

Budget Proposal

2014/15

Introduction

Audit Scotland provides services to the Auditor General for Scotland and the Accounts Commission. The principal activities of Audit Scotland are to carry out the annual external audit of around 214 public bodies and to carry out a programme of performance and Best Value audits across the Scottish public sector.

Audit Scotland's funding comes from charges to audited bodies and from the Scottish Consolidated Fund. Audit Scotland is required to submit its budget proposals to the Scottish Commission for Public Audit (SCPA) for their consideration. The SCPA then make a report to the Scottish Parliament as part of the annual Budget Act approval process.

This paper presents Audit Scotland's budget proposal for the 2014/15 financial year, the final year of the four-year plan introduced in the autumn of 2010. This year we have again provided updated projections of resource requirements for two further years to 2016/17.

This paper should be read alongside the Fee Strategy.

This paper is presented in four parts.

- Summary.
- Resource Requirements 2014/15.
- Cost profiles 2010/11 to 2014/15 - four-year plan introduced in the autumn of 2010.
- Cost profiles 2014/15 to 2016/17.

Appendix 1 - Operating Cost Statement expenditure trends.

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Summary

Our budget proposal for 2014/15 requests a total Resource Requirement of £6,601k. This represents an overall cash increase of 0.1% on the approved 2013/14 budget, comprising an increase in revenue funding of £64k (1.0%) partially offset by a £55k (21.6%) decrease in capital funding. In real terms (2013/14 prices), this represents a 1.7% reduction.

Since the autumn of 2010 we have been delivering a four-year plan to reduce the cost of audit by at least 20% in real terms by 2014/15. Our proposals for 2014/15, the last year of the four year plan introduced in the autumn of 2010, will deliver a real terms reduction in audit fees of 23.5%.

Our budget proposal for 2014/15 will consolidate our plan to reduce the cost of audit, and will also deliver:

- gross administrative costs held at the 2013/14 levels. In real terms (2013/14 prices) this represents a 1.9% reduction
- a cost reduction (efficiency) target amounting to 1.4% of our 2013/14 expenditure budget
- a fourth year of overall cost reductions, continuing our plan to reduce the cost of audit by at least 20% in real terms over four years
- a freezing of most planned fees for 2013/14 audits at the 2012/13 levels
- a requirement for a 1.0% increase in fees for 2014/15 audits from the 2013/14 levels
- a cumulative reduction in audit fees of 23.5% in real terms over four audit years to 2013/14.

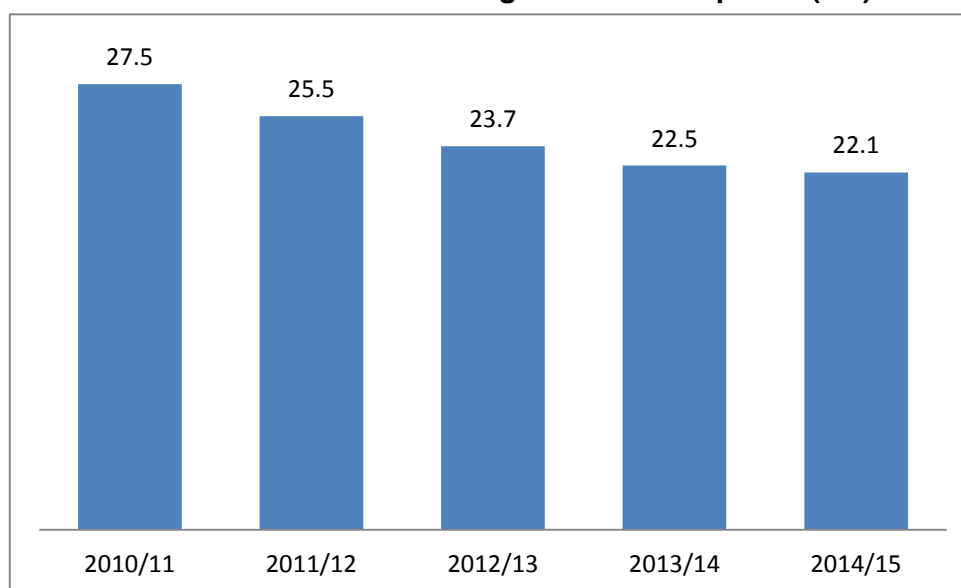
Background

Our budget proposal for 2014/15 forms the final year of our four-year plan introduced in 2010. By the end of 2014/15 our proposals will deliver:

- a fourth year of real price cost reductions to audited bodies
- our plans to reduce the cost of audit by at least 20%
- reduced revenue support by the SCPA of 16.1% in real terms over the four years to 2014/15.
- a freeze in fee levels for 2013/14 audits following three years of fee reductions. Over the four audit years to 2013/14 we will have delivered average fee reductions of 23.5% in real terms to the bodies we audit.

The chart below shows the movements in net total cost budgets from the base year of 2010/11 to the 2014/15 budget proposals. Costs are presented at 2010/11 price levels.

Table 1 - Movement in net cost budgets at 2010/11 prices (£m) *



* Further information is provided in table 4 on page 12

Resource Requirements 2014/15

The following table summarises the total Resource Requirements included in the 2014/15 budget proposal and provides a comparison with the approved 2013/14 budget. Further information on expenditure categories is provided in Appendix 1, which also provides information on actual expenditure levels in 2011/12 and 2012/13.

Table 2 – Summary of resource requirements for 2014/15

<u>Resource requirements</u>	2013/14	2014/15	Change	
			Cash	Real Prices
	£000	£000		
Expenditure				
People costs	14,181	14,187	0.0%	-1.8%
Other administrative costs	9,721	9,715	-0.1%	-1.9%
Gross administrative costs	23,902	23,902	0.0%	-1.9%
Income				
Income from charges to audited bodies	17,535	17,471	-0.4%	-2.2%
Bank interest & miscellaneous income	30	30	0.0%	-1.9%
Total income	17,565	17,501	-0.4%	-2.2%
Net Operating Cost	6,337	6,401	1.0%	-0.9%
Capital	255	200	-21.6%	-23.0%
TOTAL RESOURCE REQUIREMENT	6,592	6,601	0.1%	-1.7%

The total Resource Requirement for 2014/15 requested for approval by the SCPA is £6,601k. This represents an overall cash increase of 0.1% on the approved 2013/14 budget, comprising an increase in revenue funding of £64k (1.0%) partially offset by a £55k (21.6%) decrease in capital funding. In real terms (2013/14 prices), this represents a 1.7% reduction.

Net operating costs have increased by 1.0% in cash terms from the approved 2013/14 levels. Capital expenditure has reduced by 21.6% from the approved 2013/14 levels.

Over the four years to 2014/15 this proposal will deliver reductions in revenue funding support from the Scottish Consolidated Fund of 16.1% in real terms from the base year of 2010/11.

Although the 2014/15 budget proposal maintains total costs at the levels included in the approved 2013/14 budget, the revenue support sought from the Scottish Consolidated Fund has increased by 1%. The increase is directly attributable to the creation of the new single Police and Fire & Rescue bodies in central government and the abolition of 12 joint boards in local government. As a result the costs associated with performance and Best Value audits in these bodies, which were previously recovered through fees, will be funded from central government.

Principal budget assumptions - 2014/15

The principal assumptions underlying the budget proposal for 2014/15 are:

2013/14 Autumn Budget Revision

Audit Scotland's proposal for the Autumn Budget Revision (ABR) for 2013/14 was submitted to the SCPA at the end of August 2013. Our 2014/15 budget proposals have been prepared on the assumption that the ABR 2013/14 proposals are approved.

Work programme 2014/15

Our 2014/15 budget supports the delivery of our Corporate Plan for the period 2012 to 2015, which describes our strategy and work plans for the three years to 2015.

During 2014/15 we (and the firms appointed by the Auditor General and the Accounts Commission) will carry out the financial audits of every public body in Scotland; some 188 in all. We are increasing our scrutiny of financial planning, including budgets, capital plans, efficiency savings and cost reductions. These financial audits form the foundation of reports by the Auditor General for Scotland and the Accounts Commission.

The 2014/15 year will see the completion of the first full-year audits for the new single Police and Fire & Rescue bodies, including the transition from 12 previous joint boards. Continuing reform of the Further Education sector will also have an impact on audit work, as will the requirement to audit local authority charities.

During 2014/15 we will carry out a programme of 10 to 12 national performance audits. Our programme of performance audits continues to focus on value for money in areas of national and public interest. Examples of planned audits for 2014/15 include a final report on the Commonwealth Games, school education, ambulance services and broadband infrastructure.

During 2014/15 we will be undertaking a further five Community Planning Partnership (CPP) audits and an overview report. Our budget assumes that these audits will be delivered from existing resources.

Our auditors are alert to fraud when carrying out their annual audit work, and we continue to work closely with colleagues in England, Wales and Northern Ireland to extend the impact of

the National Fraud Initiative, which has now identified £85 million of fraud and error in Scotland since 2000.

The budget does not take into account any additional audit work required as a result of the Scotland Act (2012), future public sector reorganisations or welfare reform.

Audit Scotland places the highest importance on audit quality and we have robust quality control and monitoring arrangements in place. We are able to continue to assure the quality of our work through new technology and improved ways of working.

Our Corporate Plan can be found at http://www.audit-scotland.gov.uk/docs/corp/2012/as_12-15_corporate_plan.pdf

Pay

Our budget for 2014/15 provides for a 1% increase in pay scales in April 2014, consistent with Government pay policy. The Commission should be clear that this is a budgetary assumption and that we will enter into negotiations on pay with our recognised trade union later this year. In line with our remuneration strategy, contribution-based progression payments will continue to be made. These equate to 1% of our pay budget.

Pensions

The majority of Audit Scotland's staff are members of the Local Government Pension Scheme. The actuarial valuation on 31 March 2011 set employer contribution rates for the three years from 1 April 2012. For 2014/15 these are 14.4% for the current cost of pensions, plus a lump sum payment of £343k (2.9%) to contribute to the scheme deficit. Our proposals continue to include pension costs of £25k for the previous Auditor General for Scotland who retired in June 2012.

Our budget proposal does not include resource to meet any large non-cash accounting adjustments required under International Accounting Standard 19 (IAS 19). Our 2013/14 ABR proposals include a request for £1,045k to meet an increased non-cash pension accounting charge that will arise in 2013/14. The expectation of continuing low interest rates in the next few years may require similar large accounting charge adjustments in 2014/15 and beyond, although we will not know the amount for 2014/15 until well into 2014. In such circumstances we have assumed that ABR will continue to be requested to fund any adjustment.

Appointed auditors (firms)

The budget assumes that payments to appointed auditors (firms) for 2013/14 audits will be increased by 1% from the 2012/13 levels. A further 1% increase is assumed for 2014/15 audits. These increases are contractual and are linked to pay scale movements for our own staff.

Restructuring provision

As a result of continuing progress in reducing our staff numbers through natural turnover and with the help of our Voluntary Early Release Arrangement (VERA) scheme, we do not anticipate the need for a restructuring provision in 2014/15.

GDP deflators

A GDP deflator of 1.9% has been assumed for 2014/15. This is consistent with the June 2013 rates published by HM Treasury. These are used to remove the effect of price changes (inflation) when comparing expenditure over time.

VAT

The budget assumes that the current VAT arrangement under which the Accounts Commission recovers input VAT on audit fees from firms undertaking local government audits continues. If the arrangement were to change, there would be additional costs of around £450,000 per year. This would probably need to be recovered through a permanent fee increase of 4-5% for local authorities.

Expenditure

An analysis of expenditure by category is attached as Appendix 1. This provides information on actual expenditure levels in 2011/12 and 2012/13 and the approved budget for 2013/14. The expenditure budget is set after reviewing actual costs for each of the last two years and the current year budget and taking account of any planned developments and cost reductions.

Gross administrative costs (our total operating costs) within the proposed budget for 2014/15 remain the same as the approved 2013/14 budget. In real terms (2013/14 prices) these proposals represent a 1.9% reduction in expenditure.

The proposed budget identifies a staffing requirement for 263 w.t.e. excluding Board and Accounts Commission members. This number is 2 w.t.e. fewer than provided in the 2013/14 budget mainly as a result of continuing benefits arising from investment in new technologies over the past four years. These staff reductions will be delivered by natural turnover.

The effect of these staff reductions together with the positive impact of changes in staff structures offset pay growth and means that in cash terms, our staff budget for 2014/15 is very close to the 2013/14 budget. In real price terms (2013/14 prices) the reduction is 1.8%.

Other administrative costs in the proposed 2014/15 budget are also very close to that provided in the 2013/14 budget. In real price terms (2013/14 prices) the reduction is 1.9%.

Our budget proposal for 2014/15 represents the final year of the four-year plan introduced in the autumn of 2010. The cumulative effect of our budget proposals for the four years to 2014/15 will deliver cost reductions of 19.8% in real terms from the base year of 2010/11.

Income

2014/15 budget

Audit Scotland is required broadly to break even, taking one year with another, for that audit work which is charged to audited bodies. Money voted by Parliament covers the cost of the annual audits that we cannot charge for, together with most performance audit work within the Auditor General's remit.

Audit Scotland's fee strategy is set out in a separate paper. This covers audits for two periods, 2013/14 and 2014/15.

The 2014/15 budget proposal means that we are able to maintain audit charges for the 2013/14 audit year at 2012/13 levels for most bodies which equates to a reduction of 2% in real terms. For Further Education colleges, charges will rise by 1% reflecting the terms of the competitive tender undertaken in 2010. These proposals are consistent with that assumed at this time last year.

For the 2014/15 audit year we estimate that fees will be increased by 1% on average from the levels in 2013/14.

This budget results in an average 0.4% reduction in the fees budget for the financial year 2014/15. In real terms (2013/14 prices) the proposed budget represents a 2.2% reduction.

Income from charges to audited bodies by financial year is analysed below:

Table 3 – Income from charges to audited bodies

	Actual	Actual	Budget	Budget
	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000
Local authorities	11,797	11,844	11,495	11,200
NHS bodies	3,818	3,870	3,723	3,739
Scottish Water	180	145	146	146
Further education colleges	598	539	512	408
Scottish Government depts. & sponsored bodies	1,671	1,638	1,659	1,978
Total income from charges to audited bodies	18,064	18,036	17,535	17,471
% cash reduction in fees from 2013/14 budget				-0.4%

Audit Scotland is able to achieve these reductions while still assuring the quality of our work by investing in new technology and improved ways of working.

Income - Four-year plan

Our four-year plan set a target to reduce the cost of audit by 20% by 2014/15, with corresponding reductions in the level of fees charged to audited bodies.

In real terms our budget proposal includes average fee reductions for 2013/14 audits of 2% taking the cumulative total for four years to 23.5%.

Capital

Our capital requirements for 2014/15 are £200k, which is £55k less than approved for 2013/14.

The capital expenditure budget for 2014/15 will continue to support Audit Scotland's rolling Information Technology programme. Details of the 2014/15 capital requirements are provided below:

	£000
Communication room equipment replacement	20
Software	55
Hardware replacements	125
TOTAL	200

Efficiencies and cost reductions

The table below shows the main efficiencies and cost reductions which have been incorporated into the 2014/15 budget proposal, amounting to 1.4% of gross expenditure in cash terms in the 2013/14 budget.

	£000
Staffing costs	260
Depreciation	79
TOTAL	339

Staffing costs

Staff costs account for 59% of our expenditure budgets. Our 2014/15 budget includes a staffing establishment reduction of 2 w.t.e. compared to the 2013/14 budget. The cost savings generated from these reductions together with the effect of grade mix changes arising from business restructuring total £260k. Included in the figure is £120k in respect of reductions in senior management costs.

Depreciation

Depreciation charges in 2014/15 are budgeted at £79k less than included in 2013/14 budget. The reduction is due to lower charges in respect of property fit-out costs. These assets are fully depreciated towards the end of property lease end dates.

Conclusion

Our budget proposal for 2014/15 will deliver:

- a resource requirement requested for approval by the SCPA of 0.1% more in cash terms over the approved 2013/14 budget. This comprises an increase in revenue funding of £64k (1.0%) partially offset by a £55k (21.6%) decrease in capital funding. In real terms (2013/14 prices), this represents a 1.7% reduction
- gross administrative costs held at the levels approved in the 2013/14 budget. In real terms this represents a 1.9% reduction
- a cost reduction (efficiency) target amounting to 1.4% of our 2013/14 expenditure budgets
- a freeze in fees at the 2012/13 levels, representing a 2% real terms reduction
- a planned 1% increase in fees for 2014/15 from the 2012/13 levels. In real terms this represents a 0.8% reduction at 2014 prices.

Cost profiles 2010/11 to 2014/15

This section of the submission provides information on the cumulative impact of the four year plan introduced in 2010 and covering the period from 2011/12 to 2014/15.

Cost profiles

The table below highlights Audit Scotland's expenditure profile for the period.

Table 4 – Cost profiles for 2010/11 to 2014/15

	SCPA approved budget				Proposed Budget 2014/15 £000
	Budget	Budget	Budget	Budget	
	2010/11	2011/12	2012/13	2013/14	
	£000	£000	£000	£000	
Expenditure					
People costs	15,319	14,430	14,590	14,181	14,187
Other administrative costs	12,333	11,788	10,009	9,721	9,715
Gross administrative costs	27,652	26,218	24,599	23,902	23,902
Bank int. & misc. income	(139)	(113)	(30)	(30)	(30)
Net cost – actual prices	27,513	26,105	24,569	23,872	23,872
Annual GDP deflators		-2.29%	-1.50%	-2.30%	-1.90%
Net cost at 2010/11 prices		25,521	23,664	22,476	22,057
Cumulative savings at 2010/11 prices		1,992	3,849	5,037	5,456
Cumulative savings %		7.2	14.0	18.3	19.8

Over the four years to 2014/15 net costs to be recovered through fees to audited bodies and SCPA support are projected to decrease in real terms by 19.8%.

Over the period, people costs have reduced in cash terms by £1.1m (7.4%). At 2010/11 prices the decrease represents 14.4%. This reduction was achieved through a combination of lower staff numbers and the impact of a revised grade mix delivered through business restructuring.

Other administrative costs have also reduced over the period of the plan. In cash terms the reduction totals £2.6m (21.2%). At 2010/11 prices the reduction is 27.2%. In cash terms the reduction has been delivered from benefits of retendering the contracts of audit firms (£1.2m), property rationalisation (£0.4m), reduced legal and professional fees (£0.4m), lower printing and office costs (£0.2m) and depreciation (£0.4m).

Staffing projections

The table below provides details of staffing projection in the four years to 2014/15.

Table 5 – Staffing projections for 2010/11 to 2014/15

	SCPA approved budget				Proposed Budget 2014/15
	Budget	Budget	Budget	Budget	
	2010/11	2011/12	2012/13	2013/14	
Staff (w.t.e.)	292	275	270	265	263
Board members (headcount)	2	3	3	3	3
Commission members (headcount)	12	12	12	12	12
TOTAL	306	290	285	280	278
Staff change – annual w.t.e.		-17	-5	-5	-2
Staff change – cumulative w.t.e.		-17	-22	-27	-29

Over the four-year period we are projecting a reduction of 29 w.t.e. representing 9.9% of the staffing establishment in 2010/11. These staff reductions are a key component in the delivery of our reduced cost profiles. These reductions have been delivered through natural turnover supported by the use of our VERA scheme.

SCPA-approved funding

As a result of the reduction in our running costs the funding requested for approval by the SCPA has also reduced.

Although our funding request for 2014/15 has increased from that approved in 2013/14 as a result of the revised police and fire structures, the overall real price (2010/11 prices) reduction in revenue funding is 16.1%.

Table 6 provides further information on the reduction and sums requested in each of the years from 2010/11 to 2014/15.

Table 6 – SCPA approved funding for 2010/11 to 2014/15

	SCPA approved budget				Proposed Budget 2014/15 £000
	Budget 2010/11 £000	Budget 2011/12 £000	Budget 2012/13 £000	Budget 2013/14 £000	
	Net Cost	27,513	26,105	24,569	
SCPA approved revenue funding	7,049	6,820	6,533	6,337	6,401
SCPA approved capital funding	300	250	440	255	200
TOTAL SCPA APPROVED FUNDING	7,349	7,070	6,973	6,592	6,601
Revenue funding – cumulative % reduction (real prices)		-5.4	-10.7	-15.4	-16.1

Fees

Our 2014/15 budget proposal enables us to maintain fees for 2013/14 audits at the levels charged for 2012/13 audits. In real terms, this represents a reduction of 2%.

Our budget proposals include average fee reductions for 2013/14 audits in real terms of 2%, taking the cumulative total for four years to 23.5%.

Over the same period, audited bodies have also received fee rebates totalling £2.5m.

Table 7 provides more information on fee movements.

Table 7 – Fee reductions for audit years 2010/11 to 2013/14

	Audit Year			
	2010/11 %	2011/12 %	2012/13 %	2013/14 %
Average fee reduction - cash	-3.50	-7.75	-4.35	Freeze
Average fee reduction – real prices	-5.80	-9.25	-6.45	-2.00
Cumulative fee reductions - cash	-3.50	-11.25	-15.60	-15.60
Cumulative fee reductions – real prices	-5.80	-15.05	-21.50	-23.50

Cost profiles 2014/15 to 2016/17

In addition to our budget proposal for 2014/15, cost projections for the following two years have been prepared.

Principal assumptions

The principal assumptions for 2014/15 are presented on pages 5 to 7 of this submission. Details of the main assumptions for 2015/16 and 2016/17 are detailed below.

Workload

The workload assumptions set out for 2014/15 on page 5 of this submission also apply for 2015/16 and 2016/17. Our cost projections assume the volume of work delivered in 2015/16 and 2016/17 will remain the same as planned for 2014/15 with the exception of local authority charity audits, where a reduction in the number of charities is expected.

Pay

The budget for 2014/15 assumes that Audit Scotland's salary scale points will be increased by 1% from April 2014. In addition, contribution payments in accordance with our remuneration strategy will continue to be made. In 2014/15, these payments equate to 1% of our pay bill. Audit Scotland negotiates pay awards on an annual basis and actual awards will be determined as part of this process. However, for planning purposes only, we have assumed that in 2015/16 and 2016/17 pay levels will also increase by 2% per annum; 1% for salary scale increase and 1% for staff performance contribution.

Pensions

The majority of Audit Scotland's staff are members of the Local Government Pension Scheme. The actuarial valuation on 31 March 2011 set employer contribution rates for the three years from 1 April 2012. The rates for the three years of the projection are noted below.

	Current cost	Scheme deficit	
2014/15	14.4%	£343k	advised by scheme administrator
2015/16	14.4%	£343k	advised by scheme administrator
2016/17	14.4%	£343k	estimate

The next scheme valuation will take place at 31 March 2014 and the results are expected to be published by December 2014.

Appointed auditors (firms)

Audit prices and volumes for 2015/16 and 2016/17 have been set at the levels included in the 2014/15 budget proposal. The budget assumes that payments to appointed auditors (firms) will increase at 1% per annum in line with our payroll assumption for our own staff salary scales.

Non-pay costs

Price increases for non-pay costs, excluding fees and expenses paid to appointed audit firms, are assumed to be 2.5% per annum for 2015/16 and 2016/17.

GDP deflators

The GDP deflator used for each year is noted below. The rates are consistent with those published by HM Treasury. 2014/15 forms the base year for our projections for 2015/16 and 2016/17.

2015/16	1.80%
2016/17	1.70%

Cost profiles

The table below highlights Audit Scotland's expenditure profile for the period 2014/15 to 2016/17.

Table 8 – Cost profiles for 2014/15 to 2016/17

	Proposed	Projection	
	Budget	2015/16	2016/17
	2014/15	2015/16	2016/17
	£000	£000	£000
Expenditure			
People costs	14,187	14,351	14,573
Other administrative costs	9,715	10,039	9,797
Gross administrative costs	23,902	24,390	24,370
Bank int. & misc. income	(30)	(30)	(30)
Net cost – actual prices	23,872	24,360	24,340
Annual GDP deflators		-1.80%	-1.70%
Net cost at 2014/15 prices		23,929	23,510
Cumulative savings at 2014/15 prices		-57	362
Cumulative savings %		-0.2%	1.5%

In cash terms, other administrative costs in 2015/16 are projected to be £324k (3.3%) higher than included in the budget proposals for 2014/15. Increased property costs are the main reason for the increase. During 2015, the leases for our two offices in Edinburgh come to an end. In 2015/16 we plan to relocate our East of Scotland activities to a single site to improve the effectiveness and efficiency of our day-to-day operations and as a result, additional property running costs will be incurred while we source and fit-out a new property before vacating our existing premises. The relocation will allow us to reduce our property footprint and as a result, we estimate that property costs from 2016/17 will be £180k lower per annum than current costs.

By 2016/17 we predict that expenditure will be £24.3m, which is 1.5% lower in real terms than the 2014/15 budget proposals.

Staffing projections

In the period from 2014/15 to 2016/17 we anticipate that staff numbers will continue to fall, albeit in smaller numbers than achieved in the previous four years. By 2016/17 staff numbers will be 4 w.t.e. lower than included in the proposed budget for 2014/15. These reductions will be delivered through natural turnover. The table below provides details of our staffing projections.

Table 9 – Staffing projections for 2014/15 to 2016/17

	Proposed	Projection	
	Budget	2015/16	2016/17
	2014/15		
Staff (w.t.e.)	263	260	259
Board members (headcount)	3	3	3
Commission members (headcount)	12	12	12
TOTAL	278	275	274
Staff change – annual w.t.e.		-3	-1
Staff change – cumulative w.t.e.		-3	-4

SCPA approved funding

In line with our projections that total revenue expenditure will increase in cash terms in 2015/16 and 2016/17 as detailed above, the funding requested for approval is also predicted to increase. In 2015/16 we anticipate that revenue support will increase by 1.8% and then be held at the 2015/16 level for 2016/17. By 2016/17 we estimate that in real terms (2014/15 prices) SCPA-approved revenue funding will be 1.7% lower than included in 2014/15 budget proposals.

Our requirement for capital support will also rise in 2015/16. We estimate a total capital requirement in 2015/16 of £1,530k.

Due to planned property relocations, our capital projections for 2015/16 include £1,280k to fit-out a new office.

The table below provides further information on our projections.

Table 10 – SCPA approved funding for 2014/15 to 2016/17

	Proposed	Projection	
	Budget	2015/16	2016/17
	2014/15	2015/16	2016/17
	£000	£000	£000
Net Cost	23,872	24,360	24,340
SCPA approved revenue funding	6,401	6,516	6,516
SCPA approved capital funding	200	1,530	200
TOTAL SCPA APPROVED FUNDING	6,601	8,046	6,716
Revenue funding – cumulative % reduction (real prices)		-	-1.7%

Fees

The increased cash requirements that we anticipate for financial years 2015/16 and 2016/17 indicate that fee increases will be required for the 2014/15 and 2015/16 audit years. However we plan to hold these increases to amounts not exceeding inflation. By 2016/17 we estimate that we will be able to maintain fees at the levels charged for 2015/16 audits. Over the three audit years from 2014/15 to 2016/17 we estimate that in real prices, fees will reduce by 2.5% (2013/14 prices).

Appendix 1 - Operating Cost Statement expenditure trends

OPERATING COST STATEMENT				
	actual		Current Budget	Proposed Budget
	2011/12	2012/13	2013-14	2014-15
	£000	£000	£000	£000
People Costs				
Salaries, Pensions and temporary staff	11,212	10,994	10,963	10,969
Employers on costs	2,921	2,832	2,966	2,960
Pension adjustments	89	158	115	115
	<u>14,222</u>	<u>13,984</u>	<u>14,044</u>	<u>14,044</u>
Accounts Commission Members	134	147	137	143
Total People Costs	<u>14,356</u>	<u>14,131</u>	<u>14,181</u>	<u>14,187</u>
Appointed Audit firm fees and expenses	<u>5,935</u>	<u>5,036</u>	<u>4,957</u>	<u>4,944</u>
Other Costs				
Rent & rates	984	678	723	727
Other accommodation costs	642	597	508	513
Travel & subsistence	868	894	912	931
Audit support - external fees	390	574	731	705
Legal & other professional fees	162	186	127	141
Stationery & printing	202	181	207	230
Training	344	373	421	405
Staff recruitment	101	165	100	125
Communications (telephone, postage)	56	51	52	42
Insurance	93	79	85	86
Information technology	334	293	371	417
Internal Audit	17	26	30	30
External Audit - financial statements	28	29	30	30
Other	438	249	70	71
Depreciation	512	423	397	318
Total Other Administrative Costs	<u>11,106</u>	<u>9,834</u>	<u>9,721</u>	<u>9,715</u>
GROSS ADMINISTRATIVE COSTS	<u>25,462</u>	<u>23,965</u>	<u>23,902</u>	<u>23,902</u>
Income				
Fees and charges payable	18,064	17,243	17,535	17,471
Bank Interest	17	52	30	30
Miscellaneous Income	324	43	0	0
Other Finance Income - pensions related	288	-26	0	0
Total Income	<u>18,693</u>	<u>17,312</u>	<u>17,565</u>	<u>17,501</u>
NET OPERATING COST	<u>6,769</u>	<u>6,653</u>	<u>6,337</u>	<u>6,401</u>

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