

# 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 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



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)>