Scottish Social Services Council

Financial Strategy 2023-2026

Version 1.0 March 2023

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Version Control	Changes	Changed by
0.1 18/11/22	First draft	Lynn Murray Interim Director of Finance and Resources
0.2 22/11/22	Changes after EMT	Lynn Murray
0.3 07/12/22	Changes after Council development session on 29/11/22	Lynn Murray
0.4 09/01/23	Changes after OMT comments	Lynn Murray
0.5 10/02/23	Changes after comments from SG Sponsor	Lynn Murray
1.0 30/03/23	Changes after Council approved 2023/24 budget	Lynn Murray

1. Background

This medium-term financial strategy (MTFS) covers the period 2023–26 and supersedes the current seven-year strategy to 2025/26. It is a summary of where we expect our money to come from and what we expect to spend to meet our priorities.

This strategy aligns with the Strategic Plan 2023-26 and therefore has the same strategic context with links to Scottish Government's National Outcomes. It includes the SSSC's business-as-usual activities as well as the financial impacts of the opportunities for the future included in the Strategic Plan.

The MTFS is supported by a financial plan ie budget for 2023/24 and indicative budgets for the following two financial years, although the Scottish Government awards funding on an annual basis.

An integrated Financial Strategy will help the SSSC ensure its viability and sustainability, by providing a framework that enables us to manage and prioritise resources effectively within the SSSC's financial constraints to meet our strategic outcomes.

It will also assist in quantifying future resource needs, including the need for investment, and will enable the SSSC to develop a fully considered response to opportunities that have long term financing implications. Financial forecasts become more uncertain the further out in time the forecast but identifying potential longer-term revenues and expenses and the key risks associated with these forecasts will provide a valuable insight for the SSSC.

We will review the MTFS every three years and the financial plan every year.

2. External financial environment

At the time of writing, Scotland and the rest of the UK, is facing serious economic challenges, which will affect public sector budgets. There are impending changes on national policy and legislation for the social care sector with uncertainty over timescales to implement, available funding and the impact on the SSSC.

Despite the continued focus on the importance of the social care sector, this will almost certainly affect funding for the SSSC with examples below.

- Less funding available to the Scottish Government may mean less funding for public bodies like the SSSC. Since the 2022/23 financial year our permanent grant in aid does not cover our operational costs. We predict this pattern will continue in future years and it is uncertain whether the Scottish Government will fund the shortfall permanently, or in full or in part by an unfunded budget pressure.
- Our registrants, many of whom are low paid workers, are also suffering from the cost of living crisis and Scottish Ministers have agreed to pay fees for those working for Local Authorities directly to the SSSC. Fees have only increased once over the last 10 years, in 2017, and have not kept pace with inflation, which reduces our ability to become self-sustaining and perhaps to grow as an organisation. In the last two years, Ministers agreed to postpone consultation on fee increases for registrants. We would like to increase fees with a plan to increase incrementally in future years when the time is appropriate.

- The Strategic Plan identifies several opportunities for the future. However, we are uncertain how initiatives such as the National Care Service and Independent Review of Inspection, Scrutiny and Regulation will impact on our organisation and therefore any financial implications arising. This creates significant uncertainty in our financial plan.
- We want to pay our staff competitive salaries but rely on Scottish Government funding to do this.
- Crucial posts within the SSSC workforce are supported by temporary funding, which is contrary to Fair Work principles, as we do not have sustainable funding in place to appoint on a permanent basis to deliver our Strategic Plan.
- Non payroll costs are affected by inflation. Energy prices continue to soar.
- Scottish Government has set ambitious targets towards achieving net zero and reducing our carbon footprint as well as reducing our costs.
- Scottish Government will expect us to make efficiencies. We have made transformational and incremental changes, making best use of technology, which has resulted in millions of pounds worth of savings and costs avoided as the Register has grown. However, we have limited scope to reduce costs further without reducing staff, which will in turn impact on our ability to deliver our Strategic Plan. The Scottish Government has a no compulsory redundancy policy in place.

3. Financial strategic objectives

We have identified four strategic objectives, which will inevitably be affected by the financial and strategic environment that we are operating in now and for the next few years.

1. Achieve long term corporate financial sustainability

The SSSC must be financially viable to deliver on our Strategic Plan and respond to changes in our environment. This means that we must balance appropriately our objectives and planned resources and infrastructure. We have a target of holding reserves at between 2.0% and 2.5% of gross expenditure.

Achieving long term sustainability will become increasingly difficult with the pressure on public finances and continued reliance on Scottish Government for funding. We will have.

- Regular discussions with our Scottish Government Sponsor and work with them with a view to increasing core permanent funding in our grant in aid to make sure SSSC has sufficient resources to deliver our strategic outcomes.
- Appropriate development on financial issues for senior managers and Council members so as they can make informed decisions and identify and mitigate risk.
- A suitably qualified, experienced and resourced Finance Team who provide financial training to budget holders to produce up-to-date and accurate financial information.
- Efficient systems that provide information easily with minimal manual intervention to give one version of the truth. We use the Scottish

Government's finance system which they will heavily invest in over the period of this strategy to make it more efficient, modern, streamlined and accessible. We do not have any control over the pace of this development.
- Regular reviews to make sure that we look for efficiencies and savings in anything we do. This is built into our project and programme management and procurement processes.

2. Invest appropriately in our key resources and capabilities over the medium and long term

We will take a medium to long term view about our investment in key resources such as staff development, our digital systems, collective knowledge management and our physical environment.

The digital transformation programme in 2019 meant that we could easily pivot to work from home when the pandemic struck and has enabled us to increase resource capacity in intelligence, research and evidence gathering activities to use data to inform decision making. Our investment in staff development over the last two years was one of the key elements in achieving the gold Investors in People award. Due to the advances in digital capability and agile working we will reduce our office space in Dundee resulting in significant savings.

We completed the work to include all registrants on the Register in 2021 and have embarked on a programme to future proof the register, systems and regulatory processes.

We want to make sure we maximise the resources we have, working efficiently, effectively and economically to achieve the right balance of cost and quality. We already share a range of services with the Care Inspectorate including Finance, HR, Procurement, Estates, Health and Safety and Reception, and work with them on several other activities. We also work with a range of partners to deliver our strategic outcomes.

We will.

- Invest in our people by implementing our People Strategy and delivering across the five themes included within it. We will work with our Scottish Government Sponsor towards securing funding for permanent staff rather than relying on temporary employees to carry out core business.
- Continue to invest in our digital programme to make sure that we maintain systems vital to business as usual and keep pace with technology and hardware so as our staff are equipped to deliver services as efficiently and effectively as possible.
- Strive to make sure that our processes are as efficient as possible and work with our Scottish Government Sponsor to offset any savings to reduce unfunded budget pressures before reinvesting in the services we deliver.
- Work with our Scottish Government Sponsor to secure sufficient resources for any future initiatives and to complete our future proofing programme and carry out any activity needed to add further categories to the register as a result of the National Care Service and other initiatives.

- Increase capacity in our business intelligence function so as we can gather evidence, analyse data and gain insights to the workforce to develop capacity and capability leading to improved outcomes for people experiencing care.
- Seek opportunities to enhance our delivery by accessing government and other funding beyond our Sponsor division.
- Continue to assess best value with shared services and make sure that they are delivered in a way that best meets SSSC's requirements.
- Actively seek opportunities to work with other partners in the public, private and third sectors to maximise resources, funding and outcomes across the public sector.

3. Plan and control the financing of developments

We operate within a financial planning and risk framework for reviewing strategic opportunities and deciding whether to reallocate existing resources or bid for or accept external funding.

A key element of the financial strategy is that the SSSC will plan for capacity for growth and change and will manage its key financial risks. We need a clear statement of investment requirements in terms of recurring and one-off costs. We will.

- Regularly review our financial regulations, which is a key control element that supports the financial governance framework, taking into account any changes to the Scottish Public Finance Manual (SPFM).
- Make sure that we align our financial governance and corporate governance documents and arrangements.
- Make sure that we embed financial considerations from the start of our project and programme management processes and monitor throughout, identifying benefits realised and efficiencies made.
- Consider the whole life-costs, value for money, recurring and one-off costs, risks and opportunities and focus on the outcomes we want to achieve when considering proposed developments. We must involve the Finance Team from the early stages of business case preparation.

4. Integrate and harmonise financial and other strategies

This MTFS aligns to the Strategic Plan, which includes links to a range of other strategies that support the Plan. We will.

- Integrate the strategic planning and financial planning processes.
- Refer to the Financial Strategy when developing other strategies and vice-versa, making sure that they are in alignment and are achievable.
- Work to make sure that all SSSC managers understand the benefits of the Financial Strategy and conduct business in line with its objectives.
- Review the Financial Strategy every three years and the financial plans annually, amending to reflect any changes.

4. Income and expenditure profile

Over the next three years and beyond we predict that the income we receive is unlikely to cover our costs, leading to budget shortfalls. We need to take action to meet this challenge.

Income

The SSSC is funded from two main sources (£19.3m total income in 2023/24):

- grant in aid and unfunded budget pressure from Scottish Government to fund our operating costs and Local Authority registration fees (2023/24: 81% of total income)
- fees charged to registrants (2023/24: 17% of total income).

We have a small amount of other income (2023/24: 2% of total income) that relates mainly to modern apprenticeship funding and recharges for seconded staff.

We also receive income to disburse on behalf of the Scottish Government (£5m in 2023/24) relating to practice learning fees, postgraduate bursaries and the Voluntary Sector Development Fund. We receive extra funding from the Scottish Government for specific initiatives. Appendix 1 shows how our budget is funded, how we spend it and how we have allocated funding across our strategic outcomes.

We have made the following assumptions in planning for income.

- Grant in aid - With the pressure on public funding it is unlikely that grant in aid will increase permanently and likely that it will stay the same or reduce, subsidised in whole or in part by unfunded budget pressures. It is likely that Scottish Government will ask public bodies to make efficiency savings in future years.
- Registration fees – we are unable to increase fees without the consent of the Scottish Government. Fees were last reviewed in 2017 and Ministers agreed that it was not the right time to consult in 2021 and 2022 due to the cost of living crisis. We will consider again in 2023. Given the decision to directly fund fees for registrants working for Local Authorities in 2022, the concept of increasing fees is more complicated. It is likely that extra groups will be added to the register in the next three years, although the number of individuals within the current proposed groups are small.
- Specific funds for particular initiatives are unlikely to increase and may reduce due to the pressure on public funding with competing priorities and the impact of inflation.

Expenditure

Most of the SSSC's funding goes towards paying for staff costs (2023/24:82%) and we also spend on supplies and services, accommodation and administration and travel costs that support us to carry out our business activity.

We have made the following assumptions in relation to expenditure.

- Permanent staff numbers will remain stable as the work we do remains broadly the same and there is a no compulsory redundancy policy. Any reductions are due to natural turnover.
- Payroll costs will continue to increase – to agree pay award for 2022/23.
- The triennial pension review takes place in 2023, which could lead to increased costs. Assume same as current 17% employer contribution.
- Assume shared services costs, which are mainly staff, will increase by the same percentage as pay increases.
- We will continue to rely on temporary posts to deliver on our strategic outcomes if there is not a permanent increase to grant in aid.
- Costs will increase by inflation even if our cost base remains the same.
- We will review the position relating to the rewards review project in 2023.
- We need to continue to invest and develop systems and processes to maintain business as usual, continually improve and realise savings and efficiencies.
- We will reduce our accommodation by approximately half from 2023/24.

5. Efficiencies and savings options

To plan and prepare for adverse financial scenarios, it is important to review the areas with potential to deliver efficiencies and/ or cost reductions.

Over the last 10 years, as the register has grown, 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. We have saved over £14m by introducing legally qualified chairs to Fitness to Practise panels and by implementing orders by consent. We have also achieved considerable savings by increasing thresholds for referral, introducing opt in hearings, increasing the number of cases we close at screening and reducing the ratio of staff that maintain the register.

We have invested in technology over the years, which has led to efficiencies from transformational and incremental change and this, combined with better use of data, will enable us to be more efficient in the future. The move to agile working will allow us to achieve savings of approximately £270,000 from 2023/24 by halving our office space.

We have limited scope to make further efficiencies and savings but have set out below the areas where there may be some potential.

Workforce Planning

Workforce planning is an ongoing process that an organisation carries out to match its workforce to its organisational objectives and outcomes. The SSSC has started to understand its current staff profile and how it is currently deployed, identify the mix and numbers and types/skills of staff needed in the future and develop plans to move towards the desired workforce shape and size.

Staff Turnover

The staff turnover averages around 13% in 2022/23 with a buoyant recruitment market. Assuming this trend continues there will be an opportunity to review the need for vacant posts as they arise.

Future proofing programme

Work has started to future proof the register, which will reform our core business including the register, qualifications and skills and the codes of practice to make sure we can continue to deliver services efficiently and sustainably. We will use digital technology to make systems and processes more efficient and data to more effectively influence the sector.

Benefits realisation and efficiency targets

Efficiency targets still have a place in the form of being an element of Best Value reviews, EFQM assessments, Lean Business Process reviews, efficiencies plans and procurement savings.

Over the last two years we have introduced more rigorous project management principles and set out the benefits we are looking to achieve by undertaking each programme or project then reviewing the actual realised periodically.

Business and Digital Transformation

We will continually review all processes and timescales within them to make sure they are robust and protect the public. Innovation at the SSSC is crucial and we must test new ways of doing our work to meet the demands on the organisation.

We invested heavily in a digital transformation project before the pandemic and most of our staff continue to work from home most of the time. We will continue to make sure we keep our equipment and critical systems, such as Mattersphere and D365 up to date, and identify how we can make further efficiencies and improvements.

Stakeholder Engagement and Focus on Customer Service

These are cross-cutting themes that impact on process improvements, best value, efficiencies and digital transformation and will therefore contribute to many of the initiatives outlined above.

6. Scenario planning and sensitivity analysis

There is uncertainty inherent in our financial position, primarily influenced by the external financial environment. We will prepare our budgets for the period based on assumptions and our best estimates given what we know.

Although it is a somewhat simplistic view in some areas such as registration income where there are complexities, it is useful to prepare a sensitivity analysis that gives an indication of the change in budget figures arising from a change in assumptions and parameters. The following table shows the figures for our key areas of income and expenditure based on 2023/24 budget.

	2023/24 Budget	+/- 0.5%	+/-1%	+/- 3%	+/- 5%	+/- 10%
	£000	£000	£000	£000	£000	£000
Income						
Grant in aid	11,028	55	110	331	551	1,103
Grant in aid – Local Authority Registration fees	2,593	13	26	78	130	260
Registration fees	3,310	17	33	99	166	331
External funding (2022/23)	376	2	4	11	19	38
Expenditure						
Pay award	469	2	5	14	23	47
Employer pension contribution	2,094	10	21	63	105	209
Other supplies and services	3,466	17	35	104	173	347

It is also useful to consider our best case, worst case and realistic scenarios measured against our baseline. The table below provides our assessment based on the views of Council members and the Executive Management Team.

Scenario	Grant in aid	Registration Fees	External funding (not core)	Costs
Baseline	Flat cash	Current levels	Current levels	Most costs below covered by grant in aid but budget gap covered by unfunded pressure: *Pay award increases *Essential temporary posts *Inflationary increases on non payroll costs including digital and other supplies and services *Investment in future proofing programme and essential digital developments

				*Replacement of IT equipment every four years.
Best case	Permanent increase to pay for all costs	Yr 1 – as current Yr 2 – 12.5% increase Yr 3 – 5%	Current levels	All costs above covered by grant in aid. Temporary posts made permanent.
Realistic Worst case	Flat cash plus unfunded pressures for essential costs £1.6m	Current levels	Reduced by 50%	Most costs covered by grant in aid but budget gap covered by unfunded pressure.
Worst case	3% to 10% reduction	Current levels	None	High level of costs not covered by grant in aid or unfunded pressure. Reducing staff numbers necessary to close budget gap.

7. Risks

In our strategic risk register we have included strategic risk 6: The SSSC fail to secure sufficient budget resources to fulfil the financial plans required to deliver the strategic plan. We have a cautious appetite to this risk.

The key strategic risks to delivery of the Financial Strategy and potential mitigation are as follows, split between those that are to some extent within SSSC's control and those that are not within SSSC's control:

Risks within the SSSC's control	Mitigation
Underestimate future spending plans	Realistic assessment of future plans with clear rationale and assumptions
Projected costs/ income underestimated	Realistic assessment of projected costs and income with clear rationale and assumptions
Don't achieve anticipated savings/ efficiencies	Realistic assessment of anticipated savings and efficiencies with clear rationale and assumptions

Inability to align financial and other strategies	Reference to Financial Strategy when reviewing other strategies and vice-versa, amending as necessary
Risks not within SSSC's control	**Mitigation**
Future available funding less than assumed – grant in aid and specific funds	Make sure the Scottish Government (SG) is aware of the funding we need to deliver the Strategic Plan and corporate functions, what will not be delivered if funding is reduced and the impact
Volatility of registrant numbers and impact on fee income and workload	Regularly monitor to assess impact and adjust staff numbers as necessary
Not politically acceptable to increase registration fees to the sector/ add other groups to the register so can't increase registration fee income	Make sure Scottish Government is aware of impact and that extra funding may be required to meet budget gaps
Pay awards and price inflation higher than assumed	As above
Increased demand for services not matched by sufficient funding	As above
Unable to maintain target level of reserves	As above
Balance the budget by reducing headcount resulting in an impact on delivering core services and potentially public protection	As above
If headcount is reduced there are cost implications eg redundancy, pension strain	As above
If reduced funding means our ability to invest in intelligence and the programme management office is restricted, there is a high risk of the huge strides we've made in these areas being undone	As above
Implications of changes to legislation and government policy	As above

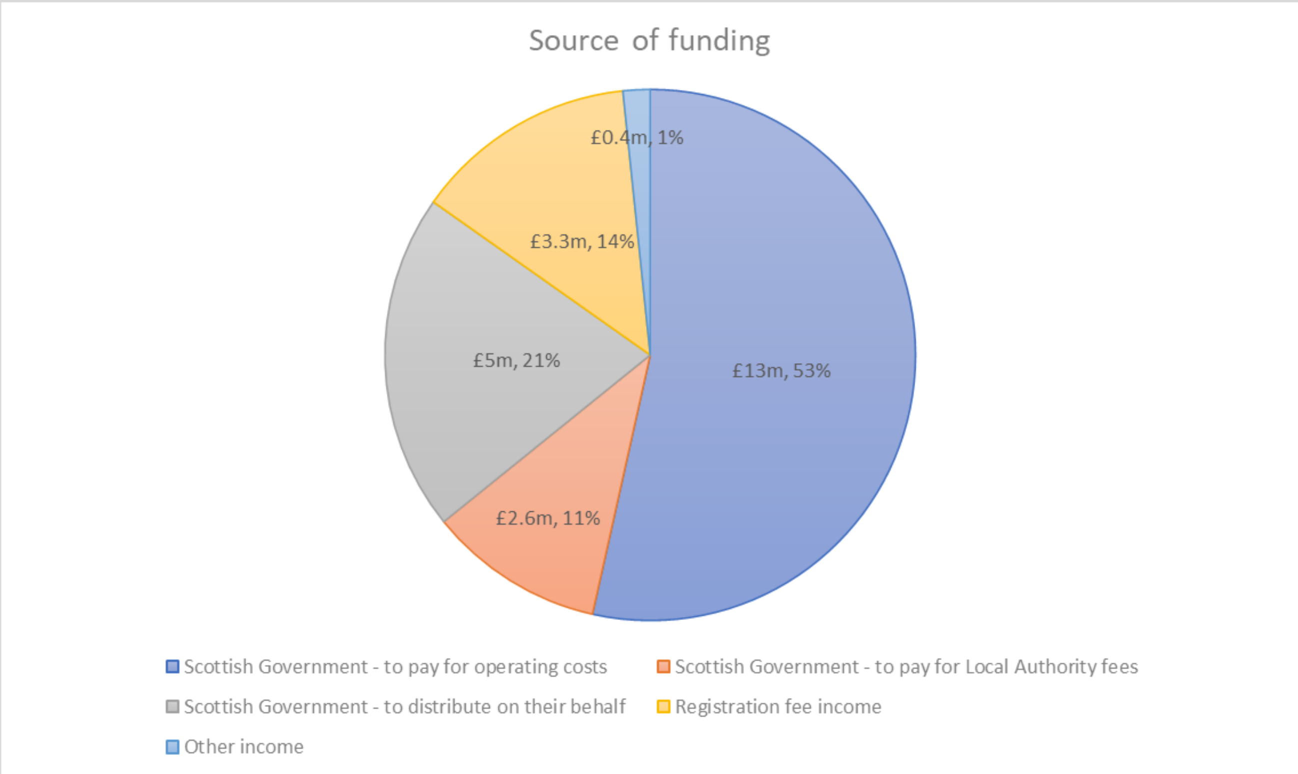
Related risks are.

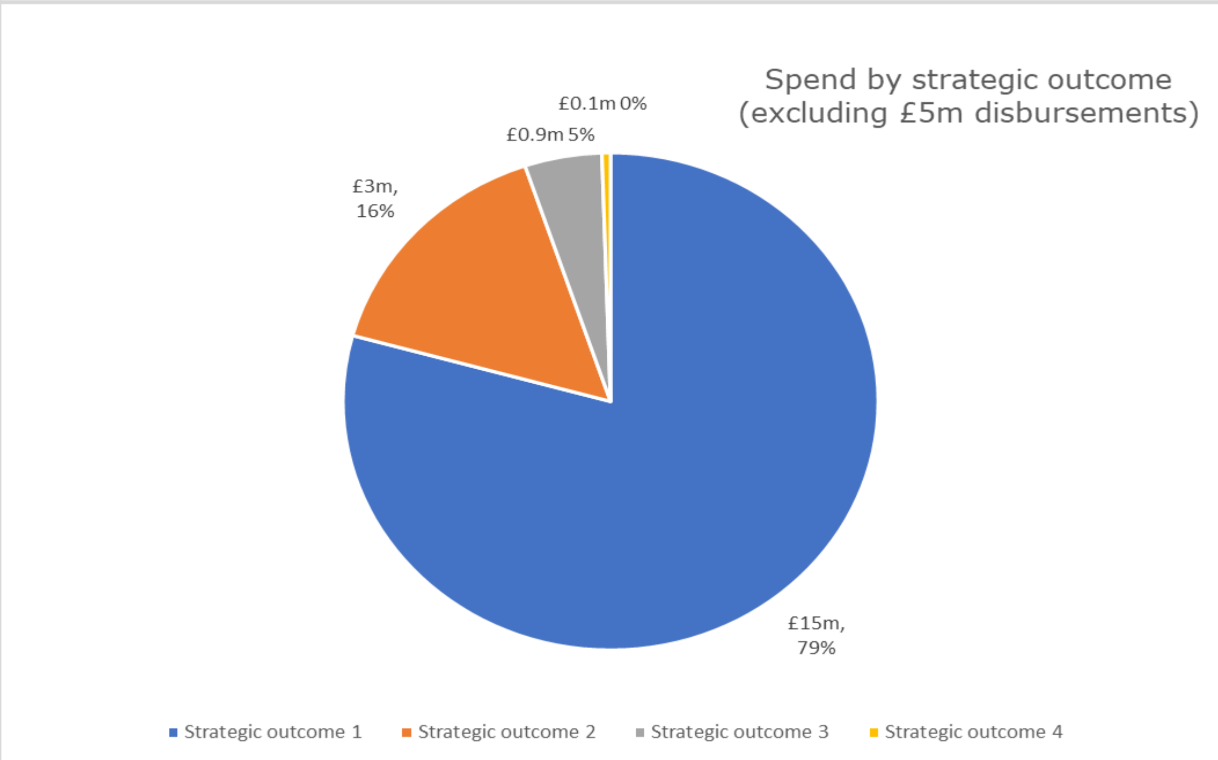
- If we don't continue to invest in staff our reputation, protection of the public, ability to meet corporate governance and legislative requirements and staff morale could suffer.

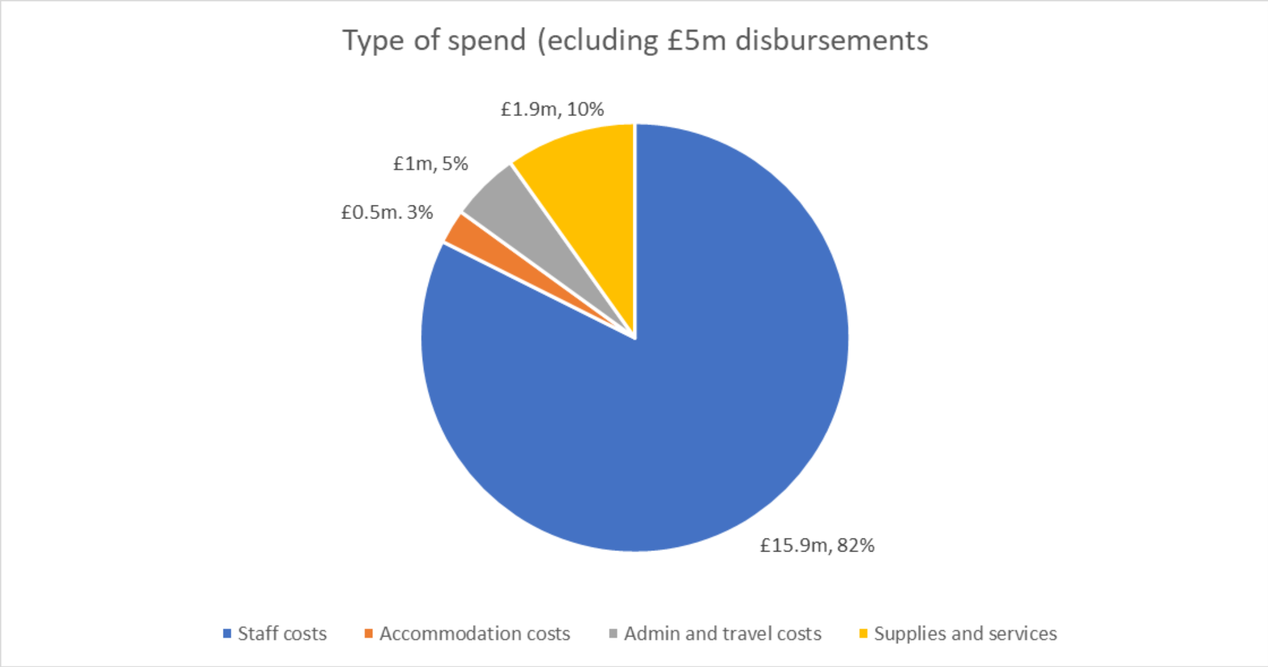
- If we don't develop as an organisation and continue to achieve our outcomes, existing Scottish Government funding may be put at risk.

We will take action to mitigate these risks and monitor them through our existing risk management processes.

Appendix 1
Sources of funding and how we spend it






Type of spend (ecluding £5m disbursements
£1.9m, 10%
£1m, 5%
£0.5m. 3%
£15.9m, 82%
Staff costs
Accommodation costs
Admin and travel costs
Supplies and services

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