

2018/19 Budget Monitoring

Report to: Board
Date: 28 March 2019
Report by: Kenny Dick, Head of Finance and Corporate Governance
Report No: B-07-2019
Agenda Item: 13

PURPOSE OF REPORT

To advise the Board of the projected financial position for the year to 31 March 2019 (based on the general ledger as at 31 January 2019, month 10).

RECOMMENDATIONS

That the Board:

1. Considers the core revenue budget monitoring statement for the year to 31 March 2019 (Appendix 1).
2. Considers the position on projected expenditure against available specific grant funding for the Care About Physical Activity (CAPA) and CAPA 2 Programmes for the year to 31 March 2019 (Appendix 2).
3. Considers the position on the Business / Digital Transformation Project for the year to 31 March 2019 (Appendix 3).
4. Considers the Capital Statement as at 31 January 2019 (Appendix 4).
5. Note the areas that are at significant risk of change in section 6.0.
6. Note the projected general reserve position described in section 8.0.

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Consultation Log

Who	Comment	Response	Changes Made as a Result/Action
Senior Management			
Legal Services			
Corporate and Customer Services Directorate			
Committee Consultation (where appropriate)			
Partnership Forum Consultation (where appropriate)			
Equality Impact Assessment			
Confirm that Involvement and Equalities Team have been informed	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
EIA Carried Out	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>	
If yes, please attach the accompanying EIA and appendix and briefly outline the equality and diversity implications of this policy.			
If no, you are confirming that this report has been classified as an operational report and not a new policy or change to an existing policy (guidance, practice or procedure)	Name: Kenny Dick Position: Head of Finance and Corporate Governance		
Authorised by Director	Name: G Weir	Date: 14/03/2019	

EXECUTIVE SUMMARY

The budget was approved with a budget deficit of £1.454m to be funded from the general reserve balance. This comprises previously planned use of £0.357m to support the final year of the Care About Physical Activity (CAPA) programme – this funding was received in 2016/17 and was credited to the general reserve. It was agreed that the budgeted target general reserve balance would be decreased to 1.65% of gross controlled expenditure to release funds to support the Business and Digital Transformation Project and investment in ICT infrastructure.

During 2017/18 expenditure was strictly controlled to generate an underspend in order to create funding for Digital Transformation and ICT Modernisation. As a result of this effort and a postponement of a planned Compass House office accommodation re-configuration, the general reserve balance is £688k more than was anticipated when the budget was set.

The current projected net expenditure variance for the 2018/19 Care Inspectorate revenue budget as at 31 March 2019 is an overspend of £1,635k. This is £181k more than the budget position. When taken together with the additional £688k in the general reserve the net impact is a favourable variance to the budgeted position of £507k.

The Sponsor Department has confirmed that £350k of Digital Transformation funding budgeted for 2018/19 will be delayed until 2019/20. This is a timing issue and the funding will be reinstated in 2019/20.

The summary of the main budget movements since the last report are shown in the table below:

	£'000
Budget variance reported to Board 18 December 2018	232
Current projected budget variance	181
Movement in projected variance	<u>(51)</u>

Summary of movements:

	Total £'000
Staff costs	(215)
Accommodation costs	(57)
Administration costs	(138)
Travel and subsistence	42
Other supplies and services	137
Fee Income	14
Grant in aid	350
Other Grant Income	(61)
Shared service income	(9)
Other income	<u>(114)</u>
	(51)

MOVEMENT IN PROJECTED EXPENDITURE

The main changes in budget variance from the position reported to the Board at its meeting of 18 December 2018 are detailed below.

Staff Costs – Decrease of £215k

The projected decrease of £215k in staff costs is mainly due to the following:

- Board members fees are projected to be £13k less than budgeted.
- A projected decrease of £35k as a result of the interim backfill arrangements in the Strategy and Improvement Directorate.
- Staff cost slippage in Admin and Professional expenditure is expected to increase by £85k.
- Staff cost slippage in the Scrutiny and Assurance Directorate is expected to increase by £9k.
- A projected decrease of £14k in grant funded posts due to reduced hours and slippage in start dates.
- The budget included £78k for specialist advice to support strategic inspections which is not required this financial year.
- Projected recruitment expenditure has decreased by £21k.
- Other minor decreases totalling £5k.

The decreases totalling £260k are partially offset by:

- The Chief Executive vacancy was filled earlier than previously projected with an increase in projected costs of £25k.
- Additional projected costs of £20k for the extension of the Project Lead Childminding Induction post. This post has been extended for a further six months to May 2019 and is funded by Scottish Government with a corresponding increase in grant income.

Accommodation Costs – Decrease £57k

The projected decrease of £57k in accommodation costs is mainly due to general office repairs being less than budgeted. £24k of this projected decrease has been used to buy office furniture required for the Paisley office and this is reflected in the Supplies and Services expenditure. Expenditure also includes an additional £7k for services which will be recharged to OSCR and is offset by a corresponding increase in Shared Service Income.

Administration Costs – Decrease of £138k

A projected decrease of £138k in administration costs is mainly due to the following:

- Projected CAPA costs have decreased by £61k. This is a grant funded project and any underspend will transfer to the General Reserve at 31 March to be used next financial year.
- Savings of £53k are projected in telephone costs due to efficiencies realised from the re-let of the fixed and mobile telephony contracts.

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- A budgeted allowance to buy in specialist advice to support the Improvement Team has not been required in full this financial year and savings of £50k are projected.
- Previous projections included ICT modernisation expenditure of £43k for Sharepoint & Office 365 deployment design expenditure which has now been projected in Supplies and Services ICT costs.
- A projected decrease of £12k in filming and translation costs.
- A projected decrease of £9k in Communications administration costs. This is being used to fund a projected increase in storage costs reported in Supplies and Services.
- A projected decrease in other admin costs of £7k.
- A projected decrease of £5k in HR professional fees.

These projected decreases totalling £240k are partially offset by projected increases of:

- An additional £40k is projected for the contract with PA Consulting being further extended in order to maintain momentum and ensure adequate knowledge transfer to the Care Inspectorate staff at the end of their engagement.
- The development and re-launch of The Hub is projected to be £25k more than budget. This is being largely funded from Scottish Government, with an increase of £20k in Grant Income projected.
- We are to develop resources to promote activity in children (My Active World) at a cost of £10k. This is offset in full by a corresponding increase in Scottish Government income.
- Professional fees of £8k for an accessibility audit of the digital transformation development.
- A pilot to improve health and safety arrangements for staff who are loneworking is being implemented from January 2019 with a projected cost of £7k.
- A legal case which concluded in the Care Inspectorate's favour is being appealed. Projected legal fees of £7k are required to defend the current decision.
- Other small decreases in expenditure totalling £5k.

Travel and Subsistence - Increase of £42k

Travel and subsistence expenditure is projected to be greater than 2017/18 with an increase in the projected overspend of £30k. This is mainly due to inspectors completing inspections outwith their geographical area due to staff shortages in certain areas.

There are also projected increase of £11k for travel and accommodation booked on behalf of Healthcare Improvement Scotland (HIS) and additional projected costs of £9k relating to the Business and Digital Transformation Project.

These increases are partially offset by a projected decrease of £8k in CAPA travel and subsistence. The CAPA programme is grant funded and the decrease in expenditure will transfer to the General Reserve at 31 March to be used for CAPA programme spend in 2019/20.

Supplies and Services – Increase of £137k

A projected increase of £137k in supplies and services is mainly due to the following:

- A projected increase of £58k in ICT expenditure is due to greater than anticipated email migration expenditure and additional ICT modernisation costs.
- ICT modernisation expenditure of £43k for Sharepoint & Office 365 deployment design expenditure (previously projected in administration costs)
- Additional equipment required for the Business / Digital Transformation Project at a cost of £5k.
- A projected increase of £24k for office furniture for the Paisley office as noted in accommodation costs.
- A projected increase in CAPA event costs totalling £11k which is fully offset by grant income.
- A projected increase in storage costs of £8k.

These increases totalling £149k are partially offset by the following projected decreases:

- The overall demand for homeworking equipment and furniture is projected to be £5k less than budgeted.
- The volume of Disclosure Scotland checks processed this year is less than estimated with a projected decrease of £6k in expenditure.
- Expenditure for venue hire and hospitality is expected to decrease by £1k.

Fee Income – Decrease of £14k

The continuation fee income budget is based on the size and mix of registered services at the time of preparing the budget. The actual size and mix of registered services is projected to generate fee income that is £14k less than budgeted.

Grant in Aid – Decrease of £350k

The Sponsor Department has delayed the payment of £350k grant funding towards the Digital Transformation Project until 2019/20 to assist with management of the overall portfolio budget.

Grant Income – Increase of £61k

As noted in staff costs, Scottish Government is funding the extension of the Project Lead Childminding Induction post for an additional six months. The funding for this totals £31k and covers the period November 2018 to May 2019, with projected costs for 2018/19 being £23k. The balance of £8k will

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transfer to the General Reserve at year end to fund the 2019/20 projected expenditure.

Scottish Government has also provided £10k of funding to promote activity in children (My Active World) and a funding contribution of £20k towards the development and re-launch of the Hub (see administration costs).

Shared Services Income – Increase of £9k

This increase is due to additional shared services of £7k to OSCR and additional £2k of ICT provided to SSSC.

Other Income – Increase of £114k

The projected increase in other income is mainly due to the following:

- A claim to HMRC for the recovery of historical VAT has been successful and an additional £103k of income is projected.
- As noted in travel and subsistence, additional income of £11k will be received from HIS for recovery of charges made on their behalf.

1.0 INTRODUCTION

Corporate Plan reference

Strategic Objective No 4

We will perform as an independent, effective and efficient scrutiny and improvement body, working to consolidate excellence, deliver cultural change, invest in a competent, confident workforce and work collaboratively with partner agencies to support the delivery of safe and compassionate, rights-based care.

Key Priority 4.1

Develop a best value approach underpinned by an efficiency saving regime to identify areas for savings, investment, and growth. This will enable us to meet future financial challenges, working collaboratively with our staff and partner bodies to continue to identify ways of reducing duplication and deploying flexible, innovative approaches to evidence public value. We will revise and strengthen our quality assurance processes and practices across all parts of the Care Inspectorate to ensure we deliver the highest quality work in a way that constantly evolves and improves.

Key Priority 4.5

Strengthen our governance arrangements and success reporting so that we are transparent, accountable and open to challenge on how we evidence our success and use of public monies and resources. We will review in partnership with Scottish Government, our legislative framework to ensure it is fit for purpose and acts as an enabler in delivering our statutory responsibilities of providing protection and assurance for people who use services and their carers.

1.1 Background

The Care Inspectorate is responsible and accountable for the administration of an annual budget with predicted gross expenditure (revenue and capital) of £37.569m 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 2018/19 core revenue budget monitoring statement for the year to 31 March 2019, based on the financial ledger to 31 January 2019.

- Approved Budget is the budget approved by Board on 29 March 2018.
- 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.
- Actual & Commitments shows actual and committed expenditure as at the ledger date of 31 January 2019.

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- Projected Income/Expenditure forecasts the expected position at the end of the financial year, based on estimates prepared in conjunction with the budget managers.
- The final Projected Annual Variance column shows the anticipated variance to revised budget at the end of the financial year.

2.0 2018/19 PROJECTED BUDGET OUTTURN

The projected financial position as at 31 March 2019 is an overspend of £1,635k. This is £181k more than the planned overspend. However, the general reserve balance is £688k higher than was anticipated when the budget was set. The net impact is a favourable variance to the budget position of £507k.

2.1 Staff Costs – underspend of £277k

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 underspend of £277k projected in staff costs with the main variances detailed in paragraphs 2.1.1 to 2.1.13 below:

2.1.1 Board, Chief Officers and Senior Managers – overspend of £144k

The projected overspend is mainly due to:

- backfill for a seconded Service Manager. This is offset by a projected increase in secondees income (see 2.6.6).
- a new post of Head of Professional Standards and Practice to which a displaced member of staff has been appointed.

Projected expenditure also includes a saving due to flexible retirement arrangements in the Improvement Support Team and a projected underspend in Board Fees.

2.1.2 Admin and Professional including Hired Agency Staff – underspend of £445k

The budget allowed for agency staff to support the Business and Digital Transformation Project. Difficulties in recruitment and team changes have resulted in a projected underspend of £401k. To ensure continued momentum and knowledge transfer to the Care Inspectorate, PA Consulting's contract to support the project has been extended, with a projected overspend in professional fees (see 2.3).

Admin and professional staff cost slippage is projected to be £44k more than budgeted.

Projections include an increase in Inspection Assistants to support the extension of the Career Pathways Project.

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2.1.3 Specialists – overspend of £49k

Specialists include projected expenditure of £44k for a Senior Improvement Advisor to support the Technology Enabled Care (TEC) Programme from 1 July 2018 to 31 March 2019 and £14k for a temporary Out of Hours Project post which ended 30 June 2018. The TEC Programme is funded in full by Scottish Government (see 2.6.3) and the Out of Hours Project post is 50% funded from Healthcare Improvement Scotland (see 2.6.7). There is also a projected increase in specialist advice of £15k which is funded from the Senior Manager savings (see 2.1.1).

These overspends are partially offset by projected savings of £24k in the interim backfill arrangements for the Strategic and Improvement Directorate.

2.1.4 Team Managers - overspend of £67k

The projected overspend is due to budgeted slippage not being achieved and a temporary Team Manager being appointed to cover long term absence.

2.1.5 Senior Inspectors – overspend of £23k

Projected expenditure includes backfill for a Senior Inspector seconded to the temporary Enforcement Review Project Officer post until March 2019. The additional cost is partially offset by projected slippage being greater than budgeted.

2.1.6 Inspectors and Locums – overspend of £22k

Scottish Government has asked the Care Inspectorate to support the first phase of the Scottish Study of Early Learning and Childcare (SSELC). This will require Inspector resources that will be backfilled by the use of locums and Inspector overtime. It is estimated the additional Inspector costs will be £49k. The cost of SSELC is funded by Scottish Government (see 2.6.3).

The additional Inspector cost is partially offset by projected slippage being £27k greater than budgeted.

The projection includes a further £109k for overtime costs to 31 March 2019.

2.1.7 Practitioner Inspectors – underspend of £12k

The projected underspend is mainly due to greater than expected slippage.

2.1.8 Grant Funded Posts - overspend of £202k

The additional expenditure on grant funded posts is fully offset by additional grant income (see 2.6.3). CAPA 2 Programme funding was agreed on 27 September 2018 and the overspend includes the projected costs of the CAPA 2 Programme temporary posts.

2.1.9 Strategic Inspectors – underspend of £173k

Staff vacancies have been greater than expected, with slippage projected to be £173k greater than budgeted.

2.1.10 Displaced Staff - underspend of £107k

A displaced Operational Support Manager has taken voluntary early retirement, and the displaced Development Officer and Senior OD Adviser have both been matched into Inspector posts. The National Care Standards Strategic Lead has also been successful in securing the Head of Professional Standards and Practice post. The Senior OD Adviser is on secondment to the SSSC until June 2019 for which we receive corresponding income (see 2.6.6).

2.1.11 Secondees – underspend of £78k

The budget included £78k for specialist advice to support strategic inspections which is not required this financial year.

2.1.12 Training and Development – as budgeted

The training and development budget is projected to be fully spent.

2.1.13 Other Staff Costs – overspend of £31k

Recruitment costs include the recruitment of the Chief Executive post and are projected to overspend by £15k. Other staff costs also includes expenditure of £16k for the final VER costs from the budget reduction measures identified to assist with the implementation of the revised organisational structure.

2.2 Accommodation Costs – overspend of £112k

At the time the budget was set, the detail of some of the lease arrangements was unknown. We now have this breakdown with the relevant costs being posted to the correct budget heading. The projected underspend of £67k in rent and rates has a corresponding overspend in service charges which is reported in other running costs.

The additional projected overspend of £112k in other running costs is due to the Dundee office re-configuration which was delayed from 2017/18 now proceeding this year.

2.3 Administration Costs – overspend of £281k

This projected overspend is due to the following:

- The Business and Digital Transformation Project budget was based on the

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team being fully staffed for the year. Difficulties in recruitment and team changes have resulted in the contract with PA Consulting being extended to maintain momentum and ensure adequate knowledge transfer to Care Inspectorate staff at end of their engagement. This has resulted in a projected overspend of £520k in professional fees which is partially offset by a corresponding underspend in hired agency staff costs (see 2.1.2).

- An accessibility audit of the digital transformation development at a projected cost of £8k.
- Administration costs relating to the recently agreed CAPA 2 Programme are projected to be £7k. This expenditure will be fully offset by grant income (see 2.6.3)
- Projected legal fees have increased by £21k.
- A projected increase of £10k in professional fees relates to a shared piece of work with the SSSC. This is recharged to the SSSC and is offset by an increase in shared service income (see 2.6.4).
- We are to develop resources to promote activity in children (My Active World). This is offset in full by a corresponding increase in Scottish Government grant income of £10k (see 2.6.3).
- A pilot to improve health and safety arrangements for staff who are loneworking is being implemented from January 2019 with a projected cost of £7k.
- The projected cost of the development and re-launch of The Hub is £25k. Scottish Government is providing £20k funding for this (see 2.6.3).

These projected overspends totalling £608k are partly offset by the following projected underspends:

- Expected savings of £187k in the re-let of the telecoms contract. This underspend has been mainly used to fund £164k of additional equipment required for the ICT modernisation project and £20k of ICT expenditure for goods which were expected to be delivered last financial year (see 2.5).
- A projected underspend of £42k in CAPA administration costs was largely used to fund additional CAPA staff and venue hire costs.
- A projected underspend of £16k in printing and stationery costs is mainly attributable to a reduction in printed materials being replaced with more tailored, sector specific e-newsletters.
- The budget included £55k for specialist expertise to support the Improvement Team which will not be required this financial year.
- A projected underspend of £5k in HR professional fees.
- An underspend of £12k in projected filming and translations costs.
- Other minor variances totalling a net projected underspend of £10k.

2.4 Transport Costs – overspend £59k

Travel and subsistence expenditure is projected to be greater than 2017/18 with an overspend projected of £32k. This is mainly due to inspectors completing

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inspections outwith their geographical area due to staff shortages in certain areas.

There are also overspends projected for the CAPA Programmes of £7k, £11k of travel and accommodation booked on behalf of HIS and additional projected costs of £9k relating to the Business and Digital Transformation Project. The CAPA expenditure will be fully funded by grant income (2.6.3) and the HIS expenditure will be recovered in full (2.6.7).

2.5 Supplies and Services Costs - overspend of £651k

The projected overspend is due to the following:

- An element of the ICT Modernisation Project intended to be funded from the general reserve totalling £214k.
- ICT modernisation expenditure of £43k for Sharepoint deployment design including the optimisation of information governance functionality
- Additional ICT expenditure of £164k which is to be funded from the savings realised from the telecoms contract re-let.
- The projected costs of the additional works required to ensure the SSSC retains telephony services via the Care Inspectorate network is £114k. This is fully funded by the SSSC and is therefore offset by a corresponding increase in shared service income (see 2.6.4).
- ICT equipment totalling £49k was purchased for the Business and Digital Transformation Project which is funded from the general reserve.
- Greater than anticipated email migration expenditure of £21k.
- ICT Equipment totalling £20k which was expected to be delivered in 2017/18 (see 2.3).
- A projected increase in CAPA costs of £15k. This is contained within the overall CAPA grant allocation (see 2.6.3).
- Additional office furniture for the Paisley office at a projected cost of £24k.

These overspends of £664k are partially offset by projected underspends of:

- Disclosure Scotland fees are projected to be £6k less than budgeted.
- The overall demand for homeworking equipment and furniture is projected to be £5k less than budgeted.
- Expenditure for venue hire and hospitality is expected to underspend by £2k.

2.6 Income - £645k more than budgeted

Projected income is £645k more than budgeted with the main variances being explained below.

2.6.1 Income from Fees - £14k less than budgeted

The continuation fee income budget is based on the size and mix of registered services at the time of preparing the budget. The actual size and mix of registered

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services is projected to generate fee income that is £14k less than budgeted.

Registration fee income is projected to be as budgeted.

2.6.2 Grant in aid – £350k less than budgeted

The Sponsor Department has delayed the payment of £350k grant funding towards the Digital Transformation Project until 2019/20 to assist with management of the overall portfolio budget.

2.6.3 Grant Income - £469k more than budgeted

An additional £469k of grant income is projected for the year as follows:

- CAPA 2 funding (£210k).
- Child Inspection Improvement Programme Grant (2017/18 £70k).
- Scottish Study of Early Learning and Childcare Grant (£49k).
- Technology Enabled Care Programme funding (£48k).
- Early Learning and Childcare Quality Project (£62k).
- My Active World Project (£10k).
- Funding from Scottish Government to support the design and re-launch of the new Hub (£20k).

2.6.4 Shared Services Income – £156k more than budgeted

Projected income includes the recharge to the SSSC for the recovery of costs relating to the separation of the telecoms network of £114k (see 2.5), an increase to the variable ICT shared service charge of £38k, recovery of £10k of professional fees relating to work undertaken on behalf of the SSSC and a projected increase of £7k in the income from OSCR shared accommodation services. This additional income totalling £169k is partially offset by a staff recharge reduction of £13k to reflect changes associated with the interim arrangements put in place to cover the Chief Executive vacancy on the Strategic Leadership and Finance services supplied to the SSSC.

2.6.5 Lease Income – £3k less than budgeted

Income from lease arrangements is projected to be £3k less than budgeted.

2.6.6 Seconded Officers Income – £239k more than budgeted

Additional secondment income is expected from the following secondments:

- A Strategic Inspector seconded to Scottish Government's Realigning Children's Services Project (£6k).
- A Service Manager seconded to East Lothian Council (£112k). The seconded post is a higher grade than the Service Manager post. All costs are

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- paid by the Care Inspectorate and recharged in full to East Lothian Council.
- A Senior OD Adviser seconded to the SSSC (£43k).
 - The Projects, Performance & Planning Support Officer is seconded to Social Work Scotland (£36k).
 - An Inspector secondment to Scottish Care (£26k).
 - An Inspector secondment to Inspiring Scotland (£16k).

2.6.7 Miscellaneous Income – £148k more than budgeted

The projected increase in miscellaneous income relates to the following:

- A claim to HMRC for the recovery of historical VAT has been successful and income of £103k has been received.
- Additional income of £25k for the sale of I pads which do not form part of the ICT modernisation programme and are being offered to staff to purchase.
- £11k for the recovery of travel and subsistence paid for on behalf of HIS.
- Additional income of £7k is projected for Healthcare Improvement Scotland's partial funding of a temporary Senior Improvement Advisor – Out of Hours Project post (see 2.1.3).
- Other small increases in income totalling £2k.

3.0 CARE ABOUT PHYSICAL ACTIVITY (CAPA) PROGRAMMES

During 2016/17 we received grant of £918k from the Scottish Government to fund the 'Care About Physical Activity' (CAPA) Programme. This funding was intended to fund the programme over three financial years. At the time the budget was agreed, it was expected that funding of £357k would be held in the general reserve for activity that will take place in 2018/19. The actual expenditure for 2017/18 was less than projected, and £359k of grant funding was carried forward in the general reserve for use during 2018/19.

The offer of grant to extend the CAPA Programme has been agreed, with funding totalling £750k awarded for the CAPA 2 Programme. This grant covers expenditure to be incurred over an 18 month period, beginning November 2018. Income of £210k and expenditure totalling £140k has been included in the projections in this report for the 2018/19 financial year.

Appendix 2 provides detailed expenditure information for these programmes.

4.0 BUSINESS AND DIGITAL TRANSFORMATION

The cost associated with Business and Digital Transformation is contained within the main income and expenditure projections (Appendix 1).

Digital transformation has attracted specific Scottish Government funding and therefore the budget position is considered within this section.

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Appendix 3 details the Business and Digital Transformation budget position. Current projections show the project expenditure will be £555k overspent compared to the 2018/19 budgeted position.

However, the delay in receiving confirmation of funding from the Scottish Government meant that funding of £300k was received in 2017/18 but only £143k of expenditure was incurred. This provides additional funding of £157k in the General Reserve balance intended to support the digital transformation work. The Sponsor has also confirmed that due to the Care Inspectorate projecting a greater General Reserve balance as at 31 March 2019 than budgeted they will delay paying £350k of the agreed grant in aid to support the Digital Transformation Project until 2019/20. Therefore over 2017/18 and 2018/19 the Digital Transformation Project expenditure is projected to overspend by £412k as at 31 March 2019. This will be funded from the additional General Reserve balance generated and the additional grant to be received in 2019/20.

5.0 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.

6.0 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. EG members will regularly discuss these budget issues with their appropriate Budget Manager.

Budget Heading	Budget Issue	Potential Change to Projected Financial Positions	Responsible
Staff Costs – salaries & wages	<p>Projected staff costs are based on staff in post and known changes. It is probable that further savings will be realised during the year.</p> <p>As we are implementing the new payroll system, annual leave balances are being held manually and we cannot collate the information until the year end. There is a risk that the value of annual leave not taken at 31 March 2019 will be greater than estimated.</p>	<p>-</p> <p>+</p>	All
Staff Costs – Training & Development	Projected expenditure allows for the booking of external venues to deliver the ICT Modernisation Project training this financial year. There is a risk the training plan will slip into next financial year and the cost of venue hire will be less than projected.	(£25k)	Executive Director of Corporate & Customer Services

Administration Costs – Professional Fees	Negotiations with the Payroll/HR Management Information System around service delivery are expected to result in a decrease in the service charge for this year.	(£10k)	Executive Director of Corporate & Customer Services
Travel and Subsistence	The pattern for travel and accommodation expenditure to the end of January is looking greater compared to that of previous years. Expenditure will continue to be closely monitored throughout the year.	+	Executive Director of Scrutiny and Assurance
Shared Service Income	The shared services arrangement with the SSSC includes an element of variable charging.	+ or -	Executive Director of Corporate & Customer 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 registration team have also reviewed the projected position, however the actual number of services completing their registration by 31 March is still uncertain and it's possible the income may either exceed or be less than projected.	+or-	Executive Director of Scrutiny & Assurance

7.0 CAPITAL

The capital plan monitoring statement is attached as Appendix 4.

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

8.0 GENERAL RESERVE POSITION

The general reserve balance is intended to be used to fund the CAPA programme (budgeted £357k) and a budgeted overspend of £1,097k. The budget assumes the general reserve balance will have reduced to £547k which is 1.65% of gross controlled expenditure by 31 March 2019.

The actual position is the general reserve balance is £688k greater than anticipated when the budget was set due to the Compass House office re-configuration originally planned to be completed in late 2017/18 being postponed until 2018/19 and planned underspends to create additional funding for the Digital Transformation and ICT Modernisation projects. The Sponsor Department has confirmed they will delay payment of £350k of the Digital Transformation grant funding until 2019/20 to assist with management of the overall portfolio budget. This reduction in grant in aid means the projected overspend is £181k more than the budgeted position.

The net effect of this is funding of £507k is available to support the Business and Digital Transformation projects and investment in ICT infrastructure during 2018/19. Any surplus funding at the end of 2018/19 could be used to temporarily ease budget pressures in 2019/20. This will be subject to agreement with the Sponsor.

The projected impact on the general reserve is as follows:

	2018/19 Budgeted Position £000	Projected/Actual Position £000	Variance £000
Opening general reserve balance	2,001	2,689	(688)
To fund CAPA programme	(357)	(359)	2
CAPA2 to 2019/20	0	70	(70)
Revised budget overspend	(1,097)	(1,346)	249
Total overspend	(1,454)	(1,635)	181
Uncommitted available funding		507	507
General reserve balance	547	547	0
% age of gross controlled expenditure	1.65%	1.65%	

9.0 RESOURCE IMPLICATIONS

There are no direct resource implications arising from this report.

10.0 CUSTOMER SERVICE IMPLICATIONS

As this report is for information purposes there are no direct customer service implications.

11.0 BENEFITS FOR PEOPLE WHO EXPERIENCE CARE

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.

12.0 CONCLUSION

The budget monitoring position currently projects a net overspend of £181k against the budgeted position. However the opening general reserve balance is £688k greater than was anticipated when the budget was set. Current projections suggest £507k of contingency funding is available to offset any unexpected costs associated with our major change programmes or alleviate some of the 2019/20 budget

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pressures that have been identified.

The Sponsor Department's decision to delay payment of £350k budgeted Digital Transformation funding from 2018/19 to 2019/20 is purely a timing difference and will have no impact on the financial position over the two years.

LIST OF APPENDICES

- Appendix 1 -** Care Inspectorate Revenue Budget Monitoring Statement for the Year to 31 March 2019
- Appendix 2 -** CAPA and CAPA 2 Projected Expenditure and Funding for the Year to 31 March 2019.
- Appendix 3 -** Business Transformation Funded Expenditure Position for the Year to 31 March 2019.
- Appendix 4 -** Capital Expenditure for the Year to 31 March 2019.