



2013-14 Budget Monitoring

Report to: Resources Committee

Date: 18 November 2013

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

Report No. R-32-2013

Agenda Item: 8

PURPOSE OF REPORT

To advise the Committee of the projected financial position for the year to 31 March 2014 (based on September ledger).

RECOMMENDATIONS

That the Committee:

1. Considers the revenue monitoring statement for the year to 31 March 2014.
2. Considers the capital monitoring statement as at 30 September 2013.

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
3	Senior Management	ET	None	7/11/13
	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: 8 November 2013

Version: 3

Status: Final

Date: 8 November 2013

EXECUTIVE SUMMARY

The current projected net expenditure variance for the Care Inspectorate as at 31 March 2014 is an underspend of £530k. This is a increase of £268k in projected budget underspend from the anticipated position reported to Committee at its meeting of 17 September 2013.

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

	£'000
Underspend reported to Committee at 17 September 2013	(262)
Current projected underspend	(530)
Movement in projected variance	<u>(268)</u>
 <u>Summary of Movement</u>	
Staff costs	(342)
Administration costs	(1)
Transport costs	(5)
Supplies & Services costs	89
Income	(9)
	<u>(268)</u>

MOVEMENT IN PROJECTED VARIANCE

The main changes in budget variance from the position reported to Resources Committee at its meeting of 17 September are detailed below.

Staff Costs (Decrease of £342k)

The projected decrease in staff costs is due to:

- Recruitment to vacant posts in the revised organisational structure has taken longer than anticipated, which has resulted in a projected decrease of £278k in salary related costs.
- It was previously anticipated an appointment to the Nurse Consultant (Older People) post would be made in November with projected costs of £45k. A review of the Health and Wellbeing Team is to be undertaken and it is now unlikely this post will be filled this year. There is a corresponding reduction in projected income.
- A decrease of £19k in the projected costs of seconded specialist staff to support strategic inspections.

Administration Costs (Decrease of £1k)

There is a minor decrease of £1k in the projected administration cost overspend.

Version: 3	Status: Final	Date: 8 November 2013
------------	---------------	-----------------------

Transport Costs (Decrease of £5k)

The projected decrease in travel and subsistence costs is due to the grant funded consultant post not being filled this year.

Supplies and Services Costs (Increase of £89k)

Projected costs include £98k for an Alternative Expenditure Proposal approved since the last report to Committee as follows:

GW01 – Increase capacity of storage area network (SAN).

This has been partly offset by a reduction in projected expenditure of £9k due to a decrease in Disclosure Scotland payments for applications in process.

Income (Increase of £9k)

A projected increase in income of £9k is due to the following:

- Additional seconded officer income of £16k for an Inspector secondment to Health Improvement Scotland.
- An increase of £19k in shared service income due to an increase in shared services with the SSSC.
- This increase is partly offset by a reduction of £26k in miscellaneous income which is mainly due to the Nurse Consultant (Older People) post not being filled this financial year as noted above.

1.0 INTRODUCTION

1.1 Corporate Plan Reference

Outcome 3

“The Care Inspectorate performs effectively and efficiently as an independent scrutiny and improvement body and works well in partnership with other bodies”

Outcome 3, Strategic Objective No 5

“Ensure that we make the best use of all our resources and provide value for money”

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 £35.302m 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 2013-14 revenue budget monitoring statement for the year to 31 March 2014, based on the financial ledger to 30 September 2013.

- Budget virement represents the transfer of resources between budget headings to reflect expected changes in income or expenditure patterns and is 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 30 September 2013.
- Actual expenditure shows actual and committed expenditure as at the ledger date of 30 September 2013.
- 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.

Version: 3	Status: Final	Date: 8 November 2013
------------	---------------	-----------------------

2.0 2013-14 PROJECTED BUDGET OUTFURN

The net revenue position projected as at 31 March 2014 is an underspend against revised budget of £530k. A system where ET have considered and prioritised additional expenditure proposals to be implemented where budget variances are identified is in place. Specific reference will be made to additional expenditure proposals where these are included in projected costs.

The main variances in budget headings are noted below:

2.1 Staff Costs – (£518k)

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 £518k projected in staff costs with the main variances as follows:

2.1.1 Chief Officers and Senior Managers - (£81k)

A projected underspend of £81k in Chief Officers and Senior Managers is mainly due to appointments to the new organisational structure being later than anticipated.

2.1.2 Admin and Professional – (£49k)

Admin and professional costs, when combined with the cost of temporary hired agency staff, are projecting an underspend of £49k. This is mainly due to slippage in recruitment to the revised organisational structure which has seen a change in the number and type of posts within the organisation. The revised organisational structure has resulted in a small number of staff being displaced.

2.1.3 Specialists - (£25k)

A projected underspend in Specialists of £25k is due to a budgeted full time Professional Advisor (Health) post being filled on a part time basis.

2.1.4 Team Managers - £66k

A projected overspend in Team Managers of £66k is due to budgeted slippage not being achieved, the cost of backfill arrangements to provide cover for long term absence and a temporary secondment of a Team Manager to support the strategic inspections.

2.1.5 Inspectors - £2k

Inspector costs, including expenditure on Locums, project an overspend of £2k. It is anticipated costs may reduce further as the year progresses. Projected costs include an assumption that 10 FTE vacancies will be filled in January 2014. Projections also include the cost of an Inspector on secondment to Health Improvement Scotland, with the seconded costs of £16k being offset by a corresponding increase in Seconded Officer income.

Version: 3	Status: Final	Date: 8 November 2013
------------	---------------	-----------------------

2.1.6 Strategic Inspectors - (£238k)

An underspend of £238k is projected for Strategic Inspectors. The recruitment of Strategic Inspectors is on-going and it is expected all budgeted posts will be filled by January 2014. Projections include the cost of a Strategic Inspector on secondment to Scottish Government, with the seconded costs of £74k being offset by a corresponding increase in Seconded Officer income.

2.1.7 Secondees & Grant Funded Posts - (£190k)

An underspend of £96k is projected for Secondees. Two specialist posts have not been recruited to with the budget being partly used to fund temporary organisational structure changes.

An underspend of £94k is projected for grant funded posts. This is due to the Nurse Consultant (Older People) post not being filled pending a review of the requirements of the post (£84k) and the costs of the other grant funded posts and administrative support being less than anticipated (£10k). The underspend is offset in full by a corresponding decrease in income as noted in 2.6.4.

2.1.8 All Other Staff Costs – (£3k)

Non payroll costs are projecting a small underspend of £3k which relates to budgeted training & development costs for the Nurse Consultant (Older People) post which is not being filled this financial year. The budget includes an allowance of £58k for potential costs associated with a job evaluation exercise related to the revised structure. The job evaluation exercise will be completed this financial year.

2.2 Accommodation Costs - (£5k)

A small underspend of £5k is projected for accommodation costs.

2.3 Administration Costs - £21k

An overspend of £21k is projected for professional fees. This is mainly due to the Allied Health Professional Consultant securing additional funding from Scottish Government to undertake an evaluation of the 'Making Every Moment Count' project and to undertake an additional project under the 'Go for Gold Scotland Challenge' programme developing a resource to support care homes. This additional cost is offset in full by additional income as noted in 2.6.4.

2.4 Transport Costs – (£5k)

A small underspend of £5k is projected for travel and subsistence costs. This relates to the unfilled grant funded post.

Version: 3	Status: Final	Date: 8 November 2013
------------	---------------	-----------------------

2.5 Supplies & Services Costs – £89k

The following additional expenditure proposal has been agreed by ET:

GW01 – Increase capacity of storage area network (SAN) at an estimated cost of £98k.

This leaves a projected budget underspend of £9k which was provided to allow for Disclosure Scotland costs which are now not expected to materialise.

2.6 Income

2.6.1 Fee Income - (£15k)

Fee income is projected to be £15k more than budget:

Income from continuation fees is projected to be £65k less than budget. Detailed analysis of the first six months shows that this is due to changes in the number and type of services registered with the Care Inspectorate from the date the budget was set and when invoices have been issued. Further analysis of the continuation fees due in the second half of the financial year is ongoing and it is expected the income may further decrease.

Registration income is intrinsically difficult to predict and a prudent estimate of registration income is taken in the budget. Based on activity to date and the previous year's income pattern an additional £80k of registration fee income is projected. As with continuation fees, analysis of this is ongoing and it is anticipated that registration fee income will further increase.

2.6.2 Shared Service Income – (£13k)

Additional shared services with the SSSC has resulted in additional income of £19k. This has been partly offset by a projected reduction of £6k due to a renegotiation of the Service Level Agreement held with the Office of the Scottish Charities Regulator for Quadrant House shared services.

2.6.3 Seconded Officers - (£90k)

As noted in 2.1.5 and 2.1.6 additional income of £90k is projected for staff on secondment.

2.6.4 Miscellaneous Income - £6k

Miscellaneous income is projected to be £6k less than budget.

This is mainly due to the Nurse Consultant (Older People) post not being filled this financial year as noted in 2.1.7 above, resulting in a decrease in projected grant income of £82k.

Version: 3	Status: Final	Date: 8 November 2013
------------	---------------	-----------------------

This is partly offset by additional income as follows:

- A prudent approach was taken when preparing the budgeted income for strategic inspections carried out on behalf of the States of Jersey and the Isle of Man. The detail of this work has now been agreed, with an additional £36k income projected.
- The sub lease income for the Aberdeen Office has also increased by £16k which is mainly due to the revised rent charges agreed at the end of 2012/13.
- A projected increase of £2k in private telephone recovery income.
- Additional income of £22k from Scottish Government to fund specific projects as noted in 2.3.

3.0 BUDGET VIREMENT

Budget virement allows Budget Managers to amend budgets in the light of experience or 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 ALTERNATIVE EXPENDITURE PROPOSALS

The ET has approved a project with a net expenditure impact of £98k. Further projects and priority two and three actions from the Operational Improvement Plan will be considered and approved by ET as they are received, taking into account :

- Available funding, and
- Time constraints relating to completion of these projects within the current financial year.

5.0 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. Responsibility for close monitoring of these identified risks is allocated to ET members.

Budget Heading	Budget Issue	Potential Over/(Under) Spend £'000	Responsible
Staff Costs – Inspectors	<p>The half year inspection performance indicates that we are behind target. More resource in terms of locum use, temporary contracts etc may need to be applied to bring the inspection plan back on target.</p> <p>Changes to staffing following the review of the Registration, Complaints and Legal functions may have a financial impact.</p>	Over	Director of Inspection
Staff Costs – T&C Harmonisation/Restructure	<p>Projected costs include an allowance of £58k for the job evaluation results for the strategic grade and team restructures. Any variation from this will result in either an increase or decrease in costs.</p>	?	Director of Strategic Development

Agenda item 8

**Report Number
R-32-2013**

Budget Heading	Budget Issue	Potential Over/(Under) Spend £'000	Responsible
Administration Costs – Telephones	Work is on-going with our telecoms provider to determine what the on-going charges for 2013/14 will be. It is possible that credits may be received for billing errors in previous years. Should this risk materialise the budget may not be required in full this financial year.	under	Director of Corporate Services
Transport Costs	The impact of expert teams and the planned development weeks on travel & accommodation is uncertain and will be closely monitored throughout the financial year.	50	All
Fee Income	Services newly registering are intrinsically difficult to predict, with a prudent approach taken at the budget setting stage. This coupled with the reduction in registration activity during March 2013 to allow for planned system development, means it is possible that registration fee income may further increase this financial year.	Under	Director of Corporate Services

6.0 CAPITAL

The capital plan monitoring statement is attached as Appendix 2.

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

7.0 BENEFITS FOR PEOPLE WHO USE CARE SERVICES AND THEIR CARERS

Formal processes for the accurate recording, reporting and effective managerial control of the Care Inspectorate's funds ensure that the resources available are directed in accordance with corporate plans and objectives, which have the ultimate aim of bringing benefits to people who use care services and their carers.

8.0 CONCLUSION

Potential budget underspends have been identified at an early stage and an alternative expenditure proposal has been implemented as noted in 2.5.

The remaining £530k budget underspend may be utilised by further additional expenditure proposals. Budget managers have been asked to consider whether any priority two and three areas of the operational improvement plan can be brought forward as additional alternative expenditure proposals. These will be considered and prioritised by the Executive Team as they are submitted. Following this process, the sponsor will be informed of any projected underspend in early December. The Sponsor Department are fully aware the 13/14 projected underspend is due to delays in recruitment and that these are not recurring savings.

Version: 3	Status: Final	Date: 8 November 2013
------------	---------------	-----------------------

LIST OF APPENDICES

- Appendix 1** Care Inspectorate Budget Monitoring Statement for the Year to 31 March 2014
- Appendix 2** Capital Monitoring Statement to 30 September 2013