

<b>Title of Report</b>	Draft Budget 2025/26
<b>Public</b>	Public
<b>Summary/purpose of report</b>	To outline the draft budget for 2025/26 to Council
<b>Recommendations</b>	The Council is asked to endorse 1. the draft budget which will be submitted to Council for formal approval in March 2025.
<b>Author</b>	Laura Shepherd Director, Strategy and Performance
<b>Responsible Officer</b>	Laura Shepherd, Director, Strategy and Performance
<b>Link to Strategic Plan</b>	The information in this report links to:  Outcome 1: <b>Trusted</b> People who use services are protected by a workforce that is fit to practise.  Outcome 2: <b>Skilled</b> Our work supports the workforce to deliver high standards of professional practice.  Outcome 3: <b>Confident</b> Our work enhances the confidence, competence and wellbeing of the workforce.  Outcome 4: <b>Valued</b> The social work, social care and children and young people workforce is valued for the difference it makes to people's lives.
<b>Link to Risk Register</b>	Risk 1: We fail to ensure that our system of regulation meets the needs of people who use services and workers.  Risk 2: We fail to ensure that our workforce development function supports the workforce and employers to achieve the rights standards and qualifications to gain and maintain registration.

	<p>Risk 4: We fail to provide value to stakeholders and demonstrate our impact.</p> <p>Risk 6: The SSSC fails to secure sufficient budget resources to fulfil the financial plans required to deliver the strategic plan.</p>
<b>Impact Assessment</b>	An Impact Assessment (IA) was not required.
<b>Documents attached</b>	<p>Appendix 1 Budget</p> <p>Appendix 2 Movement</p> <p>Appendix 3 Staffing</p> <p>Appendix 4 Forecast</p> <p>Appendix 5 Reduction scenarios</p>
<b>Background papers</b>	None

## **INTRODUCTION**

1. The SSSC's new financial year starts on 1 April 2025 and we are entering the final year of our current Strategic Plan. Following the successful conclusion of the Future Proofing Programme we have focused our budget planning on investment in:
  - Engaging and involving people in our work, being recommendations from both the Independent Review of Inspection, Scrutiny and Regulation and the Promise.
  - Our digital security, implementing and improving our key platforms and increasing our AI capability.
  - Our work with key stakeholders, including Scottish Government to improve the education, training and development of the workforce.
2. The public sector funding environment is extremely challenging and whilst 80% of our operational spend remains on staff costs, we have set the draft budget on the basis of reducing overall headcount, reshaping our workforce to focus on strategic priorities, and maintaining digital investment.
3. This paper sets out the background to the budget, the approach taken by Officers in setting the budget, key points to highlight and a specific issue relating to our reserves.

## **BACKGROUND**

4. Council must approve the annual budget each year, as required by our Code of Corporate Governance. Council also approves increases to the permanent staffing establishment. Our Executive Framework sets out that the Scottish Government Sponsor (Sponsor) must confirm our funding before the new financial year starts.
5. 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 2024. Our Sponsor has verbally advised that the funding deficit will be managed as a resource pressure in 2025/26 and our Sponsor will work with Scottish Ministers, aiming to permanently increase GIA in future years.
6. We are currently projecting to end the year with an estimated general available reserve of £1,7m. However, there is work progressing that will reduce this. We are proposing a change to the target reserves policy which we will present to Council in the March budget paper.
7. 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.

8. Council is asked to review this draft budget for 2025/26 in preparation for approving the budget at the Council meeting in March 2025.
9. Sponsor confirms GIA by letter before the end of the financial year. It is expected that this will be with us before 31 March 2025 and we will advise Members when this is received.

## **APPROACH**

10. We have prepared a draft budget for 2025/26 that includes business as usual and developments that Executive Management Team (EMT) considers necessary to effectively deliver our statutory functions and the Strategic Plan 2023-2026.
11. 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.
12. Table 1 in Appendix 1 shows the sources of our operating and disbursement income of £24.190m and expenditure of £28.414m resulting in a funding deficit (shortfall) of approx. £4.224m. Appendix 2 details the movements of the key areas between 2024/25 and 2025/26.
13. Our Sponsor has verbally confirmed that they have approved the budget pressure of £4.224m.
14. The budget excludes specific grant funding such as the WDG and the VSDF as Scottish Government has yet to agree this.
15. Council is considering a proposal to consult on reviewing registration fees. Fees have not been increased from the current level since 2017. No assumption on increasing fees has been made in this version of the budget. Any decision to change fees will be known for the March budget paper and will be included at that point. The draft budget includes a projected increase in fee income in 2025/26 of £391k. This is based on projections relating to size of the Register.
16. We have included indicative budgets for 2026/27, 2027/28 and 2028/29 in Appendix 4 for information. These are subject to change and only include an estimate for any pay awards of 3%. Appendix 5 provides an overview of the scenarios created by a reduction in GIA if that were to happen in future years.

## **OVERVIEW OF BUDGET KEY POINTS**

### **Staffing changes**

17. The most significant shift in staffing costs is driven by staff going up the increments within the pay scale, the national insurance (NI) increase to 15% and reduction in threshold at which NI is paid and the application of provisional 3% pay award. This increases staffing costs by £1.085m between years.
18. The budget proposes a reduction of 4 Full Time Equivalent (FTE) but increase to permanent headcount of 4.4 FTE giving a net permanent increase of 0.4FTE.
19. The reduction in permanent FTE includes reducing Director headcount from four to three posts. Additional permanent FTE are targeted at:
  - Increasing our in-house digital capabilities to support our digital strategy
  - Increasing our senior capacity to influence Scottish Government policy and lead and deliver around our education, standards and development of the workforce
  - Increasing our communications, research and policy capacity to improve our stakeholder reach.
20. However, with efficiencies created across the organisation due to Future Proofing Programme (FPP) and improvements to the way we work, with the removal of both permanent and temporary posts and repurposing of existing posts the budget sees a total net reduction overall in FTE of 16.4 (Appendix 3).
21. We continue with the over recruitment within the Fitness to Practise Department (FtP) that was approved at Council in 2022/23, which we use to support turnover to ensure we create stability to manage the throughflow of cases within FtP.

### **Operating costs**

22. Operating costs account for 20% of our budget. The most significant shift seen in the budget around these is £180k increase in digital business as usual (BAU) costs reflecting increases in licencing and inflation. There are also much smaller additional costs for practicing certificates for FtP staff and research for the strategic plan and further sector wellbeing surveys.
23. Our digital development cost for 2025/26 is £636k which includes (but is not an exhaustive list)
  - significant work on a new legal case management system required due to supplier changes

- new data website
  - continued work on the corporate website
  - upgrades and developments to MySSSC and D365.
24. In comparison our 2024/25 digital development costs are projected to be £356.5k from GIA, £150k from other grant funding on behalf of Scottish Government driven work, plus £136k for FPP digital work giving a total of £641K. Compared to actual spend on digital development there is a reduction in planned costs for 2025/26.

### **Rationale for operating and staffing proposals**

- Pay award parameters are set by Scottish Government therefore we have limited scope to provision for anything less than the 3% proposals.
- We are required to absorb the NI increase to 15% and the reduction of the threshold at which this is paid.
- The current draft budget assumes no increase in fees as a decision has not yet been made.
- Investment in our digital capacity, safety and technology is key to delivering our business. We are focusing on the increased BAU and digital development to maintain robust cyber security, ensure we develop the website, continue the development of Registration Systems and replace the legal case management system.
- Increased capacity at Head level in Workforce Education and Standards (WES) to meet the increasing demand on our regulatory functions to support national policy, Social Work Education Partnership (SWEP) developments, National Social Work Agency (NSWA) planning and student funding disbursement and at advisor level to support the review of the National Occupational Standards and consultation on new register groups.
- Increase our research, policy and communication capacity to reach our audiences, understand the national policy landscape and develop our work in direct relation to that need. Such as involving people, Independent Review of Inspection, Scrutiny and Regulation (IRISR), The Promise and our public sector equalities and diversity duties.
- Ensure we maintain our levels of throughput for case management and FtP needs are met with the appropriate tools and continued developments in place. The current provider of our legal case management system has indicated they will be moving the product to open source with a sunset on support. Therefore, we require to procure and implement a replacement system. We cannot deliver our statutory FtP function without a legal case management system.

## **Reserves**

25. Based on projections, we estimate an available general reserve of £1.7m by 31 March 2025. We will ringfence funds within this reserve for expenditure into 2025/26 due to ongoing work. We will detail this in the March budget paper.
26. We have an internally set target for available reserves of 2%-2.5% of gross budget. Through discussion with Council, Sponsor and auditors it has been determined that a reasonable position would be that we have enough cash in the bank to cover one to three months running costs of the organisation including paying staff salaries. The advice is that this is good practice to mitigate against emergency situations when drawdowns from main funds might be delayed or not available and to ensure the organisation can cover the costs of extenuating circumstance such as additional legal service without the need to request additional GIA. For the SSSC this would sit around 5% to 6% of gross budget.
27. Therefore, we will recommend to Council in March that we replace the set target of 2%-2.5% reserves with a tolerance position of around 5-6% to bring us in line with the advice received.
28. We are currently projecting an estimated underspend in Postgraduate Bursaries of £1.2m, of which, £250k has been agreed in principle to fund students in hardship and £474k for PL fees. We will discuss with our Sponsor whether carry this forward in addition to our general reserve if the underspend remains at the end of February 2025.
29. We are projecting an estimated underspend for WDG of £269k, Practice Learning Student Support Grant of £100k and other grants of £24k. We are in discussion with Sponsor about carry forward and the use of this underspend in 2026/25.
30. Our Sponsor has already confirmed that where work is committed and ongoing, the funds are to be retained in reserves to be carried forward for use as proposed.

## **CONSULTATION**

31. Operational Management Team (OMT), EMT and Sponsor have been involved in developing our budget plans.
32. A development session was held with Council Members in December 2024 to discuss the proposed budget.

## **RISKS**

33. 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.
34. Our 2025/26 and future years GIA allocation does not meet the level of funding require to deliver our statutory responsibilities and strategic plan as set out in this report. There is very little of our operational spend which is discretionary and non-contractual and therefore an increasing budget gap represents an increasing risk. Sponsor has provided verbal assurance of spending pressure for 2026/25 and will continue to review our permanent GIA for future years with Ministers.
35. Other risks to the budget are set out below.
- 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 to make out with our GIA, without the support of Scottish Government.
  - 80% of our budget is allocated to staffing and Scottish Government pay strategy includes a commitment to a no-compulsory redundancy policy.
  - 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.
  - 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.
  - 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**

36. The resourcing required to delivery out statutory functions and strategic plan are set out in this report.



**Compliance**

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

**IMPACT ASSESSMENT**

38. An impact assessment was not required. Work contained within the budget will be impact assessed are necessary.

**CONCLUSION**

39. Council is asked to endorse the draft budget which will be revised following any changes and submitted to the March 2025 Council meeting.