

Scotland Excel

To: Executive Sub-Committee

On: 21 October 2022

**Report by:
Joint Report by the Treasurer and the Chief Executive**

Revenue Budget Monitoring Report to 16 September 2022

1. Summary

- 1.1 At the end of Period 6, Scotland Excel is projecting an overspend position of £16k by year-end in its Core activities and a planned £33k increase in committed Project Reserves by year-end. Both Core and Projects budgets will continue to be monitored closely over the remainder of the financial year, targeting a break-even position for Core operations by March 2023. 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 16 September 2022, the year-to-date net expenditure for Core was £2.003m, comprising gross expenditure of £2.034m, less gross income of (£0.031m). Invoicing in relation to Council Requisitions and Associate Income takes place between October and December each year and will be reflected in future Budget Monitoring reports to committee.
- 3.2 The current projection for the end of 2022/23 is an overspend position of £16k for Core. At Period 4, the projection was a £77k underspend. The movement in full year projection is due primarily to the local government pay award being higher than budgeted and previously projected. All other projected variances are the same as those reported at Period 4, with the following exceptions:

- **Employee Costs – £18k underspend**

The projected expenditure figure, which was an underspend of £124k at Period 4, has been revised to reflect the local government pay award for 2022/23 and the reduction in Employers National Insurance contributions from

November 2022 announced by the UK Government. Employee Costs will continue to be closely monitored throughout the remainder of the financial year as Scotland Excel work towards achieving a break-even position at year end.

- **Transport Costs – £10k underspend**

This projected outturn was estimated as a break-even position at Period 4, but is now expected to underspend, given current and ongoing levels of travel.

- **Supplies and Services – £6k overspend**

The projected outturn, which was estimated as a £4k overspend at Period 4, reflects the most up-to-date estimates and assumptions on various items, such as conferences, stationery and events. The increase in projected overspend relates to additional legal costs which will be subject to the local government pay award.

- **Associate Income – £17k under-recovery**

The Scotland Excel Associates team continues to promote the benefits of membership. The projected under-recovery, which was estimated at £24k at Period 4, reflects increased income from new associates joining Scotland Excel.

- **Income from Projects - £19k under-recovery**

While income from Consultancy Projects and the Scotland Excel Academy is anticipated to achieve target, continuing challenges within the construction industry indicate that the New Build Project will not achieve its target rebate contribution for 2022/23, resulting in the projected under-recovery position.

- 3.3 Income and expenditure will continue to be monitored throughout the financial year and all projections and assumptions will be kept under review as Scotland Excel work towards achieving a break-even position at year end.
- 3.4 Appendix 1 provides an analysis of the actual spend to date along with projected net expenditure for 2022/23 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 at Period 6 for Projects was £689k, comprising gross expenditure of £687k and gross income of (£2k). The expenditure figure shown under Income reflects income accrued from last financial year which has not so far been received.
- 3.6 The projection for Projects at the end of 2022/23 is a planned increase in committed Project Reserves of £33k, after an anticipated transfer to Core of £258k. The movement in full year projection is due primarily to the local

government pay award being higher than previously projected and revision of income projections across a number of projects.

- 3.7 The projected spend in Employee Costs within Projects has increased by £28k since Period 4 due to inclusion of the agreed local government pay award for 2022/23 and adjustment to Employers National Insurance contributions in line with the recent UK Government announcement.
- 3.8 The additional projected over-recovery of income for projects since Period 4 of £126k relates mainly to a revision of project income from the South Lanarkshire Council project, and movement in projected income across a range of other on-going projects.
- 3.9 The projected Transfer to Core figure has reduced by £11k due primarily to a number of projects being credited directly to the Core operating income rather than Project income.
- 3.9 Appendix 2 provides an analysis of the actual spend to date along with projected net expenditure for 2022/23 and includes a summary of movement in the Project reserves, as well as a glossary of terms.

REVENUE BUDGET MONITORING STATEMENT 2022/23
1 April to 16 September 2022

Core Operations	Approved Budget	Year to Date Actual	Projected Full Year Actual	Projected Full Year Variance (Adverse) / Favourable	Prior Period Projection	Movement in Projection Adverse / (Favourable)
£000s	£000s	£000s	£000s	£000s	£000s	£000s
Employee Costs	4,098	1,757	4,080	18	3,974	106
Property Costs	216	0	217	(1)	217	0
Transport Costs	20	1	10	10	20	(10)
Supplies and Services	311	156	317	(6)	315	2
Transfer Payments	16	7	16	0	16	0
Support Costs	271	113	272	(1)	272	0
Gross Expenditure	4,932	2,034	4,912	20	4,814	98
Council Requisitions	(3,883)	0	(3,883)	0	(3,883)	0
Associate Income	(220)	(22)	(203)	(17)	(196)	(7)
Income from Projects	(286)	(9)	(267)	(19)	(269)	2
Rebates	(543)	0	(543)	0	(543)	0
Gross Income	(4,932)	(31)	(4,896)	(36)	(4,891)	(5)
Drawdown from Reserves	0	2,003	16	(16)	(77)	93
Summary of in-year Movement in Reserves						
						£000s
Opening Revenue Reserve at 1 April 2022						246
Budgeted Draw on Reserves						0
Projected Year-end variance						(16)
Closing Revenue Reserve at 31 March 2023						230
% of Operating Income						4.7%

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 2022/23

1 April to 16 September 2022

Projects	Approved Budget	Year to Date Actual	Projected Full Year Actual	Full Year Variance (Adverse) / Favourable	Prior Period Projection	Movement in Projection Adverse / (Favourable)
£000s	£000s	£000s	£000s	£000s	£000s	£000s
Employee Costs	1,416	645	1,607	(191)	1,579	28
Transport Costs	4	0	3	1	3	0
Supplies and Services	10	39	41	(31)	41	0
Transfer Payments	5	2	8	(3)	8	0
Third Party Payments	501	0	311	190	311	0
Gross Expenditure	1,936	686	1,970	(34)	1,942	28
Income from Projects	(2,111)	2	(2,261)	150	(2,135)	(126)
Gross Income	(2,111)	2	(2,261)	150	(2,135)	(126)
Net Expenditure Sub-Total	(175)	688	(291)	116	(193)	(98)
Transfer to Core	286	0	258	28	269	(11)
Net Expenditure	111	688	(33)	144	76	(109)

Summary of in-year Movement in Reserves	£000s
Opening Projects Reserves at 1 April 2022	1,096
Budgeted Draw on Reserves	(111)
Projected year-end variance	144
Closing Project Reserves at 31 March 2023	1,129
% of Operating Income	49.9%

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