

Scotland Excel

To: Executive Sub-Committee

On: 20 August 2021

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

Revenue Budget Monitoring Report to 23 July 2021

1. Summary

- 1.1 At the end of Period 4, Scotland Excel is projecting a £25k overspend by year-end in its Core activities and a £110k drawdown from Project Reserves by year-end within Projects. Both Core and Projects budgets will be monitored closely in order to mitigate any projected overspends and as a result Scotland excel is confident it will deliver against its planned budget by year-end. Further detail is provided at section 3.

2. Recommendations

- 2.1 It is recommended that members note the report and approve the detailed budget adjustments for Projects.

3. Background

Core

- 3.1 At 23 July 2021, the year-to-date net expenditure for Core was £1.221m, comprising gross expenditure of £1.138m, less gross income of (£0.083m). The deficit balance showing against Rebates reflects income accruals for financial year 2020/21 which had not been cleared by the end of period 4. These sums have now been received and this will be reflected in future budget monitoring reports.
- 3.2 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 to mitigate the projected overspend, through prudent management of the workforce, close monitoring of sundry budgets and exploring further income opportunities through short-term projects.

3.3 The projection for the end of 2021/22 is an overspend of £25k for Core, which would result in a drawdown from the Revenue Reserve. Reasons for significant projected variances are as follows:

- **Employee Costs – £20k overspend**

The projected expenditure figure has been prepared incorporating a number of projections and assumptions including a lower than normal level of staff turnover, coupled with the phased introduction of a revised staffing structure within Scotland Excel, as advised to committee on 19 March 2021. Employee Costs will continue to be closely monitored throughout the financial year in order to identify mitigating actions required to bring expenditure back in line with the budget.

- **Transport Costs – £12k underspend**

The estimated outturn reflects the impact of the COVID-19 pandemic, continued homeworking for Scotland Excel employees, and reduced travel requirements as a result.

- **Support Costs - £6k overspend**

Estimated outturn figure includes allowance for increased insurance costs due to the increasing size of the Scotland Excel contract portfolio.

- **Associate Income - £7k over-recovery**

The Scotland Excel Associates team continue to work with existing associate members to promote the benefits of membership. The current over recovery reflects increased income from new associates who have joined Scotland Excel over the past year.

- **Income from Projects - £17k under-recovery**

While income from Consultancy Projects and the Scotland Excel Academy are anticipated to achieve target, continuing challenges within the construction industry indicate that the New Build Project will not achieve its target contribution for 2021/22.

3.4 Appendix 1 provides an analysis of the actual spend to date along with projected net expenditure for 2021/22 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 £124k, comprising gross expenditure of £397k and gross income of £273k.

3.6 The projection for Projects at the end of 2021/22 is a planned drawdown of £110k from Project Reserves. The drawdown from Project Reserves follows an anticipated transfer to Core of £280k. The planned drawdown from Projects Reserves includes a number of assumptions in relation to recruitment

and salary costs in addition to a number of Consultancy projects coming to an end, including those with East Lothian and Tayside Procurement Consortium.

- 3.7 Since budget approval in December 2020, there are a number of new projects currently being delivered by Scotland Excel including projects for Dumfries and Galloway, COSLA, Scottish Government and continuation of the projects with Aberdeen City and East Renfrewshire Councils. Addition of these new projects requires some adjustment to the approved budget as detailed in the 'New budget adjustments' column of Appendix 2.
- 3.8 The additional projected over-recovery of income for projects of £319k includes Phase 2 of the Scottish Government '£500 Project', income generated by the Hosted Procurement Team and an assumption of an over-recovery of Rebate income for the Small Value Procurement team. These amounts are above planned income at the time of the budget preparation.
- 3.9 Appendix 2 provides an analysis of the actual spend to date along with projected net expenditure for 2021/22 and includes a summary of movement in the Project reserves, as well as a glossary of terms.

REVENUE BUDGET MONITORING STATEMENT 2021/22
1 April 2021 to 23 July 2021

Core	Approved Budget	New budget adjustments	Revised Budget	Year to Date Actual	Projected Full Year Actual	Projected Full Year Variance (Adverse) / Favourable
£000s	£000s	£000s	£000s	£000s	£000s	£000s
Employee Costs	3,652	0	3,652	957	3,672	(20)
Property Costs	216	0	216	0	216	0
Transport Costs	20	0	20	0	8	12
Supplies and Services	292	0	292	176	293	(1)
Transfer Payments	14	0	14	4	14	0
Support Costs	266	0	266	1	272	(6)
Gross Expenditure	4,460	0	4,460	1,138	4,475	(15)
Council Requisitions	(3,770)	0	(3,770)	0	(3,770)	0
Temporary Reserve Use	0	0	0	0	0	0
Associate Income	(180)	0	(180)	(10)	(187)	7
Income from Projects	(297)	0	(297)	0	(280)	(17)
Rebates	(213)	0	(213)	93	(213)	0
Gross Income	(4,460)	0	(4,460)	83	(4,450)	(10)
Drawdown from Reserves	0	0	0	1,221	25	(25)

Summary of in-year Movement in Reserves	£000s
Opening Revenue Reserve at 1 April 2021	249
Budgeted Draw on Reserves	0
Projected Year-end variance	(25)
Closing Revenue Reserve at 31 March 2022	224
% of Operating Income	5.0%

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 2021/22
1 April 2021 to 23 July 2021

Projects	Approved Budget	New budget adjustments	Revised Budget	Year to Date Actual	Projected Full Year Actual	Full Year Variance (Adverse) / Favourable
£000s	£000s	£000s	£000s	£000s	£000s	£000s
Employee Costs	1,163	337	1,500	363	1,500	0
Transport Costs	7	0	7	0	2	5
Supplies and Services	52	0	52	33	52	0
Transfer Payments	2	0	2	1	4	(2)
Third Party Payments	155	113	268	0	268	0
Gross Expenditure	1,379	450	1,829	397	1,826	3
Income from Projects	(1,227)	(450)	(1,677)	(273)	(1,996)	319
Gross Income	(1,227)	(450)	(1,677)	(273)	(1,996)	319
Net Expenditure Sub-Total	152	0	152	124	(170)	322
Transfer to Core	252	0	252	0	280	(28)
Net Expenditure	404	0	404	124	110	294

Summary of in-year Movement in Project Reserves	£000s
Opening Revenue Reserve at 1 April 2021	772
Budgeted Draw on Reserves	(404)
Projected year-end variance	294
Closing Revenue Reserve at 31 March 2022	662
% of Operating Income	33.2%

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