

Scotland Excel

To: Joint Committee

On: 19 June 2020

Report by:

Chief Executive of Scotland Excel

Financial Impact of COVID-19 Pandemic on Scotland Excel

1. Summary

- 1.1 As a result of the impact of the COVID-19 pandemic, the associated lockdown period and its impact on local government services and the wider economy, Scotland Excel faces significant financial challenges during financial year 2020/21.
- 1.2 This paper identifies the specific financial challenges facing Scotland Excel in this financial year and details actions already taken and planned by the organisation to mitigate these challenges.

2. Recommendations

- 2.1 It is recommended that members note the financial challenges faced by Scotland Excel and the associated actions being taken by the organisation to mitigate these challenges.

3. Background

- 3.1 In December 2019, the Joint Committee approved the Scotland Excel Core Operating budget for financial year 2020/21. This budget contained revenue estimates for the year based on previous and planned expenditure along with income estimates which included targets for the 5 new income streams contained within the approved Scotland Excel Funding Model.
- 3.2 Section 4 identified areas of Core expenditure which will present financial challenges during 2020/21. In addition, section 5 identifies new income streams and the challenges associated with each. Planned mitigating actions aimed at minimising the overall impact on Scotland Excel's financial position are also shown.

4. Core Expenditure

- 4.1 In common with local authorities, the Scotland Excel staffing budget is subject to a 5% reduction against the projected actual to reflect anticipated savings in relation to staff turnover. For financial year 2020/21 this reduction totals circa £185k. In normal circumstances it would be anticipated that savings generated through staff turnover during the financial year would accrue this saving.
- 4.2 During the lockdown period recruitment activity across all sectors has reduced significantly. This has been mirrored within Scotland Excel resulting in a lower than anticipated turnover of staff.
- 4.3 In order to generate the required savings in relation to the staffing budget, Scotland Excel has implemented a recruitment freeze across the organisation leaving a number of posts unfilled. Savings accrued from not filling these posts will correct the projected budget shortfall in Employee Costs by the end of the financial year.
- 4.4 Scotland Excel is also carrying out a comprehensive review of the staffing complement across the organisation to ensure the organisation operates as efficiently and effectively as possible while still delivering excellent standards of service.

5. Core Income

- 5.1 The Core operating budget for 2020/21 included income targets for the 5 new income streams contained within the approved Scotland Excel Funding Model. The anticipated impact of the COVID-19 pandemic on these income targets is detailed below.
- 5.2 An income target of £217k for Consultancy services is included within the core operating budget for 2020/21. This figure was based on fees and charges from continuing consultancy projects and on income generated from new projects developed and started during 2020/21.
- 5.3 Existing consultancy projects continue to be delivered to a high standard by Scotland Excel however, due to the impact of COVID-19, new project development has been limited.
- 5.4 Currently, Scotland Excel is anticipating the income target for consultancy in 2020/21 will be achieved. However, the pause in project development caused by COVID-19 is likely to have an adverse impact on income generated from consultancy services in the next financial year.
- 5.5 The Scotland Excel Academy performed well during 2019/20 engaging students from all local authorities and 17 other public and third sector organisations. The income target from Learning and Development for 2020/21 is £53k.

- 5.6 Initially, learning through the Academy was delivered through a blend of online learning, face to face workshops and master classes with knowledge gained through these mediums being applied directly in the workplace.
- 5.7 Implementation of the lockdown period due to COVID-19 initially caused a suspension of all training being delivered by the Academy. This impacted income levels and necessitated a comprehensive change in course delivery options, an appraisal of the learning topics being provided and a comprehensive review of the Academy business plan.
- 5.8 The Scotland Excel Academy is now delivering a growing programme of on-line learning opportunities for its customers and this is anticipated to grow throughout 2020/21.
- 5.9 Currently, Scotland Excel is anticipating that the Academy will generate income sufficient to cover it's running costs during 2020/21. However, it will not achieve its target income figure, and performance of the Academy will be closely monitored throughout the financial year.
- 5.10 The income target for Associate members during 2020/21 is £210k. Income from Associates during 2019/20 totalled £160k.
- 5.11 Due to the success and take up of temporary associate membership of Scotland Excel during the COVID-19 pandemic; the introduction of the New Build Housing framework and its attractiveness to Housing Associations and, the dedicated Associates Team within Scotland Excel the general outlook for new associates is positive.
- 5.12 However, the economic uncertainty of a post COVID-19 world will undoubtedly place increased pressure on the retention of existing associate members. Retention of existing associate members will be a priority area for the Scotland Excel associates team.
- 5.13 Currently, Scotland Excel is anticipating that the income target from Associate members will be achieved for 2020/21.
- 5.14 Income in relation to the New Build Housing project is generated via a rebate paid to Scotland Excel by contractors delivering new build projects for participants. The income contribution from the New Build Housing Project towards core operating costs during 2020/21 is £30K.
- 5.15 Due to lockdown and the subsequent cessation of all construction activity, there were no new contracts agreed under the New Build framework for the first quarter of 2020/21. This is anticipated to have a major impact on the level of rebate achieved from the project during 2020/21. However, it is anticipated that the total level of rebate projected for the project as a whole will be achieved and will be budgeted for in future years.
- 5.16 Currently, Scotland Excel is anticipating that the income target from the New Build Project will not be achieved for 2020/21.

5.17 The budgeted income target in relation to contract rebates for 2020/21 is £66k. Total expenditure across all Scotland Excel frameworks is anticipated to reduce during 2020/21 due to the COVID-19 pandemic. Those from which a rebate was planned during 2020/21 have been less affected.

5.18 Currently, Scotland Excel is anticipating that the income target from Contract Rebates will be achieved for 2020/21.

6. Summary

6.1 The table below gives a summary of the anticipated financial impact of the COVID-19 pandemic on Scotland Excel and the projected outturn after mitigating actions.

Budgetary Impact of COVID-19 – 2020/21			
Budget Line	Budget for Year (£)	Potential COVID-19 Impact (£)	Projected Variance after Mitigating Actions
Expenditure			
Employee Costs	3,591,300	-185,000	0
Income			
Consultancy	-217,000	0	0
Learning and Development	-53,000	23,000	23,000
Associates	-210,000	0	0
New Build	-30,000	30,000	30,000
Rebates	-66,000	0	0
Total			53,000

6.2 As can be seen from the above table, the anticipated financial impact of the COVID-19 pandemic on Scotland Excel, subject to mitigation is currently a deficit of £53k.

6.3 However, Scotland Excel will continue to monitor all expenditure lines and income streams across the organisation and will be targeting a break-even position at year end. Regular budget monitoring reports will continue to be presented to the Executive Sub Committee ensuring members are kept fully aware of the financial position on an on-going basis.