



2013-14 Budget Monitoring

Report to: Resources Committee

Date: 5 March 2014

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

Report No. RC-02-2014

Agenda Item: 7

PURPOSE OF REPORT

To advise the Committee of the projected financial position for the year to 31 March 2014 (based on December 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 31 December 2013.

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
	Senior Management			
	Legal Services			
	Resources Directorate			
	Committee Consultation (where appropriate)			

Equality Impact Assessment

To be completed when submitting a new or updated policy (guidance, practice or procedure) for approval.

Policy Title:

Date of Initial Assessment:

EIA Carried Out

YES

NO

If yes, please attach the accompanying EIA and briefly outline the equality and diversity implications of this policy.

If no, you are confirming that this policy will have no negative impact on people with a protected characteristic and a full Equality Impact Assessment is not required.

Name: Kenny Dick

Position: Head of Finance & Corporate Governance

Authorised by Director

Name: Gordon Weir

Date: 24 February 2014

Version: 3.0

Status: *Final*

Date: 25/02/2014

EXECUTIVE SUMMARY

The current projected net expenditure variance for the Care Inspectorate as at 31 March 2014 is an underspend of £77k. This is a decrease of £453k in projected budget underspend from the anticipated position reported to Committee at its meeting of 18 November 2013.

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

	£'000
Underspend reported to Committee at 18 November 2013	(530)
Current projected underspend	(77)
Movement in projected variance	<u>453</u>
 <u>Summary of Movement</u>	
Staff costs	(184)
Accommodation costs	37
Administration costs	(33)
Transport costs	116
Supplies & Services costs	284
Agreed reduction in grant in aid drawdown	180
Other income	53
	<u>453</u>

MOVEMENT IN PROJECTED VARIANCE

The main changes in budget variance from the position reported to Resources Committee at its meeting of 18 November are detailed below.

Staff Costs (Decrease of £184k)

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 £128k in salary related costs.
- A decrease of £22k in the projected costs of seconded specialist staff to support strategic inspections.
- The risk that the staff advertising budget may not be required in full this year has been realised with a decrease of £34k in projected recruitment costs.

Accommodations Costs (Increase of £37k)

A lighting replacement project planned to be completed over 2013/14 and 2014/15 is now estimated to be completed by 31 March 2014. This has increased projected other running costs by £45k.

This has been partly offset by a review of SLA charges for shared services with the Office of the Scottish Charities Regulator with an estimated reduction of £8k in expenditure. This reduction in SLA charges is offset in full by a corresponding decrease in projected income.

Administration Costs (Decrease of £33k)

Revised costs include £70k for Alternative Expenditure Proposals (AEPs) approved since the last report to Committee as follows:

- KA02 – Methodology research (£20k).
- KA03 – Media campaign (£50k).

Projected expenditure includes:

- A new contract for the provision of wide area network services is expected to realise savings of £30k.
- The risk that the budget for legal fees may not be required in full has now been realised. There have been very few legal cases this financial year which is reflected in a projected reduction of £47k in legal fees.
- Savings of £18k are projected for the Pulse costs. This saving has been negotiated whilst the implementation of the HR functionality is being rolled out. £7k of this relates to the SSSC's share of costs which has been offset by a corresponding reduction in shared service income.
- Debt collection and recovery continues to be very successful this year with a projected reduction in the provision for the impairment of debts of £50k.
- Other minor projected underspends of £4k.

These additional savings are partly offset by the following:

- A projected increase of £36k for postages costs. Projections include an additional two mailshots to be posted prior to 31 March and an increase in the volume of mail being sent recorded delivery to minimise the risk of sensitive information being lost in the mailing system.
- The estimated costs of the planned Health Team review have been revised following a competitive tendering process to undertake this piece of work. An additional £10k of expenditure is projected.

Version: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------

Transport Costs (Increase of £116k)

Transport costs have previously been reported as an area of expenditure at risk of overspending due to the increase in staff numbers and the creation of expert teams. The latest projection shows an increase of £116k from the position last reported to Committee.

Supplies and Services Costs (Increase of £284k)

Projected costs include £280k for AEPs approved since the last report to Committee as follows:

- GW02 – VMware Infrastructure at disaster recovery centre (£28k).
- GW03 – Tape libraries (£18k).
- GW04 – Mobile device management & purchase of Ipads (£140k).
- GW05 – VMware upgrade to support Outlook 13 (£12k).
- GW06 – Upgrade to Exchange 2013 (£38k).
- GW07 – Monitor replacement (£20k).
- GW09 – Back-up software upgrade (£24k).

There are other minor increases in expenditure of £4k.

Grant in Aid (Decrease of £180k)

As agreed at the last Committee meeting, ET considered and prioritised bringing forward priority two and three areas of the operational improvement plan as AEPs. This left a projected underspend of £180k which was reported to Sponsor and is reflected in the decrease of £180k of grant in aid income projected for the year.

Other Income (Decrease of £53k)

A projected decrease in income of £53k is due to the following:

- Income from fees is projected to decrease by £50k. This is due to a change in the size and mix of services registered with the Care Inspectorate since the budget was set and when invoices have been issued.
- A projected decrease of £12k in shared service income. Projected Accommodation and Pulse recharges have decreased by £15k. This is partly offset by a £3k increase in the recharge for recycling.
- This is partly offset by £9k additional miscellaneous income. This increase in income is due to the recovery of course fees from an employee who has left the Care Inspectorate (£4k) and the recovery of costs paid on behalf of Healthcare Improvement Scotland whilst planning joint inspections (£5k).

Version: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------

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 31 December 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 31 December 2013.
- Actual expenditure shows actual and committed expenditure as at the ledger date of 31 December 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: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------

2.0 2013/14 PROJECTED BUDGET OUTFURN

The net revenue position projected as at 31 March 2014 is an underspend against revised budget of £77k. A system where ET have considered and prioritised additional expenditure proposals (AEPs) 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 – (£701k)

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 £701k projected in staff costs with the main variances as follows:

2.1.1 Board, Chief Officers & Senior Managers - (£97k)

A projected underspend of £97k in Board, Chief Officers and Senior Managers is mainly due to appointments to the new organisational structure being later than anticipated and the projected Board fees being less than budget.

2.1.2 Admin & Professional – (£62k)

Admin and professional costs, when combined with the cost of temporary hired agency staff, are projecting an underspend of £62k. 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 - £80k

A projected overspend in Team Managers of £80k is due to the following:

- the cost of backfill arrangements to provide cover for long term absence and flexible retirements.
- temporary secondments of Team Managers to support strategic inspections and short term projects.

2.1.5 Inspectors – (£98k)

Inspector costs, including expenditure on Locums, project an underspend of £98k. A targeted recruitment programme has been completed and projected costs include an assumption that 7 FTE vacancies will be filled in March 2014 with a further 5 FTE vacancies being filled in April 2014. Projections also include the cost of an Inspector on secondment to Health Improvement

Version: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------

Scotland, with the seconded costs of £16k being offset by a corresponding increase in Seconded Officer income.

2.1.6 Strategic Inspectors - (£250k)

Strategic Inspector costs, including expenditure on Sessional & Lay Carer staff, are projecting an underspend of £250k. The recruitment of Strategic Inspectors is now completed. Two posts have been filled on a part time basis. This means Strategic Inspectors will be 0.51 FTE less than budgeted establishment. Sessional Inspectors will be used where required. 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 - (£212k)

An underspend of £117k is projected for Secondees. Two specialist posts have not been recruited to and the estimated HMICS secondee costs have been less than anticipated. This saving has been used to fund temporary organisational structure changes.

An underspend of £95k 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 (£11k). The underspend is offset in full by a corresponding decrease in income as noted in 2.6.5.

2.1.8 All Other Staff Costs - (£37k)

Non payroll costs are projecting an underspend of £37k which mainly relates to recruitment costs being less than anticipated. 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 is expected to be completed this financial year.

2.2 Accommodation Costs - £31k

An overspend of £31k is projected for accommodation costs due to the following:

- A lighting replacement project planned to be completed over 2013/14 and 2014/15 is now estimated to be completed by 31 March 2014. This has increased projected other running costs by £45k.

This increase has been partly offset by the following:

- A small saving in rent of £6k is due to lease renegotiations.
- Projected savings of £8k in Other Running Costs

Version: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------

2.3 Administration Costs – (£13k)

The following AEPs have been approved by ET:

- KA02 – Methodology research (£20k).
- KA03 – Media campaign (£50k).

This leaves a projected underspend against the original budget of £83k due to the following:

- A new contract for the provision of wide area network services is expected to realise savings of £30k.
- A projected underspend in subscriptions and publications of £8k.
- There have been very few legal cases this financial year which is reflected in a projected reduction of £47k in legal fees.
- Savings of £18k are projected for the Pulse costs. This saving has been negotiated whilst the implementation of the HR functionality is being rolled out. £7k of this relates to the SSSC's share of costs which has been offset by a corresponding reduction in shared service income.
- Debt collection and recovery continues to be very successful this year with a projected reduction in bad debts of £50k.
- Other minor projected underspends of £7k.

These savings are partly offset by a projected increase in expenditure as follows:

- A projected increase of £36k for postages costs. Projections include an additional two mailshots to be posted prior to 31 March and an increase in the volume of mail being sent recorded delivery to minimise the risk of sensitive information being lost in the mailing system.
- The estimated costs of the planned Health Team review have been revised following a competitive tendering process to undertake this piece of work. An additional £10k expenditure is projected
- The Allied Health Professional Consultant secured additional funding of £22k 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.
- Professional fees of £9k associated with planned Board evaluation and development.

2.4 Transport Costs – £112k

Transport costs have previously been reported as an area of expenditure at risk of overspending due to the increase in staff numbers and the creation of expert teams. This continues to be an area of uncertainty with the latest projections showing an overspend of £112k.

Version: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------

2.5 Supplies & Services Costs – £374k

The following AEPs have been agreed by ET:

- GW01 – Increase capacity of storage area network (SAN) (£98k).
- GW02 – VMware Infrastructure at disaster recovery centre (£28k).
- GW03 – Tape libraries (£18k).
- GW04 – Mobile device management & purchase of Ipads (£140k).
- GW05 – VMware upgrade to support Outlook 13 (£12k).
- GW06 – Upgrade to Exchange 2013 (£38k).
- GW07 – Monitor replacement (£20k).
- GW09 – Back-up software upgrade (£24k).

This leaves a minor projected budget underspend of £4k.

2.6 Income

2.6.1 Fee Income - £35k

Fee income is projected to be £35k less than budget:

Income from continuation fees is projected to be £215k less than budget. Detailed analysis 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.

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 years' income pattern an additional £180k of registration fee income is projected. Registration fee income estimates are uncertain as noted in section 5.0 and will continue to be closely monitored.

2.6.2 Grant in Aid - £180k

Recruitment to new posts in the revised organisational structure has taken longer than anticipated when the budget was agreed. This has resulted in a projected budget underspend which has been partly addressed by bringing forward priority two and three actions from the Operational Improvement Plan. These are non-recurring savings and it was agreed with the Sponsor Department that we would draw down £180k less than the approved grant in aid for this financial year.

2.6.3 Shared Service Income – (£1k)

Additional shared services with the SSSC have resulted in additional income of £16k. This has been partly offset by a projected reduction of £15k due to a renegotiation of the SLA held with the Office of the Scottish Charities Regulator for Quadrant House shared services.

Version: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------

2.6.4 Seconded Officers - (£90k)

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

2.6.5 Miscellaneous Income – (£4k)

Miscellaneous income is projected to be £4k more than budget.

This is due to the following:

- 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.
- Income of £5k from travel & subsistence costs paid on behalf of HIS relating to staff supporting strategic inspections.
- 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.
- Additional income of £22k from Scottish Government to fund specific projects as noted in 2.3.
- Recovery of course fees of £4k from an individual who has left the employment of the Care Inspectorate.
- Other minor increases in income of £3k.

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

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 projects with a net expenditure impact of £448k. The AEPs are related to priority two and three actions from the Operational Improvement Plan or represent planned expenditure brought forward from 2014/15 to release pressure on the 2014/15 budget.

Version: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------

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 Change to Projected Financial Position	Responsible
Staff Costs – Inspectors	The inspection performance reports indicate 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.	Reduce underspend	Director of Inspection
Staff Costs – T&C Harmonisation/Restructure	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.	+ or -	Director of Corporate Services
Staff Costs – Annual Leave & Flexi Balances	The reported financial position incorporates the value of annual leave and flexi balances carried forward to the next financial year. The projected financial position assumes balances will be at a similar level to those brought forward at the start of this year. Any significant upwards or downwards movement in leave and flexi balances will have an impact on the reported financial position.	+ or -	

Version: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------

Budget Heading	Budget Issue	Potential Change to Projected Financial Position	Responsible
Administration Costs – Telephones	Work is on-going with our telecoms provider to determine what the revised charges for 2013/14 will be. It is possible that further credits may be received for billing errors in previous years. Should this risk materialise there may be further savings this year.	Increase underspend	Director of Corporate Services
Transport Costs	The impact of expert teams and the planned development week on travel & accommodation has been estimated, however, given this is the first year of the revised organisational structure projected costs are uncertain. This area of expenditure will continue to be closely monitored throughout the financial year.	Reduce underspend	All
Fee Income	Registration income is unpredictable and intrinsically difficult to predict. Projected income to date is based on historical income streams and is currently being analysed by the Registration function. There is a risk the actual income may be lower or greater than currently projected.	Impact on current projected underspend in the range: Reduce £55k to increase £100k	Director of Strategic Development

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.

The lighting project mentioned earlier in this report is being evaluated against capitalisation criteria and is likely to be treated as capital expenditure.

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 alternative expenditure proposals have been implemented as noted in 2.3 and 2.5.

The Sponsor Department has been advised that £180k of authorised grant in aid will not be drawn down and this funding may be allocated to other Scottish Government priorities. The identified risks in the projected financial position and cash flow timings mean that it is intended to draw down all of the remaining grant in aid available.

LIST OF APPENDICES

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

Version: 3.0	Status: <i>Final</i>	Date: 25/02/2014
--------------	----------------------	------------------