



2015-16 Budget Monitoring

Report to: Resources Committee

Date: 18 September 2015

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

Report No. RC-24-2015

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 31 July 2015).

RECOMMENDATIONS

That the Committee:

1. Considers the revenue monitoring statement for the year to 31 March 2016.
2. Considers the capital monitoring statement as at 31 July 2015.

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
	Senior Management			
	Legal Services			
	Resources Directorate			
	Committee Consultation (where appropriate)			
<p>Equality Impact Assessment</p> <p>To be completed when submitting a new or updated policy (guidance, practice or procedure) for approval.</p>				
Policy Title:				
Date of Initial Assessment:				
EIA Carried Out			YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
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 August 2015	

EXECUTIVE SUMMARY

This is the first budget monitoring report to Resources Committee of 2015/16. The current projected net expenditure variance for the Care Inspectorate as at 31 March 2016 is an underspend of £19k.

The summary of the main budget variances are shown in the table below:

	£'000
Projected variance	<u>(19)</u>
<u>Summary of Variances:</u>	
Staff costs	258
Administration costs	29
Transport costs	140
Fee Income	(45)
Other Income	<u>(401)</u>
	<u>(19)</u>

Analysis of the reasons for these variances are contained within section 2 of this report.

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 31 July 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 31 July 2015.
- Actual expenditure shows actual and committed expenditure as at the ledger date of 31 July 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

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The projected financial position as at 31 March 2016 is an underspend against revised budget of £19k. The main variances in budget headings are noted below.

2.1 Staff Costs – £258k

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 £258k 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 – £24k

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 £24k.

2.1.2 Senior Managers – £79k

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).

These projected overspends of £90k are partly offset by savings of £11k which are mainly due to vacancy slippage in the appointment of the Acting Head of Quality & Improvement and a vacant Head of Inspection post not being backfilled.

2.1.3 Admin & Professional and Hired Agency Staff – £27k

The following AEP has been agreed by ET:

- RO1501 – Allied Health Professional intern (£11k)

This leaves a projected overspend of 16k against the original budget. This is due to the following:

- Recruitment of a temporary equalities and engagement post to 31 March with additional costs of £36k. This is funded from savings within Quality and Improvement.
- Backfill arrangements to support delayed discharge work of £27k for which additional income has been received.
- Backfill arrangements to cover long term sick leave in the Analysis & Business Planning Team at a projected cost of £11k.

- The establishment of a Corporate Facilities, Health & Safety Assistant with a projected cost of £26k. This new post is funded by permanent reductions in the OD and Finance & Corporate Governance budgets.

These overspends are partly offset by savings of £84k which are mainly due to slippage in Business Support.

2.1.4 Specialists - (£185k)

A projected underspend of £185k 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 £176k are projected as a result of a reduction in the number of occupied Health Advisor posts.
- Projected savings of £9k which are mainly due to a budgeted Organisational Development full time post being filled on a part time basis.

2.1.5 Team Managers - £52k

A projected overspend in Team Managers of £52k is due to budgeted slippage not yet being achieved at this stage of the financial year. It is anticipated that projected slippage savings will increase as the year progresses.

2.1.6 Inspectors – £88k

Inspector costs, including expenditure on Locums, are projected to overspend by £88k. This is mainly due to budgeted slippage not being achieved at this stage of the financial year and the inclusion of an additional 4 FTE Inspectors when compared to budget in the projected cost.

It is anticipated that projected slippage savings will increase as the year progresses.

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. The other additional 2 FTE Inspectors are to provide capacity to allow work to progress on delayed discharge. Additional grant income has been received to fund work on delayed discharge.

Projections also include the cost of an Inspector who was on secondment to Healthcare 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 23 FTE vacancies will be filled between October and December 2015.

2.1.7 Strategic Inspectors and Sessional/Inspection Volunteers- £76k

An overspend of £76k 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 £9k, which is mainly due to projected savings from not filling a part time vacancy of 0.19FTE.

2.1.8 Secondees - £22k

Projected costs include a secondee to support MAPPA at a cost of £31k. This secondment ended mid-August with the secondee securing a permanent Strategic Inspector post. 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 - £75k

A review of the Sessional Inspector role has been undertaken and a job description will go for consultation in October 2015. Voluntary redundancy will be offered to those who do not wish to undertake the revised role. An estimated cost of £75k has been projected. This projection will be reviewed following consultation with the Sessional Inspectors.

2.2 Accommodation Costs – £0k

Accommodation costs are projected to be as per budget at this stage of the financial year.

2.3 Administration Costs – £29k

A projected overspend of £29k in Administration Costs is 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 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 (3.2).
- 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.
- Other minor variances with a net overspend of £2k.

These over spends are partly offset by:

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- 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 - £140k

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 the 2015/16 budget will be over spent. 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 (3.5).

2.5 Supplies & Services Costs - £0k

Supplies and Services costs are projected to be as budget at this stage of the financial year.

2.6 Income - (£446k)

Projected income is £446k more than budget with the main variances being explained in detail below.

2.6.1 Income from Fees – (£45k)

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 £45k of registration fee income is projected. Analysis of new applications to register will continue throughout the remainder of the financial year.

2.6.2 Grant Income – (£230k)

An additional £230k of grant income is projected for the year as follows:

- £178k funding to support delayed discharge has been received from Scottish Government.

- 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 & 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 – (£42k)

The revised SLA with the SSSC was agreed and is £36k more than budgeted. In addition to this there has been an increase in the level of ICT shared service of £20k and recycling of confidential waste of £3k.

This additional income of £59k 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 costs incurred on behalf of HIS and Education Scotland, as noted in 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. ET 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
Staff Costs – Other	Projected costs include £75k for all Sessional staff opting to take voluntary redundancy. The actual number of individuals are not known at this time.	+ or -	Director of Corporate Services
Transport Costs	The accuracy of projections is uncertain and travel costs will be closely monitored throughout the year.	+ or -	All

Administration Costs – Professional Fees	<p>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.</p> <p>A Judicial Review has been concluded in the Care Inspectorate’s favour. However, the service provider has now lodged an appeal. The timing of this is uncertain and it’s possible the appeal will result in costs awarded to us or against us, dependent on the outcome. Estimated costs awarded to us are £24k, with estimated costs against us being £30k.</p>	+ or -	Acting Director of Strategic Development
Supplies & 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.	+	
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.	-	Director of Corporate Services
Shared Service Income	The SLA with the SSSC includes an element of variable charge with the final charge being uncertain. It is likely income from shared services will exceed the current projection.	-	Director of Corporate Services

Miscellaneous Income	It is likely that an Inspection will be undertaken on behalf of the Isle of Man. Whilst the costings of this have still to be prepared and agreed, initial discussions with the Isle of Man have indicated an estimated fee of circa £120k would be appropriate.	-	Acting Director of Inspection
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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

This budget monitoring report projects an underspend of £19k for the year to 31 March 2016. The opening General Reserve balance for 2015/16 (subject to approval of the Annual Report and Accounts) is £1,765k. The projected underspend will increase the reserve, leaving a general reserve balance of £1,784k as follows:

	Revenue Reserve £000	Capital Reserve £000	Total Reserves £000
Opening balance at 1 April 2015	1,082	683	1,765
Projected (over)/under spend at 31 March 2016	19	0	19
Projected balance at 31 March 2016	1,101	683	1,784

The projected revenue reserve represents 3.24% of Care Inspectorate gross controlled expenditure. This is comfortably within the target range of 2.5% to 3.5% at which we wish to maintain the General Reserve balance.

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 £19k.

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 ET members are continuing to liaise with budget managers to develop further Alternative Expenditure Proposals (AEPs) for consideration.

LIST OF APPENDICES

Appendix 1 Care Inspectorate Budget Monitoring Statement for the Year to 31 March 2016

Appendix 2 Capital Monitoring Statement to 31 July 2015