

Budget Monitoring 2018-19

Report to: Board

Date: 27 September 2018

Report by: Kenny Dick, Interim Executive Director of Corporate and Customer Services

Report No: B-61-2018

Agenda Item: 19

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 July 2018, month 4).

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) project for the year to 31 March 2019 (appendix 2).
3. Considers the position on the business / digital transformation programme for the year to 31 March 2019 (appendix 3).
4. Considers the Capital Statement as at 31 July 2018 (appendix 4).

Version: 2.0	Status: FINAL	Date: 27/09/2018
--------------	---------------	------------------

5.0 Note the areas that are at significant risk of change in section 6.0.

6.0 Note the projected general reserve position described in section 8.0.

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: Interim Executive Director of Corporate and Customer Services		
Authorised by Director	Name: K Dick	Date: 23 August 2018	

Version: 2.0	Status: FINAL	Date: 27/09/18
--------------	---------------	----------------

EXECUTIVE SUMMARY

This is the first budget monitoring report to the Board of 2018/19. 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) project – this funding was received in 2016/17 and was credited to 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 projects and a necessary 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 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 £1,671k. This is £217k more than the budget position but when taken together with the additional £688k in the General Reserve the net impact is a favourable variance to the budgeted position of £471k.

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

	£'000
Current projected budget variance	<u>217</u>
<u>Summary of Variances:</u>	
Staff costs	12
Accommodation costs	169
Administration costs	170
Supplies and services	259
Grant income	(149)
Other income	<u>(244)</u>
	<u>217</u>

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 July 2018.

- 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

Version: 2.0	Status: FINAL	Date: 27/09/18
--------------	---------------	----------------

- 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 July 2018.
 - 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 £1,671k. This is £217k more than the planned overspend of £1.454k. However, the General Reserve balance is £688k higher than was anticipated when the budget was set. This more than offsets the projected overspend.

2.1 Staff Costs – overspend of £12k

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 £12k 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 £117k

The projected overspend is mainly due to backfill for a seconded senior manager. This is offset by a projected increase in secondee income (see 2.6.5).

Projected expenditure also includes savings in the Improvement Support Team which are being reinvested in the provision of specialist advice (see 2.1.3).

2.1.2 Admin & Professional including Hired Agency Staff – underspend of £117k

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 £217k. To ensure continued momentum and knowledge transfer to the Care Inspectorate PA Consulting's contract to support the project has been extended, with a corresponding increase in professional fees (see 2.3).

This projected underspend is partly offset with projected overspends totalling £100k. These are mainly due to budgeted slippage not yet being achieved at this stage of the financial year.

Version: 2.0	Status: FINAL	Date: 27/09/18
--------------	---------------	----------------

2.1.3 Specialists – overspend of £83k

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. The TEC programme is funded in full by Scottish Government (see 2.6.2) and the Out of Hours Project post is 50% funded from Health Improvement Scotland (see 2.6.6). There is also a projected increase in specialist support of £25k which is funded from the senior manager savings (see 2.1.1).

2.1.4 Team Managers - overspend of £40k

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

2.1.5 Senior Inspectors – underspend of £6k

Projected slippage is expected to exceed budgeted slippage by £6k. This is due to a Senior Inspector post being vacant until later in the financial year.

2.1.6 Inspectors & Locums – as budgeted

Inspector costs, including expenditure on Locums, are projected to be as budget at this stage of the financial year.

2.1.7 Practitioner Inspectors – overspend of £13k

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

2.1.8 Grant Funded Posts - overspend of £30k

The additional expenditure on grant funded posts is fully offset by additional grant income (see 2.6.2).

2.1.9 Strategic Inspectors – underspend of £100k

Staff vacancies have been greater than expected, with slippage projected to be £100k greater than budgeted.

Projections include an estimate of £50k for temporary resources to support strategic inspections.

Version: 2.0	Status: FINAL	Date: 27/09/18
--------------	---------------	----------------

2.1.10 Displaced Staff - underspend of £63k

A displaced Operational Support Manager has taken voluntary early retirement, and the displaced SDS Project Officer and Senior OD Adviser have both been matched into Inspector posts. The Senior OD Adviser is on secondment to the SSSC until June 2019 for which we receive corresponding income (see 2.6.5).

2.1.11 Secondees – overspend of £15k

The projected overspend in secondees is due to additional hours to support the CAPA programme. This overspend is contained within the overall grant allocation for the CAPA project.

2.1.12 Training & Development – as budgeted

Training and development expenditure is projected to be as budget at this stage of the financial year.

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 £169k

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 £147k in rent and rates has a corresponding overspend in service charges which are reported in other running costs.

The additional overspend in other running costs is due to the Dundee office re-configuration which was delayed from 2017/18 now proceeding this year. The estimated cost of this is £169k.

2.3 Administration Costs – overspend of £171k

The business and digital transformation programme budget was based on the programme being fully staffed for the year. Difficulties in recruitment and team changes has resulted in the contract with PA Consulting being extended to the end of November 2018 in order to maintain momentum and ensure adequate knowledge transfer to the Care Inspectorate team at end of their engagement. This has resulted in a projected increase of £227k in professional fees which is offset by a corresponding decrease in hired agency staff costs (see 2.1.2).

Version: 2.0	Status: FINAL	Date: 27/09/18
--------------	---------------	----------------

This projected overspend is partly offset by the following projected underspends:

- Expected savings of £20k in the re-let of the telecoms contract. This underspend has been used to fund additional ICT expenditure for goods which were expected to be delivered last financial year (see 2.5).
- A projected reduction of £19k in CAPA administration costs which will be used to fund additional CAPA secondee and venue hire costs.
- A projected reduction of £17k in printing and publication costs. These savings are attributable to a reduction in printed materials being replaced with more tailored sector specific e-newsletters.

2.4 Transport Costs – as budgeted

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

2.5 Supplies & Services Costs - overspend of £259k

The projected overspend is due to the following:

- An element of the ICT modernisation project intended to be funded from the General Reserve £213k.
- Equipment totalling £20k which was expected to be delivered in 2017/18 (see 2.3).
- ICT equipment totalling £21k was purchased for the business and digital transformation project which is funded from the General Reserve.

A projected increase in CAPA venue hire costs of £5k. This is contained within the overall CAPA grant allocation.

2.6 Income - £393k more than budgeted

Projected income is £393k more than budgeted with the main variances being explained 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 Income £149k more than budgeted

An additional £149k of grant income is projected for the year as follows:

- Technology Enabled Care Programme funding £48k
- Early Learning and Childcare Quality Project £31k
- Child Inspection Improvement Programme Grant (2017/18 £70k)

Version: 2.0	Status: FINAL	Date: 27/09/18
--------------	---------------	----------------

2.6.3 Shared Services Income – as budgeted

Income from shared services is expected to be as budget.

2.6.4 Lease Income – as budgeted

Income from lease arrangements is expected to be as budget.

2.6.5 Seconded Officers – £237k more than budgeted

Additional secondment income will be received as follows:

- A Strategic Inspector seconded to Scottish Government's Realigning Children's Services project (£6k)
- A Service Manager seconded to East Lothian Council (£112k)
- A Senior OD Adviser seconded to the SSSC (£43k)
- The Projects, Performance & Planning Support Officer seconded to Social Work Scotland (£36k).
- An Inspector secondment to Scottish Care (£26k)
- An Inspector secondment to Inspiring Scotland (£14k).

2.6.6 Miscellaneous Income – £7k more than budgeted

Additional income is projected for Healthcare Improvement Scotland's partial funding of a temporary Senior Improvement Advisor – Out of Hours Project post (see 2.1.3).

3.0 CARE ABOUT PHYSICAL ACTIVITY (CAPA)

During 2016/17 we received grant of £918k from the Scottish Government to fund the 'Care About Physical Activity' (CAPA) programme. £357k of this funding is for activity that will take place in 2018/19 and is held in the general reserve.

The project is progressing well with a £1k overspend expected. This overspend is included in the overall projected overspend of £217k.

4.0 BUSINESS AND DIGITAL TRANSFORMATION

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

Appendix 3 details the Business and Digital Transformation budget position for information purposes. Current projections show the project is £50k overspent compared to the budgeted position.

Version: 2.0	Status: FINAL	Date: 27/09/18
--------------	---------------	----------------

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.

B-61-2018

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	Projected staff costs are based on staff in post and known changes. It is probable that further savings will be realised during the year.	+ / -	All
Staff Costs - training, courses & conferences	Whilst there is no budget variance currently projected, there has been a year on year underspend in staff training, courses and conferences.	-	Executive Director of Strategy and Improvement
Administration Costs – Telephony	The migration to the new telecoms providers is expected to deliver financial savings. As we have not yet finalised the migration of all services to the new providers a prudent approach has been taken in projecting the expenditure. It is likely that further savings will be realised during the year	-	Executive Director of Corporate and Customer Services

B-61-2018

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. There is therefore a risk of this budget becoming further overspent.	+	Executive Director of Corporate & Customer Services
Business and Digital Transformation	There is uncertainty around the cost and timing of the business and digital transformation work.	+	Executive Director of Corporate & Customer Services
Shared Service Income	The shared services arrangement with the SSSC includes an element of variable charging.	+ or -	Executive Director of Corporate & Customer Services
Value Added Tax (VAT)	We are currently undertaking work to investigate reclaiming historical VAT. It is likely that additional income will be received. This could be up to £180k.	(£180k)	Executive Director of Corporate & Customer Services

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.

This is an area of uncertainty just now following the Scottish Government's decision to adjust our grant in aid provision for depreciation. Discussions are on-going with Health Finance to determine the impact on future investment in capital activities.

8.0 GENERAL RESERVE POSITION

The General Reserve balance is intended to be used to fund the CAPA project (budgeted £357k) and a budgeted overspend of £1,097k. The budget assumes the General Reserve balance will have reduced to 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 projected overspend exceeds the budgeted overspend by £217k.

The net effect of this is funding of £471k 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.

The projected impact on the General reserve is as follows:

Version: 2.0	Status: FINAL	Date: 27/09/18
--------------	---------------	----------------

	2018/19 Budgeted Position £000	Projected/Actual Position £000	Variance £000
Opening General Reserve balance	2,001	2,689	(688)
To fund CAPA project	(357)	(357)	0
Revised budget overspend	(1,097)	(1,314)	217
Total overspend	(1,454)	(1,671)	217
Uncommitted available funding		(471)	471
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 £217k against the budgeted position. However the opening General Reserve balance is greater than was anticipated when the budget was set. Current projections suggest £471k of contingency funding is available to offset any unexpected costs associated with our major change programmes or alleviate some of the 2019/20 budget pressures that have been identified.

Version: 2.0	Status: FINAL	Date: 27/09/18
--------------	---------------	----------------

LIST OF APPENDICES

- Appendix 1 -** Care Inspectorate Revenue Budget Monitoring Statement for the Year to 31 March 2019
- Appendix 2 -** CAPA 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.