

2016-17 Draft Budget

Report to: Board
Date: 18 March 2016
Report by: Kenny Dick, Head of Finance and Corporate Governance
Report No. B-02-2016
Agenda Item: 11

PURPOSE OF REPORT

To present draft budget proposals for 2016/17 to the Board for approval.

RECOMMENDATIONS

That the Board:

1. Approves the draft budget set out in this report (Appendix 2).
2. Approves the draft 2016/17 Capital Plan (Section 5 and Appendix 3).
3. Agrees that all fees charged to regulated care service providers remain unchanged from 2015/16 rates.

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
	Senior Management	ET		25/02/16
	Member / Officer / TU Budget Working Group			02/03/16
	Legal Services			
	Resources Directorate			
	Committee Consultation (where appropriate)	Resources		11/03/16
<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.		The budget is the expression of corporate and business plans in financial terms. Specific plans, expenditure and income proposals and the policies on which the budget is based should all have been equality impact assessed where appropriate.		
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: 25 February 2016		

1.0 INTRODUCTION

1.1 Corporate Plan Reference

The budget is developed to support the achievement of all 6 strategic objectives set out in Corporate Plan 2014 – 18.

1.2 Background

1.2.1 The Care Inspectorate's new financial year commences on 1 April 2016 and there is a requirement to have in place an agreed budget before that date. This budget is then used as the basis for measuring financial performance throughout the year. The budget must be agreed by the Care Inspectorate Board and by the Sponsor Department for funding purposes.

1.2.2 The Scottish Government has decided to reduce the recurring grant in aid made available to the Care Inspectorate from the £22.158m agreed for 2015/16 to £21.700m for 2016/17. In addition, the Scottish Government has agreed to provide a further £0.194m of non-recurring grant in aid to fund specific projects.

1.2.3 The Scottish Government has also decided not to increase the maximum fees the Care Inspectorate can charge. This together with no increase in grant in aid means a £0.458m (1.35%) reduction in budgeted expenditure for 2016/17. A cash terms reduction in budgeted expenditure significantly limits the Care Inspectorate's ability to re-invest the money or time saved from efficiencies or cost reductions into improving and developing our scrutiny activities to better provide public protection and assurance. Instead efficiency gains or cost reductions must first be directed to balancing the budget.

1.2.4 The draft 2016/17 budget (Appendix 1) has been developed alongside the Scrutiny and Improvement Plan 2016/17.

1.2.5 The Resources Committee considered this draft budget at its meeting of 11 March 2016 and recommend the Board approve the recommendations set out in this report.

The Resources Committee were presented with a draft base budget that showed a deficit of £1.225m against available funding. The Committee considered a number of options before agreeing a package of budget reduction measures to reduce the budget deficit to £0.338m. This budget deficit will be funded by the projected underspend of £0.338m which will be carried forward from 2015/16. This provides temporary funding to allow the full year savings from the budget reduction measures agreed by the Committee to take effect in 2017/18.

The Committee noted the Sponsor Department has authorised an additional £1.500m of grant in aid for 2015/16 to provide transitional funding for voluntary early retirements / voluntary severance and to provide funding for initiatives to

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reshape the workforce and methodology in accordance with the proportionate scrutiny and investment in improvement agenda.

2.0 DRAFT 2016/17 BUDGET COMPILATION

The draft base budget is shown in Appendix 1 (“Draft 2016/17 Base Budget” column). The compilation of the base budget is set out in sections 2.1 to 2.6.3. The base budget represents the budget position after known non-discretionary changes (e.g. the national insurance employers’ contribution increase (2.1.3)) and previously agreed budget adjustments (e.g. Health Team review) are included. After compiling the base budget a funding deficit of £1.225m is identified.

The column headed “Draft 2016/17 Budget After Resources Committee Adjustments” shows the impact of the measures agreed by the Resources Committee to reduce the budget deficit. The budget deficit reduction measures agreed by the Resources Committee are detailed in Section 4.

Appendix 1 also shows the variances in cash and percentage terms in comparison to the agreed 2015/16 budget.

Appendix 2 represents the budget the Board are requested to approve. This is the operational budget including Resources Committee adjustments and includes the assumption that the £1.500m of transitional funding will be fully utilised during 2016/17.

2.1 Staff Costs

2.1.1 Incremental Progression and Pay Award

The salary related budget is based on the following:

- The 2016/17 remit for negotiating a pay award effective from 1 April 2016 has not been agreed yet. The budget assumes a £400 cash increase for staff on pay grades 1, 2 and 3 and a 1% award for all other directly employed staff. This is in accordance with the draft pay remit approved by the Remuneration Committee on 17 February 2016 for submission to the Scottish Government.
- All staff not at the top of their grade (and who perform satisfactorily) will progress by one incremental step with effect from 1 April 2016.

2.1.2 Employer’s Pension

Most Care Inspectorate staff contribute to the Tayside local government pension fund administered by Dundee City Council. The most recent triennial actuarial valuation set the common employer’s contribution rate at 17% to apply for financial years 2015/16, 2016/17 and 2017/18.

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2.1.3 Employer's National Insurance

Employers' national insurance contributions include the increase in cost associated with the removal of the contracted out rebate with effect from April 2016. The increase in budget due to national insurance changes is £560k.

2.1.4 Staff Costs Slippage

Staff cost slippage is a saving that arises through the normal turnover of staff i.e. the salary and on-cost saving associated with the delay between an employee leaving and the vacant post being filled. The draft base budget adopts the slippage assumptions of 3.00% (2015/16: 3.00%) for all staff excluding the Chief Executive and Directors where no slippage is assumed.

2.1.5 Executive Team

This budget comprises the Chief Executive and 3 Directors.

2.1.6 Senior Managers

This budget comprises 3rd tier managers and the Heads of Inspection posts.

2.1.7 Admin and Professional Staff

This budget is the establishment agreed for 2015/16 adjusted for any agreed permanent or temporary changes made during the year.

2.1.8 Strategic Inspectors

The draft budget includes provision for 25 FTE (2015/16: 24 FTE) Strategic Inspectors. The 25 FTE includes one Strategic Inspector who is seconded to the Scottish Government. Delivery of the Scrutiny & Improvement Plan 2016/17 is based on 24 FTE Strategic Inspectors.

2.1.9 Team Managers

The draft budget includes 32 FTE Team Manager posts and this is based on the agreed organisation structure.

The Team Manager posts have been allocated on the following basis:

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Budget Area	2015/16	2016/17
	FTE	FTE
Children and Criminal Justice Inspection	12.0	11.0
Adult Services Inspection	12.0	13.0
Complaints	5.0	5.0
Registration	3.0	3.0
Total budgeted Team Manager posts:	32.0	32.0

2.1.10 Inspectors

The number of Inspector FTEs provided for in the base budget is 301.5. This is the same number of FTEs provided for in the 2015/16 budget as revised for the introduction of the Contact Centre during 2015/16.

Inspection Plan – Regulated Care Services

The number of Inspector FTEs has been calculated by applying the workload and workforce management strategy planned average hours assumptions to the regulated care service inspection plan contained within the Scrutiny and Improvement Plan 2016/17 report as submitted to the Resources Committee on 4 December 2015. The workforce management strategy resource allocation basis has been changed to reflect the latest time recording information and methodology changes.

The enhancement in time recording information provided by the capacity tool has highlighted previous under estimation of planned scrutiny time. The workforce management assumptions have been increased and the result is a 21.6 increase in Inspector FTEs. This increase in planned Inspector numbers has been largely offset by savings resulting from methodology changes (Inspection of 2 themes 5.3 FTE, follow up inspections 3.7 FTE and shorter reports for better performing services 7.7 FTE). Flexible deployment capacity has been reduced to ensure there is no overall increase in Inspector FTE.

Planned inspections and scrutiny activity requires a resource of 224.8 Inspector FTEs. The equivalent figure for 2015/16 was 221.9 Inspector FTE.

Registration and Complaints

The base budget assumes the same 28 Inspector FTE requirement for Registration as was deployed in 2015/16.

The initial 2015/16 projections included concerns that the number of complaints received was increasing significantly year on year. However, complaints actually received in 2015/16 based on data to 31 January 2016 are less than the same period in 2014/15 and the full year projection for 2015/16 is less than was anticipated when the 2015/16 budget was set. On this basis, the base budget 2016/17 assumes the same Complaint Inspector FTE as 2015/16 adjusted for

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the changes associated with the introduction of the Contact Centre agreed by the Resources Committee in June 2015.

The draft 2016/17 base budget includes provision for 41 Inspector FTEs for complaints.

Other Inspector Requirements

The 2015/16 budget included an allowance of 1.3 Inspector FTE to fund backfill for Inspectors undertaking the EFQM award. This allowance is retained within the base budget to be allocated to best suit the introduction of the new Professional Development Award.

The draft Scrutiny and Improvement Plan recommends a reduction in inspection frequency for Fostering and Adoption services. This generates an inspection time saving equivalent to 2.1 FTE. This time saving is to be re-invested to develop a revised methodology for the scrutiny of Fostering and Adoption services which is better aligned to our strategic scrutiny.

In line with previous years an allowance of 1 Inspector FTE is provided to fund backfill for staff undertaking trade union duties.

Inspector FTE Available for Flexible Deployment and Enhanced Scrutiny

The 2015/16 budget provided a resource of 8.3 Inspector FTE that was to be deployed flexibly to:

- create capacity to respond immediately on a crises intervention basis to unexpected but inescapable demands on the Care Inspectorate front line resources.
- provide resources to follow up progress made in implementing inspection recommendations and requirements and supporting improvement in high risk, poorer performing services. It was envisaged that a variety of approaches to supporting improvement other than additional inspections would be taken.
- Provide resources to cope with workload peaks in complaints, registration and enforcement work areas.

After adjusting for variances in the requirements of the Scrutiny and Improvement Plans for 2015/16 and 2016/17, the adjustment to planned hours based on time recording information and methodology time savings there is 3.3 Inspector FTE available for flexible deployment and enhanced scrutiny.

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Summary of Inspector Resource

	2015/16 FTE	2016/17 FTE
Regulated Care Service Inspection Plan	221.9	224.8
Complaints (after Contact Centre adjustment)	41.0	41.0
Registration	28.0	28.0
Fostering & Adoption Methodology Development	0.0	2.1
Flexible Deployment & Enhanced Scrutiny	8.3	3.3
Qualifications backfill	1.3	1.3
Trade union duties	1.0	1.0
Total	301.5	301.5

2.1.11 Grant Funded Posts

The Care Inspectorate has received confirmation of specific grant funding for engaging staff to work on childminding induction, community justice scrutiny and improvement development, alcohol and drug partnership self-evaluation and delayed discharge improvement support.

2.1.12 Sessional and Volunteer Inspectors

The sessional and volunteer inspector budget has been set at £15k. This is a reduction of £15k compared to the 2015/16 budget. The number of Sessional Inspectors has been reduced and a revised role is being implemented.

2.1.13 Secondees (Inward)

The secondees budget of £133k is intended to fund the secondments of:

- 1 HMICS secondment (243 days)
- 1 Audit Scotland secondment (0.7 FTE)

2.1.14 Hired Agency Staff

This budget of £440k (2015/16: £450k) is allocated mainly to ICT. The budget is used by ICT to fund temporary staff working on limited life projects. The flexibility afforded by agency staff is appropriate given the nature of ICT work.

2.1.15 Recruitment Advertising

A budget provision of £30k (2015/16: £30k) has been allowed for recruitment advertising.

2.1.16 Training, Courses and Conferences

This budget of £604k includes a provision of £200k for the introduction of the

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new Professional Development Award (PDA).

The main training budget has been reduced by £30k compared to 2015/16. This will impact on the mode of delivery of the leadership development programme.

2.1.17 Other Staff Costs

This budget of £59k has been reduced by £12k compared to 2015/16. This budget reduction is made possible by streamlining the assessment centre process.

2.2 Accommodation Costs

2.2.1 Rent

The rent arrangements for all Care Inspectorate properties have been analysed to set the 2016/17 rent budget. An anticipated reduction in the space rented at the Hamilton office and the closure of the Irvine office are the main contributors to the reduction in accommodation rental costs.

2.2.2 Rates

The rates budget for each property has been reviewed. An increase of 2.43% has been applied to the revised rates figures as per advice from our property advisors. The general increase in rates largely offsets an anticipated reduction in rates costs for the reduced space Hamilton Office.

The net impact is a £2k reduction in the rates budget when compared to 2015/16.

2.2.3 Other Property Costs

The budget includes provision for dilapidations and fit out work due in 2016/17 at the Hamilton and Inverness offices of £153k and £98k respectively. This budget also covers other planned and unplanned maintenance, utilities, energy costs and service charges where increases in line with contracts have been applied.

The above budget increases are partially offset by the closure of the Irvine Office £82k and the removal of £27k budget for the 2015/16 fit out costs at the Stornoway Office.

Included within the 2016/17 accommodation costs are costs of £615k that are subsequently recharged to the SSSC and OSCR. A further £225k is recharged to the Scottish Government for the office sharing arrangement in Aberdeen.

There is no provision for general inflation.

The net impact is a £189k increase in the other property costs budget when

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compared to 2015/16.

2.3 Administration Costs

This budget of £1.630m has been reduced by £40k compared to 2015/16. The budget movements are detailed in the table below:

	Budget Increase / (Reduction) £000
Postage budget reduced due to increased e-communication	(2.0)
Revised telephone contracts	(18.5)
Reduce expenditure on Advertising & Publicity	(2.7)
Prof Fees – young volunteer inspector support	(12.0)
Prof Fees – Finance & Payroll/HRMIS systems development	(5.0)
Prof Fees – Reduced expenditure on debt recovery	(4.8)
Prof Fees – Reduced JEGS costs	(11.0)
Prof Fees – Health improvement advice*	16.4
Total Admin Costs Budget Reduction	(39.6)

* The report on the Health Team to the Resources Committee meeting of 12 June 2015 recommended allocating £100k to fund purchasing specialist health advice. However, the Executive Team agreed to fund, on a temporary basis, a National Care Standards Project Lead from this budget. The cost of the National Care Standards Project Lead in 2016/17 will be £83.6k.

2.4 Transport Costs

The draft budget includes an increase of £110k for travel costs. This provides a budget of £1.600m which is £80k less than the current projection for 2015/16 travel costs. This is on the basis that efficient travel and subsistence will be promoted from both a financial and environmental perspective. It is also anticipated that Inspector recruitment will continue to address geographical imbalances between services and Inspectors with the specialist knowledge to inspect these services.

2.5 Supplies & Services Costs

The Supplies & Services budget has been reduced by £71k compared to 2015/16.

The budget reductions consist of a £38k reduction in ICT costs through equipment replacement and maintenance agreement savings, a £20k reduction in storage costs to reflect actual expenditure and savings of £13k through close

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control and monitoring of hospitality and venue hire.

2.6 Relevant Income

2.6.1 Shared Services

Following the annual review of service level agreements (SLAs), income from recharges for shared services is budgeted to increase by £74k.

2.6.2 Secondment Income

One Strategic Inspector is seconded to the Scottish Government and income of £90k is budgeted.

2.6.3 Miscellaneous Income

The miscellaneous income budget has reduced by £41k. This is mainly due to cessation of 50% funding for the Nurse Consultant (Rehabilitation) post.

3.0 DRAFT BUDGET FUNDING POSITION

3.1 Net Expenditure Funded by Grant in Aid and Regulatory Fees

Net expenditure represents the amount to be funded by core grant in aid and fees charged to service providers. This is gross budgeted expenditure less income from recharges of shared costs, specific grant funding and other income.

The Sponsor has confirmed core grant in aid will be £21.700m and the assumption is that fee income will remain at the 2015/16 level of £11.850m. This provides a net expenditure funding figure of £33.550m.

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The net expenditure position based on the draft 2016/17 base budget is:

	2015/16 Budget	Draft 2016/17 Base Budget	Variance
	£000	£000	£000
Gross Expenditure	35,434.4	36,519.0	1,084.6
Less:			
Shared service charges	(1,150.9)	(1,225.0)	(74.1)
Miscellaneous income	(275.5)	(234.9)	40.6
Seconded Officer income		(90.4)	(90.4)
Specific Project Funding		(194.1)	(194.1)
Net Expenditure	34,008.0	34,774.6	766.6
Funding Position:			
Grant in Aid	22,158.0	21,700.0	458.0
Regulatory Fee Income	11,850.0	11,850.0	0.0
Total Funding	34,008.0	33,550.0	458.0
Budget (Surplus) / Deficit	0.0	1,224.6	1,224.6

The funding position meant that further budget reductions were required to reduce the 2016/17 budget deficit. The Resources Committee agreed the budget deficit reduction measures set out in Section 4 of this report.

3.2 Grant in Aid

The Sponsor Department has confirmed that the grant in aid available to the Care Inspectorate will be £21.7m. This is a reduction of £0.458m from the 2015/16 funding position. The Sponsor Department will provide a formal grant in aid letter in March 2016.

3.3 Specific Grant Funding

Scottish Government are to provide additional grant to take forward work in the areas detailed in the table below:

	£000
Delayed Discharge Funding c/fwd from 2015/16	(36.0)
Alcohol & Drug Partnership Income	(20.0)
Community Justice - Future Scrutiny & Improvement Funding	(67.0)
Childminding Induction	(71.1)
	(194.1)

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3.4 Fee Income

Analysis has indicated that continuation of registration fee income will be reduced by £31k in comparison to 2015/16. The budget assumption is that income from new registration fees will be £536k. This is £31k more than was budgeted in 2015/16. The latest 2015/16 projection for new registration income is £600k and £536k has been exceeded in the previous two years.

The fee rates for all service types are currently set at the statutory maximum with the exception of care home fees. It is not intended to increase the current fee charged to care home services in isolation from a strategic review of fees charged to all service types. Therefore the draft 2016/17 budget has been prepared on the basis that fee rates will remain unchanged from 2015/16.

3.5 Summary of Base Budget Movement

The table below summarises the budget growth and savings that have been implemented prior to any further action agreed to deliver a balanced draft budget for 2016/17.

	Report reference	Budget Movement £000
Establishment Changes (Health Team, Contact Centre, grant funded posts, etc)		(200.8)
Incremental progression and pay award	2.1.1	476.5
Employers National Insurance	2.1.3	560.0
Sessional Inspectors (discretionary saving exercise)	2.1.12	(15.0)
Secondees budget is zero based and reflects planned secondments	2.1.13	(0.7)
Hired Agency Staff (discretionary saving exercise)	2.1.14	(10.0)
Training budget (discretionary saving exercise)	2.1.16	(30.6)
Training budget; Professional Development Award	2.1.16	200.0
Other staff cost; (discretionary saving exercise)	2.1.17	(12.1)
Total movement in staff costs budget		967.3
Property costs – rent: Hamilton	2.2.1	(40.9)
Property costs – rent: Irvine	2.2.1	(22.8)
Property costs – rent: other properties	2.2.1	(5.7)
Property costs – rates: Hamilton	2.2.2	(12.8)
Property costs – rates: other properties	2.2.2	11.1
Property costs – other: Hamilton	2.2.3	153.0
Property costs – other: Inverness	2.2.3	98.0
Property costs – other: Irvine	2.2.3	(82.0)
Property costs – other: Stornoway	2.2.3	(27.0)
Property costs – other: other properties	2.2.3	46.8
Total movement in property costs budget		117.7

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Administration costs (discretionary savings exercise)	2.3	(56.0)
Administration costs Health Team Review	2.3	16.4
Transport costs	2.4	110.0
Supplies & Services (discretionary savings exercise)	2.5	(70.8)
Shared service recharge – revised SLA	2.6.1	(74.1)
Seconded Officers	2.6.2	(90.4)
Miscellaneous income	2.6.3	40.6
Grant for Specific Projects	3.3	(194.1)
Total movement on Net Expenditure	3.1	766.6
Grant in Aid funding reduction	3.2	458.0
Budget Deficit		1,224.6

4.0 BUDGET REDUCTION MEASURES AGREED BY RESOURCES COMMITTEE

4.1 Senior Management Team Realignment

The Resources Committee considered a report on SMT realignment at its meeting of 13 January 2016. This report suggested a realistic planning figure of £0.370m was appropriate for inclusion in the budget. As time has progressed and with the availability of transitional funding only recently being confirmed, a reduced planning figure of £0.250m is now considered more appropriate. Dependent on individual circumstances and choices, SMT realignment is expected to use a significant proportion of the available transitional funding.

The Resources Committee agreed to include a planned in-year saving of £0.250m from SMT realignment. Full year saving costs are expected to be higher in 2017/18 onwards.

4.2 Targeted Reduction in Support Staff

Following SMT realignment the new management structure will be asked to identify support staff cost savings of 20%. Support staff included in this targeted saving exercise are staff currently working in:

- Finance and Corporate Governance
- Organisational Development
- ICT and Information Governance
- Headquarters Business Support
- Quality and Improvement
- Analysis and Business Planning
- Legal Services

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The staff costs for these areas included in the base budget amount to £4.128m. Therefore a 20% saving would be £0.826m. It will only be possible to deliver part year savings from this work in 2016/17. Full year saving costs are expected to be higher in 2017/18 onwards.

This saving target could be achieved by a mixture of natural staff turnover, close control by ET of business cases to fill posts as they become vacant and voluntary early retirement and severance requiring transitional funding.

The Resources Committee agreed to include a planned in-year saving of £0.200m in the draft 2016/17 budget.

4.3 Increase the Staff Slippage Assumption

Staff slippage is the cost saving due to the delay between an employee leaving a post and the post being filled by a new start usually at a lower starting salary. The base budget includes the same 3% slippage assumption as the 2015/16 budget. The latest 2015/16 staff cost projections indicate a slippage rate of approximately 3.5%.

However it needs to be recognised that:

- the Care Inspectorate started 2015/16 with considerably fewer Inspectors than budgeted and some of these posts have remained vacant for the majority of 2015/16. Current staffing levels suggest that Inspector numbers will be much closer to budgeted level and the same “head start” on slippage will not happen in 2016/17.
- The Inspector recruitment process has been improved and it is anticipated there will be significantly less delay between an Inspector position becoming vacant and a new start being in place.
- The support staff targeted saving (4.3 above) will potentially reduce the availability of slippage savings.

Each 0.5% increase in the slippage assumption generates a budget saving of £0.135m.

The Resources Committee agreed to increase the slippage assumption to 3.5%. This recommendation was agreed in the knowledge that this will be difficult to achieve and it is likely that the filling of vacant posts will be delayed longer than is necessary in order to generate savings. Once set at 3.5% it will be difficult to revert to a lower assumption in future years.

4.4 Reduce Registration Inspectors

The resource model for Registration Inspectors has been updated with the latest time recording information and suggests 26 FTE Inspectors as opposed to the 28 FTE included in the base budget. The time recording information pre dates the introduction of more efficient registration processes in 2015/16. It is therefore

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considered low risk to reduce Inspector numbers in this area. Reducing Registration Inspectors by 2 FTE will generate a budget saving of £0.093m.

The Resources Committee agreed to reduce by 2 FTE the Inspectors allocated to Registration.

4.5 Reduce Inspection Business Support Staff

The base budget includes a methodology based Inspector FTE saving from the introduction of shorter reports for better performing services.

Shorter reports will also have an impact on Business Support Assistant time and the full year impact of this has been estimated at 10 FTE (Full year saving £0.217m). It is intended to introduce shorter reports from 1 July 2016 and the part year impact for 2016/17 is therefore estimated at £0.163m.

The Resources Committee agreed to accept this Executive Team recommendation to reduce operational administrative support staff by 7.5 FTE. Work is continuing on allocating tasks currently undertaken by Inspectors, but which do not require the professional judgement of an inspector, to administrative or support staff where this is possible and appropriate. Increases in operational support staff will require to be funded by reductions in Inspector FTE.

4.6 Flexible Deployment and Fostering and Adoption Scrutiny Development

As noted in Section 2.1.10 there is 3.3 Inspector FTE currently allocated as a flexible deployment resource. Of this 1 FTE is committed to work on the methodologies project.

It is intended that the frequency reduction saving associated with Fostering and Adoption (see Section 2.1.10) will be re-invested to develop a revised approach to scrutiny for these services that is more closely aligned to strategic scrutiny work.

This means that the base budget includes 4.4 Inspector FTE intended to be used flexibly or on specific development work.

The Resources Committee agreed to require the Executive Director of Scrutiny and Assurance to manage these 2 areas of work with one fewer Inspector FTE. This provides a budget reduction of £0.046m.

4.7 Use Transitional Funding to Support Operating Expenditure

As noted in 1.2.5 the General Reserve as at 31 March 2016 is projected to include £1.500m of transitional funding agreed by the Sponsor Department and an additional £0.338m from a projected 2015/16 underspend. This means there is approximately £1.84m of transitional funding available for 2016/17. Although

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this is primarily intended to fund transitional costs such as voluntary early severance and retirement and spend to save initiatives, a proportion of the transitional funding could be used to fund operating expenditure in 2016/17. This will provide time to plan for and implement recurring savings that will impact either partially or not at all in 2016/17 but will impact in 2017/18.

The Resources Committee agreed to retain a budget deficit of £0.338m. This will be funded by a transfer from the General Reserve equivalent to the 2015/16 projected underspend of £0.338m. This leaves the full £1.5m transitional funding available to fund transitional costs such as VER/VES and spend to save initiatives.

Appendix 2 shows the adjusted budget including anticipated restructuring costs assuming the Board accepts the Resources Committee's recommendations.

5.0 CAPITAL PLAN 2016/17

The Care Inspectorate does not receive any funding specifically for capital expenditure and the capital plan submitted with this report does not infer any additional resources for 2016/17.

Capital expenditure is financed by using an appropriate amount of grant-in-aid intended for revenue purposes to fund the capital expenditure.

ICT equipment requires to be replaced on a cyclical basis. There are currently no other commitments to any planned capital projects in 2016/17 or subsequent years. Property related alterations and improvements may need to be treated as capital expenditure, requiring a contingency for unplanned expenditure of a capital nature.

Contingency expenditure is intended to provide an allowance to enable the Care Inspectorate to react to events such as equipment failures that require to be capitalised without the need to obtain retrospective approval from the Board and Sponsor Department. The contingency allowance is a reasonable estimate of the expenditure anticipated to be incurred during the year. Expenditure that exceeds the contingent amount agreed in the capital programme would require the appropriate approval.

The Capital Plan for 2016/17 is included as Appendix 3.

6.0 BENEFITS FOR PEOPLE WHO USE CARE SERVICES AND THEIR CARERS

Setting a budget and the subsequent monitoring of the budget to actual income and expenditure throughout the year ensures that the resources available to the Care Inspectorate 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.

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7.0 CONCLUSION

This draft budget has been set with a view to maximising public assurance and benefits to people who use care services and their carers. This draft budget is closely aligned and is intended to support the Corporate Plan, Scrutiny and Improvement Plan 2016/17 and the Care Inspectorate's overall aim of making a positive impact on the quality of services, while focussing and targeting scrutiny activity where it is most effective.

It is essential that the Care Inspectorate continues to identify and implement efficiencies in order to maintain and, where possible, accelerate progress on re-directing resources to where they are most needed.

LIST OF APPENDICES

- Appendix 1** - Draft 2016/17 Budget
- Appendix 2** - Draft Adjusted 2016/17 Budget
- Appendix 3** - Draft 2016/17 Capital Plan