



<b>Title:</b>	<b>2019-20 Budget Monitoring</b>	
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<b>Appendices:</b>	<b>1.</b>	Care Inspectorate Revenue Budget Monitoring Statement for the Year to 31 March 2020
	<b>2.</b>	Capital Expenditure for the Year to 31 March 2020.
<b>Consultation:</b>		
<b>Resource Implications:</b>	<b>No</b>	

**EXECUTIVE SUMMARY**

This is the first 2019/20 budget monitoring report to the Board. The budget was approved with a budget deficit of £224k to be funded from the General Reserve balance.

Since the Board approved the budget at its meeting of 28 March 2019, additional grant in aid funding totalling £1,105k has been confirmed by the Sponsor Department. This is to support additional programmes of work which are noted in section 1.1 of the report. The revised budget includes this additional funding.

The projected net expenditure to 31 March 2020 exceeds planned net expenditure by £474k. This can be funded from the General Reserve balance.

**The Board is invited to:**

1.	Considers the revenue budget monitoring statement for the year to 31 March 2020 (Appendix 1).
2.	Consider the Capital Statement as at 31 August 2019 (Appendix 2).
3.	Note the areas that are at significant risk of change in section 3.0.
4.	Note the projected general reserve position described in section 4.1

<b>Links:</b>	Corporate Plan Outcome		Risk Register - Y/N		Equality Impact Assessment - Y/N	N
<b>For Noting</b>	<b>Y</b>	<b>For Discussion</b>	<b>Y</b>	<b>For Assurance</b>		<b>For Decision</b>

**If the report is marked Private/Confidential please complete section overleaf to comply with the Data Protection Act 2018 and General Data Protection Regulation 2016/679.**

<p><b>Reason for Confidentiality/Private Report:</b> <i>(see Reasons for Exclusion)</i></p>
<p><b>Disclosure after:</b></p>

Reasons for Exclusion	
a)	Matters relating to named care service providers or local authorities.
b)	Matters relating to named persons which were they to be discussed in public session, may give rise to a breach of the Data Protection Act 2018 or General Data Protection Regulation 2016/679.
c)	Matters relating to terms and conditions of employment; grievance; or disciplinary procedures relating to identified members of staff.
d)	Matters involving commercial confidentiality.
e)	Matters involving issues of financial sensitivity or confidentiality.
f)	Matters relating to policy or the internal business of the Care Inspectorate for discussion with the Scottish Government or other regulatory or public bodies, prior to final approval by the Board.
g)	Issues relating to potential or actual legal or statutory appeal proceedings which have not been finally determined by the courts.

## 2019-20 BUDGET MONITORING

### 1.0 INTRODUCTION

The Care Inspectorate is responsible and accountable for the administration of an annual budget with predicted gross expenditure (revenue and capital) of £37.798m 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.

- 1.1 Since the Board approved the 2019/20 budget, the Sponsor Department has confirmed additional funding to support several additional programmes of work totalling £1.105m. This comprises:

	<b>£000</b>
Adult Support and Protection Inspection Programme	338
Early Learning and Childcare (ELC) Expansion Programme	259
Appropriate Adults	189
Reducing Preventable Child Deaths/National Child Death Review Hub	189
Child Contact Centres – Feasibility Study	56
Health and Social Care Standards Implementation	50
Barnahus Standards Project Funding	24
	<b><u>1,105</u></b>

- 1.1.1 The costs associated with these programmes of work are contained within the main income and expenditure (Appendix 1). The projected financial position assumes that the expenditure associated with delivering the above projects will fully utilise the funding made available.

### 1.2 Revenue Budget Monitoring Statement

Attached as Appendix 1 is the 2019/20 revenue budget monitoring statement for the year to 31 March 2020, based on the financial ledger to 31 August 2019.

- Budget virement/additional resources represents the transfer of resources between budget headings to reflect expected changes in income or expenditure patterns and additional grant in aid approved by Sponsor Department during the year. Budget virements will be subject to compliance with the budget virement policy.
- Revised budget shows the Board approved budget amended for additional grant in aid and budget virements.
- Actual & commitments shows actual and committed expenditure as at the ledger date of 31 August 2019.
- 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 2019/20 PROJECTED BUDGET OUTTURN**

The projected financial position as at 31 March 2020 is an overspend of £698k. This is £474k more than the planned overspend.

### **2.1 Staff Costs- overspend of £408k**

Staff cost projections are based on staff currently in post projected to the year end and adjusted for known recruitment and leavers. Projected pay costs assume a pay award settlement in line with Scottish Government pay policy parameters for 2019/20 i.e. a 3% increase for staff on full time equivalent salaries below £36.5k and a 2% award for staff earning between £36.5k and £80k and a cash increase of £1.6k for the staff earning in excess of £80k per annum.

There is an overall overspend of £408k 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 & Senior Managers – overspend of £26k**

The projected overspend is due to budgeted slippage of £39k not yet being achieved at this stage of the financial year and backfill arrangements totalling £19k for a senior manager who was seconded to East Lothian Council until June 2019.

**2.1.1.1** Projected expenditure also includes savings of £32k in the Improvement Support Team. This saving is being used to fund an increase in specialist advice (see 2.1.3).

**2.1.1.2** The backfill cost for the outward secondee is offset by a projected increase in secondee income (see 2.6.5) of £19k.

#### **2.1.2 Admin & Professional including Hired Agency Staff – overspend of £104k**

The projected overspend is due to the following:

- A Head of Transformation has now been appointed to lead on the Business and Digital Transformation Programme. This has increased the staff cost projections by £81k.
- Backfill arrangements for the OD Lead for Involvement and Culture seconded to Perth and Kinross Council is projected to be £66k. This is offset in full by an increase in Seconded Officer income (2.6.5).
- Interim staffing arrangements in the HR function have increased projected expenditure by £36k.
- Budgeted slippage of £95k has not yet been achieved at this stage of the financial year.

**2.1.2.1** Business support staff projected savings of £174k are being used to offset additional non-recurring digital transformation costs.

**2.1.3 Specialists – overspend of £112k**

Specialists include projected expenditure of £61k for a senior improvement advisor to support the Technology Enabled Care (TEC) Programme and £19k to fund a temporary Senior Improvement Advisor post. These posts are funded in full by Scottish Government (see 2.6.3). There is also a projected increase in specialist support of £32k which is funded from the Senior Manager savings (see 2.1.1).

**2.1.4 Team Managers - overspend of £57k**

The projected overspend is due to the following:

- A projected increase of 0.4 FTE to support Complaints.
- Budgeted slippage not being achieved at this stage of the financial year.

**2.1.5 Senior Inspectors – overspend of £8k**

The projected overspend is due to budgeted slippage not being achieved at this stage of the financial year.

**2.1.6 Inspectors and Locums – overspend of £110k.**

Inspector costs, including expenditure on Locums, are projected to overspend by £110k due to the following:

- Scottish Government asked the Care Inspectorate to support the Scottish Study of Early Learning and Childcare (SSELC). This requires Inspector resources that will be backfilled using locums and Inspector overtime. £51k of additional Inspector costs are included for this.
- Projected expenditure also includes backfill of £51k for an Inspector on secondment to Scottish Government and £9k for an Inspector who was on secondment to SSSC until June 2019. The additional expenditure is offset in full by a corresponding increase in income (see 2.6.3 and 2.6.5).
- Projected Locum spend includes £20k to support the Scottish Child Abuse Enquiry.

**2.1.6.1** These projected overspends totalling £131k are partially offset by projected slippage of £21k.

**2.1.7 Practitioner Inspectors – underspend of £104k.**

There are vacant Practitioner Inspector posts which provides a projected saving of £104k.

**2.1.8 Grant Funded – overspend of £33k**

The Care About Physical Activity (CAPA) project costs are £33k more than budgeted. This is funded by CAPA grant received in 2018/19 which transferred to the General Reserve at 1 April 2019

**2.1.9 Strategic Inspectors – underspend of £5k**

An underspend of £5k is projected.

**2.1.10 Displaced Staff – overspend of £4k**

Budgeted slippage has not yet been achieved, resulting in a projected overspend of £4k.

**2.1.11 Secondees – overspend of £20k**

The projected overspend of £20k is the cost of reimbursing Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) for providing resources to support joint inspections this year.

**2.1.12 Training and Development – overspend of £43k**

The projected overspend relates to expenditure originally planned for 2018/19 that will now be incurred this financial year. The General Reserve balance includes funding from 2018/19 for this.

**2.1.13 Other Staff Costs – as budgeted**

Other staff costs are projected to be as budget at this stage of the financial year.

**2.2 Accommodation Costs – overspend of £13k**

The projected overspend relates to expenditure originally planned for 2018/19 that will now be incurred this financial year. The General Reserve balance includes funding from 2018/19 for this.

**2.3 Administration Costs – overspend of £268k.**

Projected administration costs include £45k of expenditure for work planned to be delivered in 2018/19 but delayed until this financial year and is funded from the General Reserve balance. This leaves a projected budget overspend of £223k due to the following:

- Additional contractor development time has been sourced to support the digital transformation work. This has resulted in a projected overspend of £156k.
- The migration to Office 365 is being managed on a phased basis and there is a requirement for professional expertise to support this. Additional expenditure of £32k is projected.

- Additional legal fees of £15k due to an ongoing court case.
- Additional printing costs of £12k for the design and delivery of indoor and outdoor setting guidance which is fully funded (See 2.6.3).
- Additional professional fees in Human Resources £8k.

#### **2.4 Transport Costs – overspend of £10k**

The projected overspend in transport costs relates to travel and subsistence for grant funded posts and is offset in full by a corresponding increase in grant income (see 2.6.3).

#### **2.5 Supplies & Services – overspend of £188k**

Projected ICT expenditure includes £62k of costs which were originally planned for 2018/19 and that will now take place in 2019/20. This is intended to be funded from the General Reserve. This leaves a projected overspend of £126k as follows:

- The telephone disengagement project to allow SSSC to have their own telephony network and the telephone support charges conclude this year. The projected cost of this is £81k and is offset by a projected increase in shared service income (2.6.4)
- A new contract has been awarded for storage and archiving services. The exit costs associated with this migration to the new supplier are projected to be £74k.
- A projected increase in grant funded ICT costs totalling £3k.
- These projected overspends are partially offset by a decrease of £32k to fund the extension of support required for the Sharepoint migration which is now projected in professional fees.

#### **2.6 Income - £414k more than budgeted**

Projected income is £414k more than budgeted with the main variances being explained in sections 2.6.1 to 2.6.6 below.

##### **2.6.1 Income From Fees – as budgeted**

Income from fees is expected to be as budget at this stage in the financial year.

##### **2.6.2 Grant in Aid Income**

As noted in section 1.1, Scottish Government has confirmed additional funding to support several additional programmes of work totalling £1.105m. The expenditure and income of these programmes are reflected in the revised budget. The projected financial position assumes the expenditure associated with delivering the programmes will fully utilise the funding made available.

**2.6.3 Other Grant Income - £156k more than budgeted**

An additional £156k of grant income is projected for the year as follows:

- Technology enabled care programme funding £67k.
- ELC Evaluation funding of £54k.
- Improvement Advisor grant funding of £23k.
- Funding of £12k for the design and delivery of indoor and outdoor setting guidance.

**2.6.4 Shared Services Income - £81k more than budgeted**

The telephone disengagement project and telephone support charges for SSSC concludes this year, with projected income of £81k expected.

**2.6.5 Seconded Officer Income - £136k more than budgeted**

Additional secondment income will be received as follows:

- A Service Manager seconded to East Lothian Council (£19k)
- The OD Lead for Involvement and Culture seconded to Perth and Kinross Council (£66k)
- An Inspector secondment to Scottish Government's Early Learning and Childcare Programme (£51k).

**2.6.6 Miscellaneous Income - £40k more than budgeted**

Additional income is expected due to:

- £25k being expected from the sale of redundant iPADS
- £11k for recharges to HIS for joint inspections
- £4k for recharges to the Isle of Man for work undertaken



**BOARD MEETING 26 SEPTEMBER 2019**

**Agenda item 16  
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Administration Costs – Professional Fees	Projected professional fees are based on what we expect to complete by 31 March and contain very little contingency, particularly in respect of legal fees.	+	Executive Director of Corporate & Customer Services
Business and Digital Transformation	There is uncertainty around the timing and cost of this work. The engagement of the Head of Transformation is expected to reduce this uncertainty, but equally, further investment may still be required.	+	Executive Director of Corporate & Customer Services
Supplies and Services – Storage and Archiving	The migration of the storage and archive services to the new provider provides an opportunity to file index all our records. Although no commitment has been made to complete this, any file indexing charges will be an additional budget pressure. It is estimated the charge for this can be up to £100k.	+	Interim Executive Director of Strategy and Improvement
Supplies and Services – ICT Costs	The ICT budget is almost fully committed for the financial year, with very little contingency.	+	Executive Director of Corporate and Customer Services
Shared Service Income	The shared services arrangement with the SSSC include an element of variable charging.	+ or -	Executive Director of Corporate & Customer Services

**BOARD MEETING 26 SEPTEMBER 2019**

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Additional grant in aid funded programmes	Additional grant funding is significant and to deliver on the objectives of this funding we need to recruit an additional 30 FTEs. We are experiencing difficulty in recruiting Inspectors due to our pay rates being uncompetitive. Therefore, it is uncertain that all staff will be recruited to deliver the agreed programmes in full this financial year.	-	Executive Director of Scrutiny and Assurance
Miscellaneous income	A legal case currently under appeal, if concluded in the Care Inspectorate's favour, could result in a claim for recovery of expenses incurred of approximately £20k.	-	Executive Director of Corporate & Customer Services

**4.0 IMPLICATIONS AND/OR DIRECT BENEFITS**

Sections 4.1 to 4.5 note the implications and direct benefits arising from this report.

**4.1 Resources**

There are no direct resource implications associated with this budget monitoring report. This section provides details of the Care Inspectorate's projected financial position with this monitoring report.

**4.1.1** The opening revenue element of the General Reserve balance (subject to external audit) is £1,455k. This exceeds the position when the budget was set by £452k. This is intended to fund the budgeted overspend of £224k, expenditure brought forward from 2018/19 of £163k and CAPA grant funded expenditure carried forward from 2018/19 of £50k. The General Reserve will also be used to fund any in year overspend (currently projected £495k).

**4.1.2** Our funding strategy provides a target for a General Reserve balance of 1% to 1.5% of Gross Controlled Expenditure. Based on the revised budget this is a range of £360k to £540k.

**4.1.3** The projected impact on the general reserve is as follows:

	<b>2019/20</b>	<b>Projected/Actual</b>	<b>Variance</b>
	<b>Budgeted</b>	<b>Position</b>	
	<b>Position</b>		
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening general reserve balance	1,003	1,455	452
<b>Draw on general reserve:</b>			
Revised budget overspend	(224)	(495)	(432)
To fund 2018/19 b/fwd spend		(163)	(163)
To fund CAPA programme		(40)	(40)
Total overspend	(224)	(698)	(635)
CAPA funding for 2020/21		(10)	
Total Projected general reserve draw		(708)	213
<b>Uncommitted available funding</b>		<b>387</b>	
Target general reserve balance	779	360	
% age of gross controlled expenditure	2.32%	1.00%	

**4.2 Sustainability**

There are no direct sustainability implications arising from this report.

**4.3 Policy**

In its Budget 2019/20 document, the Scottish Government said it faces a “very challenging overall budget position”, placing its financial considerations within the context of a reduced block grant from Westminster, uncertainty surrounding the relationship between the UK and the EU, and challenges faced by the Scottish economy. As well as the broader financial landscape, this paper should be considered within the context of a range of policy developments and any additional responsibilities or projects that emerge from these. Major areas of continued policy focus include the continued implementation of health and social care integration and self-directed support, the expansion of funded early learning and childcare to 1,140 hours from August 2020, the Independent Care Review, the Child Protection Improvement Programme and developments relating to the National Health and Social Care Workforce Plan and the Health and Social Care (Staffing) (Scotland) Bill.

**4.4 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 aim of bringing benefits to people who experience care.

**4.5 Customers**

The budget represents the Care Inspectorate’s plan in financial terms and the delivery of this plan supports all five customer services strategic themes.

**5.0 CONCLUSIONS/NEXT STEPS**

The budget monitoring financial position describes the situation at the time the report is written and does not reflect budget reduction and savings measures until these are at an advanced stage.

**5.1** The projected financial position also assumes the additional grant funded programmes will be fully delivered this financial year. There has been a historic difficulty in recruiting to Inspectors and this, alongside the ability to realise savings from technology investment, suggests the projected financial position will be particularly dynamic this financial year.

- 5.2** The Executive Group will respond to changes in the financial position and engage with the Sponsor Department in an attempt to ensure funding is used to the best possible effect.