

<b>Report to:</b>	QSMTM Q4
<b>Report by:</b>	Helen Gardner-Swift, Head of Corporate Services (HOCS) Kim Berry, Finance and Administration Manager (FAM)
<b>Meeting Date:</b>	24 May 2023
<b>Subject/ Title:</b> (and VC no)	Finance Report Q4 2022-23 VC185684
<b>Attached Papers</b> (title and VC no)	Financial Summary – Variance Analysis as at 31 March 2023 VC185685

## Purpose of report

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1. This Committee Report (CR) has the following purposes:
  - to update the Senior Management Team (SMT) on the organisation spend against the approved 2022-23 budget as at 31 March 2023.
  - to update the SMT on any instances of fraud in Q4 2022-23.

## Recommendation and actions

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2. I recommend that the SMT:
  - i. notes the CR and the Financial Summary – Variance Analysis as at 31 March 2023
  - ii. agrees that the CR and the Financial Summary – Variance Analysis as at 31 March 2023 are published in full as set out in paragraph 17.

## Executive summary

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### Financial Summary – Variance Analysis as at 31 March 2023

3. The Financial Summary – Variance Analysis as at 31 March 2023 provides details of organisation spend against the agreed budget for financial year 1 April 2022 to 31 March 2023.

### Budget Setting

4. Key points to note:
  - a budget submission for 2022-23 was made to the Scottish Parliament Corporate Body (SPCB) on 20 September 2021
  - on 4 November 2021 the SPCB asked the Commissioner to re-model the 2022-23 budget submission on the basis of a 3.1% uplift in staff salaries
  - the revised budget submission for 2022-23 was submitted to SPCB on 11 November 2021
  - on 3 March 2022 budget approval for financial year 2022-23 of £2,120,000 and Officeholder Contingency Fund (OCF) funding approval of £100,000 for phase II of a new and accessible website (£70,000) and lease obligations (£30,000) was received.

- Due to ongoing staff vacancies in 2022-23 it was projected that Staff Costs would be significantly underspent in 2022-23. Following a meeting with SPCB on 28 January 2023 it was agreed that the Commissioner would surrender £180,000 of the 2022-23 budget to the OCF.
- The resulting approved annual budget for 2022-23 reduced to £1,940,000.

### **Expenditure Variance to Budget**

5. The following budget variances occurred in 2022-23:

#### Staff costs

- Officeholder staff costs (£10,625) – these have increased due to revised salary arrangements and an uplift in 2022-23 which was not anticipated when the budget submission for 2022-23 was made
- At the end of Q4, the Staff Costs show an underspend (£109,294) arising from staff vacancies during 2022-23. However, there is also a pending pay award which is being considered by the Commissioner (but not yet approved) and, therefore, the underspend is likely to be reduced.

#### Staff related costs

- A large proportion of meetings and events are still being carried out virtually and, therefore, staff and Commissioner travel costs are reduced (£11,953)
- Recruitment costs (£2,432) - there is no allocated or approved budget for recruitment and costs have been incurred relating to the recruitment of staff in 2022-23

#### Property costs

- Utility costs overspend (£2,001) due to increase in electricity and gas costs
- Cleaning service underspend (£4,951) due to a reduction in the service being provided in Q4
- Maintenance overspend -
  - costs for internal painting of the office premises requested under capital costs in the budget submission, our Accountant has advised that these costs should be allocated to maintenance rather than capital expenditure
  - this has resulted in the maintenance budget line showing an overspend (£22,374).

#### Professional Fees

- Audit Scotland have advised that external auditor fees for the audit of 2022-23 annual accounts have increased by 30.6% from the prior year. This is an unbudgeted increase resulting in an overspend on 2022-23 Auditor's costs (£3,180)
- There is an underspend on the budget for legal advice (£23,639)
- The underspend on other professional fees is predominantly as a result of being unable to carry a planned internal audit relating to financial procedures (£5,877). The scheduling of internal audits in 2022-23 has been affected by the revision of the

external audit timetable affecting CST resources and also difficulties in procuring internal audit services.

### Running Costs

- Due to limited resources and conflicting priorities, the predominant underspend relates to work not being undertaken by the Policy and Information Team (£23,671)
- Other underspends:
  - Administration Costs (£6,737) – stationery, printer consumables, office consumables and photocopier copy charges accounted for most of this underspend (£5,825). We had anticipated, when setting the budget for 2022-23, that all staff would have been working in the office premises. As we are currently trialling a hybrid working arrangement combined with the office premises being closed on Fridays, the occupancy has been lower than expected and, therefore, less resource has been required.
  - IT (£3,609) – there are underspends and overspends across all IT related nominal codes resulting in a net underspend of £3,609.
  - Postage (£2,301) – budget for postage costs was kept at previous year levels for 2022-23 until the full impact of increased use of electronic communications was assessed. The budget set for 2023-24 has been reduced by half and, therefore, any underspend should be much less in the future.

### Capital and Revenue

- Capital expenditure overspend (£8,979) due to the replacement of the central heating boiler in the office premises. This the existing boiler became unreliable and the work needed to be carried prior to the onset of colder winter temperatures. This was work that was not anticipated/included in the budget submission for 2022-23 and, therefore, this was an unbudgeted cost.

### **Contingency**

6. As noted in paragraph 4 above, budget approval for the financial year 2022-23 included an allocation of £100,000 from the OCF - £70,000 for the Phase II website development and £30,00 for lease obligations (internal painting of the office premises). An application to the OCF was not required for the following reasons:
  - Phase II of the website development was not undertaken in 2022-23 (£70,000)
  - Due to the underspend on the approved budget for 2022-23, the cost of the work relating to the internal painting of the office premises could be met from savings (£30,000)
  - Court of Session costs (£30,165) – an application to the OCF was not required as these costs could be met from the underspend on the approved budget for 2022-23.

### **Instances of fraud – Q4 2022-23**

7. As far as I am aware, there were no instances of fraud affecting the organisation in Q4 and in 2022-23 and, also, there have been no instances of fraud affecting the organisation to date in 2023-24 (24/05/23).

## **Risk impact**

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8. This CR helps to mitigate the impact of strategic and operational risks relating to the monitoring of resources. If resources are not monitored effectively this may affect business continuity and, also, result in the inefficient and inappropriate use of resources.

## **Equalities impact**

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9. There is no direct equalities impact arising from this CR.

## **Privacy impact**

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10. There is no direct privacy impact arising from this CR.

## **Resources impact**

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11. There is no additional resource impact as regards the preparation of this CR and the quarterly Financial Summary – Variance Analysis.
12. This CR helps us to monitor the impact of expenditure and the level of resources that are available during the financial year.

## **Operational/ strategic plan impact**

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13. Preparation of this CR and the quarterly Financial Summary – Variance Analysis fall within Business as Usual and the related governance reporting as set out in the Operational Plan 2022-23 and the Governance Reporting Arrangements 2022-23.
14. This CR helps us to monitor our resources and the impact on planned work carried out 2022-23, as set out in the Operational Plan 2022-23.

## **Records management impact (including any key documents actions)**

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15. None – other than the publication requirements as set out in this CR.

## **Consultation and Communication**

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16. QSMTM Q4 minute.

## **Publication**

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17. This CR and the Financial Summary – Variance Analysis as at 31 March 2023 should be published in full.