

## **Scotland Excel**

**To: Executive Sub-Committee**

**On: 20 October 2023**

**Joint Report by:  
The Treasurer and the Chief Executive of Scotland Excel**

### **Revenue Budget Monitoring Report to 15 September 2023**

#### **1. Summary**

- 1.1 At the end of Period 6, Scotland Excel is projecting an £89k overspend by year-end in its Core activities and an increase of £169k in Project Reserves. Both Core and Projects budgets will be monitored closely in order to mitigate any projected overspends against planned budgets by year-end. Further detail is provided at section 3.

#### **2. Recommendations**

- 2.1 It is recommended that Members note the report.

#### **3. Background**

##### **Core**

- 3.1 At 15 September 2023, the year-to-date net expenditure for Core was £1.947m, comprising gross expenditure of £2.149m, less gross income of £0.202m.
- 3.2 The current projection for the end of 2023/24 is a £89k overspend position for Core. Scotland Excel will continue to control expenditure and focus on developing its Income Strategy to deliver a balanced budget. Rebate income in particular, is growing towards anticipated levels which will support financial sustainability.

Significant variances in relation to this projection are as follows:

##### **Employee Costs – £224k overspend**

The approved budget for 2023/24 included an estimated pay award of 3%. In light of the persistent high level of inflation, as well as other recent public sector pay negotiations, the projected overspend within Employee Costs now

includes provision for a pay award of 6% for the year. This is an estimate for the purpose of forecasting the anticipated spend for the year.

Any progress in relation to the actual local government pay settlement will be closely monitored with the forecast adjusted accordingly. Scotland Excel will also continue to exercise prudent management of the workforce across the financial year, which will include a Voluntary Redundancy (VR)/ Voluntary Early Retirement (VER) process.

#### **Supplies and Services Costs - £22k overspend**

Expenditure in relation to Marketing and Communications is projected to be £22k over at year end reflecting expenditure relating to the Scotland Excel Supplier Awards event. This additional expenditure is offset by income generated through the event which is reflected in the increase in Income from Projects figure detailed below.

#### **Support Costs - £22k underspend**

A saving of £22k has been achieved following a competitive tender process for Professional Indemnity Insurance renewal costs for 2023/24.

#### **Income from Projects - £135k over-recovery**

The over-recovery is made up of income in relation to the Scotland Excel Supplier Awards event totalling £22k, and additional Rebate Income of £113k generated by Scotland Excel frameworks during 2022/23, as adjusted within the audited annual accounts.

- 3.3 Income and expenditure will continue to be monitored throughout the financial year and all projections and assumptions will be kept under review. Action will be taken where possible, to mitigate any projected variances through prudent management of the workforce, close monitoring of sundry budgets and further exploration of existing and new income streams for the organisation.
- 3.4 Appendix 1 provides an analysis of the actual spend to date along with projected net expenditure for 2023/24 and includes a summary of movement in the Revenue Reserve, as well as a glossary of terms.

#### **Projects**

- 3.5 The year-to-date net expenditure for Projects is £233k, comprising gross expenditure of £571k and gross income of £338k.
- 3.6 At the end of Period 6, the year-end projection for Projects is a planned increase to Project Reserves of £169k. This is a decrease of £5k compared to

the approved budget position and follows an anticipated transfer to Core of £361k.

- 3.7 Significant variances in relation to the full-year projection are as follows:

**Employee Costs** - the projected spend within Projects includes provision for a higher pay award as detailed in 3.2 above. There have also been staffing changes within several projects including Scottish Government National Commissioning of Residential Services, South Lanarkshire and Flexible Procurement Services projects which has reduced the projected full year actual by £47k from Period 4.

**Supplies and Services** – the increase in projected spend reflects increased internal charges for projects from the Flexible Procurement Team.

**Third Party Payments** - the year-to-date balance reflects the impact of accounting entries in relation to accrued expenditure from 2022/23 for the New Build project. This figure will be reversed once corresponding transactions have been processed in the current financial year. The projected underspend relates to a lower level of New Build Framework activity than anticipated.

**Income from Projects** – this figure includes the additional £113k over recovery of Rebate income accrued during 2022/23 as reflected in the audited annual accounts and explained in the Period 4 report. However, this is offset by a £179k projected under-recovery for a range of Projects in 2023/24, including a lower level of activity for the New Build Framework.

- 3.8 Appendix 2 provides an analysis of the actual spend to date along with projected net expenditure for 2023/24 and includes a summary of movement in the Project reserves, as well as a glossary of terms.

REVENUE BUDGET MONITORING STATEMENT 2023/24  
1 April to 15 September 2023

| Core Operations               | Approved Budget | Year to Date Actual | Projected Full Year Actual | Projected Full Year Variance (Adverse) / Favourable | P4 Period Projection | Movement in Projection Adverse / (Favourable) |
|-------------------------------|-----------------|---------------------|----------------------------|---|----------------------|---|
| £000s                         | £000s           | £000s               | £000s                      | £000s   | £000s                | £000s   |
| Employee Costs                | 4,207           | 1,875               | 4,431                      | (224)   | 4,421                | 10  |
| Property Costs                | 217             | 0                   | 217                        | 0   | 217                  | 0   |
| Transport Costs               | 20              | 2                   | 20                         | 0   | 20                   | 0   |
| Supplies and Services         | 291             | 174                 | 313                        | (22)  | 291                  | 22  |
| Transfer Payments             | 22              | 7                   | 22                         | 0   | 22                   | 0   |
| Support Costs                 | 303             | 91                  | 281                        | 22  | 281                  | 0   |
| <b>Gross Expenditure</b>      | <b>5,060</b>    | <b>2,149</b>        | <b>5,284</b>               | <b>(224)</b>  | <b>5,252</b>         | <b>32</b>                                     |
| Council Requisitions          | (3,999)         | (130)               | (3,999)                    | 0   | (3,999)              | 0   |
| Associate Income              | (230)           | (43)                | (230)                      | 0   | (230)                | 0   |
| Income from Projects          | (248)           | (29)                | (383)                      | 135   | (248)                | (135)   |
| Rebates                       | (583)           | 0                   | (583)                      | 0   | (583)                | 0   |
| <b>Gross Income</b>           | <b>(5,060)</b>  | <b>(202)</b>        | <b>(5,195)</b>             | <b>135</b>  | <b>(5,060)</b>       | <b>(135)</b>                                  |
| <b>Drawdown from Reserves</b> | <b>0</b>        | <b>1,947</b>        | <b>89</b>                  | <b>(89)</b>   | <b>192</b>           | <b>(103)</b>                                  |

| Summary of in-year Movement in Reserves  | £000s |
|--|-------|
| Opening Revenue Reserve at 1 April 2023  | 244   |
| Projected Contribution to Reserves       | 0     |
| Projected Year-end variance              | (89)  |
| Closing Revenue Reserve at 31 March 2024 | 155   |
| % of Operating Income                    | 3.0%  |

Glossary

**Employee Costs:** Includes direct employee costs such as salary costs, overtime and indirect employee costs such as training, recruitment advertising

**Property Costs:** Includes expenses directly related to the running of premises and land, eg rates, rents and leases, utilities, contract cleaning

**Transport Costs:** Includes all costs associated with the provision, hire or use of transport, including travelling allowances, taxi and car hire costs and staff mileage

**Supplies and Services:** Includes all supplies and service expenses, such as ICT costs, and administrative costs such as stationery, postages, printing and advertising

**Transfer Payments:** Includes costs of payments for which no good or services are received in return e.g. Apprenticeship Levy

**Support Costs:** Includes central support charges e.g. Renfrewshire Council SLA and telephony recharges ('Administration Costs' in approved budget)

**REVENUE BUDGET MONITORING STATEMENT 2023/24**  
**1 April to 15 September 2023**

| Projects                         | Approved Budget | Year to Date Actual | Projected Full Year Actual | Full Year Variance (Adverse) / Favourable | P4 Period Projection | Movement in Projection Adverse / (Favourable) |
|----------------------------------|-----------------|---------------------|----------------------------|---|----------------------|---|
| £000s                            | £000s           | £000s               | £000s                      | £000s                                     | £000s                | £000s   |
| Employee Costs                   | 1,534           | 713                 | 1,680                      | (146)                                     | 1,727                | (47)  |
| Transport Costs                  | 3               | 0                   | 2                          | 1   | 2                    | 0   |
| Supplies and Services            | 54              | 16                  | 87                         | (33)                                      | 54                   | 33  |
| Transfer Payments                | 7               | 2                   | 8                          | (1)                                       | 9                    | (1)   |
| Third Party Payments             | 848             | (160)               | 289                        | 559                                       | 416                  | (127)   |
| <b>Gross Expenditure</b>         | <b>2,446</b>    | <b>571</b>          | <b>2,066</b>               | <b>380</b>                                | <b>2,208</b>         | <b>(142)</b>                                  |
| Income from Projects             | (2,868)         | (338)               | (2,596)                    | (272)                                     | (2,662)              | 66  |
| <b>Gross Income</b>              | <b>(2,868)</b>  | <b>(338)</b>        | <b>(2,596)</b>             | <b>(272)</b>                              | <b>(2,662)</b>       | 66  |
| <b>Net Expenditure Sub-Total</b> | <b>(422)</b>    | <b>233</b>          | <b>(530)</b>               | <b>108</b>                                | <b>(454)</b>         | <b>(76)</b>                                   |
| <b>Transfer to Core</b>          | <b>248</b>      | <b>0</b>            | <b>361</b>                 | <b>(113)</b>                              | <b>223</b>           | <b>138</b>                                    |
| <b>Net Expenditure</b>           | <b>(174)</b>    | <b>233</b>          | <b>(169)</b>               | <b>(5)</b>                                | <b>(231)</b>         | <b>62</b>                                     |

| <b>Summary of in-year Movement in Reserves</b>   | <b>£000s</b> |
|--|--------------|
| Opening Projects Reserves at 1 April 2023        | 1,383        |
| Adjustment to opening balance                    | 113          |
| Projected Contribution to Reserves               | 174          |
| Projected year-end variance                      | (5)          |
| <b>Closing Project Reserves at 31 March 2024</b> | <b>1,665</b> |
| <b>% of Operating Income</b>                     | <b>64.1%</b> |

### Glossary

**Employee Costs:** Includes direct employee costs such as salary costs, overtime and indirect employee costs such as training, recruitment advertising

**Transport Costs:** Includes all costs associated with the provision, hire or use of transport, including travelling allowances, taxi and car hire costs and staff mileage

**Supplies and Services:** Includes all supplies and service expenses, such as ICT costs, and administrative costs such as stationery, postages, printing and advertising

**Transfer Payments:** Includes costs of payments for which no good or services are received in return e.g. Apprenticeship Levy

**Third Party Payments:** Includes payments to other agencies and organisations in return for services, e.g. CMI/SQA fees