



2014-15 Budget Monitoring

Report to: Resources Committee

Date: 4 February 2015

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

Report No. RC-01-2015

Agenda Item: 6

PURPOSE OF REPORT

To advise the Resources Committee of the projected financial position for the year to 31 March 2015 (based on the general ledger as at 31 December 2014).

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 December 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: 27 January 2015

EXECUTIVE SUMMARY

The current projected net expenditure variance for the Care Inspectorate as at 31 March 2015 is an underspend of £35k. This is an increase of £66k in projected net expenditure from the anticipated position reported to Resources Committee at its meeting of 9 December 2014.

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

	£'000
Underspend reported to Committee at 9 December 2014	(101)
Current projected underspend	(35)
Movement in projected variance	<u>66</u>
 <u>Summary of Movement</u>	
Staff costs	(54)
Accommodation costs	(6)
Administration costs	2
Transport costs	36
Supplies & Services costs	151
Fee Income	(30)
Other income	(33)
	<u>66</u>

MOVEMENT IN PROJECTED VARIANCE

The main changes in budget variance from the position reported to Resources Committee at its meeting of 9 December 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 £54k

- Board member fees are projected to decrease by £10k.
- The projected variance in Admin & Professional, when coupled with Hired Agency Staff, has decreased by £10k. This is mainly due to increased slippage in Business Support posts.
- Inspector costs have decreased by £45k which is mainly due to increased slippage in recruitment.
- There are various minor variances that amount in total to an increase in projected expenditure of £11k.

Accommodation Costs – Decrease of £6k

There has been a reduction in projected unplanned repairs and maintenance in Quadrant House, with a corresponding reduction in shared services income.

Administration Costs - Increase of £2k

Projected Administration Costs have increased by £2k due to:

- legal fees are an area previously projected as being at risk. This risk has now been realised. A Judicial Review is being defended with projected costs of £25k included in the 2014/15 expenditure projections.
- Quality and Improvement have secured funding from Scottish Government to fund the production of a 'Caring about Continence' resource with estimated costs of £15k this financial year. This has been offset in full by a corresponding increase in miscellaneous income.

These overspends are partly offset by:

- a projected decrease of £14k in postages costs. This is mainly due to an increase in the use of electronic media.
- a projected decrease of £22k in the allowance for bad and doubtful debt.
- There are various minor variances which amount to a projected decrease in projected expenditure of £2k.

Transport Costs - Increase of £36k

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 £36k from the position last reported to Resources Committee.

Supplies & Services Costs – Increase of £151k

Projected expenditure includes an additional £134k for the following AEPs:

- GW1401 – online registration application forms (£30k)
- GW1404 – migration of messaging system to exchange (£104k)

This leaves a projected increase of £17k in budgeted supplies & services costs. Projected ICT shared services to the SSSC have increased by £24k with a corresponding increase in income. This is partly offset by a projected decrease in furniture & equipment and other supplies & services costs of £7k.

Fee Income – Increase of £30k

Income from fees is projected to increase by £30k due to a projected increase in the volume of new applications to register completing their registration process by 31 March 2015.

Other Income - Increase of £33k

A projected increase in income of £33k is mainly due to the following:

- A projected increase of £24k for additional ICT related shared services to the SSSC.
- Agreed grant from Scottish Government of £15k to fund a 'Caring for Continence' resource as noted in Administration Costs.
- A projected increase of £3k in recovered legal expenses.

These increases have been partly offset by a projected decrease in shared services income of £7k due to a projected reduction in unplanned maintenance in Quadrant House and a projected decrease of £2k in costs to be recovered from Healthcare Improvement Scotland.

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 December 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 December 2014.
- Actual expenditure shows actual and committed expenditure as at the ledger date of 31 December 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 £35k. The main variances in budget headings are noted below.

2.1 Staff Costs – (£190k)

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 £190k projected in staff costs with the main variances as detailed in paragraphs 2.1.1 to 2.1.11 below:

2.1.1 Board – (£10k)

Board fees are projected to be 10k less than budget.

2.1.2 Chief Officers & Senior Managers - £101k

A projected overspend of £101k 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). There are other minor projected overspends totalling £3k.

2.1.3 Admin & Professional and Hired Agency Staff – (£132k)

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 £178k 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.

2.1.4 Specialists - (£84k)

A projected underspend in Specialists of £84k 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.

2.1.5 Team Managers - £91k

A projected overspend in Team Managers of £91k 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 £3k.

2.1.6 Inspectors – (£48k)

Inspector costs, including expenditure on Locums, are projected to underspend by £48k. A recruitment campaign for inspectors was completed in November, with a further assessment centre planned at the end of January. However, it is expected 8.5 FTE vacancies will not be filled this financial year. The staff cost slippage created by the vacancies has been partly 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.

2.1.7 Strategic Inspectors and Sessional/Inspection Volunteers- (£45k)

The following AEP has been agreed by ET:

RP1402 – MAPPA Secondment (£26k)

This leaves a projected underspend of £71k against the original budget.

An underspend of £33k is projected for Strategic Inspectors. Projected slippage in Strategic Inspectors is £115k. 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. There are currently 23.3 FTE Strategic Inspectors actually in post compared to the budgeted establishment of 24.0 FTE. 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 £38k.

2.1.8 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.

2.1.9 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

2.1.10 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 2.1.2.

In addition, we have received information from the Government Actuary's Department (GAD) that the pension protection arrangements which apply to staff that 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.

2.1.11 Other Staff Costs – (£35k)

A projected underspend of £35k 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 – (£69k)

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 underspend of £3k is projected for other accommodation costs. This is due to a projected reduction in shared accommodation services provided to the Office of the Scottish Charities Regulator and is offset in full by a corresponding reduction in shared service income.

2.3 Administration Costs - £24k

A projected overspend of £24k in Administration Costs is due to the following:

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- 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.
- Quality and Improvement have secured funding from Scottish Government to fund the production of a 'Caring about Continence' resource with estimated costs of £15k this financial year. This is offset in full by a corresponding increase in miscellaneous income.
- A review of the Legal function is being undertaken at an estimated cost of £10k.
- An overspend on legal fees of £38k which is mainly due to a petition for a judicial review.

These overspends are partly offset by:

- a projected reduction of £24k in postage costs. This is due to a reduction in the volume of mail being posted and efficiencies realised from the increased use of electronic media.
- A projected reduction in the allowance for bad and doubtful debt of £22k.
- Other minor underspends of £6k.

2.4 Transport Costs - £154k

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 £154k more than budget. £20k of this relates to travel & subsistence paid on behalf of Healthcare Improvement Scotland and is offset by a corresponding increase in miscellaneous income.

2.5 Supplies & Services Costs - £203k

The following AEPs have been agreed by ET:

- GW1401 – online registration application forms (£90k)
- GW1404 – migration of messaging system to exchange (£104k)

This leaves a projected overspend of £9k in budgeted supplies & services. This is due to an increase in the ICT related shared service to the SSSC of £24k. This is offset by a corresponding increase in shared services income.

This overspend is partly offset by a projected underspend of £15k in other supplies & services costs. This is mainly due to lower than anticipated PVG Disclosures being submitted for processing.

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2.6 Income (£157k)

2.6.1 Fee Income – £30k

Fee income is projected to be £30k less than budget.

Income from continuation fees is projected to be £86k 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 and a review of registrations in progress by the registration team, an additional £56k of registration fee income is projected. The review of the registration process which was implemented this financial year means a registration decision should be reached in a shorter timescale, which should translate to an increase in registration fees as the fee is accounted on completion of the registration process. Analysis of new applications to register will continue to be analysed throughout the remainder of the financial year.

2.6.2 Shared Service Income – £37k

Projected income from shared services has decreased by £37k. This is due to a projected decrease of £66k in rent recharge income from Quadrant House shared services as noted in section 2.2.

This is partly offset by projected increased charges of £29k due to additional ICT services (£24k) and design services (£4k) provided to the SSSC and additional finance services (£4k) provided to OSCR. These have been partly offset by a projected decrease of £3k in accommodation services provided to OSCR.

2.6.3 Seconded Officers - (£142k)

As noted in 2.1.3 (Communications Coordinator), 2.1.6 (Inspector) and 2.1.7 (Strategic Inspector) additional income of £142k is projected for staff currently on secondment.

2.6.4 Miscellaneous Income - (£82k)

Miscellaneous income is projected to be £82k 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 travel and subsistence costs of £20k for costs paid on behalf of Health Improvement Scotland.

- Projected income of £12k for recovery of telephone, legal expenses and rebates received from the use of collaborative contracts.
- Additional grant income of £45k to fund the following:
 - 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 2.1.9.
 - 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 at a projected cost of £13k as noted in 2.3.
 - production of a 'Caring about Continence' resource with estimated costs of £15k this financial year. This has been offset in full by a corresponding increase in miscellaneous income as noted in 2.3.

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 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 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 of senior posts which have been accounted for within the staff cost projections. However, the costs of pension protection arrangements for transferred staff from SWIA and HMIE are anticipated at £30k which exceeds the available budget by £5k. There is no provision for any increase in costs associated with the 60 posts to be evaluated in the final quarter of 2014/15.	Decrease underspend	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 remainder of the financial 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. A Judicial Review is being defended with the final estimated costs depending on the court's decision. Projections allow for £25k of legal costs this financial year. However, there is uncertainty over the final value and timing of these costs. It is possible the Review may be concluded this financial year with costs awarded to or against us dependent on the outcome. It is also possible for the Review to continue into next financial year at increased cost and still with the uncertainty over the award of costs.	+ or -	Director of Strategic Services (

	Projected costs for Beamans undertaking the job evaluation exercise is based on 60 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
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 and a review of registrations currently in progress. This position will be closely monitored throughout the remainder of the financial year.	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 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.

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 £35k in this report will increase the reserve, leaving a general reserve balance of £1,772k 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	35	0	35
Projected balance at 31 March 2015	1,079	693	1,772

The projected revenue reserve represents 3.23% 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 £35k.

Section 4 summarises the identified significant risks that will change the projected position if these risks were to materialise. The balance of risk is currently finely balanced but overall an increase to the underspend is considered the more probable outcome.

AEPs which aim to effectively utilise funding as it becomes available have been developed. Proposals that have been approved by ET are being implemented.

Budget managers have been asked to consider what further areas of the business plan can be brought forward to the 2014/15 and to submit further AEPs as appropriate.

However, there is little time left in the current financial year and the scope for implementing AEPs that can be completed on or before 31 March 2015 is diminishing.

The projected position of an underspend of £35k is considered to be a reasonable financial position as:

- it will maintain the general reserve balance within the planned range;
- there is uncertainty over the final value and timing of the costs of the Judicial Review; and;
- there is significant cost pressure on the 2015/16 budget.

LIST OF APPENDICES

Appendix 1 - Care Inspectorate Budget Monitoring Statement for the Year to 31 March 2015

Appendix 2 - Capital Monitoring Statement to 31 December 2014