

Title of report	Draft Budget 2021/22 and indicative budgets 2022/23 and 2023/24
Public/confidential	Public
Action	For approval
Summary/purpose of report	To present a draft budget for 2021/22 and indicative budgets for 2022/23 and 2023/24.
Recommendations	<p>The Council is asked to:</p> <ol style="list-style-type: none"> 1. consider and approve the draft budget for 2021/22 (detailed at Appendix A) that includes the draft staffing establishment (Appendix B), subject to written confirmation of funding from the Scottish Government Sponsor 2. note the indicative budgets for 2022/23 and 2023/24 (detailed at Appendix D) 3. note that specific grant funding and associated expenditure is currently excluded from the draft 2021/22 and indicative budgets for 2022/23 and 2023/24 as set out in this report.
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Link to Strategic Plan	<p>The information in this report links to</p> <p>Outcome 1: People who use services are protected by ensuring the regulated workforce is fit to practise.</p> <p>Outcome 2: The SSSC supports and enhances the development of the registered workforce to deliver high standards of practice and drive improvement.</p> <p>Outcome 3: Our workforce planning activities support employers, commissioners and policy makers to deliver a sustainable, integrated and innovative workforce.</p>

	Outcome 4: The social work, social care and early years workforce is recognised as professional and regulated and valued for the difference it makes to people's lives.
Link to the Risk Register	Risk 7: The SSSC fail to secure sufficient budget resources to fulfil the financial plans required to deliver the strategic plan.
Equality Impact Assessment (EIA)	<p>An EIA has been carried out and input received from the Equality, Diversity and Inclusion Group. The budget represents our strategic and operational plan in financial terms therefore it is not possible to carry out an EIA for the budget as a whole. The EIA document sets out details of the business as usual and improvement/development projects included in the draft budget.</p> <p>EIAs are carried out for new policies, services and improvements, as appropriate, in line with the EIA guidance. When business cases are developed for improvement/development projects during 2021/22 an individual EIA will be produced if required. This process ensures EIAs are carried out at the right level and take account of the impact on all people with protected characteristics.</p>
Documents attached	<p>Appendix A: 2021/22 Draft budget</p> <p>Appendix B: Staffing requirements</p> <p>Appendix C: Budget priorities</p> <p>Appendix D: Indicative budgets 2022/23 and 2023/24</p>
Background papers	<u>Draft Budget for 2021/22 presented for discussion to Council on 18 February 2021</u>

1. DRAFT BUDGET 2021/22

- 1.1 The Scottish Social Services Council's new financial year commences on 1 April 2021 and there is a requirement to have in place an agreed budget before that date, against which financial performance can be monitored. The draft budget, as set out in this report, now requires to be considered and approved by the Council, and for funding purposes, agreed with the Scottish Government Sponsor.
- 1.2 We will revise our financial strategy to incorporate the approved 2021/22 budget and the indicative budgets for 2022/23 and 2023/24, taking account of the related strategic plan requirements. The revised financial strategy will be presented to Council during Autumn 2021.
- 1.3 We have compiled draft budget figures in this report after discussion with budget holders and review by directors and Council Members on 18 February 2021. We have reviewed each budget item to take account of actual costs from previous years and the latest budget monitoring information. We have not applied a general inflationary uplift. The 2021/22 draft budget is shown in the table below alongside the agreed 2020/21 budget. Appendix A provides a more detailed summary.

	Approved budget 2020/21 £000	Draft budget 2021/22 £000
Gross expenditure	22,596	23,140
Income from fees	(5,965)	(5,644)
Other income	(268)	(290)
Net expenditure before grant in aid	16,363	17,206
Grant in aid	15,724	16,035
Net expenditure	639	1,171
Funded from general reserve	(639)	(1,171)
Net expenditure	0	0

- 1.4 The Sponsor has asked us to work towards a grant in aid funding position of £16.035m for 2021/22. This is £0.311m more than our 2020/21 grant in aid of £15.724m that was initially approved, although this was later increased to £16.035m and a revised grant in aid letter issued on 18 February 2021.
- 1.5 The draft budget is £1.171m more than the grant in aid and income we expect to receive in 2021/22 and we are proposing that this deficit is funded from the general reserve. We refer to this as a deficit net expenditure budget and the planned overspend is to fund temporary posts, new one-off projects in 2021/22 as well as several projects started in 2020/21 carrying on into 2021/22. These projects were fully funded in 2020/21 and the

Sponsor has agreed that grant in aid and specific grant funding not spent during 2020/21 can be held in the general reserve to fund completion during 2021/22.

- 1.6 Based on the projection at 28 February 2021, we expect the general reserve to be £2.75m by 31 March 2021 (12.3% of our gross expenditure). A total of £997k is earmarked for specific use and the 2021/22 deficit budget of £1.171m can be comfortably funded from this balance, leaving the projected general reserve balance at £582k (2.6%) at 31 March 2022. This is slightly above the planned target range for reserves (2% £447k to 2.5% £558k).
- 1.7 The budget excludes specific grant funding such as workforce development grant and voluntary sector development funding as this has yet to be agreed with Scottish Government. Sponsor has approved carry forward of £320k in our general reserve from the workforce development grant for use during 2021/22. We received a cyber resilience grant of £56k in 2020/21, which will also be carried forward in our general reserve.

Planned use of general reserve	£000	£000
Projected general reserve at 31 March 2021		2,750
Practice learning fees	421	
Workforce development grant	320	
Cyber resilience grant	56	
Planned digital replacement	200	(997)
Temporary posts	495	
New project costs	271	
Digital development carry forward	260	
Postgraduate bursaries carry forward	140	
Adult Social Care campaign carry forward	5	(1,171)
Projected general reserve at 31 March 2022		582

- 1.8 When deciding budget priorities, the Executive Management Team (EMT) used the MoSCoW prioritisation process to decide whether we 'Must, Should, Could or Would/Won't' need to carry out the work to meet the requirements of our strategic plan. The EMT also considered affordability and whether expenditure is one off or recurring. The table below shows the 2021/22 draft operating expenditure budget split by MoSCoW priorities.

2021/22 Draft budget	Must £000	Should £000	Could £000	Total £000
Business as usual	15,401	0	277	15,678
Improvements	1,578	641	39	2,258
Total operating expenditure*	16,979	641	316	17,936
	95%	3%	2%	

* Operating expenditure excludes disbursements expenditure of £5.204m

2. KEY BUDGET ADJUSTMENTS

Salary costs

2.1 The following assumptions and adjustments have been applied to staff costs.

- Effective from 1 April 2021, £800 underpin for staff earning up to £25k, a pay increase of 2% for those earning over £25k up to £40k and a pay increase of 1% for those earning more than £40k. This is in line with the agreed Public Sector Pay Policy for 2021/22.
- Provision for employer pension (17%), National Insurance contributions and the apprentice levy (0.5% of paybill over £3m).
- It is assumed that all staff not already at the top of their salary scale will have performed satisfactorily and will receive an increment.
- Increases for increments are £115k and pay award £263k.
- Our vacancy management target is set at 4% (£532k).

2.2 The 2021/22 draft budget provides for an increase of 30.4 FTE new posts to the staffing establishment. This is partially offset by a reduction of 6.5 FTE, providing a net increase of 23.9 FTE. We would have preferred to recruit permanently to all posts, however this is not affordable within the budget available and temporary posts are being funded from the general reserve this year. New permanent posts are budgeted at 10 months to allow time for recruitment.

Summary of FTE changes	New FTE requested	2021/22 £000
New permanent posts	19.6	927
New temporary posts	10.8	495
Total new posts	30.4	1,422
Reduction in posts	(6.5)	(168)
Net movement	23.9	1,254

- 2.3 The Operational Management Team (OMT) and EMT critically evaluated the resources required to deliver the outcomes in the Strategic Plan. The SSSC has a core statutory function to register and regulate the social services workforce and, while the register has gradually expanded to 166,000+ over a number of years and efficiencies and improvements have been made, the staff numbers in the Fitness to Practise Department have not increased proportionately. Under investment is evidenced by: SSSC has significantly more fitness to practise referrals per employee compared to other regulators such as the GMC (General Medical Council), NMC (Nursing and Midwifery Council) and HCPC (Health and Care Professions Council); reliance on overtime at a level of £15-20k per month and £125k spent on legal advisers in 2020/21; feedback from staff surveys; performance below target; and historic high turnover of staff with significant time taken to train new employees.
- 2.4 Other key areas that need strengthened relate to corporate governance, programme and project management, finance, systems maintenance and development and staff learning and development. There has been insufficient capacity in these areas to ensure that legislative, regulatory and governance functions can be effectively undertaken without putting undue pressure on existing staff time and morale. Issues with lack of learning and development have been consistently identified in staff surveys. More detail of the specific posts is included in the staffing summary at Appendix B.

Other operating budgets – Business as usual

- 2.5 Savings from re-procurement, homeworking and increased use of digital communication across the organisation have provided the following key budget reductions:
- printing, photocopying, postages and stationery £167k
 - re-procurement of digital hosting £141k
 - travel and subsistence £99k
 - venue hire and hospitality £49k
 - furniture and equipment £26k.
- 2.6 Budget increases totalling £267k, related to the “business as usual” aspects of our work are included in the draft budget, the most significant of which is £90k towards our four-year replacement kit provision. The full list of items prioritised by the EMT is detailed in Appendix C.

Development and improvement activity

- 2.7 Development and improvement activity expenditure totalling £491k is included in the draft 2021/22 budget. This is detailed in Appendix C. Of this, £260k is development work carried forward from 2020/21 for completion during 2021/22. The most significant spend relates to the business intelligence system (£138k) with the remainder relating to smaller improvements and upgrades to systems.

- 2.8 Development and improvement activity totalling £359k was not prioritised for inclusion in the draft budget by EMT (Appendix C). Work is in hand to prioritise these remaining projects in the event additional funding becomes available.
- 2.9 External consultants are currently carrying out an exercise for SSSC and the Care Inspectorate to recommend the scope of a rewards review, including pay and grading, for each organisation. This work is due to be completed at the beginning of April 2021 and by that point we should be clearer on scope, key deliverables, timescales and costs of a review. Previously job evaluation consultants, who had experience of similar exercises, estimated that £100k would be required. This was not affordable in the draft budget and we have allocated £80k.

Disbursements

- 2.10 No inflationary uplift has been applied to postgraduate bursaries or practice learning fees in line with instructions from the Sponsor. Student placements may increase in 2021/22 due to placements being suspended during the pandemic so we are currently in discussion with the Sponsor regarding practice learning fee requirements for 2021/22 and they have agreed we can carry forward £421k of unspent 2020/21 funding. This is included in the projected general reserve of £2.75m.
- 2.11 Sponsor is also expected to approve carry forward of £140k underspend on postgraduate bursaries to provide a Hardship Fund in 2021/22.

Income

- 2.12 Initial calculations suggest registration fee income will reduce by £321k compared to the 2020/21 budget. This is based on current expectations of when new registrations, annuals and renewals will occur. We are expecting a shortfall in individual applications this year due to the COVID response requirement to register after getting a job in the sector increasing from six to twelve months, along with the delay in the implementation of increased funding of early years which we expected would have increased the numbers in that part of the register. This may be adjusted as more information is known as we collect 2020/21 outstanding debt due to the suspension of registration removals during the pandemic.
- 2.13 Modern Apprenticeship income has reduced by £50k due to the pandemic.

3. BUDGET SUMMARY 2021/22 – GRANT IN AID FUNDING

Grant in aid funding

- 3.1 Our Sponsor has asked us to prepare for budget reduction scenarios of 2.0% and 5.0%. The table below sets out the required reduction to our draft budget for each scenario. We will review additional project spend currently included in the general reserve alongside other items of spend if we are required to reduce the budget.

2021/22	Draft budget 2021/22 £000	2021/22 2% reduction £000	2021/22 5% reduction £000
Operating expenditure	17,936	17,615	17,134
Disbursements	5,148	5,148	5,148
Disbursements administration	56	56	56
Gross expenditure	23,140	22,819	22,338
Fees and other income	(5,934)	(5,934)	(5,934)
Net expenditure before grant in aid	17,206	16,885	16,404
Funded by:			
Grant in aid	16,035	15,714	15,233
General reserve	1,171	1,171	1,171
Net expenditure	0	0	0

- 3.2 The SSSC must approve a balanced budget by 31 March 2021. The items prioritised for inclusion/exclusion are detailed in Appendix C for each scenario.

4. BUDGET SUMMARY 2021/22 - BY STRATEGIC OUTCOME

- 4.1 The table below shows the draft 2021/22 operating expenditure budget split across our three strategic outcomes. Council recently agreed a fourth strategic outcome and we will carry out work over the coming weeks to realign the budget across the four outcomes.
- 4.2 The analysis of the budget across the strategic outcomes is based on estimates from budget holders of the time staff spend on departmental objectives, as well as the proportion of budgeted expenditure that relates to each activity. This is used to identify the direct cost for each departmental objective. Direct costs are the cost of our 'front line' departments (Regulation, Development and Innovation) activities' relating to each strategic objective.

2021/22 Strategic Outcome	SO1 £000	SO2 £000	SO3 £000	Total £000	%
Direct costs	9,701	1,666	793	12,160	68
Indirect costs (overheads)	4,148	862	766	5,776	32
Total expenditure	13,849	2,528	1,559	17,936	
	77%	14%	9%		

- 4.3 Indirect costs comprise the cost of our 'supporting directorates' (Finance and Resources, including Shared Services with the Care Inspectorate; Strategy and Performance); as well as corporate expenditure such as accommodation, utilities, EMT and Council Members.
- 4.4 Overhead apportionments for human resources, organisational development and time spent supporting staff are based on departmental staffing levels, whilst costs that support our business are apportioned based upon departmental direct costs.
- 4.5 There has not yet been time to review or challenge assumptions on the split of time and cost. This work will continue to be refined over the coming months.

5. INDICATIVE BUDGETS 2022/23 AND 2023/24

- 5.1 Indicative budgets for 2022/23 and 2023/24, based on the draft 2021/22 budget and assuming grant in aid is at the same level of £16.035m, have been prepared and are shown in Appendix D. There is a deficit budget of £1.638m in 2022/23 and a deficit budget of £0.697m in 2023/24. Work will be required over the coming year to bring these within grant in aid levels. The significant assumptions used in the preparation of the indicative budgets are detailed in sections 5.2 to 5.4 below.
- 5.2 The following assumptions and adjustments have been applied to staff costs for both 2022/23 and 2023/24.
- £800 underpin for staff earning up to £25k, a pay increase of 2% for those earning more than £25k up to £40k and a pay increase of 1% for those earning more than £40k. This is in line with the agreed Public Sector Pay Policy for 2021/22.
 - Provision for employer pension (17%), National Insurance contributions and the apprentice levy (0.5% of paybill over £3m).
 - It is assumed that all staff not already at the top of their salary scale will have performed satisfactorily and will receive an increment.
 - Our vacancy management target is set at 4%.
 - Staff costs for 2022/23 include £181k for temporary posts where contracts begin in 2021/22 as well as the full year effect of new permanent posts included in the 2021/22 draft budget.
- 5.3 Accommodation costs include provision for a change in accounting requirements for leases. 'International Financial Reporting Standard (IFRS) 16 – Leases' is required to be implemented from 1 April 2022 and requires dilapidation costs expected at the end of our building lease to be spread across the remainder of the lease period, rather than being charged in full in April 2023. This requires a budget increase of £680k in 2022/23 then a reduction of £600k in 2023/24 when compared to 2021/22. This will be highlighted to our Sponsor as a spending pressure.

- 5.4 There is a reduction in registration income of £109k in 2022/23 then an increase of £397k in 2023/24. More annual and renewal fees are expected in the latter half of 2022/23, creating an increase in pre-paid income in the following year. Registration numbers are also projected to increase over the two-year period to 175k by end of 2022/23 and 178k by the end of 2023/24.

6. RESOURCE IMPLICATIONS

- 6.1 The 2021/22 draft budget includes plans to utilise £1.171m from our general reserve to fund our gross expenditure budget of £23.14m. Plans are in place should the Sponsor reduce grant in aid by 2% or 5%.
- 6.2 The draft budget is a deficit net expenditure budget of £1.171m. This planned overspend contributes to new projects costing £271k and temporary posts costing £495k in 2021/22 as well as several projects started in 2020/21 carrying on into 2021/22 of £405k.
- 6.3 Based on a number of assumptions, indicative figures show a deficit budget of £1.638m in 2022/23 and a deficit budget of £0.697m in 2023/24. Work will be required over the coming year to bring these within expected grant in aid levels.

7. LEGAL IMPLICATIONS

- 7.1 There are no legal implications arising from this report.

8. STAKEHOLDER ENGAGEMENT

- 8.1 The new posts and additional budget are required to deliver the outcomes in the strategic plan. Discussions have taken place with Scottish Government and other key stakeholders to ensure that we allocate funding to deliver the requirements of national policies and initiatives.

9. IMPACT ON PEOPLE USING SOCIAL SERVICES AND CARERS

- 9.1 The development of the budget in line with corporate planning priorities assists the SSSC to meet its objectives of improving services and raising standards. In the longer term this supports improved services to users and carers.