26k of registration fee income is projected. There has, however, been a review of the registration process with a new process implemented this financial year. It is anticipated this new process will mean a registration decision will be reached in a shorter timescale, which should translate to an increase in registration fees this financial year as

the fee is accounted on completion of the registration process. Analysis of new applications to register will continue to be analysed throughout the year.

2.6.2 Shared Service Income – £54k

Projected income from shared services has decreased by £54k. This is due to a projected decrease of £66k in rent recharge income from SSSC shared services as noted in accommodation costs above. This is partly offset by a projected increase of £12k due to additional services provided to the Office of the Scottish Charities Regulator for accommodation facilities shared services (£4k), finance shared services (£4k) and to the SSSC for design services (£4k).

2.6.3 Seconded Officers - (£142k)

As noted in 2.1.2 (Communications Coordinator), 2.1.5 (Inspector) and 2.1.6 (Strategic Inspector) additional income of £142k is projected for staff currently on secondment.

2.6.4 Miscellaneous Income - (£66k)

Miscellaneous income is projected to be £66k more than budget due to the following:

- Recovery of travel & subsistence expenses of £5k which have been funded by the Organisation for Economic Co-operation and Development.
- Recovery of staff and transport costs of £22k for costs paid on behalf of Health Improvement Scotland
- Projected income of £9k for recovery of telephone, legal expenses and rebates received from the use of collaborative contracts.
- Additional grant income of £13k to fund an evaluation of the 'Go for Gold Scotland Challenge' programme developing a resource to support care homes and to produce additional 'Falls' DVD resources for care homes as noted in 2.3.
- Additional grant income of £17k. Scottish Government has agreed to fund administrative support and transport costs for the Rehabilitation Consultant post of £20k. This is partly offset by a projected reduction in grant income of £3k due to the changes in Grant Funded posts as noted in 2.1.8.

3.0 BUDGET VIREMENT

Budget virement allows Budget Managers to amend budgets in the light of experience or to reflect anticipated changes in the expected pattern of income or expenditure.

A summary of budget virements are shown in the relevant column of Appendix 1.

4.0 PROJECTIONS AT SIGNIFICANT RISK TO CHANGE

There are a number of areas in the budget noted below whereby there are financial uncertainties. The table below details the budget headings identified. Executive Team members are requested to regularly discuss these budget issues with their appropriate budget manager.

Budget Heading	Budget Issue	Potential Change to Projected Financial Positions	Responsible
Staff Costs – Salary Related	<p>Projected staff costs account for known staffing changes. Any further changes which materialise throughout the year will either increase or decrease the underspend.</p> <p>Any changes to staffing following the review of the Registration, Complaints & Legal and Health functions may have a financial impact.</p>	<p>+ or -</p> <p>+ or -</p>	<p>All</p> <p>Director of Strategic Development</p>
Staff Costs – Annual Leave & Flexi Balances	<p>The reported financial position incorporates the value of annual leave and flexi balances carried forward to the next financial year. The projected financial position assumes balances will be at a similar level to those brought forward at the start of this year. Any significant upwards or downwards movement in leave and flexi balances will have an impact on the reported financial position.</p>	<p>+ or -</p>	<p>All</p>

Staff Costs – T&C Harmonisation/Restructure	This budget was intended to fund job evaluation costs. However, the costs of pension protection arrangements for transferred staff from SWIA and HMIE exceed the available budget by £5k. Job evaluation costs therefore may be a cost pressure.	Decrease underspend	Director of Corporate Services
Staff Costs – Training, Courses & Conferences	Projected costs include the cost of delivering the approved training plan as advised by the Head of OD. There is a small proportion of this planned spend which is currently uncommitted and may not be required this financial year.	Increase underspend	Director of Corporate Services
Administration Costs – Telephones	The budget is based on 2013/14 telephony costs. Work is on-going to procure a new contract for the provision of fixed telephony. Any increase or decrease in costs may have an impact on the projected expenditure for the year.	+ or -	Director of Corporate Services
Transport Costs	The additional transport costs realised from the creation of specialist teams is uncertain and will continue to be closely monitored throughout the financial year.	+ or -	All
Administration Costs – Professional Fees	The professional fee projection contains very little contingency and there is therefore risk of this budget becoming overspent as there is unpredictability, particularly with respect to legal	Decrease underspend	Director of Strategic Development

	fees. There is a possibility of having to defend a Judicial Review with significant costs of £200k possible.		
	Projected costs are based on a significant volume of posts being job evaluated by 31 March 2015. Any deviation from this plan will have an impact on the reported financial position.	Increase underspend	Director of Corporate Services
ICT Costs	The ICT budget is almost fully committed. Some of this budget is vired to fund temporary agency staff to support project based work. There is a risk this budget will overspend if there is a peak in demand to replace and purchase new ICT equipment.	Decrease underspend	Director of Corporate Resources
Fee Income	The number of services newly registering is intrinsically difficult to predict, with a prudent approach taken at the budget setting stage. This, coupled with the change in registration process, means projecting fees from new registrations is challenging. Projected income has been based on historical average registrations. This position will be closely monitored throughout the year. It is considered likely that income in excess of current projections will be received.	Increase underspend	Director of Corporate Services

5.0 CAPITAL

The capital plan monitoring statement is attached as Appendix 2.

The purpose of this statement is to allow Committee to monitor capital expenditure against authorised expenditure limits. There is no separate funding for capital expenditure which must be met from the revenue account. The capital costs are included within the revenue monitoring statement.

It is therefore the revenue budget monitoring statement that remains key to monitoring the Care Inspectorate’s financial position. Any underspend in capital expenditure will be used for revenue purposes or will be reported as an underspend on the revenue monitoring statement. An overspend against the capital plan will require to be funded by an underspend on the revenue account.

At this stage of the financial year it is anticipated that capital expenditure will be within the limits set out in the capital plan.

6.0 GENERAL RESERVE POSITION

The 2013/14 Annual Report and Accounts have been audited and approved. The opening General Reserve balance for 2014/15 is £1,737k. The projected underspend of £101k in this report will increase the reserve, leaving a general reserve balance of £1,838k as follows:

	Revenue Reserve £000	Capital Reserve £000	Total Reserves £000
Opening balance at 1 April 2014	1,044	693	1,737
Projected underspend at 31 March 2015	101	0	101
Projected balance at 31 March 2015	1,145	693	1,838

The projected revenue reserve represents 3.36% of Care Inspectorate gross controlled expenditure. This is towards the upper end of the target range of 2.5% to 3.5% we wish to maintain the General Reserve balance at.

7.0 BENEFITS FOR PEOPLE WHO USE CARE SERVICES AND THEIR CARERS

Formal processes for the accurate recording, reporting and effective managerial control of its funds ensure that the resources available 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

The budget monitoring position currently projects an underspend of £101k.

Section 4 summarises the identified significant risks that will change the projected position if these risks were to materialise.

AEPS which aim to effectively utilise funding as it becomes available are being developed and some proposals have already been approved by ET and are implemented.

It is anticipated that sufficient worthwhile AEPs will be implemented to bring the planned position back towards break even and at the same time ensure the Care Inspectorate uses its available funding to maximise the benefits for people who use services and their carers.

LIST OF APPENDICES

- Appendix 1** Care Inspectorate Budget Monitoring Statement for the Year to 31 March 2015
Appendix 2 Capital Monitoring Statement to 31 October 2014