

Scotland Excel

To: Executive Sub-Committee

On: 27 November 2020

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

Revenue Budget Monitoring Report to 16 October 2020

1. Summary

- 1.1 At the end of Period 7, Scotland Excel is projecting a £36k overspend by year-end in its Core activities and a £189k overspend by year-end within Projects; both of which would result in a drawdown from reserves. 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 October 2020, the year-to-date net expenditure for Core was £1.862m, comprising gross expenditure of £2.006m, less gross income of £0.144m.
- 3.2 Income and expenditure will continue to be monitored through the financial year and this projection will be kept under review. Action will be taken to mitigate the projected overspend as far as possible, 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 2020/21 is an overspend of £36k for Core, which would result in a drawdown from the Revenue Reserve. This figure was £76k at Period 5. All projected variances are the same as last reported at Period 5, with the following exception:

- **Employee Costs - £119k underspend**

Scotland Excel has had a freeze on recruitment of vacant posts across the organisation as a result of COVID-19. The previously reported £79k underspend at Period 5 assumed that vacant posts would be filled from

October 2020. While some required recruitment has taken place on a temporary basis, the current projection moves the 'fully staffed' assumption out to 2021. Staffing levels and assumptions will continue to be monitored closely.

- 3.4 Appendix 1 provides an analysis of the actual spend to date along with projected net expenditure for 2020/21 and includes a summary of movement in the Revenue Reserve, as well as a glossary of terms.
- 3.5 There have been no budget adjustments since the last report at Period 5.

Projects

- 3.6 The year-to-date net expenditure for Projects is £224k, comprising gross expenditure of £710k and gross income of £486k.
- 3.7 The projection for Projects at the end of 2020/21 is a planned drawdown of £189k from Project Reserves. This is after the planned transfer to Core of £174k and is largely attributable to the New Build Project, which is expected to overspend by £179k. Further detail is outlined at paragraph 3.10. The remaining £10k represents planned expenditure across a number of projects utilising committed reserves against each project.
- 3.8 Appendix 2 provides an analysis of the actual spend to date along with projected net expenditure for 2020/21 and includes a summary of movement in the Project reserves, as well as a glossary of terms.
- 3.9 There have been no budget adjustments since the last report at Period 5.

Update on New Build Residential Framework

- 3.10 Members will be aware of previous updates on the financial and operational impact of COVID-19 on Scotland Excel and the anticipated impact on its frameworks and projects.

Over the past couple of months, it has become clear that it is unlikely that the level of construction by councils and housing associations through the framework will not now meet the revised expectations made during the earlier stage of the pandemic.

It is anticipated that these New Build projects will still take place, but over a later period, meaning that this remains a phasing issue and rebates will therefore arise in later periods.

Clearly, however, there is an impact on the current year's project income. The Executive Team is therefore engaged in a number of steps to mitigate the issue, as follows:

- Currently undertaking further work to clarify and quantify timescales for expected delivery of the construction projects;
- A review and further emphasis on promotion of the framework within the public sector;
- Temporary utilisation of a portion of current and prospective project balances to cover the New Build shortfall within the current financial year to ensure there is no negative impact on the Core budget; and
- Close monitoring of New Build project expenditure during 2020/21 to minimise the financial impact on the budget for 2021/22 and beyond.

Members will continue to receive updates on progress for the remainder of the financial year.

REVENUE BUDGET MONITORING STATEMENT 2020/21
1 April 2020 to 16 October 2020

Core	Approved Budget at Period 5	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	3,591	0	3,591	1,812	3,472	119
Property Costs	217	0	217	(5)	217	0
Transport Costs	30	0	30	0	15	15
Supplies and Services	296	0	296	85	301	(5)
Transfer Payments	14	0	14	7	14	0
Support Costs	224	0	224	107	266	(42)
Gross Expenditure	4,372	0	4,372	2,006	4,285	87
Council Requisitions	(3,661)	0	(3,661)	0	(3,661)	0
Temporary Reserve Use	(120)	0	(120)	0	(120)	0
Associate Income	(210)	0	(210)	(96)	(170)	(40)
Income from Projects	(315)	0	(315)	(40)	(232)	(83)
Rebates	(66)	0	(66)	(8)	(66)	0
Gross Income	(4,372)	0	(4,372)	(144)	(4,249)	(123)
Drawdown from Reserves	0	0	0	1,862	36	(36)

Summary of in-year Movement in Reserves	£000s
Opening Revenue Reserve at 1 April 2019	235
Budgeted Draw on Reserves	0
Projected year-end variance	(36)
Closing Revenue Reserve at 31 March 2020	199
% of Operating Income	4.6%

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 2020/21
1 April 2020 to 16 October 2020

Projects	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	1,302	(0)	1,302	634	1,279	23
Transport Costs	23	0	23	0	3	20
Supplies and Services	57	0	57	20	20	37
Transfer Payments	5	0	5	2	4	1
Third Party Payments	294	0	294	54	105	189
Gross Expenditure	1,681	(0)	1,681	710	1,411	270
Income from Projects	(1,996)	(0)	(1,996)	(486)	(1,396)	(600)
Gross Income	(1,996)	(0)	(1,996)	(486)	(1,396)	(600)
Net Expenditure Sub-Total	(315)	(0)	(315)	224	15	(330)
Transfer to Core	315	0	315		174	141
Net Expenditure	0	(0)	0		189	(189)

Summary of in-year Movement in Project Reserves	
Opening Revenue Reserve at 1 April 2020	763
Budgeted Draw on Reserves	(120)
Projected year-end variance	(189)
Closing Revenue Reserve at 31 March 2021	454
% of Operating Income	32.5%

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