

Scotland Excel

To: Executive Sub-Committee

On: 18 August 2023

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

Revenue Budget Monitoring Report to 21 July 2023

1. Summary

- 1.1 At the end of Period 4, Scotland Excel is projecting a £192k overspend by year-end in its Core activities and an increase of £231k 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 21 July 2023, the year-to-date net expenditure for Core was £1.429m, comprising gross expenditure of £1.489m, less gross income of (£0.060m).
- 3.2 The current projection for the end of 2023/24 is a £192k overspend position for Core. Scotland Excel will continue to focus on its Income Strategy to deliver a balanced budget. Rebate income, in particular, is growing to anticipated levels to support financial sustainability. Further work is underway in this area to crystallise this position.

Significant variances in relation to this projection are as follows:

Employee Costs – £214k 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 and 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.

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.

- 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 £494k, comprising gross expenditure of £312k and gross income of £182k.
- 3.6 At the end of Period 4, the year-end projection for Projects is a planned increase to Project Reserves of £231k. This is an increase of £57k compared to the approved budget position, and follows an anticipated transfer to Core of £223k.
- 3.7 Significant variances in relation to the full-year projection are as follows:

Employee Costs - the projected spend within Projects now includes provision for a higher pay award as detailed in 3.2 above.

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, offset by reduced income, as noted below.

Income from Projects – the year-to-date balance shown here reflects the impact of accounting entries in relation to accrued income from 2022/23 for Rebates. This figure will be reversed once corresponding transactions have been processed in the current financial year. It should also be noted that income generated for rebates relating to the 2022/23 year has now exceeded the figure

reported in the Unaudited Annual Accounts, by £113k. The external auditor has been advised and this will be reflected in the Audited Annual Accounts. It means that the outturn position for 2022/23 has improved, and that the opening revenue reserve will be £113k higher. This has been adjusted in the table at the foot of Appendix 2. The projected under-recovery for 2023/24 in Project Income relates to a lower level of New Build Framework activity than anticipated.

- 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 2023 to 21 July 2023

Core Operations	Approved Budget	Year to Date Actual	Projected Full Year Actual	Full Year Variance (Adverse) / Favourable
£000s	£000	£000	£000	£000
Employee Costs	4,207	1,238	4,421	(214)
Property Costs	217	0	217	0
Transport Costs	20	1	20	0
Supplies and Services	291	154	291	0
Transfer Payments	22	5	22	0
Support Costs	303	91	281	22
Capital Charges	0	0	0	0
Gross Expenditure	5,060	1,489	5,252	(192)
Council Requisitions	(3,999)	0	(3,999)	0
Associate Income	(230)	(35)	(230)	0
Income from Projects	(248)	(25)	(248)	0
Rebates	(583)	0	(583)	0
Gross Income	(5,060)	(60)	(5,060)	0
Drawdown from Reserves	0	1,429	192	(192)

Summary of in-year Movement in Reserves	£000
Opening Revenue Reserve at 1 April 2023	244
Budgeted Draw on Reserves	0
Projected Year-end variance	(192)
Closing Revenue Reserve at 31 March 2024	52
% of Operating Income	1.0%

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

REVENUE BUDGET MONITORING STATEMENT 2023/24
1 April 2023 to 21 July 2023

Projects	Approved Budget	Year to Date Actual	Projected Full Year Actual	Full Year Variance (Adverse) / Favourable
£000s	£000	£000	£000	£000
Employee Costs	1,534	462	1,727	(193)
Transport Costs	3	0	2	1
Supplies and Services	54	16	54	0
Transfer Payments	7	2	9	(2)
Third Party Payments	848	(168)	416	432
Gross Expenditure	2,446	312	2,208	238
Income from Projects	(2,868)	182	(2,662)	(206)
Gross Income	(2,868)	182	(2,662)	(206)
Net Expenditure Sub-Total	(422)	494	(454)	32
Transfer to Core	248	0	223	25
Net Expenditure	(174)	494	(231)	57

Summary of in-year Movement in Reserves	£000
Opening Projects Reserves at 1 April 2023	1,383
Adjustment to opening balance	113
Projected Contribution to Reserves	174
Projected year-end variance	57
Closing Project Reserves at 31 March 2024	1,727
% of Operating Income	64.9%

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