

# Agency Board meeting

## 25 February 2025

# Quarter 3 financial monitoring report for period ending 31st December 2024

### Purpose:

This report is to provide an update to the Board on the following areas:

* Actual results for quarter 3 (Q3) (1 April 2024 to 31 December 2024) show that SEPA is forecasting to deliver a balanced outturn and break-even position to the year end.
* A capital summary showing forecast spend in line with a budget of £5.4m.

### Recommendations:

The Board are asked to note SEPA’s financial performance for the period ending 31 December 2024

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Corporate Leadership Team Sponsor**:** Angela Milloy, Chief Officer, Finance, Modernisation, and Digital.

Date: January 2025

#### Table 1: Scottish Environment Protection Agency – income and expenditure account 2024-2025

| **Description** | **Year to date actual £'000** | **Year to date budget £'000** | **Year to date variance  £'000** | **Full year forecast £'000** | **Full year budget £'000** | **Full year variance £’000** |
| --- | --- | --- | --- | --- | --- | --- |
| Grant in Aid | 23,800 | 23,800 | 0 | 47,711 | 47,711 | 0 |
| Charging Schemes | 49,491 | 49,800 | (309) | 52,662 | 52,879 | (217) |
| Other Income | 1,207 | 1,507 | (300) | 2,711 | 2,778 | (67) |
| **Total Income** | **74,498** | **75,107** | **(609)** | **103,084** | **103,368** | **(284)** |
| Staff Costs | 51,468 | 53,480 | 2,012 | 69,935 | 71,225 | 1,290 |
| Other Staff Costs | 637 | 337 | (300) | 1,021 | 637 | (384) |
| Transport Costs | 649 | 694 | 45 | 917 | 977 | 60 |
| Supplies & Services | 10,542 | 10,149 | (393) | 20,251 | 19,703 | (548) |
| Property Costs | 3,278 | 3,381 | 103 | 4,680 | 4,546 | (134) |
| Depreciation/impairment | 4,710 | 4,710 | 0 | 6,280 | 6,280 | 0 |
| **Total Operating Costs** | **71,284** | **72,751** | **1,467** | **103,084** | **103,368** | **284** |
| **Operating Surplus/ (Deficit)** | **3,214** | **2,356** | **858** | **0** | **0** | **0** |

## Net results – balanced budget

1. Net results for the full year forecast a balanced budget, it should be noted that the 2024-2025 budget was set net of £3.5m savings in staff costs. These savings are forecast to be met in full.
2. At Q3 (period 1 April 2024 to 31 December 2024), the year-to-date variance of £0.85m is due to £1.5m lower than budgeted expenditure offset by £0.6m lower than budgeted income. The in year one off underspend will be fully utilised on corporate priorities which support transformation, resulting in a break-even position by the year end.
3. Variances by accounting spend category will be explained in the remainder of the paper with the focus being on full year forecast.

## Total income - £103.1m

1. Total income for the full year is forecast at £103.1m or £0.3m less than the full year budget as a result of decreased charging fees mainly from radioactive substances, water and special waste consignment notes.

#### Grant in Aid (GiA)

#### Table 2: GiA budget allocation

|  | **Resource Budget Cash £000s** | **Resource Budget Non-Cash £000s** | **Total £000s** |
| --- | --- | --- | --- |
| Base Budget Allocation 2024-25 | 39,911 | 6,280 | 46,191 |
| **Budget Adjustments** |  |  |  |
| Waste water sampling | 278 |  | 278 |
| Cleaner Air | 32 |  | 32 |
| Water Environment Fund | 1,210 |  | 1,210 |
| **Total Adjustments** | **1,520** | **0** | **1,520** |
| **Total Budget** | **41,431** | **6,280** | **47,711** |

1. SEPA’s revenue GiA is presented in Table 2 above at £47.7m. This is an increase of £1.5m since the budget was set. The table above provides a breakdown of confirmed in year budget adjustments; these will be fully offset by increased expenditure.

#### Charging Scheme income - £52.7m

1. Graph 1 shows charging scheme income by media. The full year income outturn is £52.7m, which is £0.2m more than budget. This results in a net positive variance which includes:

* **Applications** - £0.25m positive variance in the applications forecast. The increase in application income is mainly due to higher than budgeted applications from water, air and radioactive substances, offset by a reduction in waste.
* **Subsistence** - £0.50m negative variance in the subsistence forecast in relation to reduced income from radioactive substances, water and special waste consignment notes.

#### Graph 1: Charging Schemes by media

Graph 1: Charging Schemes by media. 
This table displays the charging income forecast per media as follows:
Water is expected to outturn at £29,,007,000
Waste is expected to outturn at £14,860,000
Radioactive substances activity is expected to outturn at £3,450,000
Land is expected to outturn at £133,000
Air is expected to outturn at £5,212,000
  
*Graph 1 acronym: RSA – Radioactive Substances Activity*

#### Other income - £2.7m

1. The full year income outturn is £2.7m. Within other income, payments from other agencies and Scottish Landfill Tax are forecast to reduce slightly but offset by small increases against legal income and enforcement cost recovery.

## Total expenditure - £103.1m

1. Full year operating costs are £103.1m, £0.3m less than budget. Graph 2 below shows actuals against budget for the year by expenditure type.

#### Graph 2: Expenditure by type

Graph 2: Expenditure by type provides SEPA's expenditure to date for staff costs, other staff costs, transport costs, supplies and services, property costs, and depreciation against the available budget.  This is as follows:
Staff costs outturn is £51.5k against a budget of £53.48k.
Other staff costs outturn is £637k against a budget of £337k.
Transport costs outturn is £649k against a budget of £694k.
Supplies and services costs outturn is £10.54k against a budget of £10.15k.
Property costs outturn is £3.28k against a budget of £3.38k.
Depreciation costs outturn is £4.7k against a budget of £4.7k.

Staff costs and other staff costs

1. Budgeted staff costs represent 69% of total expenditure. The vacancy management level (which represents savings due to vacant posts) was set at 4% or £3.5m. These savings have been achieved and accounted for in the forecast outturn.
2. A forecast increase in vacancy savings is being offset by a forecast overspend in temporary workers and recruitment costs.

#### Transport costs

1. Transport costs are reporting a small underspend of £60k, underspends in trains and mileage are the main reasons.

#### Supplies and services

1. The full year forecast is currently reporting an overspend of £0.55m. There are several offsetting variances, with the most significant being:

* Software maintenance (£0.18m) in relation to spend on enterprise cloud support and logistics contract to facilitate hybrid working.
* Professional Services (£0.13m) in relation to the lone worker contract, desktop valuations and flood warning dissemination costs.
* Subcontracted work (£0.13m) mainly relates to ongoing projects in Environmental Quality and the migration of the Agresso finance system.

1. The supplies and services forecast currently includes £0.3m general contingency, these funds are available to help manage risks in relation to unplanned expenditure.

#### Property costs

1. The full year forecast is currently reporting an overspend of £0.13m. The most significant of which relates to reactive maintenance property maintenance £0.15m.

## Capital

#### Table 3: Capital expenditure

| **Function** | **Budget £’000** | **Approved projects £’000** | **Main areas of risk within function budgets** |
| --- | --- | --- | --- |
| Permitting | 60 | 25 | Integrated Authorisation Framework implementation planned for quarter 3 and quarter 4 |
| Enforcement | 15 | 20 | Enforcement camera |
| Energy and materials | 0 | 89 | Materials data platform. Mostly internal staff costs. |
| Chemistry | 1,733 | 1,873 | Gas Chromotographers and nutrients analyser |
| Ecology | 500 | 240 | Laboratory reconfiguration and Sir John Murray refit |
| Environmental quality | 61 | 125 | Bathing water signage and recovery of SAGIS |
| Information systems | 972 | 326 | IS infrastructure and disaster recovery servers |
| Information systems (digital) | 1,783 | 1,365 | Integrated Authorisation Framework implementation |
| Workspaces | 206 | 224 | Fleet replacement |
| Hydrology | 1,070 | 1,245 | Gauging stations, data loggers and flood mapping |
| Budget reduction | (1,000) |  |  |
| **Totals** | **5,400** | **5,532** |  |

1. SEPA’s capital budget provided by Scottish Government for the year is £6.4m. After discussions with Scottish Government colleagues and in light of the current savings commissions, it has been agreed to defer the capital budget by £1m to a revised total of £5.4m. SEPA has approved £5.5m worth of projects which have all been assigned a confidence assessment. As at the end of Quarter 3, over 80% of projects still to deliver have been assigned a rating of high confidence of delivery by the relevant project manager.

## Statement of Financial Position

* 1. The Statement of Financial Position is tabled below.

#### Table 4: Statement of Financial Position period to 31 December 2024

| **Statement of Financial Position 31 December 2024** | **Year to 31 March 2024**  **£’000** | **Period to 31 December 2024**  **£’000** |
| --- | --- | --- |
| **Non-current assets** |  |  |
| Property, plant and equipment | 42,377 | 38,024 |
| Intangible assets | 2,402 | 2,073 |
| Assets under construction | 2,807 | 2,807 |
| Employee retirement benefits | 21,527 | 21,527 |
| **Total non-current assets** | **69,113** | **64,431** |
| **Current assets** |  |  |
| Trade and other receivables | 4,189 | 2,795 |
| Cash and cash equivalents | 899 | 2,070 |
| **Total current assets** | **5,088** | **4,865** |
| **Total assets** | **74,201** | **69,296** |
| **Current Liabilities** |  |  |
| Trade and other payables | (11,206) | (4,471) |
| Provisions | (214) | (214) |
| **Total current liabilities** | **(11,420)** | **(4,685)** |
| **Total assets less current liabilities** | **62,781** | **64,611** |
| **Non current liabilities** |  |  |
| Provisions for Liabilities and Charges >1 year | (6,022) | (6,022) |
| Future Lease Payments | (7,881) | (7,881) |
| **Total non-current liabilities** | **(13,903)** | **(13,903)** |
| **Total Assets less total liabilities** | **48,878** | **50,708** |
| **Taxpayers' equity and other reserves** |  |  |
| General Fund | 30,544 | 32,374 |
| Revaluation Reserve | 18,334 | 18,334 |
| **Total Taxpayers’ Equity** | **48,878** | **50,708** |

## Recommendation

1. The Board are asked to note SEPA’s financial performance for the period ending 31 December.

END

<Report date here (month, year)>