

**Date Issued: 18 March 2022**

Members of the Scottish Social Services Council are advised that a meeting of the Council is to take place at 10.00 am on Friday 25 March 2021 by Teams.

This meeting is convened to approve the budget for 2022/23 and note indicative budgets for 2023/24 and 2024/25, but will also deal with another matter of private business.



**Sandra Campbell**  
**Convener**

## **AGENDA**

### **PUBLIC SESSION**

1. Welcome and apologies for absence
2. Declarations of interest
3. Draft Budget 2022/23 and indicative budgets 2023/24 and 2024/25 **15/2022**
4. Date of next meeting – 26 May 2022 at 10.00 am

### **PRIVATE SESSION**

5. Staffing retirement **16/2022**

### **Private session items explained**

The Convener of Council has directed that the following items be taken in private session and has given the following reasons for their exclusion:

<b>Agenda item</b>	<b>Reason for exclusion</b>
5.	a. matters likely to breach personal data legislation (as defined by the UK General Data Protection Regulation and Data Protection Act 2018 or any subsequent legislation)  c. matters involving issues of commercial or financial sensitivity or confidentiality

- a. matters likely to breach personal data legislation (as defined by the UK General Data Protection Regulation and Data Protection Act 2018 or any subsequent legislation)
- b. matters relating to named training and education providers or care service providers, such that their credibility and reputation may be affected
- c. matters involving issues of commercial or financial sensitivity or confidentiality
- d. matters relating to policy or the internal business of the Council which are for discussion with the Scottish Government or other regulatory or public bodies, prior to final approval by the Council
- e. information which may be considered to be legally privileged or relate to matters of legal proceedings either in progress or relating to the SSSC
- f. any other matters which if publicly disclosed might reasonably prejudice the effective discharge of the SSSC's functions.

<b>Title of report</b>	Draft budget 2022/23 and indicative budgets for 2023/24 and 2024/25
<b>Public/Confidential</b>	Public
<b>Summary/purpose of report</b>	This report presents the draft budget for 2022/23 along with indicative budgets for 2023/24 and 2024/25.
<b>Recommendations</b>	<p>The Council is asked to:</p> <ol style="list-style-type: none"> <li>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</li> <li>2. note the indicative budgets for 2023/24 of £0.787m deficit and 2024/25 £0.319m deficit (Appendix 1)</li> <li>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.</li> </ol>
<b>Author</b>	Nicky Anderson, Head of Finance
<b>Responsible Officer</b>	Lynn Murray, Interim Director, Finance and Resources
<b>Link to Strategic Plan</b>	<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>
<b>Link to Risk Register</b>	<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>
<b>Impact assessments</b>	<ol style="list-style-type: none"> <li>1. An Equalities Impact Assessment (EIA) was not required.</li> <li>2. A Data Protection Impact Assessment (DPIA) was not required.</li> <li>3. A Sustainability Impact Assessment (SIA) was not required.</li> </ol>
<b>Documents attached</b>	<p>Appendix 1: Three-year budget summary</p> <p>Appendix 2: Budget assumptions</p> <p>Appendix 3: Impact of budget reductions and efficiencies</p>
<b>Background papers</b>	None
	<p><a href="#">Link to Apx 1 Three-year Budget Summary</a></p> <p><a href="#">Link to Apx 2 Draft Budget Assumptions</a></p> <p><a href="#">Link to Apx 3 Impact of budget reductions and efficiencies</a></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
<b>Expenditure - cost of operating our business</b>			
Staff costs	14,246	14,941	695
Running costs	3,773	4,084	311
<b>Total operating expenditure</b>	<b>18,019</b>	<b>19,025</b>	<b>1,006</b>
<b>Income - from operating our business</b>			
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)
<b>Total operating income</b>	<b>(16,961)</b>	<b>(17,387)</b>	<b>(424)</b>
<b>Deficit cost of operating the business</b>	<b>1,057</b>	<b>1,638</b>	<b>582</b>
<b>Disbursements to other organisations</b>			
Postgraduate bursaries, practice learning & VSDF	7,054	5,007	(2,046)
Grant in aid to fund disbursements	(5,907)	(5,007)	900
<b>Deficit or (surplus)</b>	<b>1,146</b>	<b>0</b>	<b>(1,146)</b>
<b>Total operating and disbursement expenditure</b>	<b>25,073</b>	<b>24,032</b>	<b>(1,040)</b>
<b>Total operating and disbursement income</b>	<b>(22,869)</b>	<b>(22,394)</b>	<b>476</b>
<b>Overall deficit (spending pressure)</b>	<b>2,204</b>	<b>1,638</b>	<b>(565)</b>

**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.

<b>Post type</b>	<b>Full time equivalent (FTE)</b>	<b>2022/23 Cost £000</b>
<b>Continuation of 2021/22 temporary posts</b>		
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
	<b>6.1</b>	<b>279</b>
<b>New permanent posts</b>		
PMO (Project Management Office) Manager	1.0	57
Organisational Development Adviser	1.0	49
Learning and Development Adviser	0.5	30
	<b>2.5</b>	<b>136</b>
<b>New temporary posts</b>		
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
	<b>4.3</b>	<b>204</b>
New temp posts – Future proofing	<b>10.0</b>	<b>357</b>
<b>Total</b>	<b>22.9</b>	<b>976</b>

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.

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

### 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.

<b>Strategic outcome</b>	<b>2021/22 £000</b>	<b>2021/22 %</b>	<b>2022/23 £000</b>	<b>2022/23 %</b>
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
	<b>17,934</b>	<b>100</b>	<b>18,851</b>	<b>100</b>
Specific grants			141	
Disbursements	5,206		5,042	
	<b>23,140</b>		<b>24,034</b>	



## 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		<b>2,661</b>

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
<b>Expenditure - cost of operating our business</b>				
Staff costs	14,246	14,941	15,003	15,120
Running costs	3,773	4,084	3,816	3,832
<b>Total operating expenditure</b>	<b>18,019</b>	<b>19,025</b>	<b>18,819</b>	<b>18,951</b>
<b>Income - from operating our business</b>				
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)
<b>Total operating income</b>	<b>(16,961)</b>	<b>(17,387)</b>	<b>(18,032)</b>	<b>(18,632)</b>
<b>Deficit cost of operating the business</b>	<b>1,057</b>	<b>1,638</b>	<b>787</b>	<b>319</b>
<b>Disbursements to other organisations</b>				
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)
<b>Deficit or (surplus)</b>	<b>1,146</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total operating and disbursement expenditure</b>	<b>25,073</b>	<b>24,032</b>	<b>23,826</b>	<b>23,958</b>
<b>Total operating and disbursement income</b>	<b>(22,869)</b>	<b>(22,394)</b>	<b>(23,039)</b>	<b>(23,640)</b>
<b>Overall deficit (spending pressure)</b>	<b>2,204</b>	<b>1,638</b>	<b>787</b>	<b>319</b>

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.

	Revised Budget for monitoring purposes 2021/22 £000	DRAFT Budget 2022/23 £000	Indicative Budget 2023/24 £000	Indicative Budget 2024/25 £000
<b>Expenditure - cost of operating our business</b>				
<b>Staff costs</b>				
Staff salary costs	13,445	14,375	14,417	14,534
Other staff costs	801	566	586	586
<b>Total staff costs</b>	<b>14,246</b>	<b>14,941</b>	<b>15,003</b>	<b>15,120</b>
<b>Running costs</b>				
Accommodation costs	770	791	792	793
Administration costs	1,128	1,138	1,090	1,101
Travel costs	72	84	92	92
Supplies & Services	1,803	2,071	1,843	1,845
<b>Total running costs</b>	<b>3,773</b>	<b>4,084</b>	<b>3,816</b>	<b>3,832</b>
<b>Total operating expenditure</b>	<b>18,019</b>	<b>19,025</b>	<b>18,819</b>	<b>18,951</b>
<b>Income - from operating our business</b>				
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)	(398)	(250)	(251)
<b>Total operating income</b>	<b>(16,961)</b>	<b>(17,387)</b>	<b>(18,032)</b>	<b>(18,632)</b>
<b>Deficit cost of operating the business</b>	<b>1,057</b>	<b>1,638</b>	<b>787</b>	<b>319</b>
<b>Disbursements to other organisations</b>				
Postgraduate Bursaries	2,868	2,655	2,655	2,655
Practice Learning costs	3,270	2,352	2,352	2,352
Voluntary Sector Development Fund (VSDF)	915	0	0	0
Total postgraduate bursaries, practice learning & VSDF exp	<b>7,054</b>	<b>5,007</b>	<b>5,007</b>	<b>5,007</b>
<b>Disbursement funding</b>				
Grant in aid (PG Bursaries)	(2,655)	(2,655)	(2,655)	(2,655)
Grant in aid (practice learning)	(2,352)	(2,352)	(2,352)	(2,352)
Voluntary Sector Development Fund (VSDF)	(900)	0	0	0
Total postgraduate bursaries, practice learning & VSDF	<b>(5,907)</b>	<b>(5,007)</b>	<b>(5,007)</b>	<b>(5,007)</b>
<b>Deficit or (surplus) on disbursements</b>	<b>1,146</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total operating and disbursement expenditure</b>	<b>25,073</b>	<b>24,032</b>	<b>23,826</b>	<b>23,958</b>
<b>Total operating and disbursement income</b>	<b>(22,869)</b>	<b>(22,394)</b>	<b>(23,039)</b>	<b>(23,640)</b>
<b>Overall deficit (spending pressure)</b>	<b>2,204</b>	<b>1,638</b>	<b>787</b>	<b>319</b>

## **Budget Assumptions**

### **2022/23**

#### **1. Staff costs**

Our 2022/23 draft staff costs budget includes the assumptions detailed below.

- We included the following pay increases in line with Scottish Government Pay Policy. The increases apply from 1 April 2022.
  - Pay floor £10.50 per hour
  - £775 for salaries up to £25,000
  - £700 - £25,000 to £40,000
  - £500 - £40,000 or more.
- We assume that all staff not already at the top of their salary scale will perform satisfactorily and will receive an increment. Increases for increments total £78k and the pay award £289k.
- We have included provision for employer pension (17%), national insurance contributions (additional 1.25% £105k) and the apprenticeship levy £44k (0.5% of paybill over £3m).
- We set a vacancy management target of 4% (£567k). This is a reduction to our staff costs budget to account for the time delay when filling posts that become vacant during the year.
- We are currently carrying out a rewards review that includes organisational design, phase 2 of job evaluation and broader rewards. We included a contingency of £51k in the draft budget for increases to pay resulting from the job evaluation exercise, although we won't know any financial implications until the work is complete.

#### **2. Other staff costs**

We pay panel members allowances for holding fitness to practise hearings. Due to the success of opt-in hearings, we reduced the draft budget for 2022/23 by £237k. We also removed the £40k hired agency staff budget.

#### **3. Accommodation costs**

Our office accommodation lease ends in April 2023. We are considering how we will work in the future and the type of accommodation and space we will need.

We know accommodation costs will increase per square metre after the review, but we will need less space than we currently occupy. We have budgeted for 2022/23 accommodation costs at 2021/22 levels as a prudent estimate. We have a provision of £466k for dilapidations. If dilapidation costs are less than the provision, the balance will increase our general reserve. We will have a clearer idea of the cost during the next financial year.

#### **4. Running costs**

We increased our digital systems budgets by £116k to cover day to day running costs, maintenance, licences and some inflationary increases.

#### **5. Income**

Scottish Government funding of £16.035m grant in aid for 2022/23 is the same level as 2021/22.

The registration fee income budget increased by £318k between 2021/22 and 2022/23. We included an assumption of 6% of registration income for write off of registration debt in our running costs budget because we must write off registration debt for registrants removed from the register after their registration anniversary date. We added a corresponding increase (£337k) to our registration income budget.

We increased the modern apprenticeship budget by £100k as the take up of modern apprenticeship opportunities is rising post pandemic.

#### **6. Disbursements**

On behalf of the Scottish Government, we disburse Voluntary Sector Development Funds (VSDF) to voluntary organisations to support their employees to meet their registration training requirements. Scottish Ministers announce this budget during each financial year, so we cannot include the related expenditure and income in our 2022/23 draft budget (2021/22: £900k).

We administer postgraduate bursaries on behalf of Scottish Government. In 2021/22 we budgeted for £213k additional costs associated with the COVID-19 pandemic (carried forward from 2020/21 financial year). We reduced our budget for 2022/23 to normal levels.

We pay practice learning fees to universities to arrange practice placements for students. In 2021/22 we budgeted for £918k extra practice learning fees (carried forward from 2020/21 financial year), due to the impact of the COVID-19 lockdown delaying placements. We reduced our budget to normal levels for 2022/23.

#### **7. Specific grants**

We excluded specific grant funding such as workforce development grant from the 2022/23 draft budget as this is agreed separately with Scottish Government. We received £450k in specific grants in 2021/22 with a further £383k carried forward from 2020/21.

## **8. 2022/23 – budget allocated by outcome**

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.

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, Executive Management Team and Council Members.

We base overhead apportionments for human resources, organisational development and time spent supporting staff on departmental staffing levels, whilst we apportion costs that support our business based upon departmental direct costs.

We will continue to refine the allocations for time and cost over the coming year.

## **2023/24 and 2024/25**

### **9. Staff costs**

We applied Public Sector Pay Policy 2022/23 staff cost assumptions to our 2023/24 and 2024/25 indicative budgets. The assumptions are set out in the assumptions for 2022/23 above.

We included provision for employer pensions (17%), National Insurance contributions (including the additional 1.25%) and the apprenticeship levy (0.5% of paybill over £3m).

We assume that all staff not already at the top of their salary scale will perform satisfactorily and will receive an increment.

Our vacancy management target is set at 4%.

Staff costs for 2023/24 and 2024/25 include the full year effect of new permanent posts included in the 2022/23 draft budget and any temporary posts that may continue past 31 March 2023.

### **10. Other costs**

We included accommodation and running costs at similar expenditure levels to 2021/22 and 2022/23. (See 2022/23 assumptions above).

We removed all one-off development project expenditure from the budget for 2023/24, leaving £50k to fund continued development of our Mattersphere and



D365 systems. There is no provision for developments in the 2024/25 indicative budget.

## **11. Income**

Registration fee income is based upon projected annual, renewal and re-registration numbers for the 2023/24 and 2024/25 financial years. We assumed an increase to registration fees from 1 April 2023 for budget purposes, which would increase income by £326k in 2023/24 and £800k in 2024/25 (full year impact). However, there is still consideration around registration fees.

We assume registration fee write offs will remain at 6% of registration income (2023/24: £382k and 2024/25 £416k) and we added a corresponding amount to registration fee income to account for people who are removed from the register after their registration anniversary.

Disbursement income and expenditure assumptions are in line with current expenditure and income levels for 2023/24 and 2024/25. We have not included any inflationary increases to disbursement budgets.

## **Impact of funding gap and efficiencies**

### **1. Background**

At the SSSC Council meeting on 28 March 2022, the Interim Director of Finance and Resources (DoF&R) presented a first draft of the budget for 2022/23 and indicative budgets for 2023/24 and 2024/25 and invited feedback from Council Members.

Members asked the DoF&R to provide more information at the next meeting on:

- high level areas that would potentially be affected if we do not receive sufficient funding in future years
- efficiency savings that we have made and that we could make, ranked in priority order.

### **2. Impact of funding gap**

In addition to the grant in aid of £16.035m, in 2022/23 Scottish Government has committed to an unfunded pressure of up to £1.638m and allowed us to use our reserves balance of £2.661m (estimate at 28 February 2022) as working capital. We do not therefore have a funding issue in 2022/23.

However, there are significant issues in future years as Scottish Government has not committed to extra funding beyond 2022/23, although our Sponsor is working with Scottish Ministers to address this challenge. We estimate budget shortfalls of £0.8m in 2023/24 and £0.3m in 2024/25, assuming an increase in registration fees, which rises to £1.1m shortfall each year if we don't increase fees. If we do not receive extra funding there are implications for the key areas set out below.

- Permanent staff – we will not have enough money to cover staff who are in permanent posts. We cannot make any compulsory redundancies and are obliged to apply public sector pay policy, which accounts for approximately £0.5m each year. If we partially manage this through delaying recruitment to posts beyond the 4% vacancy management target already budgeted this will have an impact on delivering the strategic outcomes as well as on staff morale and potentially sickness absence and turnover as people continue to work under pressure. It may be more difficult to recruit to SSSC as funding issues become known in the market. There are potential public protection issues if the Fitness to Practice team is not sufficiently staffed and, if Development and Innovation is not fully staffed, we have limited resource to support the implementation of national policies and guidance for the workforce and fulfil our commitments within national strategies.

- Temporary staff – in recent years we have relied on temporary staff to fill gaps in resources and expertise to make sure that we can deliver our strategic outcomes. We do not have sufficient budget in future years to recruit temporary staff meaning we would struggle to deliver services to the level currently and the impact on permanent staff would be the same as outlined above. Activities that would be particularly affected are governance in programme and project management, organisational development, systems and digital development, workforce planning and communications. It would also affect timeous development of new qualification and learning resources to meet emerging skills needs in the sector.
- Digital development – the upgrade to our hardware and systems in 2019 was essential to address years of years of underfunding and gradual obsolescence. It is only because of that investment that we successfully operated during the pandemic. We require a continuous programme of investment to avoid our systems becoming out of date and affecting our performance and security. We also need to continue to upgrade and manage existing systems to make sure they remain cyber secure and functional. If we do not invest in mandatory upgrades and system development there is a risk our core systems will cease to function.
- Future proofing programme – we will be unable to proceed with this programme. It cannot be delivered within existing staff and digital development resource. This will affect our ability to deliver our commitment to the Promise and to address the barriers that our register structure presents to the workforce and services.
- If we choose to divert resources to the future proofing programme, business as usual activity would suffer. For example:
  - we wouldn't be able to maintain the register effectively – people would either not have their applications granted or they would be delayed and we wouldn't remove people who are no longer working in the sector
  - we would need to stop assessment of qualifications, quality assurance and approval of programmes and qualification development
  - communications couldn't support the sector in a variety of ways.
- Support for people involved in the fitness to practise process. We know from feedback the negative impact that the process can have on people's wellbeing. Without the funding we will be unable to deliver the planned support streams we are developing.
- Support for the National Care Service and other emerging initiatives.

### **3. Efficiencies**

The Chief Executive was clear with Scottish Government that we have made efficiencies over the last ten years or so, particularly in Regulation, and have limited scope to reduce costs further, although we will continue to improve our case management system to automate and streamline as many of our processes as we can. Benefits realisation is integral to our programme/project management approach.

The only area we have identified where we can make savings is through reducing our office space. We intend to reduce our office space by half, which won't necessarily result in half the cost. We are currently in negotiation with our landlord and the property team in Scottish Government to agree space and terms.

Since 2013 the register has grown from 60,000 people on the register to over 163,000 in 2021, an increase of 172%. In the same period staff numbers have grown from 50 to 109, an increase of 118%.

Over the last ten years, as the register has grown, with the consent of Ministers where necessary, we have implemented significant changes to how we carry out our fitness to practise work to try to target staff time where there is a risk to service users and have made huge efficiencies, some of which are set out below. We have saved over £14m over the years just by implementing initiatives 3.2 and 3.3 below.

#### **3.1 Thresholds for referral**

In 2016 we moved from a conduct model of regulation to a fitness to practise model. This reduced the percentage of registered workers who become a fitness to practise case from 2.4% to 1.5%

On the size of the current register (approximately 163,000) that has reduced the annual number of referrals we receive from 3,000 to 2,754.

#### **3.2 Constitution of Fitness to Practise Panels**

In 2017 we changed the constitution of our Panels from a three person panel, with separate advice from a legal adviser to a three person panel including a Legally Qualified Chair.

This reduced the daily cost of a Panel from approximately £1,500 to £1,000 and in turn reduced the annual budget from £1,000,000 a year to under £600,000.

#### **3.3 Orders with consent**

Between 2010 and 2015 we gradually introduced a process where formal sanctions could be made without a hearing if the worker we investigated agreed to the sanction. We now conclude over 50% of our Temporary Orders without a hearing and 70% of our removal decisions without a hearing.

This has led to significant savings over the years given the cost of running Panels, many of which take more than one day to conclude.

### **3.4 Opt-in hearings**

We introduced an opt-in approach to hearings in 2021. We have already seen the number of hearings we hold reduce by 40%, as we will only hold a hearing when a worker asks for one. In 2021/22 we are projecting a saving of £70,000 (at 28 February 2022) from this initiative.

### **3.5 Increase the number of cases we close at screening**

We have focused on trying to resolve more straightforward cases as quickly as possible, so that we only need to fully investigate the more high risk and complicated cases. Over the last two years we have increased the percentage of referrals that close at screening stage from 20% to 60%.

### **3.6 Digital developments**

We concluded our digital transformation in 2019. This transformation resulted in an annual staff saving of over £400,000, as we avoided the need to recruit 16 additional administrative staff. We made a further saving of £150,000 per annum during 2021 by carrying out a new procurement exercise for the maintenance and hosting of the digital systems.

### **3.7 Reduce the ratio of staff to maintain the register**

In 2010 when our register comprised over 35,000 registrants, we required 75 staff in our Registration Department to maintain the register. There are now 56 staff maintaining a register of 163,000 ie 25% reduction in staff to maintain 359% increase in the register. This demonstrates the efficiencies of our digital systems.

Our Scottish Government Sponsor agreed to fund an extra 13 solicitor/senior solicitor posts in the Fitness to Practise department from 2021/22. However, our workforce development offer and provision of resources has not increased to support an increasing workforce to have the right skills and knowledge for their role and to meet their Continuous Professional Learning requirements for registration.

## **4. Benchmarking with other regulatory bodies**

We continue to under invest in our regulatory functions compared to other regulatory bodies. Benchmarking with other professional regulators who have a high volume of referrals, as we do, supports this concern as they have significantly more staff than us. The graphs below show that our costs are less than other regulators and we use fewer people to deliver our work. We roughly estimate that we have saved around £38m in

registration costs since 2010 by replacing paper systems (we'd have needed 350 staff as opposed to approximately 50).

We have drawn benchmarking information from 2019/20 annual reports and it should be treated with caution due to different legal frameworks in place.

