FINANCE REPORT – 2008/09 Period 11

General Financial Activity

1. This report is to inform the SPCB of general financial activity and expenditure trends in 2008-09 and covers the period since the Chief Executive’s Report in January 2009.

2. Year end guidance has been issued to Business Areas and information sessions on procedures held for interested staff. Planning is now underway with Audit Scotland to discuss draft audit plans for the 2008-09 annual accounts. These plans will be presented to the AAB on 1 April with the draft SPCB accounts ready for audit by 30 June 2009.

3. The project to implement the PECOS purchasing system is underway and the phase 1 pilot will start on 1 April, with phase 2 scheduled to go live on 20 April.

4. Reconciliations have been completed for the current financial year up to Period 11 for all bank accounts and sub ledger control accounts (accounts payable and accounts receivable). Payroll control account reconciliations have been prepared for periods 1–11 for the main control and supporting accounts and work is ongoing on the CASE payroll account to bring it up to date. Updating of the Britannia Fixed Asset Register is awaiting the completion of a system upgrade by the Scottish Government and will be undertaken as part of the year end work.

5. We have achieved a payment performance of over 99% within terms for each of the past three months, resulting in an overall performance of 97.3% for the year to date. This compares favourably against the target of 95%.

6. As reported previously, we introduced new procedures at the beginning of December 2008 to speed up payment to all SPCB suppliers with the aim to pay within 10 working days. In the first month of these new procedures, we achieved 68% of invoices paid within 10 working days, compared with only 26% in the previous month, before the new arrangements took effect. In period 10 and 11 we achieved 98% of invoices paid within 10 working days.

Financial Overview (Schedule 1)

7. The SPCB’s net revenue expenditure for the ten months ended February 2009 is £60.2m, which is £3.5m (5.6%) under the approved budget. The comparable variance at February 2008 was £2.9m (4.8%).

8. At its meeting on 10 December 2008, the SPCB agreed to return £1.5m of the SPCB’s approved budget to the Scottish Consolidated Fund as part of the Spring Budget Revision. The SSI was introduced to Parliament on 27 January and the budget revision is therefore reflected
in the current Finance Report as a reduction in the SPCB’s budgeted central contingency.

9. The key revenue expenditure variances to date are detailed below in paragraphs 10 to 25. Capital expenditure is considered in paragraph 26.

Revenue Expenditure – 11 Months to 28th February 2009

Parliamentary Service Costs (Schedule 2)

10. The cumulative gross revenue expenditure for the Parliamentary Service, at £36.0m, is £2.0m (5.3%) under budget. The previous year’s expenditure of £33.8m was £1.9m (5.2%) below the equivalent budget.

11. The year to date cost of £20.6m for Staff Pay, including overtime, agency and contractors covering staff posts, remains very close to budget at £167k (0.8%) below the YTD budget.

12. As previously reported, the variance of £243k (55.4%) on agency and contractors costs is attributable to vacant posts being temporarily covered by agency and contract staff. It is more than offset by the underspend on Parliamentary staff pay in the business areas affected, and this is consistent with the basis on which the staff pay/agency budgets were set up.

13. Staff related costs of £797k are £203k (20.3%) below budget. Staff Travel and Expenses (£95k), Corporate Training (£54k) and Job Related Training (£60k) account for the bulk of this variance.

14. Property costs of £6.3m for the first eleven months are £16k (0.2%) over budget.

15. Running costs of £6.3m for the year to date are reported as £798k (11.2%) under budget, with the variance increasing by £169k during period 11. The major areas of reported underspend are:–

- Printing (£130k, 13.8%) - largely attributable to corporate publications. Printing budgets were adjusted as a result of the November forecast outturn exercise. However, a significant underspend now appears likely.
- Advertising (£26k, 10.6%) - as expected, this has reduced by £37k since last month as progress with the External Communication Plan and other PAG advertising initiatives accelerates.
- Commissioned Research (£34k, 37.6%) – the full year budget has been reduced by £55k to £105k as a result of the 2nd forecast outturn exercise, thus reducing the potential year end underspend.
- Police (£67k, 19.2%) - an underspend on the police contract appears increasingly likely and is already partly reflected in the £40k difference between annual budget and forecast outturn for this budget heading.
• Management Consultancy (£118k, 224.8%) – as previously reported, the year to date net credit of £65k shown against Management Consultancy, is due to the credit note for £77k from Arup in respect of the Chamber Strut incident.
• Other Costs (£358k, 12.2%) - The largest underspend within this category is in respect of Advisors (£78k).

Events & Projects (Schedules 4 & 5)

16. Events costs, including the Events and Exhibitions Team itself, are reported in Schedule 4. The year to date net expenditure on events totals £222k, £9k (3.8%) under budget.

17. Revenue Projects are analysed in Schedule 5 and show an actual spend of £1,646k for the first eleven months against the year to date phased budget of £2,481k, an under spend on the year to date budget of £835k (33.7%). It should be noted that approximately 21% of the annual budget for revenue projects is phased in the final month of the year and there is a risk that expenditure will not match this.

Members’ Pay and Costs (Schedule 3)

18. Members’ costs are detailed on Schedule 3, which shows £18.8m reported costs for the year to date, £457k (2.4%) below budget. Of this underspend, £306k is on Members’ Allowances, which cannot be phased with precision, and this is likely to reduce by the end of the financial year. Party Assistance at £418k is currently £61k (12.8%) below budget but is expected to be on target by the year end.

Commissioners & Ombudsman Costs (Schedule 3)

19. The SPCB’s funding cost for Commissioners and Ombudsman (Officeholders) amounts to £6.3m, which is £431k (6.4%) under budget. The Human Rights Commission shows an underspend of £523k. Although the annual budget has not been reduced, the forecast outturn has been reduced to £0.6m.

20. The central contingency budget for 2008-09 for the Officeholders currently remains at £250k. Against this, the SPCB has approved a budget transfer of £91.4k in respect of a new case handling system for the Ombudsman and £67.3k in respect of legal costs for the Scottish Information Commissioner. These transfers will be reflected in the Period 12 Finance Report.

Central Contingency
21. The Central Contingency fund stands at £635k, having been reduced by £1.5m in period 10 as a result of the funds returned via the Spring Budget Revision.

Forecast Outturn

22. The Forecast Outturn column on the schedules differs from the revised annual budget by £1,266k. The two main reasons for this relate to the Human Rights Commission (£400k, paragraph 18 above) and £625k in miscellaneous income in respect of payment received from Laing O’Rourke (paragraph 22 below). The remaining £241k represents business areas’ expectations of likely underspends against the annual budgets, but where they were not sufficiently certain to surrender the budget at the time of the last forecast exercise.

Income (Schedule 3) (Excludes Events)

23. The total income of £952k is £658k above budget. As reported previously, this is principally due to the £625k received from Laing O’Rourke in respect of the Chamber Strut.

24. Shop income of £226k is £31k (16.1%) above the year to date budget and is £6k higher than the comparable income position in 2007-08.

25. Year to date income from guided tours of £86k is £12k (11.8%) lower than budget. The reduction in budget reflects the fall in the numbers of visitors taking tours. Year to date income is 28.5% lower than the equivalent income figure last year of £122k.

Capital

26. The capital expenditure programme for 2008-09 includes £1.8m for specific capital projects, including the Business Continuity Server and BIT IMS. The unallocated amount remaining in capital contingency at the end of Period 11 was £5k. Total capital spend for the eleven months to the end of February 2009 amounted to £759k, £605k (44.4%) behind the phased project budgets. Capital projects are analysed in Schedule 6. As with revenue projects, a significant proportion (24%) of the annual budget for capital projects is phased in the final month of the year.