



## 2015/16 Budget Monitoring

**Report to:** Resources Committee

**Date:** 4 December 2015

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

**Report No.** RC-30-2015

**Agenda Item:** 6

### PURPOSE OF REPORT

To advise the Resources Committee of the projected financial position for the year to 31 March 2016 (based on the general ledger as at 30 September 2015).

### RECOMMENDATIONS

That the Resources Committee:

1. Considers the revenue monitoring statement for the year to 31 March 2016.
2. Considers the capital monitoring statement for the year to 30 September 2016.

**Version Control and Consultation Recording Form**

Version	Consultation	Manager	Brief Description of Changes	Date
1.0	Senior Management		Projected expenditure adjusted for c/fwd of £36k of delayed discharge funding to 2016/17.	19/11/15
	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 and Corporate Governance

Authorised by Director

Name: Gordon Weir

Date: 26 November 2015

**EXECUTIVE SUMMARY**

The current projected net expenditure variance for the Care Inspectorate as at 31 March 2016 is an underspend of £152k. This is a decrease of £133k in projected net expenditure from the anticipated position reported to Resources Committee at its meeting of 18 September 2015.

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

	<b>£'000</b>
Budget variance reported to Committee 18 September 2015	(19)
Current projected underspend	(152)
Movement in projected variance	<u>(133)</u>
 <u>Summary of Movement</u>	
Staff costs	(257)
Administration costs	72
Travel	50
Supplies and services	11
Fee Income	(30)
Shared service income	(15)
C/Fwd of Delayed Discharge Funding	36
	<u>(133)</u>

**MOVEMENT IN PROJECTED VARIANCE**

The main changes in budget variance from the position reported to Resources Committee at its meeting of 18 September 2015 are detailed below.

**Staff Costs – Decrease of £257k**

Projected expenditure includes an additional £9k for the following Alternative Expenditure Proposal (AEP):

- RO1501 – Allied Health Professional (AHP) Intern

This leaves a projected decrease of £266k in budgeted staff costs.

- Chief Officer and Senior Manager costs are projected to decrease by £74k. This is mainly due to temporary posts created from acting up arrangements not being backfilled and a change in the contracted hours of a Chief Officer.
- A projected decrease of £61k in Specialist staff costs is mainly due to a vacant Health Team post not being filled as we work towards the revised Health Team structure. There is also a budgeted specialist

staff member who has been seconded until 31 March 2016 but the backfill is through the Admin and Professional budget line.

- Team Manager and Inspector costs are projected to decrease by £161k due to slippage in recruitment plans.
- Other small decreases totalling £3k.

These decreases are partly offset by a projected increase as follows:

- Admin and Professional staff costs, when coupled with Hired Agency staff costs, are projected to increase by £10k. This is mainly due to a specialist vacancy being backfilled through the admin and professional budget line as noted above.
- A projected increase in sessional voluntary redundancy costs of £13k.
- A projected increase of £10k in Other Staff Costs which is mainly due to unbudgeted termination agreement costs.

### **Administration Costs – Increase of £72k**

Projected expenditure includes an additional £58k for the following AEP:

- KA1501 – Senior Management Structure Review

This leaves a projected increase of £14k in budgeted staff costs. This is due to an increase in the projected consultancy costs of the job evaluation and grading exercise (JEGS) being undertaken by Beamans Ltd.

### **Travel Costs – Increase of £50k**

Travel costs are a significant risk area and projected costs have increased by £50k.

### **Supplies and Services – Increase of £11k**

The projected increase in costs is mainly due to additional ICT shared services with the SSSC of £15k for which a corresponding increase in shared service income is noted. This increase is partly offset by a projected reduction in hospitality costs of £4k.

### **Fee Income – Increase of £30k**

Income from fees is projected to increase by £30k. This is due to a projected increase in the volume of new applications expected to complete the registration process by 31 March 2016.

### **Other Income – Decrease of £21k**

The Service Level Agreements (SLAs) with the SSSC now have an element of variable charges which vary according to the amount of service supplied to the SSSC. On this basis there is a projected increase in SLA income of £15k.

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## Agenda item 7.2

Specific funding was supplied by the Scottish Government to allow the Care Inspectorate to undertake a project to improve the delayed discharge position in Scotland. This project will now continue into quarter 1 of 2016/17 and as a result it is anticipated £36k of the funding will be carried forward to 2016/17.

## 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 £35.434m 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 2015/16 revenue budget monitoring statement for the year to 31 March 2016, based on the financial ledger to 30 September 2015.

- 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 30 September 2015.
- Actual expenditure shows actual and committed expenditure as at the ledger date of 30 September 2015.
- 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 2015/16 PROJECTED BUDGET OUTTURN

The projected financial position as at 31 March 2016 is an underspend against revised budget of £152k. The main variances in budget headings are noted below.

### 2.1 Staff Costs – £1k

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 overspend of £1k projected in staff costs with the main variances as detailed in paragraphs 2.1.1 to 2.1.9 below:

#### 2.1.1 Chief Officers – £31k

The appointment of a temporary Advisor to the Board was approved at Resources Committee 12 June 2015, with estimated costs of £48k for this financial year.

This is partly offset by vacancy slippage in the Director of Inspection and Director of Strategic Development posts of £17k.

#### 2.1.2 Senior Managers – (£2k)

Projected senior manager costs include the appointment of a 'Health Improvement Manager' post approved as part of the Health Team restructure (£43k) and a 'Project Lead – National Care Standards' temporary post (£47k).

The projected overspends above of £90k are more than offset by savings of £92k which are mainly due to vacancy slippage in the appointment of the Acting Head of Quality and Improvement and vacant Heads of Inspection posts not being backfilled.

#### 2.1.3 Admin and Professional and Hired Agency Staff – £46k

Projected expenditure includes an additional £9k for the following AEP:

- RO1501 – Allied Health Professional (AHP) Intern

This leaves a projected increase of £37k against the original budget.

This is due to the following:

- The extension of an AEP that approved a temporary equalities and engagement post to 31 March 2015. This has been extended to 31 March 2016 at an additional cost of £36k. This is funded from savings within other areas of the Quality and Improvement budget.
- Backfill arrangements to support delayed discharge work of £27k for which additional funding has been received.

- Backfill arrangements to cover long term sick leave in the Analysis and Business Planning Team at a projected cost of £11k.
- The establishment of a Corporate Facilities, Health and Safety Assistant with a projected cost of £26k. This new post is funded by permanent reductions in the Organisational Development and Finance and Corporate Governance budgets.
- Backfill arrangements of a temporary vacancy created by the secondment of a specialist staff member to 31 March 2016. This has increased projected admin and professional staff costs by £27k.

These overspends are partly offset by savings of £90k which are mainly due to slippage in Business Support.

### 2.1.4 Specialists - (£246k)

A projected underspend of £246k in Specialist Staff costs is due to the following:

- A review of the Health Team has been undertaken with a revised structure being agreed at Resources Committee 12 June 2015. Savings of £211k are projected as a result of posts remaining vacant as we work towards fully implementing the revised structure.
- A budgeted specialist staff member has been seconded until 31 March 2016 with a projected reduction of £37k in specialist staff costs. The vacancy has been filled through the admin and professional staff budget line (2.1.3).

These underspends are partly offset by a projected increase of £2k in other specialist staff costs.

### 2.1.5 Team Managers - £38k

A projected overspend in Team Managers of £38k is mainly due to the cost of backfill arrangements to cover the cost of a flexible retirement arrangement.

### 2.1.6 Inspectors – (£59k)

Inspector costs, including expenditure on Locums, are projected to underspend by £59k. Projected costs include the following:

- The ET had previously agreed that Registration Inspectors could exceed budget by 2 FTE based on an assumption that income from new registration fees will be greater than budgeted.
- A number of Inspectors are undertaking work to support our improvement work on delayed discharge. Additional grant income has been received to fund work on delayed discharge.
- There are currently 3 Inspector FTE vacancies in Children's Services which are not being filled.

Projections also include the cost of an Inspector who was on secondment to Health Improvement Scotland until 30/06/15. The seconded costs of £13k are offset by a corresponding increase in Seconded Officer income.

A recruitment campaign for inspectors is in process and it is projected that 12.6 FTE vacancies will be filled between November and January 2016. Of these, 7 FTE have confirmed appointments and the remaining 5.6 FTE are currently in the recruitment process.

### **2.1.7 Strategic Inspectors and Sessional/Inspection Volunteers- £72k**

An overspend of £72k is projected for Strategic Inspectors. This includes the additional backfill costs for a Strategic Inspector on secondment to Scottish Government. The seconded costs of £85k are offset by a corresponding increase in Seconded Officer income.

The overspend is partly offset by savings of £13k, which is mainly due to projected savings from not filling a part time vacancy of 0.19FTE.

### **2.1.8 Secondees - £24k**

Projected costs include a secondee to support MAPPA at a cost of £33k. This was originally funded via Strategic Inspector slippage. The secondee has now been appointed as a permanent Strategic Inspector.

The cost of this is partly offset by a projected reduction of £9k in cost of the Audit Scotland secondee to support strategic inspections.

### **2.1.9 Other Staff Costs - £98k**

A review of the Sessional Inspector role has been undertaken and a revised job description was consulted on in October 2015. Voluntary redundancy has been offered to those who do not wish to undertake the revised role. The projected cost of this is £88k. Projected Other Staff Costs also include the £20k cost of a termination agreement.

These overspends are partly offset by lower than anticipated other staff costs of £10k.

## **2.2 Accommodation Costs – £0k**

Accommodation costs are currently projected to be as per budget.

## **2.3 Administration Costs – £101k**

Projected expenditure includes an additional £58k for the following AEP:

- KA1501 – Senior Management Structure Review

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This leaves a projected overspend of £43k against the original budget due to the following:

- The process of implementing the revised Health Team structure means there is an on-going shift between the number of employed Health Advisors and the provision of specialist health advice bought in as and when required. The estimated cost of this bought-in specialist advice for 2015/16 is £20k.
- The Rehabilitation Consultant plans to deliver an 'Arts in Care' project with projected costs of £10k being funded from a grant awarded from Creative Arts. This is offset by a corresponding increase in grant income (2.6.2).
- A projected increase of £14k in legal fees. This is an estimate of legal fees to represent the Care Inspectorate in an ongoing judicial review.
- A projected increase of £14k in the consultancy costs of the job evaluation and grading exercise (JEGS) being undertaken by Beamans Ltd.
- Other minor projected overspends totalling £2k.

These overspends are partly offset by a reduction in Pulse contract costs. Budgeted expenditure included £17k of shared service costs for SSSC's share of Pulse. The supplier has now agreed to invoice the SSSC directly. There is a corresponding decrease in shared service income.

### 2.4 Transport Costs - £190k

Although the budget for 2015/16 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. Improved management information available from Pulse and the collaborative travel services contract has made it considerably easier to identify travel and subsistence costs incurred in the 2014/15 financial year but not claimed and paid for until 2015/16. This more accurate accrual of travel and subsistence will account for a proportion of the final quarter peak and this will be a one year only effect. However, even after taking this one off effect into account and despite increasing the travel budget for 2015/16 budget it is anticipated that actual travel and subsistence expenditure will exceed budget. Travel costs will continue to be closely monitored throughout the financial year.

Projected costs assume £30k of expenditure will be incurred on behalf of Healthcare Improvement Scotland (HIS) and Education Scotland for travel and accommodation booked on their behalf. This is offset in full by a projected increase in income (2.6.5).

### 2.5 Supplies and Services Costs - £11k

The provision of ICT shared services to the SSSC is projected to be £15k more than budget with the costs being offset by a corresponding increase in shared service income.

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This is partly offset by a reduction on £4k in other supplies and services costs.

## **2.6 Income - (£455k)**

Projected income is £455k more than budget with the main variances being explained in detail below.

### **2.6.1 Income from Fees – (£75k)**

Registration income is intrinsically difficult to predict and a prudent estimate of registration income is taken in the budget. Based on the average length of time it takes to complete a registration, an additional £75k of registration fee income is projected. Analysis of new applications to register will continue to be analysed throughout the remainder of the financial year.

### **2.6.2 Grant Income – (£194k)**

An additional £194k of grant income is projected for the year as follows:

- £178k funding to support delayed discharge has been received from Scottish Government. This project will now continue to June 2016 and as a result the Sponsor is being asked to approve the carry forward of £36k of this funding to 2016/17.
- Creative Arts have provided a grant of £10k to support an 'Arts in Care' project being led by the Rehabilitation Consultant as noted in 2.3.
- Grant funding of £40k as a contribution to the Alcohol and Drug Partnerships (ADPs) Supported Self Evaluation and Improvement Programme.
- Prepaid grant of £2k carried forward from 2014/15 for 'Caring about Continence'.

### **2.6.3 Shared Service Income – (£57k)**

The revised SLA with the SSSC was agreed after the budget was set and the final agreement is £36k more than budgeted. In addition to this, there has been an increase in the level of ICT shared service of £35k and recycling of confidential waste of £3k.

This additional income of £74k is partly offset by a reduction of £17k due to Pulse services being invoiced directly to SSSC.

### **2.6.4 Seconded Officers (£98k)**

As noted 2.1.6 (Inspector) and 2.1.7 (Strategic Inspector) additional income of £98k is projected for staff currently on secondment.

**2.6.5 Miscellaneous Income – (£31k)**

A projected increase of £31k in miscellaneous income is mainly due to the recovery of travel and subsistence costs incurred on behalf of HIS and Education Scotland, as noted in section 2.4.

**3.0 BUDGET VIREMENT**

Budget virement allows Budget Managers to amend budgets in the light of experience 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 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	Projected staff costs account for known staffing changes. Any further changes which materialise throughout the year will either create an over or underspend.	+ or -	All
	Projected staff costs are based on current salary grades. Should the current job evaluation exercise identify any proposed salary increases, this will be a cost pressure.	+	All
	Projected secondee costs are based on HMICS involvement for both Children’s and Adults’ joint inspections. It is unclear whether there will be HMICS involvement in the Adults joint inspections, therefore projected costs may decrease.	-	Acting Director of Inspection
Transport Costs	The accuracy of projections is uncertain and travel costs will continue to be closely monitored throughout the year.	+ or -	All
Administration Costs – Professional Fees	The professional fee projection contains very little contingency and there is therefore a risk of this budget becoming overspent, particularly in respect of legal fees.	+ or -	Acting Director of Strategic Development

Budget Heading	Budget Issue	Potential Change to Projected Financial Positions	Responsible
Supplies and Services –ICT Costs	The ICT budget is almost fully committed and it is possible this budget will overspend as there will be a continuing need to replace and purchase new ICT equipment.	+	Director of Corporate Services
Fee Income	The number of services newly registering is intrinsically difficult to predict, with a prudent approach taken at the budget setting stage. Projected income has been based on average periods to complete a registration. The position will be closely monitored throughout the remainder of the financial year.	-	Acting Director of Strategic Development
Shared Service Income	The SLA with the SSSC includes an element of variable charge with the final charge being uncertain.	+ or -	Director of Corporate Services
Miscellaneous Income	It is likely that an Inspection will be undertaken on behalf of the Isle of Man. Whilst the costs of this have still to be agreed, initial discussions with the Isle of Man have indicated an estimated fee of circa £70k would be appropriate.	-	Acting Director of Inspection

**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**

This budget monitoring report projects an underspend of £152k for the year to 31 March 2016. The opening General Reserve balance for 2015/16 is £1,765k. The projected underspend would increase the general reserve balance to £1,917k.

	<b>Revenue Reserve £000</b>	<b>Capital Reserve £000</b>	<b>Total Reserves £000</b>
Opening balance at 1 April 2015	1,082	683	1,765
Projected (over)/under spend at 31 March 2016	152	0	152
<b>Projected balance at 31 March 2016</b>	<b>1,234</b>	<b>683</b>	<b>1,917</b>

The projected revenue reserve represents 3.6% of Care Inspectorate gross controlled expenditure. This marginally exceeds the target range of 2.5% to 3.5% at which we wish to maintain the General Reserve balance. However it is anticipated this will reduce as further AEPs are developed and approved and/or funding is required for voluntary early retirement or severance.

**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 a net underspend of £152k.

Section 4 summarises the identified significant risks that will change the projected position if these risks were to materialise. It is anticipated that the balance of risks to the projected financial position will mean the projected underspend may increase as the year progresses.

Given the balance of risks, Executive Team members are continuing to liaise with budget managers to develop further Alternative Expenditure Proposals (AEPs) for consideration.

In addition, there is a Senior Management Structure Review underway and it is considered prudent not to commit this underspend to AEP's at this stage in the year, as funding may be required for voluntary early retirement or severance.

## **LIST OF APPENDICES**

- Appendix 1** Care Inspectorate Budget Monitoring Statement for the Year to 31 March 2016
- Appendix 2** Capital Monitoring Statement to 30 September 2015