

Title of report	Draft budget 2022/23 and indicative budgets for 2023/24 and 2024/25
Public/Confidential	Public
Summary/purpose of report	This report presents the draft budget for 2022/23 along with indicative budgets for 2023/24 and 2024/25.
Recommendations	<p>The Council is asked to:</p> <ol style="list-style-type: none"> 1. consider and approve the draft budget for 2022/23 (Appendix 1) that includes draft changes to staffing establishment (paragraphs 16 to 18 below), subject to written confirmation from Scottish Government. Scottish Government has agreed to fund a deficit budget of £1.638m as an unfunded pressure this year and that we can use the balance of our reserves as working capital in 2022/23 2. note the indicative budgets for 2023/24 of £0.787m deficit and 2024/25 £0.319m deficit (Appendix 1) 3. note that specific grant funding and associated expenditure is currently excluded from the draft 2022/23 and indicative budgets for 2023/24 and 2024/25.
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Responsible Officer	Lynn Murray, Interim Director, Finance and Resources
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> <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.</p>
Link to Risk Register	<p>Risk 3: We fail to meet corporate governance, external scrutiny and legal obligations.</p> <p>Risk 7: We fail to secure sufficient budget resources to fulfil the financial plans required to deliver the strategic plan.</p>
Impact assessments	<ol style="list-style-type: none"> 1. An Equalities Impact Assessment (EIA) was not required. 2. A Data Protection Impact Assessment (DPIA) was not required. 3. A Sustainability Impact Assessment (SIA) was not required.
Documents attached	<p>Appendix 1: Three-year budget summary</p> <p>Appendix 2: Budget assumptions</p> <p>Appendix 3: Impact of budget reductions and efficiencies</p>
Background papers	None
	<p>Link to Apx 1 Three-year Budget Summary</p> <p>Link to Apx 2 Draft Budget Assumptions</p> <p>Link to Apx 3 Impact of budget reductions and efficiencies</p>

EXECUTIVE SUMMARY

1. The SSSC's new financial year starts on 1 April 2022. Our Executive Framework sets out that the Scottish Government Sponsor must confirm our funding before the new financial year starts.
2. Council must approve the annual budget each year, as required by our Code of Corporate Governance. Council must also approve changes to our staffing establishment in line with our Establishment Control Policy.
3. We reviewed each budget item to take account of actual costs from previous years and the latest budget monitoring information. We applied inflationary uplifts where we know of increases.
4. Council is asked to consider and approve the draft budget in Appendix 1 to this report, which Scottish Government must also confirm in our grant in aid letter. Scottish Government has agreed to fund the budget deficit of £1.638m as an unfunded pressure in 2022/23 and our Sponsor will work with Scottish Ministers, aiming to permanently increase grant in aid in future years.
5. Our projected reserves are well above our 2-2.5% target at 6.2% (£2.661m). Scottish Government has agreed that we can hold the working capital they provide in reserves for use in 2022/23. They have let us know that we must return any of the unfunded pressure of £1.638m and working capital that is not spent in 2022/23 although we can retain our target 2-2.5% reserves level.
6. Appendix 1 includes indicative budgets for 2023/24 (£0.787m deficit) and 2024/25 (0.319m deficit). This shows that, without extra funding from Scottish Government and/or registration fees, we cannot cover our baseline costs in future years.
7. At the Council meeting on 28 February Members asked us to identify, at a high level, areas that would potentially be affected if we do not receive sufficient funding in future years and efficiency savings that we have made and could make, ranked in priority order. We have included this information at Appendix 3.

DRAFT BUDGET 2022/23

2022/23 financial position

8. The Scottish Government budget allocated grant in aid income to the SSSC of £16.035m in 2022/23 (2021/22: £16.035m). Registration fees and other income total £6.359m, providing total budgeted income of £22.394m in 2022/23.
9. The draft expenditure budget for 2022/23 is £24.032m (see table after paragraph 10 below). This includes operating expenditure (cost to run the organisation) of £19.025m and disbursement expenditure of £5.007m. We administer disbursements on behalf of Scottish Government ie

postgraduate bursaries, practice learning fees and the Voluntary Sector Development Fund.

10. The difference between budgeted income of £22.394m and the draft expenditure budget of £24.032m means a funding deficit (shortfall) of £1.638m for the 2022/23 financial year.

	Revised budget for monitoring purposes 2021/22 £000	Draft budget 2022/23 £000	Increase/ (decrease) between 2021/22 and 2022/23 budgets £000
Expenditure - cost of operating our business			
Staff costs	14,246	14,941	695
Running costs	3,773	4,084	311
Total operating expenditure	18,019	19,025	1,006
Income - from operating our business			
Grant in aid to fund our operating costs	(11,028)	(11,028)	0
Registration fees	(5,644)	(5,962)	(318)
Other income	(290)	(397)	(106)
Total operating income	(16,961)	(17,387)	(424)
Deficit cost of operating the business	1,057	1,638	582
Disbursements to other organisations			
Postgraduate bursaries, practice learning & VSDF	7,054	5,007	(2,046)
Grant in aid to fund disbursements	(5,907)	(5,007)	900
Deficit or (surplus)	1,146	0	(1,146)
Total operating and disbursement expenditure	25,073	24,032	(1,040)
Total operating and disbursement income	(22,869)	(22,394)	476
Overall deficit (spending pressure)	2,204	1,638	(565)

NB. We planned to fund the 2021/22 budgeted spending pressure of £2.204m from our general reserve. Scottish Government will fund the 2022/23 budget deficit of £1.638m as a one-off while discussing more sustainable funding from grant in aid in future years.

11. We have included our budget assumptions in Appendix 2. Costs of the pay award, increments and increased national insurance alone add around £500k to our budget this year and there is a no compulsory redundancy policy. We recruited several staff in Fitness to Practise last year, totalling approximately £650k, after approval from our Scottish Government Sponsor, as we did not have sufficient budget from 2022/23 to fund these posts.
12. Our Sponsor understands our financial position and has confirmed that Ministers have approved an unfunded pressure of £1.638m for the 2022/23 financial year resulting in total funding of £17.673m. This means that Ministers accept that an overspend of grant in aid is necessary for 2022/23 and they will review the level of our grant in aid during the 2022/23 financial year, with the potential to increase it at either autumn or spring budget reviews if budgets allow. Ministers ask that we continue to work towards decreasing the total amount as far as possible.
13. Our Sponsor will continue to work during 2022/23 to secure a permanent increase to our grant in aid. They have let us know that we must pay back

any underspend in the unfunded pressure of £1.638m, although we will monitor this throughout the year.

14. The budget excludes specific grant funding such as workforce development grant and Voluntary Sector Development Funding as Scottish Government has yet to agree this.

Key changes between 2021/22 budget and 2022/23 budget

15. In the 2022/23 budget Executive Management Team (EMT) prioritised an increased number of staff posts, resources for the programme to future proof the register of £617k (£357k staff and £260k development costs – in tables below) and digital development to make sure that we continually improve. We would have liked to establish permanent posts rather than temporary posts where we see that there is a permanent need for the resource but are unable to make this commitment as our grant in aid has not increased permanently.

Changes to staffing establishment

16. Our staffing establishment is the approved permanent and temporary staff we need to run the organisation. In 2022/23 we will fund these posts from the £1.638m unfunded pressure, which is not permanent grant in aid. After Council approves, this becomes part of the budgeted establishment.

Post type	Full time equivalent (FTE)	2022/23 Cost £000
Continuation of 2021/22 temporary posts		
Product Owner - Mattersphere		
Learning & Development Advisers to 30/6/22	0.5	25
Head of Workforce Planning	0.6	26
Digital Marketing Comms Coordinator	1.0	73
Programme Management Officer (PMO)	1.0	45
Transactions Assistant	1.0	46
Organisational Development Analyst	1.0	31
	1.0	33
	6.1	279
New permanent posts		
PMO (Project Management Office) Manager	1.0	57
Organisational Development Adviser	1.0	49
Learning and Development Adviser	0.5	30
	2.5	136
New temporary posts		
Digital Systems Development Officer	1.0	36
Modern Apprentice – Communications	0.7	22
Stakeholder/Involving People Coordinator	0.8	36
HR Manager (title may change)	0.8	47
Fitness to Practise Manager	1.0	63
	4.3	204
New temp posts – Future proofing	10.0	357
Total	22.9	976

17. It is good financial practice only to fund permanent posts from permanent funding. We have a cautious appetite to financial management and have taken a risk contrary to this practice in funding 2.5 permanent posts that are critical to continued service delivery totalling £136k on the basis that historically we have underspent our budget.
18. We removed two permanent posts from the Finance and Resources Directorate as they were moved to the Care Inspectorate as part of the HR restructure (£95k) to reflect the balance of work between the two organisations. The Care Inspectorate will recharge for any costs through the shared services agreement. We removed two temporary posts, one in Regulation and one in Strategy and Performance (£100k), from our establishment because they are no longer required.

Development projects

19. We removed £260k of budget for one off projects in 2021/22 and included budget for the following development projects in 2022/23.

One off development projects included in the 2022/23 budget	2022/23 draft budget £000
Futureproofing Project	260
Digital - business as usual and developments	164
Job evaluation and restructure consultancy	30
Support advocacy	25
	479

Budget summary 2022/23 by strategic outcome

20. We have split the 2022/23 budget by strategic outcome and this is shown in the table below with a comparison of the split for 2021/22. We have included assumptions in Appendix 2.

Strategic outcome	2021/22 £000	2021/22 %	2022/23 £000	2022/23 %
Strategic Outcome 1	13,380	74.6	14,891	79.0
Strategic Outcome 2	2,523	14.0	2,876	15.3
Strategic Outcome 3	1,411	7.9	967	5.1
Strategic Outcome 4	620	3.5	117	0.6
	17,934	100	18,851	100
Specific grants			141	
Disbursements	5,206		5,042	
	23,140		24,034	

GENERAL RESERVES

21. Based on projections at 28 February 2022 we expect our general reserve to be £2.661m by 31 March 2022. This balance consists of carry forward for the following expenditure.

Expenditure type	Disbursements £000	General reserve balance £000
Postgraduate bursaries	237	
Practice learning fees	<u>536</u>	
Total disbursements		773
Specific grants		191
Planned digital replacement		290
Available balance (operating underspend)		1,407
Projected general reserve at 31 March 2022		2,661

2021/22 budget contains £90k for digital replacement which will increase the planned digital replacement fund to £290k at 1 April 2022. We will review our provision for dilapidations at the financial year end (2020/21 £466k). If we need to reduce the provision this would increase our general reserve.

22. Scottish Government has verbally confirmed that we can use all our general reserves balance as working capital in 2022/23. However, we will have to pay back any unused balance at the end of the financial year, excluding our target reserves of 2-2.5% (£457k to £572k). We can redirect disbursements to fund operational expenditure only to the extent that it is not required for the purposes it was given.
23. We have identified several areas where we do not have provision in our current budget and will use our reserves if required, as follows.
- Potential spend relating to the National Care Service and the Panel member legal decision.
 - Any extra spend resulting from the rewards review beyond the £51k provided.
 - 8.3 FTE posts totalling £387k and digital and other developments totalling £51k that we removed initially to balance the 2022/23 budget but would help us better deliver our strategic outcomes.
 - Carry forward of amounts relating to developments started but not completed in 2021/22 of £59k (projection at 28 February 2022).
 - Removing the vacancy management adjustment of £192k from the Fitness to Practise budget. This will allow us to recruit four additional solicitor posts early in the financial year to enable training and development of staff before posts become vacant due to natural turnover.
 - Futureproofing the register may require additional digital development of £300k to £600k over 2022/23 and 2023/24.
 - We are currently reviewing use of our office space and it is likely that we will reduce our footprint. However, it is difficult to estimate how much costs will reduce by as we understand the landlord may

increase costs per square foot. This may help to fund estimated costs of £300k to improve our office space.

2023/23 and 2024/25 INDICATIVE BUDGETS

24. We prepared indicative budgets for 2023/24 and 2024/25, based on the draft 2022/23 budget and assuming grant in aid stays at the same level of £16.035m. The indicative budgets are shown alongside the draft budget for 2022/23 in the table below and more detail is included at Appendix 1.

	Revised budget for monitoring purposes 2021/22 £000	Draft budget 2022/23 £000	Indicative budget 2023/24 £000	Indicative budget 2024/25 £000
Expenditure - cost of operating our business				
Staff costs	14,246	14,941	15,003	15,120
Running costs	3,773	4,084	3,816	3,832
Total operating expenditure	18,019	19,025	18,819	18,951
Income - from operating our business				
Grant in aid to fund our operating costs	(11,028)	(11,028)	(11,028)	(11,028)
Registration fees	(5,644)	(5,962)	(6,754)	(7,354)
Other income	(290)	(397)	(250)	(251)
Total operating income	(16,961)	(17,387)	(18,032)	(18,632)
Deficit cost of operating the business	1,057	1,638	787	319
Disbursements to other organisations				
Postgraduate bursaries, practice learning & VSDF	7,054	5,007	5,007	5,007
Grant in aid to fund disbursements	(5,907)	(5,007)	(5,007)	(5,007)
Deficit or (surplus)	1,146	0	0	0
Total operating and disbursement expenditure	25,073	24,032	23,826	23,958
Total operating and disbursement income	(22,869)	(22,394)	(23,039)	(23,640)
Overall deficit (spending pressure)	2,204	1,638	787	319

25. There is an indicative deficit budget of £0.787m in 2023/24 and a deficit budget of £0.319m in 2024/25. We do not have enough funding to cover our baseline costs and will continue to work with our Sponsor in the coming year with the aim of securing permanent increased grant in aid and/or review of registration fees in future years. The significant assumptions used in the preparation of the indicative budgets are included in Appendix 2. These budgets do not allow for any developmental work or additional staffing costs except the temporary posts that have a contract period after 31 March 2023.

CONSULTATION

26. We have compiled the draft and indicative budgets after input from budget holders and review by directors. The EMT reviewed the draft budget for 2022/23 and we have included their priorities.

RISKS

27. Risk 7 in the strategic register is that SSSC fail to secure sufficient budget resources to fulfil the financial plans required to deliver the strategic plan. Our appetite to risk for our budget is cautious.

28. Our 2023/24 and 2024/25 budgets have deficits of £0.787m and £0.319m respectively. We assumed a fee income increase from April 2023 pending consideration on fees. However, if fees stay the same there would be deficits of £1.113m in 2023/24 and £1.119m in 2024/25. We have not allowed for one-off development costs in the indicative budgets and our permanent costs are rising.
29. Further risks to the budget are:
- lack of permanent additional grant in aid funding meaning we cannot commit to permanent posts that we need to deliver our strategic outcomes
 - we propose funding 2.5 permanent posts totalling £136k from the unfunded pressure for 2022/23 but there is a risk that they can't be funded on an ongoing basis
 - little digital or other development funding in 2023/24 and 2024/25 meaning we may not be able to deliver system changes and other initiatives that will support delivery of business as usual and business improvement
 - inflation is included where known, but no general inflationary uplift is included, meaning costs may be higher than budgeted
 - we may not have enough in reserves to cover unknown costs in future years
 - Scottish Government has not committed to an unfunded pressure amount beyond 2022/23 so we have not included any amounts in the budgets for 2023/24 and 2024/25. The risk would reduce if they were to agree a permanent increase to grant in aid or unfunded pressures in future years (although this is not sustainable funding).

IMPLICATIONS

Resourcing

30. The draft budget for 2022/23 is a deficit budget of £1.638m, that government will fund this year. Indicative budgets for 2023/24 are £0.787m deficit and 2024/25 £0.319m deficit meaning we don't have enough funding to cover baseline costs. We project general reserves of £2.661m at 31 March 2022 that Scottish Government agrees we can use as working capital in 2022/23.

Compliance

31. The Council follows the Scottish Public Finance Manual (SPFM) and our Executive Framework in setting a budget by 1 April each financial year.

IMPACT ASSESSMENTS

Equalities

32. When we develop business cases for improvement/development projects, we will also produce individual EIAs, as needed. This makes sure we carry

out EIAs at the right level and take account of the impact on all people with protected characteristics.

CONCLUSION

33. This report asks the Council to consider and approve the draft budget for 2022/23 and note the indicative budgets for 2023/24 and 2024/25 (appendix 1). We have currently excluded specific grant funding and associated expenditure from the draft 2022/23 and indicative budgets for 2023/24 and 2024/25 as Scottish Government has yet to agree this.