

<b>Title of report</b>	Draft budget 2023/24 and indicative budgets for 2024/25 and 2025/26
<b>Public/Confidential</b>	Public
<b>Summary/purpose of report</b>	This report presents the draft budget for 2023/24 along with indicative budgets for 2024/25 and 2025/26.
<b>Recommendations</b>	<p>The Council is asked to:</p> <ol style="list-style-type: none"> <li>1. consider and comment on the draft budget for 2023/24 (Appendix 1, table 1) that includes draft changes to staffing establishment (paragraphs 17 and 18 below), subject to written confirmation from the Scottish Government. Scottish Government has agreed to fund a deficit budget of £2.066m as an unfunded pressure this year and that we can use the balance of our reserves as working capital in 2023/24.</li> <li>2. note the indicative budgets for 2024/25 of £2.423m deficit and 2025/26 £2.696m deficit (Appendix 1, table 1).</li> <li>3. note that specific grant funding and associated expenditure is currently excluded from the draft 2023/24 budget and indicative budgets for 2024/25 and 2025/26.</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 - Budget - supporting information</p> <p>Appendix 2 - Changes to staffing establishment</p> <p>Appendix 3 - Budget assumptions</p>
<b>Background papers</b>	Draft 2023-24 budget 27 February 2023
	<p><a href="#">Link to Apx 1 - Budget - Supporting information</a></p> <p><a href="#">Link to Apx 2 - Changes to staffing establishment</a></p> <p><a href="#">Link to Apx 3 - Budget assumptions</a></p>

## **EXECUTIVE SUMMARY**

1. The SSSC's new financial year starts on 1 April 2023. 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. Council is asked to consider and approve the draft budget in Appendix 1, table 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 £2.066m as an unfunded pressure in 2023/24 and our Sponsor will work with Scottish Ministers, aiming to permanently increase grant in aid in future years.
5. At 28 February 2023 our projected general reserve is £1.412m. Of this balance, £445k will be held to use for disbursements and £162k for Workforce Development Grant in 2023/24, leaving a remainder of £805k available for general use during the year (at 3.2% this is above our target 2%-2.5% reserves). Scottish Government has agreed that we can hold this working capital in reserve for use in 2023/24.
6. Appendix 1, table 1 includes indicative budgets for 2024/25 (£2.423m deficit) and 2025/26 (£2.696m deficit). This shows that, without extra funding from the Scottish Government and/ or registration fees, we cannot cover our baseline costs in future years.

## **DRAFT BUDGET 2023/24**

### **Overview of 2023/24 financial position**

7. We have prepared a draft budget for 2023/24 that includes business as usual and developments that Executive Management Team (EMT) considers necessary to effectively deliver the Strategic Plan. Table 1 in Appendix 1 shows the sources of our operating and disbursement income of £22.323m and expenditure of £24.389m, resulting in a funding deficit (shortfall) of £2.066m. Operating income is £17.316m, operating expenditure is £19.382m, with disbursements totalling £5.007m.
8. SG will pay £2.593m fees of registrants employed by Local Authorities through grant in aid.
9. In the draft budget paper to Council on 27 February 2023 we provided several options to reduce our operating costs to meet the budget deficit. Since then, our Sponsor has confirmed that they have approved an

unfunded budget pressure of £2.066m. This includes £300k already approved for future years to fund the impact of the 2022/23 pay increase. This means that Ministers accept that an overspend of grant in aid is necessary for 2023/24 and they will adjust the level of our grant in aid during the 2023/24 financial year. Ministers ask that we continue to work towards decreasing the total amount as far as possible.

10. Our Sponsor will continue to work during 2023/24 to secure a permanent increase to our grant in aid. They have let us know that we must not drawdown any underspend in the unfunded pressure of £2.066m, although we will monitor this throughout the year.
11. The budget excludes specific grant funding such as the Workforce Development Grant and the Voluntary Sector Development Funding as Scottish Government has yet to agree this.

### **Changes since the Council meeting on 27 February 2023**

12. We reported a first draft budget deficit of £2.858m at the Council meeting in February. Our Sponsor asked us to separate the Future Proofing Programme (FPP) budget of £1.092m from our operating budget as they hope to fund this separately as a specific project. We removed £300k income for the 2022/23 pay award from our operating budget as this will now be funded from the spending pressure. We also made some other smaller adjustments. This leaves our overall budget deficit for 2023/24 at £2.066m.

### **Key changes between 2022/23 budget and 2023/24 draft budget**

13. We have included our budget assumptions in Appendix 3. Costs of the pay award, increments and increased national insurance alone add around £600k to our budget this year and there is still a no compulsory redundancy policy in place.
14. We will reduce our office space by half, with costs estimated to reduce from £800k to £524k. Ministers agreed to renew the lease of Compass House and Quadrant House from April 2023, although we found out in mid February that the landlord has not yet signed the lease. We are waiting to find out whether all tenants have confirmed occupancy, the space we will occupy and final cost. Work to improve the hearing rooms started in 2022/23 and we expect to incur £142k in 2023/24. We have £86k in the budget and the remaining £56k will be funded from reserves or in-year underspends.
15. We reduced digital developments by £214k and will focus on enhancements included in the FPP. If we do not progress with the FPP we will need to assess other development requirements to maintain our core systems. We have included the digital developments we will progress in 2023/24 in Appendix 1, table 2.
16. We have increased Fitness to Practise panel member allowances by £312k to £667k to reflect the projected number of hearing days and because of the legal ruling to pay them holiday pay and pensions, although we have

not included pension payments in this amount as we are not aware of the level of take-up. We are not yet aware of the extent to which we will have to backdate payments but have paid two years of backdated holiday pay in 2022/23.

### **Changes to staffing establishment**

17. Our staffing establishment is the approved permanent and temporary staff we need to run the organisation. In 2023/24 we will fund the posts in Appendix 1, table 5 from the £2.066m unfunded pressure, which is not permanent grant in aid. After Council approves, this becomes part of the budgeted establishment for 2023/24. Appendix 2 shows the movement of established posts between 2022/23 and 2023/24, including posts that we deleted to pay for other posts. Total establishment reduced by 9.2 FTE from 335.6 to 326.4 ie 2.4 permanent staff and 6.8 temporary staff. The paybill stayed the same at £15.3m. These figures do not include staff in the FPP in Appendix 1, table 3.
18. It is good financial practice only to fund permanent posts from permanent funding and we have a cautious appetite to budgeting. We have taken a risk contrary to this practice in requesting funding of 1.2 permanent posts (£53k) that will help us maintain and improve systems that we need to provide statutory functions on the basis that we have historically underspent our budget. This is in addition to 2.5 posts (£146k) that Council agreed to make permanent that we didn't have funding for in 2022/23.

### **Future Proofing Programme**

19. The FPP was a commitment in our 2020-23 Strategic Plan with the aim of modernising and improving the structures for carrying out the SSSC's core statutory functions. Our Sponsor has asked us to submit a separate business case for the FPP to present to Ministers for approval as it is a one year, one-off programme of work, due to complete by 31 March 2024. Appendix 1, table 3 shows how the proposed 2023/24 budget for the FPP of £1.092m is broken down.

### **Budget summary 2023/24 by strategic outcome**

20. We have split the 2023/24 budget by strategic outcome and this is shown in Appendix 1, table 6 with a comparison of the split for 2022/23. We have included assumptions in Appendix 3.

### **GENERAL RESERVES**

21. Based on projections at 28 February 2023, we expect our general reserve to be £1.412m by 31 March 2023. Of this balance, £445k must be held for disbursements and £162k for Workforce Development Grant expenditure during 2023/24. We maintain a target of 2% to 2.5% (£500k to £625k) for our general reserve. If we assume the minimum balance of 2%, this leaves £305k available for general use in 2023/24. If the minimum target

reserve is not maintained at 2% then up to 805k is available for general use (Appendix 1, table 4).

22. Our Sponsor has confirmed by email that we can carry forward the underspend in disbursements to 2023/24 (£445k at 28 February 2023). They have also asked us to drawdown all Workforce Development grant in 2022/23, leaving an underspend of £162k to be carried forward for use in 2023/24, and that we can use our remaining general reserve balance of £804k as working capital in 2023/24. However, we will not drawdown any unused balance at the end of the financial year, excluding our target reserves of 2-2.5% (£500k to £625k). We can redirect disbursements to fund operational expenditure only to the extent that it is not required for the purpose 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.
  - Office improvements - £56k
  - Digital work of £100k if the FPP business case is not approved.
  - Potential spend relating to the National Care Service, the Independent Review of Inspection, Scrutiny and Regulation (IRISR) and the Fitness to Practise panel member legal decision.
  - Any spend relating to the rewards review if it is reinstated after the IRISR.

## **2024/25 and 2025/26 INDICATIVE BUDGETS**

24. We prepared indicative budgets for 2024/25 and 2025/26, based on the draft 2023/24 budget and assuming grant in aid stays at the same level of £16.035m. The indicative budgets are shown alongside the draft budget for 2023/24 in Appendix 1, table 1.
25. There is an indicative deficit budget of £2.423m in 2024/25 and a deficit budget of £2.696m in 2025/26. 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 3.
26. These budgets do not allow for developmental work or additional staffing costs except the work and temporary posts that have a contract period after 31 March 2024.

## **CONSULTATION**

27. We compiled the draft and indicative budgets after input from budget holders and review by directors. The EMT reviewed the draft budget for 2023/24 and we have included their priorities. We consulted Council Members in the January development session and Council meeting on 27 February. We consulted our Sponsor and sought their advice and support as we have developed the draft budget.

## **RISKS**

28. Risk 7 in the strategic 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.
29. Our 2024/25 and 2025/26 budgets have deficits of £2.423m and £2.696m respectively. We have not assumed any increases to registration fee income in these figures, we have not allowed for digital or other development costs in the indicative budgets and our permanent costs are rising. There is a risk to delivery of the Strategic Plan 2023-26 if we do not have sufficient budget to deliver.
30. Other risks to the budget are set out below.
  - Lack of permanent additional grant in aid funding meaning we cannot commit to temporary or permanent posts that we need to deliver our strategic outcomes.
  - 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.
  - Increased pay claim in 2023/24 beyond what we have allowed for in the budget. A further increase of 2% would mean approximately £300k in each of the three years included in this report.
  - Scottish Government does not agree the business case to fund the Future Proofing Programme.
  - Little digital or other development funding in 2024/25 and 2025/26 meaning we may not be able to deliver system changes and other initiatives that will support delivery of business as usual and business improvement.
  - Temporary funding used to fund permanent posts - £199k in 2023/24.
  - Inflation is included where known, but no general inflationary uplift is included, meaning costs may be higher than the budget.
  - Increase in costs due to higher carbon targets.

- We will have to pay for unused space until Scottish Government confirms all tenants occupying the Dundee office. This could mean up to an extra £276k in our budget.
- We have a legal requirement to pay pensions for members of Fitness to Practise panel members. We have not allowed for this as we do not know the level of take up from the 80+ members or the extent of backdating. We have paid two years backdated holiday pay but it is possible we will need to backdate further. There could also be implications from the ruling for Council Members and Scottish Government is looking into this.
- Scottish Government has not committed to an unfunded pressure amount beyond 2023/24 so we have not included any amounts in the budgets for 2024/25 and 2025/26. The risk would reduce if Scottish Government were to agree a permanent increase to grant in aid or unfunded pressures in future years.
- There is uncertainty in our budget, particularly relating to potential implications from the National Care Service and the Independent Review of Inspection, Scrutiny and Regulation. We paused the Rewards Review in August 2022 as there was no extra funding from SG to implement a new pay and grading structure. We will revisit this activity in 2023.

## **IMPLICATIONS**

### **Resourcing**

31. The draft budget for 2023/24 is a deficit budget of £2.066m. Indicative budgets for 2024/25 are £2.423m deficit and 2025/26 £2.696m deficit meaning we don't have enough funding in future years to cover baseline costs.
32. We project reserves available for general use of £805k at 31 March 2023 (at 28 February 2023) that Scottish Government agrees we can use as working capital in 2023/24.

### **Compliance**

33. 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**

34. When we develop business cases for improvement/development projects, we will also produce individual Equality Impact Assessments (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**

35. This report asks the Council to consider and approve the draft budget for 2023/24 and the indicative budgets for 2024/25 and 2025/26 (Appendix 1, table 1). We have currently excluded specific grant funding and associated expenditure from the draft 2022/23 budget and indicative budgets for 2024/25 and 2025/26 as Scottish Government has yet to agree this.