

Title of report	Budget Monitoring Report as at 31 August 2019
Public/confidential	Public
Action	For consideration and approval
Date of publication	After meeting
Summary/purpose of report	To provide Resources Committee with the budget monitoring position on the core operating budget and specific grant funding for the year to 31 March 2020
Recommendations	<p>That the Committee:</p> <ol style="list-style-type: none"> 1. considers the core operating budget monitoring statement for the year to 31 March 2020 (Appendix A) 2. considers the specific grant funding budget monitoring statement for the year to 31 March 2020 (Appendix B) 3. note the areas of specific attention in section 7 of this report which require the close attention of the Executive Management Team.
Link to Strategic Plan	The information in this report links to: Strategic Outcome 4: Our stakeholders value our work and Strategic Priority 6: High Standards of Governance.
Link to the Risk Register	<p>Regular monitoring of performance against the budget supports mitigation of the following risks:</p> <p>Strategic Risk 2: The SSSC's credibility as a well-run effective organisation is damaged if it cannot meet its strategic objectives in light of the funding allocated to it by Government.</p> <p>Strategic Risk 6: The public or employers do not have or lose confidence in the SSSC.</p>
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Documents attached	<p>Appendix A: Core operating budget monitoring statement</p> <p>Appendix B: Specific grant funding monitoring statement</p> <p>Appendix C: Summary of budget movements</p>

EXECUTIVE SUMMARY:

The projected year-end financial position is shown in the table below:

	Planned Position £000	Actual Position £000	Variance £000
Gross Expenditure	20,735	21,095	360
Income	(5,619)	(5,619)	0
Grant Funding	(14,791)	(14,791)	0
Net Expenditure (Core)	325	685	360
Net Expenditure (Grant Funded)	41	41	0
Opening General Reserve	922	922	
Movement on General Reserve	(366)	(726)	360
Closing General Reserve	556	196	
%age of Core Gross Expenditure	2.69%	0.95%	

The projected outturn position on the core operating budget is an overspend of £685k as at 31 August 2019. This is made up of a planned budget deficit of £325k and an unplanned projected overspend of £360k.

The planned budget deficit is made up of £231k to fund a campaign to promote the social care sector as a positive career destination and £94k practice learning fee underspend to be recovered in 2019/20. In addition, specific grant funding carried forward in the general reserve of £41k is to be used to fund specific grant related expenditure in 2019/20.

Therefore, there is a total planned draw on the general reserve of £366k and a projected overspend of £360k also to be funded by drawing on the general reserve. The use of funding brought forward in the general reserve balance for the planned overspend has been agreed with the Sponsor Department.

Projected net expenditure needs to reduce by £217k to ensure the general reserve balance is maintained at the minimum of the target range (2% £413k) as set out in the financial strategy. Discussion has taken place with the Sponsor Department who are willing to consider business cases to fund the cost of the Digital Transformation Lead (£130k) and the Interim Corporate Governance Manager (£68k). This would leave a minimum required saving of £19k which is expected will be delivered through additional staff cost slippage savings arising during the remainder of the financial year. Should the business cases be unsuccessful a targeted savings exercise will be implemented.

1. INTRODUCTION

- 1.1 This is first budget monitoring report of the 2019/20 financial year. The SSSC has in place formal processes for the accurate recording, reporting and effective managerial control of its funds. Monthly budget monitoring reports are presented to EMT from July each financial year. Resources Committee and Council receive budget monitoring reports at each meeting between July and March each financial year.
- 1.2 This budget monitoring report provides separate analysis of the core operating budget position and specific grant funded expenditure.
- 1.3 The Scottish Social Services Council (SSSC) agreed a total core operating budget of £21.3m on 26 March 2019 and specific grant funding totalling £0.8m has been awarded to the SSSC to date. However, following budget revisions as per **Appendix C** the SSSC have a total core operating budget of £21.6k. This provides a total budget of £22.4m for 2019/20. There is a planned budgeted deficit of £325k. The Sponsor has agreed that this deficit is to be funded by drawing on the general reserve balance.

2.0 2019/20 – SUMMARY OF FINANCIAL POSITION

Core operating budget projected outturn

- 2.1 There is a planned budget deficit of £325k on core operating expenditure. It is intended to fund this by drawing on carried forward funding held in the general reserve. The projected outturn position on the core operating budget is an overspend of £685k as at 31 August 2019. After the planned budget deficit of £325k is applied, there is a projected net overspend of £360k on core operating expenditure as at 31 August 2019. Additional funding or further in-year savings of at least £217k need to be identified to ensure the general reserve balance is within its target range. The budget monitoring statement for the core operating budget is attached at **Appendix A**.

Specific grants projected outturn

- 2.2 There is a planned overspend of £41k on specific grants as a corresponding amount was carried forward in the general reserve from 2018/19 for use during 2019/20. All specific grants expenditure is projected to be spent as at 31 August 2019. The budget monitoring statement for specific grant funding is attached at **Appendix B**.

3. OPERATING BUDGET VARIANCES - EXPENDITURE

- 3.1 The reasons for variances on the core operating expenditure budget are explained below.

Staff costs

£188k

- 3.2 There is a total projected overspend of £188k on staff costs.
- 3.3 There is a projected overspend of £249k for the employment of agency staff. The Sponsor Department has agreed to consider business cases to fund the first two agency employed staff listed below.

	£000	
Digital Transformation Lead	130	Business Case
Interim Corporate Governance Manager	68	Business Case
HR Advisers	35	
Support for Performance & Improvement	10	
Business Support Assistant for Hearings	6	
	249	

- 3.4 A compensatory payment of £6k has been made to an ex-employee.

A new member of staff was eligible for relocation costs of £6k. There is no specific budget for relocation costs.

- 3.5 Training requirements for Performance and Improvement are expected to be £6k overspent.

The above overspends are partially offset by underspends detailed in section 3.7 to 3.9 below.

- 3.6 There is a reduction of £50k to the projection for hearing panel member allowances. This projection is based on the maximum number of hearings expected for the remainder of this financial year.

- 3.7 There is a projected underspend of £19k on staff salaries.

- 3.8 An underspend of £10k is projected on allowances for external assessors for non-UK qualification work.

Administration costs

£96k

- 3.9 Legal presenter fees are projected to be £70k overspent due to court action.
- 3.10 Postage costs are expected to be overspent by £18k as the move to paperless hearings will not happen in this financial year (£14k) and response service charges for Fitness to Practise are greater than expected (£7k). Postage costs for Communications will be £3k underspent.
- 3.11 Professional fees are expected to be overspent by £34k due to:
- professional services employed to undertake a review of Fitness to Practise (£15k);
 - professional services employed to review the governance arrangements of shared services and the policy forum (£14k) and

- an assurance review of the digital transformation programme (£5k).

3.12 Print costs for codes of practice are expected to be underspend by £25k as the aim is the majority of these will be sent out digitally. This is partially offset by an overspend of £9k due to changes required for the personalisation of registration cards.

3.13 Training costs for hearings panel members are expected to be £10k underspent as this budget is no longer required.

Travel costs (£5k)

3.14 An underspend of £5k is expected on travel costs which are not expected to be required by Fitness to Practise.

Supplies and services expenditure £81k

3.15 An overspend of £63k is projected for furniture requirements for:

- replacement of under-desk and additional on-desk power (£34k);
- additional workspaces in Fitness to Practise (£24k) and
- additional workspaces for Communications (£5k).

3.16 An overspend of £19k is expected from the use of a records management service. Work is underway for the destruction of paper files that no longer need to be retained. It is anticipated that these charges will reduce in future years.

3.17 The digital services budget will be overspent by £9k due to additional equipment and licence costs.

3.18 Pick and pack costs for the distribution of personalised registration cards are expected to be £5k more than budget.

The above overspends are partially offset by projected underspends totalling £15k for:

- Pick and pack costs for the distribution of printed communication materials £10k and
- Venue hire and hospitality for Development & Innovation engagement events which will no longer go ahead £5k.

4.0 OPERATING BUDGET VARIANCES - INCOME

Income is projected to be as budgeted at this stage in the financial year.

Grant in aid and disbursements

- 4.1 The projections within this report assume grant in aid and practice learning fee income will be fully drawn down for the year.

Registration fees

- 4.2 Projections at 31 August 2019 suggest that registration income may be less than budget due to new information received regarding the size of the workforce. An update from Scottish Government regarding the workforce is expected at the end of September. Registration fees are projected at budget in the meantime.

5.0 SPECIFIC GRANTS AWARDED TO THE SSSC

- 5.1 Four specific grants totalling £768k have been agreed for 2019/20. The Scottish Government approved carry forward of £41k from 2018/19, however only £24k of this is required and a revised grant offer letter for Workforce Development is expected from Scottish Government reducing this year's grant offer by £17k. This provides total specific grant funding of £792k to date for 2019/20. As at 31 August 2019, 68% of the projected grant expenditure was spent or committed. Plans are in place for the remaining available grant funding.

Workforce Development Grant

- 5.2 Workforce Development Grant (WDG) totalling £356k has been agreed with the Scottish Government for the 2019/19 financial year. In addition, the Scottish Government agreed that £41k of funding from 2018/19 could be held in the general reserve to be used in 2019/20. However only £24k of this funding carried forward is required therefore we are awaiting a revised grant offer of £339k from Scottish Government for this year. This gives total available WDG funding of £380k. Current projections suggest this funding will be used in full.

Workforce development: CCPS and Scottish Care

- 5.3 Workforce development grant in partnership with the Coalition of Care Providers Scotland (CCPS) and Scottish Care totalling £267k has been awarded to date this year. These funds will be disbursed in the form of third-party grants as detailed in paragraph 6.1. Current projections indicate this will be fully disbursed.

Neighbourhood Care

- 5.4 A grant of £63k has been agreed with Scottish Government to carry out work on the Neighbourhood Care Programme. Current projections indicate this will be fully utilised.

Workforce requirements: Carers Act

- 5.5 Workforce requirements Carers Act grant of £60k has been agreed with Scottish Government. Current projections indicate this will be fully utilised.

Social Services Cyber Resilience Digital Learning Resources

- 5.6 A grant of £22k for social services cyber resilience digital learning resources has been agreed with Scottish Government. Current projections indicated this will be fully utilised.

6.0 GRANTS PAID TO OTHER BODIES

- 6.1 The following grants have been awarded to other bodies during 2019/20 from the Workforce Development Grant (section 5.3).

2019/20 Third Party Grants	£000
Scottish Care	143
Coalition of Care Providers Scotland (CCPS)	124
Total grants awarded to other bodies at 31 Aug 2019	267

- 6.2 One additional grant of £8k is expected to be awarded to Skills for Care. This will be funded from grant in aid. The grant terms and agreement are currently being developed.
- 6.3 Total grants awarded to other bodies are therefore expected to be £275k in total for 2019/20.

7.0 PROJECTIONS AT SIGNIFICANT RISK TO CHANGE

- 7.1 There are areas of the budget noted below where there are financial uncertainties. The table below details the budget areas identified and the EMT member who is taking an active role in monitoring these budget headings as the year progresses.

Budget area	Budget issue	Potential over/ (under) spend £000	Responsible EMT Member
Staff costs	Projected staff costs are based on staff in post as at 31 August 2019 and known future changes at this date. EMT will monitor changes in staffing closely throughout the year. There is a risk that the negotiated pay award may be more than currently projected.	+/-	Director of Corporate Services
Offsite data storage	The contract for offsite data storage services is due for renewal. If the contract is awarded to a new supplier there may be a substantial charge for the offloading of records to the new site. Procurement for this is underway.	+ £20k to 30k	Director of Strategy & Performance

Registration income	Projections at 31 August 2019 suggest that registration income may be less than budget due to new information received regarding the size of the workforce. An update regarding this is expected from Scottish Government at the end of September. Registration income will be closely monitored throughout the year.	+	Director of Regulation
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8. FINANCIAL IMPLICATIONS – GENERAL RESERVE

- 8.1 The 2018/19 outturn position is a general reserve balance of £922k (subject to audit).
- 8.2 As at 31 August 2019 the projected outturn position on the core operating budget is a planned budget deficit of £325k and an unplanned overspend of £360k. Specific grant funding is projected to be fully spent (including £41k to be funded by drawing on the general reserve). Therefore, a total of £726k is projected to be funded by drawing on the general reserve.

Projected General Reserve movement:	£000
General reserve opening balance at 1 April 2019	(922)
Utilisation of WDG funding brought forward	41
Planned use of general reserve (Marketing Campaign)	231
Planned use of general reserve (Practice Learning)	94
Unplanned use of general reserve	360
Projected general reserve at 31 March 2020	(196)

- 8.3 Should the final outturn be as currently projected and no savings or additional funding identified, there would be a general reserve balance of £196k as at 31 March 2020. £196k is 0.95% of gross expenditure. This is significantly less than the target general reserve balance range which is 2% (£413k) to 2.5% (£517k) of gross expenditure. In order to bring the general reserve back into our planned range the projected overspend must be reduced by at least £217k. Business cases for additional funding totalling £198k are to be submitted to the Sponsor Department and the remaining £19k is expected to be realised through further in-year savings.

9. FUNDING HELD BY SCOTTISH GOVERNMENT

- 9.1 The Sponsor department initially held back funding of £680k for digital development projects. It has subsequently been agreed the implementation of a new telephone system at the estimated cost of £65k can proceed. Of the £615k funding remaining this will be released as and

when business cases for projects are approved by the Sponsor Department.

9.2 Bids totalling £393k were submitted to the Sponsor department on 9th September 2019. Once they are approved by Scottish Government the budget will be revised accordingly.

9.3 Business case totalling £198k are to be submitted to the Sponsor Department in order to agree funding for the Digital Transformation Lead (£130k) and the Interim Corporate Governance Manager (£68k).

10. HUMAN RESOURCE IMPLICATIONS

10.1 There are no human resource implications arising from this report.

11. EQUAL OPPORTUNITIES

11.1 Budget monitoring helps to support the SSSC's commitment to equal opportunities and working towards equality and diversity.

12. LEGAL IMPLICATIONS

12.1 Budget monitoring reports are compiled in accordance with guidance issued by the Scottish Government and in line with requirements of the Scottish Government Executive Framework Agreement and the Council's Standing Orders and Financial Regulations.

13. STAKEHOLDER ENGAGEMENT

13.1 There are no immediate implications for stakeholder engagement, but continued budget monitoring is part of a robust financial management framework which is required to ensure that the service we provide to our stakeholders is as good as it can be.

14. IMPACT ON USERS AND CARERS

14.1 The budget is developed in line with corporate planning priorities and monitored regularly to assist the Council in meeting its objectives of improving services and raising standards. This will support improved services to users and carers in the longer term.

15. CONCLUSION

15.1 The EMT is requested to consider and approve the attached Budget Monitoring Statement for the year to 31 March 2020 in accordance with corporate governance requirements.

15.2 The projected overspend needs to reduce by at least £217k. Business cases to agree additional funding of £198k are to be submitted to the Sponsor Department. It is anticipated that further staff cost slippage savings throughout the remainder of the financial year will deliver savings of at least the minimum required of £19k. Should the business cases be unsuccessful or not secure the full funding requested, targeted savings will be agreed by EMT.

SSSC Budget Monitoring 2019/20 as at 31 August 2019

APPENDIX A

Summary: Core Operating Budget	Approved Budget 2019/20 £000	Revised budget for mon purposes 2019/20 £000	Actual Expenditure/Income as at 31 Aug 2019 £000	Commitments as at 31 Aug 2019 £000	Projected year end Expenditure/Income as at 31 Aug 2019 £000	Projected Annual Variance £000
Staff costs	11,609	11,628	4,519	160	11,816	188
Accommodation costs	783	783	702	78	783	0
Administration costs	1,432	1,432	312	207	1,528	96
Travel costs	213	213	68	1	208	(5)
Supplies & services	2,244	1,664	1,080	409	1,745	81
Third party payments	8	8	0	0	8	0
Postgraduate bursaries	2,655	2,655	894	65	2,655	0
Practice learning costs	2,352	2,352	1,031	0	2,352	0
Voluntary Sector Development Fund (VSDF)	0	900	0	0	900	0
Gross expenditure - core operating budget	21,296	21,635	8,606	920	21,995	360
Government grants	(13,148)	(12,533)	(1,260)	0	(12,533)	0
Practice learning fee income	(2,352)	(2,258)	(1,031)	0	(2,258)	0
Voluntary Sector Development Fund (VSDF)	0	(900)	0	0	(900)	0
Registration fees	(5,314)	(5,314)	(5,112)	0	(5,314)	0
Other income	(251)	(305)	(63)	0	(305)	0
Total income	(21,065)	(21,310)	(7,466)	0	(21,310)	0
Net expenditure - core operating budget	231	325	1,140	920	685	360

General reserve funding brought forward (Marketing Campaign) (231)
 General reserve funding brought forward (Practice Learning) (94)

Projected 2019/20 movement on General Reserve 360

Note:

The projected year end expenditure column represents the anticipated expenditure or income position at the end of the financial year (31 March 2020)
 The projected annual variance column represents the variance between projected annual expenditure or income and the revised budget for monitoring purposes

SSSC Budget Monitoring 2019/20 as at 31 August 2019

APPENDIX B

Summary: Specific Grant Funding	Budget 2019/20 £'000	Approved Grant offer 2019/20 £'000	Actual to 31-Aug-19 £'000	Commitments as at 31-Aug-19 £'000	Projected outturn as at 31-Aug-19 £'000	Projected Annual Variance £'000
Expenditure						
Workforce Development	356	356	16	130	380	24
Workforce Development: CCPS & Scottish Care	153	267	76	191	267	0
Total: Workforce Development	509	623	92	321	647	24
Neighbourhood Care	53	63	24	34	63	0
Workforce requirements: Carers Act	60	60	22	30	60	0
Learning resources for Cyber Resilience	22	22	5	11	22	0
Total: Other specific grants	135	145	50	76	145	0
Total Expenditure	644	768	143	397	792	24
Income						
Workforce Development	(356)	(356)	0		(339)	17
Workforce Development: CCPS & Scottish Care	(153)	(267)	(76)	0	(267)	0
Total: Workforce Development	(509)	(623)	(76)	0	(606)	17
Workforce requirements: Carers Act	(60)	(60)	0	0	(60)	0
Neighbourhood Care	(53)	(63)	0	0	(63)	0
Learning resources for Cyber Resilience	(22)	(22)	0	0	(22)	0
Total: Other specific grants	(135)	(145)	0	0	(145)	0
Total Income	(644)	(768)	(76)	0	(751)	17
Net Expenditure	0	0	66	397	41	41

General Reserve funding available: Workforce Development

(41)

Total General Reserve funding available for specific grants

(41)

Projected 2019/20 over/(under) spend

0

SUMMARY OF BUDGET MOVEMENTS

APPENDIX C

	2019/20 Approved Budget £'000	2019/20 Reallocated / Additional Budget £'000	2019/20 Revised Budget £'000
Expenditure			
Staff costs	11,609	19	11,628
Accommodation costs	783		783
Administration costs	1,432		1,432
Transport costs	213		213
Supplies & services	2,244	(580)	1,664
Third party payments	8		8
Postgraduate bursaries	2,655		2,655
Practice learning fees	2,352		2,352
Voluntary Sector Development Fund (VSDF)		900	900
	21,296	339	21,635
Income			
Registration income	(5,314)		(5,314)
Other Income	(251)	(54)	(305)
Voluntary Sector Development Fund (VSDF)	0	(900)	(900)
	(5,565)	(954)	(6,519)
Net Expenditure funded by:			
Grant in aid	(13,148)	615	(12,533)
Practice Learning fee income	(2,352)	94	(2,258)
	(15,500)	709	(14,791)
Net Expenditure	231	94	325

Note:

- a) We administer the Voluntary Sector Development fund (VSDF) on behalf of Scottish Government. The VSDF budget is agreed in-year. Ministers have agreed a budget of circa £900k for 2019/20.
- b) The Sponsor are retaining funding (currently £615k) for digital development work in 2019/20. This funding will be released as and when business cases for digital development projects are approved by Scottish Government during the year.

In addition to this, it was agreed by EMT to use £35k of the digital development budget to fund temporary posts in Human Resources. This means that £35k of staff costs is not currently funded.
- c) Practice Learning fee funding is reduced by £94k for 2019/20 as the Sponsor agreed that the underspend from 2018/19 could be utilised in 2019/20.
- d) A budget of £54k is added to both staff costs and other income to account for a secondment outward to Scottish Government.