

## **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.

