Scottish Social Services Council

Council
25 March 2024
Agenda item: 03
Report no: 12/2024

Title of report	Budget 2024/25 and indicative budgets for 2025/26 and 2026/27
Public	Public
Summary/purpose of report	This report presents the budget for 2024/25 along with the indicative budgets for the following two years.
Recommendations	The Council is asked to approve: • the 2024/25 budget
Author	Laura Shepherd Director of Strategy & Performance
Responsible Officer	Maree Allison, Interim Chief Executive
Link to Strategic Plan	The information in this report links to: Outcome 1: **Trusted** People who use services are protected by a workforce that is fit to practise. Outcome 2: **Skilled** Our work supports the workforce to deliver high standards of professional practice. Outcome 3: **Confident** Our work enhances the confidence, competence and wellbeing of the workforce. Outcome 4: **Valued** The social work, social care and children and young people workforce is valued for the difference it makes to people's lives.
Link to Risk Register	Risk 6: The SSSC fails to secure sufficient budget resources to fulfil the financial plans required to deliver the strategic plan.
Impact assessments	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	Appendix 1 – 2024/25 budget Appendix 2 – 2024/25 Staffing Appendix 3 – Reduction Scenario
Background papers	

EXECUTIVE SUMMARY

1. The SSSC's new financial year starts on 1 April 2024. Our Executive Framework sets out that the Scottish Government Sponsor (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.

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. Due to the challenging public sector financial position, we have not received an uplift in our grant in aid (GIA) allocation in the Spring Budget Revision (SBR) announced on 20 December 2023. Our Sponsor has verbally advised that the funding deficit of £3.366 million (reduced from the draft budget of £3.571m) will be managed as a resource pressure in 2024/25 and our Sponsor will work with Scottish Ministers, aiming to permanently increase GIA in future years.

5. We are currently projecting to end the year with an estimated general reserve of £1.157m (4.5%). This is above 2% (£510k) to 2.5% (£637k) target. The reason for the increase from the February draft budget paper is explained below.

6. Our overall budget includes money that we use to support the sector. Postgraduate Bursaries (PG), Practice Learning fees (PL), Workforce Development Grant (WDG) and Voluntary Sector Development Fund (VSDF) budgets do not affect the GIA allocation.

7. Tayside Pension Fund's actuaries have indicated that the common contribution rate for employers that are not closed to new membership be reduced from the current 17% to 15.7% from 1 April 2024. This rate will remain for a period of three years up to 31 March 2027. The defined benefits remain the same for employees. The decision to increase/decrease in funding from SSSC to Tayside is determined by how well the investments from the fund versus projected pension payment looks.

8. The final decision will be made at the Tayside Pensions Sub-Committee meeting on 18 March 2024, therefore we have not yet included this in the 2024/25 budget. Should it come into effect, it would reduce our spending pressure by approximately £170k.

9. Council is asked to approve the budget 2024/25 as planned at 1 March 2024 in Appendix 1, and staffing changes in Appendix 2 of this report, subject to any changes following the year end position.

10. Sponsor confirm GIA by letter before the end of the financial year, it is expected that this will be with us before 31 March 2024 and we will advise

Members when this is received. There is ongoing discussion with Scottish Government central finance and public bodies around the allocation of right of use (ROU) lease costs due to the IFRS16 changes, the GIA letter will rely on this discussion being concluded.

OVERVIEW

11. We presented a draft budget to Council on 26 February 2024. Since that position we have revisited some internal policies that we apply to our budget, to look at ways to reduce our potential spending pressure.

12. Historically our staffing budget carries a 4% vacancy management adjustment (VMA). VMA is an internal control set by Executive Management Team (EMT) and deals with natural gaps in posts being filled when staff leave, or any delays to recruitment that might occur in year. Having reviewed the history of VMA we believe that increasing this to 5.5% is a reasonable approach, reflecting historic trends for the SSSC. We will trial this in 2024/25. This creates a saving of £157k and with other reductions reduces the deficit from £3.571m proposed in the February Council paper to £3.366m.

13. We have revised the draft budget for 2024/25 considering those changes and draft budgets for 2025/26 and 2026/27. These include business as usual and developments that EMT considers necessary to effectively deliver our statutory functions and the Strategic Plan 2023-2026. Table 1 in Appendix 1 shows the projected sources of our operating and disbursement income of £23.782m and expenditure of £27.147m (which includes the disbursement outgoings) as of 1 March 2024, resulting in a funding deficit (shortfall) of approximately £3.366m (reduced from February position of £3.571m). Council should note this could be subject to change before the year end is finalised.

14. Table 1 also indicates that future years will carry a spending pressure of which our Sponsor department is aware. However, the indicative budgets for 2025/26 onwards may be impacted by changes to registration fees. Council approved a consultation on fees which will happen later in 2024.

15. Our Sponsor has verbally confirmed that they have approved the budget pressure. This pressure includes the cost of the agreed 2024/25 pay award.

16. Sponsor have increased PL fee resources by £1.5m. PL fees are not part of GIA but are shown alongside PG bursaries in our budget.

17. We had carried out scenario planning if Scottish Government reduced our GIA levels in the December SBR. We have included at Appendix 3, what a 5% reduction in GIA would look like for illustration purposes. However, no reduction was applied to our GIA.

Changes to staffing

18. Our staffing establishment is the approved permanent and temporary staff we need to run the organisation. After Council approval, this becomes part of the budgeted establishment for 2024/25. Appendix 2 contains the changes to the staffing establishment.

19. We have reduced 32.6 FTE (full-time equivalent), between the current 2023/24 establishment and the proposed 2024/25 establishment providing a saving of £1.141m, (£446k of which is recurring).

20. The Head of HR 1.0 FTE post was approved during 2023/24 and is offset against the costs of the Care Inspectorate Head of HR via the shared service that we no longer pay for. We are proposing a further permanent 4.0 FTE in 2024/25 with 1.0 FTE of these funded from an existing post (net increase of 3.0 FTE) at a cost of £201k and 10 temporary posts (Appendix 2, table 2) at a total cost of £516k. This gives a net reduction of 17.6 FTE and net saving of £424k, £245k of which is recurring.

21. The reduction in permanent posts has been a result of the implementation of Future Proofing Programme (FPP) and other workforce change as the result or efficiencies created through the use of digital and automation.

Planned operating costs

22. Our budget for 2024/25 includes a reduction of £177k of recurring non-staff savings where we have made efficiencies on operating costs and reduced licensing costs. However, costs for the remaining business-as-usual digital activity have increased. Digital operating costs have seen the impact of inflationary increases across licensing, cyber security and telephony resulting in £134k additional costs. This gives a net recurring saving of £43k.

23. We have planned one-off digital development of £356k, including the further development required post implementation FPP of £190k. This is a reduction from the draft budget position on 26 February for one off development of £376k.

24. The remaining development costs will support upgrades to Learning Zone and Open Badges platforms, our main website and access to MySSSC. The need for these changes is to replace outgoing technology that we cannot sustain inhouse, ensure compliance with accessibility standards and improvements to our customer experience that has been evidenced through FPP consultation work.

25. Other areas of one-off planned work outside of digital work that will support the delivery of our statutory functions and strategic outcomes are expected to cost £199k. This includes training for panel members, post

graduate research of data, fitness to practice certification and other administrative costs to support the delivery of our People Strategy.

Reserves

26. Based on projections, we estimate our total reserve to be £1,165m by 31 March 2023. The change from reported position in February has been due to several factors, however some key points are highlighted below:

    - The 2023/2024 pay award was settled on the 5 of March and is projected to cost £118k less than original projection due to some posts being vacant at settlement. Pay award costs are projected on posts being filled for a full year.
    - We have received more registration income then projected and required less local authority rebates from Scottish Government to compensate for lost income arising from the August 2022 agreement. The net figure of this is £110k additional fee income. This may change in March and we will monitor this.
    - The underspend on Panel Member allowances and training has increased by another £74k since the end of January.
    - We will spend £74k less on digital running costs then projected.
    - We are carrying forward £100k ringfenced into our reserves for our digital hardware equipment that we hold for replacements required during the year, as we have done in previous years.

27. As our reserves are now projected to be above target, we will discuss the use of reserves with our Sponsor team as we drawdown funds during the year.

28. There are several issues that may require the use of reserves including the Sommerville judgement for Panel Members and other legal costs which will not be known until later in 2024/25.

29. We are projecting an estimated underspend in PG bursaries of £221k and PL fees of £607k which are not part of GIA. Sponsor has agreed the carry forward and the use of this underspend for further disbursements in 2024/25.

30. We are projecting an estimated underspend for WDG of £250k and VSDF of £116k which is not part of GIA. Sponsor has agreed the carry forward and the use of this underspend in 2024/25 for further work.

31. Our Sponsor has already confirmed that we can carry forward underspend in FPP which is ringfenced, to meet the changes to timescale driven by legislative issues experienced in 2023/24.

32. Our disbursement and grant carry forward set out above is not considered part of GIA. The SSSC or Council do not have any discretionary approval authority for use of this carry forward, this is agreed with Sponsor.

CONSULTATION

33. A development session was held with Council Members in December 2023 to review the draft budget position for 2024/25.

34. Sponsor has been involved in budget development and has agreed the spending pressure for 2024/25.

35. The budget has been drafted based on the delivery of the draft Operational Plan 2024/25 which covers the work we are required to deliver as agreed by Scottish Government.

RISKS

36. Risk 7 in the strategic risk register is that SSSC fails 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.

37. Our 2024/25 and future years GIA allocation does not meet the level of funding required to deliver our statutory responsibilities and strategic plan asset out in this report. However, Sponsor has provided verbal assurance of spending pressure for 2024/25 and will continue to review our permanent GIA for future years with Ministers.

38. Other risks to the budget are set out below.

    a. We are only funded year to year from Scottish Government, we do not have the ability to make future strategic financial decisions and we have no investment decisions, without the support of Scottish Government. Therefore, our budget can only be confirmed for the year ahead, which is noted as a risk by external auditors.

    b. 80% of our budget is allocated to staffing and Scottish Government pay strategy includes a commitment to a no-compulsory redundancy policy.

    c. Significant changes to policy and changes to our regulation process or legislation governing regulation must be approved and funded by Scottish Government. We are not able to fund or invest in significant change within the limitations of GIA.

    d. Registration fees have not increased since 2017 and Ministers agreed with our recommendation to postpone reviewing fees in 2021/22 and 2022/23 due to the cost of living crisis. Ministers agreed in 2022 to pay fees for registrants working for Local Authorities, which adds further complexity. We rely on registration fees to contribute towards our operating costs that continue to increase even if we stand still. We will consult on registrant fees in 2024/25 but any ultimate decision to change fee levels will not affect 2024/25 budget.

e. Inflation is included where known for example digital contracts, but no general inflationary uplift is included, meaning costs may be higher than the budget.

IMPLICATIONS

Resourcing

39. The resourcing required to deliver our statutory functions and strategic plan are set out in this report.

Compliance

40. There are no compliance issues as part of the report.

IMPACT ASSESSMENTS

Equalities

41. There are no equalities impact identified as part of this report. Any development that are carried out as the result of budget approval will be screened for impacts.

CONCLUSION

42. Council is asked to approve the budget for 2024/25 and note the indicative budgets for 2025/26 and 2026/27.