

SCOTTISH COMMISSION FOR PUBLIC AUDIT

**2nd Meeting, 2022 (Session 6), Monday 11
December 2023**

Audit Scotland Budget Proposal 2024/25

1. Audit Scotland has submitted its Budget Proposal for 2024/25 for the consideration of the Scottish Commission for Public Audit. A copy of the Budget Proposal for 2024/25 and a covering letter from the Auditor General for Scotland, as Accountable Officer, can be found in the **Annexe**.
2. **The Commission is invited to consider Audit Scotland's Budget Proposal 2024/25 and report its views to Parliament.**

**Secretary to the Scottish Commission for Public Audit
6 December 2023**

Colin Beattie
Chair
Scottish Commission for Public Audit
The Scottish Parliament
Edinburgh
EH99 1SP

29 November 2023

Dear Chair

On behalf of the Audit Scotland Board, I am pleased to provide you with our 2024/25 budget proposal which are due for consideration by the SCPA at its meeting on 11 December 2023.

2023/24

Following constructive negotiations with staff representatives and taking on board the escalating cost of living pressures we agreed the 2023/24 pay award settlement with colleagues in November 2023. The final settlement was higher than originally budgeted. I can advise the Commission that we will not be seeking additional in-year funding to meet this unbudgeted expenditure as we have managed to identify sufficient in-year savings and efficiencies to meet this financial pressure. The recurring impact of the award has been incorporated within future budgets.

2024/25

Our 2024/25 budget proposal has been prepared in the framework of [Public Audit in Scotland](#), our joint statement of purpose with the Auditor General and the Accounts Commission, and our [Corporate Plan 2023-28](#), which supports the delivery of our vision, purpose and intended outcomes. Our proposal also reflects an operating environment which remains uncertain and volatile, and which may continue to be the case for several years. Like all public sector bodies, the current economic situation presents us with financial challenges next year and we will need to proactively manage them to enable us to deliver on our statutory obligation to broadly break-even each year.

As a result of the uncertain environment there is a level of risk in the 2024/25 budget proposal. The budget document aims to be transparent around these risks and pressures but also demonstrates where Audit Scotland is looking to deliver efficiencies.

In addition to the uncertain financial environment, the audit profession as a whole continues to experience significant pressures. We are operating in a very competitive environment around staff retention and recruitment as well as increased demands on audit quality.

In this context some key points to emphasise when considering the budget are:

- The 2024/25 pay award discussions will commence in January 2024, we have included a pay bill assumption in our budget but every 1% movement on the paybill equates to £235k;
- Additional costs of delivering audit to the bodies that we cannot charge
- Additional costs in 2024/25 in relation to the bi-annual National Fraud Initiative
- The economic situation and cost/availability of goods/services.

The budget will ensure our independent audit role meets the needs of the Scottish Parliament, its committees, and our wider stakeholders as we provide independent assurance and comment on public finances, to help inform the way ahead.

We look forward to discussing these proposals further with you.

Yours sincerely

Stephen Boyle
Auditor General for Scotland

Budget Proposal

2024/25



Prepared for the Scottish Commission for Public Audit

December 2023

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Introduction	4
Key messages	6
2024/25 Budget Proposal	6
Context	8
2024/25 uncertainties	8
Corporate Plan 2023-28	8
Our work 2024/25.....	9
Budget Projections 2024/25 to 2026/27	12
Appendix 1 - Net Expenditure Statement expenditure trends	18
Appendix 2 - Budget sector cost analysis	19
Appendix 3 - 2024/25 Planned efficiency savings.....	20

Introduction

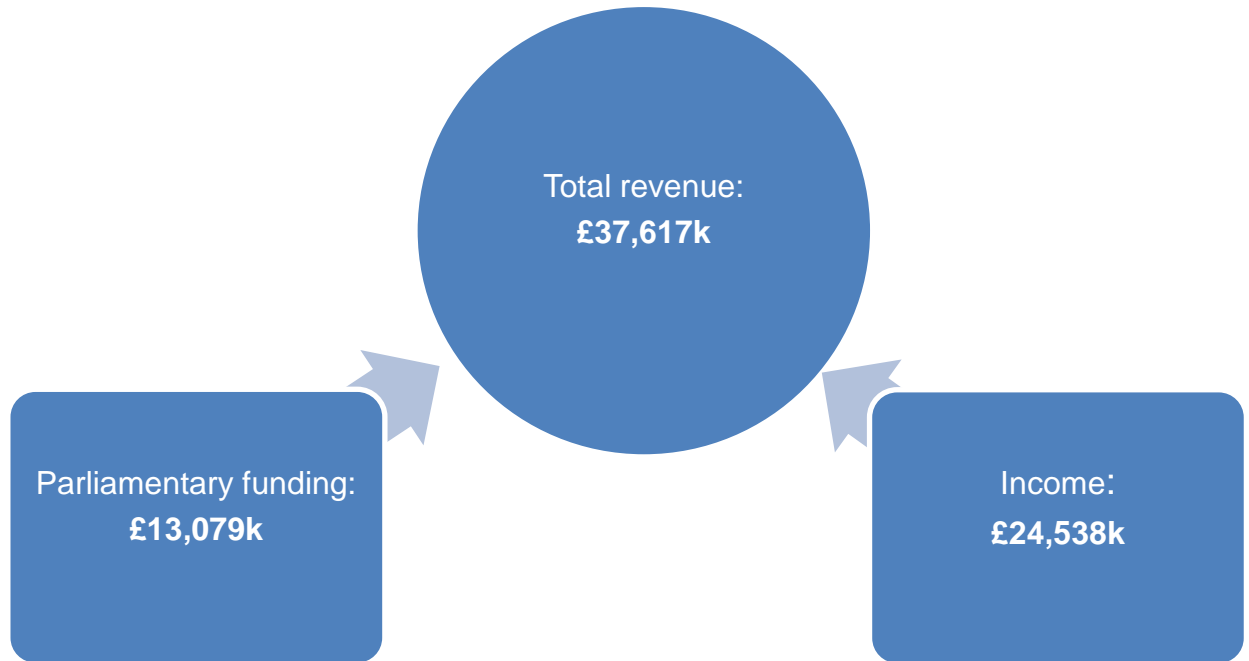
1. Audit Scotland is a statutory body established under the Public Finance and Accountability (Scotland) Act 2000. It is Scotland's national public sector audit agency which provides the Auditor General and the Accounts Commission with the services they need to carry out their duties. Audit Scotland carry out annual external audits of public bodies and programmes of performance and Best Value audits across the Scottish public sector. We audit around 220 public bodies.
2. On 20 June 2023 the Auditor General, the Accounts Commission and Audit Scotland published [Public Audit in Scotland](#). This sets out our vision and mission, and the outcomes we collectively intend to achieve for Scotland's people through public audit.
3. The shared vision is to ensure public money is well spent to meet the needs of Scotland's people. To achieve this vision our mission is to provide clear, independent and objective assurance on how effectively public money is being managed and spent.
4. The outcomes we want to achieve through public audit are that:
 - Public services in Scotland work better together to target resources more effectively.
 - Financial planning and management are more effective across Scotland's public services.
 - Public bodies deliver clearer and more transparent reporting.
 - Our recommendations have a positive impact for people in Scotland.
5. The shared vision, mission and outcomes are informed by the Auditor General's priorities and the Accounts Commission's strategy. The key delivery mechanism is Audit Scotland's [Corporate Plan 2023-28](#), which was also published on 20 June 2023.
6. This budget proposal supports our Corporate Plan strategic priorities of:
 - Timely and impactful annual audit.
 - Dynamic performance audit programme.
 - Enhanced audit approaches.
 - Developing our people and our business.
 - Insights driving innovation and improvement.
7. The budget proposal is in the context of a challenging economic environment, increased expectations on the audit profession and the ongoing process of recovery following the Covid-19 pandemic. In developing the budget we have absorbed as much of the financial pressures as possible while recognising our obligation to break even within the one-year budget settlements we receive. We are not permitted to carry reserves and any budget remaining at the end of a financial year is returned to the Scottish Consolidated Fund.
8. While focussing on audit quality and audit delivery we must also ensure that public audit is efficient and effective, both now and in the future. Our Audit Modernisation project forms a key

strand of our Strategic Improvement Programme. Through this project we will transform our audit approach, both in terms of audit methodology and in how we use technology. The initial 'pump priming' investment to develop the scope and business case for the project will be covered by existing budgets. We anticipate that future budget proposals over the next three years will include a request for additional revenue and capital funding as the project progresses

9. The budget proposal provides information on the budgeted costs for each audit sector for 2024/25. We have also provided updated projections of resource requirements for two further years to 2026/27.
10. This paper is presented in two main parts.
 - Context
 - Budget projections 2024/25 to 2026/27
11. It is supported by the following appendices:
 - Appendix 1 - Net Expenditure Statement expenditure trends
 - Appendix 2 - Sector cost analysis
 - Appendix 3 - 2024/25 Planned efficiency savings.

Key messages

2024/25 Budget Proposal



12. With the public sector in Scotland continuing to face significant challenges it is essential that Audit Scotland continues to support the Auditor General for Scotland and the Accounts Commission to provide independent assurance to the people of Scotland, that public money is spent properly through high-quality public audit.
13. Our 2024/25 budget proposal continues to reflect the ongoing uncertain and volatile world that we and the bodies we audit are operating in. This budget proposal is designed to enable us to deliver a sustainable, high quality public audit regime in Scotland which will enable us to respond in a flexible and innovative way to new demands and challenges facing the public sector in Scotland.
14. Our 2024/25 expenditure budget proposal totals £37,617k; this is 0.06% of the proposed £59.6 billion expenditure budget we will audit.
15. Our proposal will deliver:
 - Assurance over the significant public money being spent in Scotland
 - Audit of more than 220 public bodies
 - Independent evidence-based public reporting on how well public money is being used to:
 - rebuild the economy
 - repair the damage to communities
 - address inequalities and create a fairer, more just society

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- demonstrate good governance, transparency, financial management, fraud prevention and long-term planning in public bodies
 - Further development of flexible and agile ways of working through our audit modernisation programme will ensure our audit reporting is keeping pace with the changes in public finances, services and technological developments
16. Total Parliamentary funding requested is £13,229k, an increase of £1,029k (8.4%) from 2023/24. This includes revenue funding of £13,079k and capital funding of £150k.
17. The £1,029k net increase arises from increases in relation to:
- public audit in Scotland costs, £194k (+5%), this covers the costs of Scotland's public audit model (e.g. Auditor General, Accounts Commission, Board, 50% Management Team, Audit Quality & Appointments and Innovation & Quality).
 - meeting the national fraud initiative costs, £230k (+100%), this is a cost pressure every 2 years.
 - audit services and firms' fees for non-chargeable audits, £227k (+9.8%), this relates to the increase in the cost of audit delivery which includes additional work and new bodies requiring audit.
 - performance audit, £143k (+5.3%), due to inflationary increase in pay costs.
 - corporate services and overheads, £235k. (+7.4%), due to increase in pay inflation, additional office rent and other inflationary pressures (e.g. utilities, service charges).
18. Over the course of the [Corporate Plan 2023-28](#) we are committed to Increasing our efficiency, bolstering quality and aligning with developments in the audit profession by reviewing, improving and transforming our audit approaches. This includes:
- paving the way for a new audit approach supported by a new audit software solution
 - further developing our methodology for auditing climate change and mainstreaming equality and human rights into audit reporting
 - transforming our annual audit approach to promote agility and flexibility, and responding to external factors and changes in the audit profession.
 - supporting the transformation of our audit approaches by moving to new audit software solutions.

Context

2024/25 uncertainties

19. The budget for 2024/25 has been prepared in the context of significant uncertainties, which include:
- public sector pay claim/ policy challenges
 - the timing of budget statements from the UK and Scottish Governments
 - impact of inflation/interest rates
 - audit modernisation requirements
 - the cost and availability of goods/services
 - the work and resource required to complete European Agricultural Fund Account audit.

Corporate Plan 2023-28

20. The budget proposal supports the shared vision of [Public Audit in Scotland](#) that 'Public money is well spent to meet the needs of Scotland's people'.
21. To deliver this vision our new [Corporate Plan](#) identified five strategic priorities:
- Timely and impactful annual audit
 - Deliver timely annual audits of public bodies as directed by the Auditor General and Accounts Commission.
 - Deliver impactful annual audit work that helps public bodies and supports improvements in public services.
 - Dynamic performance audit programme
 - Address the latest risks and issues facing the public sector through our dynamic performance audit programme.
 - Prioritise and resource the work programme to meet the needs of the Auditor General and Accounts Commission.
 - Enhanced audit approaches
 - Increase our efficiency, bolster quality and align with professional developments by reviewing, improving and transforming our audit approaches.
 - Developing our people and our business
 - Base our decisions about delivery and resourcing on our agreed priorities.
 - Ensure we have the capacity, skills and flexibility to respond to our environment and deliver our planned audit work.
 - Develop our people and their careers through consistent and transparent opportunities.
 - Insights driving innovation and improvement

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- Ensure we have excellent intelligence, from better horizon-scanning, stakeholder engagement and impact evaluation.
 - Bring coordinated intelligence to the forefront of our decision-making, improvement and innovation.
22. The successful delivery of the priorities is integral to how we work and the organisational values that we will embed within Audit Scotland. At the heart of everything we do are the core values of:
- Equality
 - Independence
 - Innovation
 - Integrity
 - Respect
23. A high-level performance measurement framework sets out our measures for the duration of the plan. Annual business plans will ensure our actions and measures are relevant.
24. The Auditor General, Accounts Commission and Audit Scotland Board receive quarterly performance reports on our progress on meeting the strategic priorities.

Our work 2024/25

25. This budget proposal focuses on the delivery of audits for over 220 public sector organisations including the Scottish Government and its public bodies, NHS boards, police and fire services, councils, integration joint boards and colleges. These organisations will spend more than £59.6 billion of public money in 2023/24.
26. Recovery from the disruption to audit completion deadlines continues while the focus remains on our key priorities of health, safety and wellbeing of colleagues and quality of audit.
27. Using 2022/23 audits as the baseline, we will improve the timeliness in delivery of the annual audit of public bodies against the timescales specified by the Auditor General and Accounts Commission in the planning guidance, through focused improvements over the remaining four years of the current appointment round that maintain audit quality.
28. The 2023/24 audit year will be the second year of the new audit appointments period, with best value in the local government sector being a part of the annual audit process. Resources from our Performance Audit and Best Value (PABV) business group will be allocated to support appointed auditors to ensure the successful delivery of this work.
29. Action has already taken place to secure efficiency improvements in the delivery of audit work, particularly in relation to financial statements audits. Further actions are planned in 2024/25 to embed and build upon the work to date and looking into the medium term a planned reassessment of the audit approach coupled with improved systems and processes will deliver step change in efficiency.

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30. The budget proposal enables us to provide continued support to the Scottish Parliament to scrutinise the use of public money. This includes the ongoing audit requirements arising from devolution of powers such as social security and income tax, the increased complexity of the Scottish budget, and the creation of new public bodies.
 31. The dynamic and flexible approach to our work programme continues with approval from the Auditor General for Scotland and the Accounts Commission. The programme is based on the interconnected themes of:
 - Economic recovery and growth - how public money is being used to support economic recovery and the renewal of public services
 - Inequalities and human rights - helping ensure public bodies address inequalities and protect human rights, recognising the multiple ways people experience disadvantage and poorer outcomes
 - Governance and accountability - how public bodies are ensuring proper and effective use of the public money across the public sector and within individual bodies
 - Innovation and transformation - how public bodies are learning through continuous improvement, innovation and by transforming public services
 - Policy priorities and commitments - progress on key policy commitments. Public services' ability to deliver on long-term strategic priorities and outcomes.
 32. We consult with the Parliament's Public Audit Committee (PAC) on the work programme on an annual basis. In turn, the PAC consults with other parliamentary committees.
 33. The annual NHS overview report continues with the report focussing on the pressures facing the bodies in this sector.
 34. The Auditor General continues to report on the financial health and performance of the Scottish Government and its public bodies. The Accounts Commission continues to deliver a programme of reporting on local government in Scotland.
 35. The dynamic work programme also provides for statutory reports on significant issues arising from the annual audits to be brought to the Parliament by the Auditor General for Scotland or to the Accounts Commission for Scotland from the Controller of Audit.
 36. High quality audit work is a priority and the focus of our Audit Quality Framework (AQF). Our ongoing investment in Audit Quality and Appointments (AQA) and Innovation and Quality allows us to provide assurance to the Auditor General, the Accounts Commission and the Scottish Parliament of the quality of work provided by auditors to promote continuous improvement. AQA carries out a broad programme of work under our AQF, including commissioning independent reviews by external bodies and surveys of audited bodies.

Audit modernisation

37. We have initiated a significant audit modernisation project which is expected to run for approximately three years. The vision of the project is to 'transform the audit approach that is clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency;

delivered through integrated auditing software and tools that automate and standardise processes'.

- 38. The project will require additional funding for the software element of the project. There is also a need for additional capacity in specialist skills around project management and change management.
- 39. The investment required in year one of the project (2024/25) is £148k. We will use this to review audit processes and develop the requirements for the change programme and software and solutions required to deliver audits more efficiently and effectively. The investment in 2024/25 will be funded through internal efficiency savings.

Value for money and efficiency savings

- 40. Our 2024/25 expenditure budget proposal totals £37,617k; this is 0.06% of the proposed £59.6 billion total expenditure budget that will require audit.
- 41. Most of our expenditure is on staff costs (65%), with the balance split between payments to external firms for undertaking audit work (21%) and operational costs (14%).
- 42. This proposal results in 65% funding from audit fees for audited bodies, with the 35% balance funded through the Scottish Consolidated Fund.
- 43. Legislation requires us to broadly break-even each year. Our budget process looks to identify and deliver recurring and non-recurring savings to ensure the fees charged to audited bodies and the funding required from the Scottish Consolidated Fund is sufficient to meet our break-even commitment.
- 44. The 2024/25 budget proposal includes identified efficiency savings in staff turnover, travel and subsistence and operational costs. Specific areas of our operational budget have no inflation applied and we have also been actively looking to absorb new demands from within existing resources, where possible. Taking all these factors into account the total efficiency savings amount to £1.4 million, 4% of our total expenditure budget. Further detail is provided in Appendix 3 on page 20.
- 45. The budget also aims to absorb as much of the cost increases arising from pay settlements, general inflation, and other unplanned financial pressures as possible. We achieve this through a one organisation joined up approach to developing a budget. The budget proposal is informed by our organisational business planning processes and the development of our new People Strategy.

Budget Projections 2024/25 to 2026/27

46. Table 1 summarises Audit Scotland's budget projections for the period 2024/25 to 2026/27 based on the budget assumptions detailed on pages 13 to 15.

Table 1 – Budget Projections for 2024/25 to 2026/27

	Approved Budget	Proposed Budget	Projection	
	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000
Expenditure				
People costs	23,068	24,588	25,024	25,529
Other operating costs	11,925	13,029	12,594	12,955
Total operating expenditure	34,993	37,617	37,618	38,484
Total Income	(22,943)	(24,538)	(24,750)	(25,345)
Net Expenditure Requirement	12,050	13,079	12,868	13,139
Capital	150	150	150	150
Total Resource Requirement	12,200	13,229	13,018	13,289
Staff Projections (w.t.e.)	346.9	346.9	346.9	346.9

47. The Total Resource Requirement proposal for 2024/25 seeking approval by the SCPA is £13,229k. This represents an overall cash increase of £1,029k, 8.4% on the approved budget for 2023/24.
48. Future projections are based on the proposed 2024/25 budget with adjustments made for the planned reduction in property costs and the biennial national fraud initiative exercise. At this stage it does not include the potential additional requirement to meet demand arising from the audit modernisation project. The first phase of the project will set out the scope and business case and the financial implications of this project will become clearer during the 2024/25 financial year.
49. Full details of the budget movements are provided on pages 15 to 17 of this proposal.

Principal budget assumptions - 2024/25 to 2026/27

50. The principal assumptions underlying the budget proposal for 2024/25 and our cost projections for the two following years are set out below.

2023/24 Budget

51. Our Spring Budget Revision requests a budget transfer of £150k from revenue to capital to support investment in making the additional office space in Glasgow suitable for our operational requirements. We are currently realigning our office space provision through our estates strategy.
52. There is no requirement for additional non-cash AME funding as the actuarial forecast in April 2023 projected that the in-year pension service cost will be less than the budgeted employer contributions for the year.
53. The 2024/25 budget proposal has been prepared on the assumption that if the non-cash pension cost adjustment is more than the budgeted employer contributions this will require funding through the Spring Budget revision process.

Pay and pensions

54. The formal pay award offer for 2023/24 was agreed in November 2023. The pay settlement for 2023/24 required a 6% uplift in the paybill compared to a budget of 3%. The additional 3% has been absorbed in the year and is included in the baseline to be carried forward into 2024/25.
55. Audit Scotland negotiates pay awards annually and actual awards will be determined as part of this process. Factors to consider include consistency with the principles of the public sector pay policy in Scotland and the ability to have some flexibility to meet market conditions to ensure operational effectiveness. The 2024/25 budget proposal includes an inflationary provision to pay scales for all staff and incremental pay progression for staff not at the top of their pay scale. Discussions will commence with staff representatives in early 2024 following agreement of a negotiating remit by Audit Scotland.
56. The majority of Audit Scotland's staff are members of the Local Government Pension Scheme with the 2024/25 budget assumption applying the current rate of 19.4% for employer contributions. This contribution rate is fixed until 31 March 2024 and the scheme actuary is currently finalising the next triennial valuation where employer contributions will be determined for the period 1 April 2024 to 31 March 2027.
57. Employer national insurance contributions have been calculated based on 13.8% on earnings over the lower threshold limit.

Appointed auditors (firms)

58. Payments to firms are based on the bids they submitted as part of the tender exercise with 2022/23 being year one of the new appointments. The completion of 2022/23 audits will be delivered in the 2023/24 financial year and in accordance with the conditions of the contract

the payments for the 2023/24 audit year work will be uplifted based on the final cost of living award paid to Audit Scotland staff effective from April 2023.

59. As reported in the 2023/24 budget proposal the price reductions secured in the last two appointment rounds were not sustainable. The increase in cost was due to additional scrutiny and risk evidenced reviews of the external audit market as well as an increase in regulation.
60. Evidence obtained from the private sector and the tender undertaken by Public Sector Audit Appointments, who procure auditors for the local government sector in England, provided assurance on the validity of the increased cost of audit we experienced from our own tender exercise. The results of our procurement to appoint firms to deliver public audit in Scotland for audit years 2022/23 to 2026/27 can be assessed as a fair representation of external audit market conditions.

Management contingency

61. The 2023/24 budget proposal also includes management contingency funding of £500k, 1.3% of our total expenditure budget. This is required to meet any unplanned financial challenges that may arise in the year due to the continuing volatile environment we are operating in.

Quality

62. The Audit Quality Framework 2019, [Audit Quality Framework](#), provides assurance that work is of high standard, meeting international audit standards and the requirements of the Auditor General and the Accounts Commission as set out in the new Code of audit practice 2021. Our 2024/25 budget proposal and projections for 2025/26 and 2026/27 maintain investment to support audit quality inspection and reporting. The 2022/23 audit quality report can be found at [Quality of public audit in Scotland: Annual report 2022/23](#).

Property

63. Our budget proposals for 2024/25 and our projections for 2025/26 and 2026/27 assume changes to our offices in Edinburgh and Glasgow with no change to the Inverness office.
64. An estates strategy has been considered by the Audit Scotland Board where approval was received to expand the capacity of the Glasgow office and reduce the capacity of the Edinburgh office. This provides office accommodation that meets our operational requirements and will generate future savings.
65. Estimated financial savings will be in the region of £2.2 million over the 10-year period to 31 March 2035. Implementation of the proposal is expected to be complete during the 2024/25 financial year and the budget assumption is based on incurring the full occupancy costs for the Edinburgh office with full annual savings generated from April 2025.
66. Inflationary increases have been applied to service charges, business rates and utilities.

Innovation and quality

- 67. To increase Audit Scotland's strategic capacity and deliver essential quality, support, learning, and transformation ambitions the Innovation & Quality business group was created in 2022/23, which is the responsibility of an Executive Director.
- 68. The business group is responsible for the quality review and control activities, continued development of digital auditing, and organisational improvement across Audit Scotland. The entire audit profession is required to reflect on the way in which audit work is conducted to meet the challenges of an increasingly data-driven environment, the enhanced scrutiny on quality, and the requirement for specialist expertise. The business group ensure that our work addresses these challenges to mitigate the increasing cost of audit and help fulfil the vision and strategic objectives of the Accounts Commission and the Auditor General for Scotland.
- 69. The budget allocation for training continues to be based on our Learning & Development plan, which is updated each year in collaboration with colleagues and PCS trade union partners to align with our corporate plan and changing external audit landscape. While training delivery methods are changing, our programme continues to ensure that our people have the support and development to meet the challenges in the short, medium, and long-term so that we continue to deliver relevant, timely and high-quality public audit for Scotland. Our investment in learning & development is an important element of our total reward offer to new and existing professionals working with Audit Scotland.

Proposed 2024/25 Net Revenue Expenditure

- 70. An analysis of 2024/25 net expenditure by category is attached in Appendix 1, it also provides information on actual net expenditure in 2021/22 and 2022/23, and the approved budget for 2023/24.
- 71. Net revenue expenditure increases in cash terms by £1,029k (8.5%) from 2023/24.

People Costs

- 72. People costs represent 65% of our expenditure budget proposals and our 2024/25 budget requirement is £1,520k (6.6%) higher in cash terms than the approved 2023/24 budget.
- 73. The main drivers of the increase are the impact of the updated pay award offer for April 2023 and provision for the potential pay award settlement in April 2024.
- 74. The outcome of our integrated business planning and people strategy work has led to the 2024/25 budget proposal being set at the same establishment level as 2023/24, which is 346.9 w.t.e.

Other operating costs

- 75. Other operating costs are £1,104k (9.3%) higher in the proposed 2024/25 budget compared to the approved 2023/24 budget.

76. The main changes relate to the increases of £667k in the fees and expenses paid to external firms and £230k in respect of the biennial National Fraud Initiative (NFI).
77. The balancing movement is a budget increase of £207k, which relates to a number of increases and decreases across several budget headings.
78. The main areas of movement include:
- further travel and subsistence savings (£94k)
 - accommodation cost increase following Glasgow office expansion and significant inflation uplifts for rates, cleaning and utilities (£298k).
 - information technology increase (£58k)
 - Accounts Commission livestream saving (£35k)
 - training increase (£30k)
 - professional fee decrease (£25k)
 - savings in other costs (£25k).

Income

79. Audit Scotland is funded by fees and the Scottish Consolidated Fund (SCF), approved by Parliament. The principles of the funding and fee setting arrangements to support the provision of high quality independent public audit in Scotland are available in the report [Our approach to setting audit fees](#).
80. An increase of 6.9% has been applied to the proposed fees budget for financial year 2024/25 in order to breakeven. For 2023/24 audits each sector will see a fee increase of 6%.
81. The increase in SCF funding is due to the proposed inflationary increases to non-chargeable fees, additional audit work for non-chargeable bodies and other direct allocations including the costs of the biennial national fraud initiative exercise.
82. Income from fees to audited bodies by financial year is provided in Table 2:

Table 2 – Income from fees to audited bodies

	Actual 2021/22 £000	Actual 2022/23 £000	Budget 2023/24 £000	Proposed Budget 2024/25 £000
Local authorities	12,509	12,062	14,265	15,509
NHS bodies	3,053	3,377	3,838	4,170
Further education colleges	703	603	967	1,025
Scottish Government depts. and sponsored bodies	2,966	3,019	3,873	3,822
Rebate	(1,320)	(36)	-	-
Total income from charges to audited bodies	17,911	19,025	22,943	24,526
% cash increase in fees from approved 2023/24 budget				6.9%

83. Appendix 2 provides an analysis of the 2024/25 budget by sector and funding source.

84. Table 3 provides an analysis of the movement from the approved net expenditure budget in 2023/24 to the proposed 2024/25 net expenditure resource requirement.

Table 3 - Movement of net approved expenditure to proposed resource requirement

	£k		£k
2023/24 Net Approved Expenditure			12,050
		% inc	
Public audit in Scotland	+194	+5.0%	
National Fraud Initiative	+230	+100%	
Audit services and firms' fees	+227	+9.8%	
Performance audit	+143	+5.3%	
Corporate services and overheads	+235	+7.4%	
Increase			+1,029
			<hr/>
2024/25 Net Expenditure Resource Requirement			13,079
			<hr/>

Capital

85. The proposed capital budget for 2024/25 of £150k will support our digital strategy. Details of the 2024/25 capital requirements are provided below:

	£000
IT Hardware	125
Software	25
TOTAL	150

SCPA approved funding

86. Revenue support from the Scottish Consolidated Fund provides funding for:

- non-chargeable Central Government audits
- performance audits
- the Auditor General
- the Accounts Commission
- a proportion of Audit Scotland senior management
- management contingency
- assuring the quality of public audit in Scotland.

Appendix 1 - Net Expenditure Statement expenditure trends

	Actual		Approved		Proposed	
	2021-22	2022-23	2023-24 Budget	2024-25 Budget		
	£k	£k	£k	£k		
People Costs						
Salaries and temporary staff	14,523	15,621	17,388		18,430	
Employers on costs	4,499	4,880	5,413		5,880	
Pension adjustments	4,739	3,770	100		100	
	23,761	24,271	22,901		24,410	
Accounts Commission members	141	158	167		178	
Total people costs	23,902	24,429	23,068		24,588	
Fees and expenses paid to external firms	4,481	4,679	7,070		7,737	
Other operating expenditure						
Rent & Rates	487	644	617		768	
Other accommodation Costs	431	511	445		592	
Travel & Subsistence	323	366	496		402	
Legal & Professional Fees	636	826	752		957	
Stationery & printing	78	136	139		127	
Training & organisational development	452	560	513		543	
Staff recruitment	235	240	138		138	
Communications (telephone, postage)	54	41	44		38	
Insurance	94	92	96		98	
Information technology	666	752	529		552	
Internal Audit	26	27	30		30	
External Audit - financial statements	30	32	30		35	
Other	38	93	578		578	
Depreciation	321	415	448		434	
Total other operating expenditure	3,871	4,735	4,855		5,292	
TOTAL OPERATING EXPENDITURE	32,254	33,843	34,993		37,617	
Corporation Tax payable	0	0	0		0	
Income						
Fees and charges payable	17,911	19,016	22,943		24,526	
Bank Interest	1	9	0		12	
Miscellaneous income	11	-13	0		0	
Other finance income - pensions related	-940	-725	0		0	
TOTAL	16,983	18,287	22,943		24,538	
NET EXPENDITURE AFTER TAX	15,271	15,556	12,050		13,079	

Appendix 2 - Budget sector cost analysis

Expenditure budget	Proposed 2024/25 Budget							Approved 2023/24 Budget		
	Local Authorities £k	NHS Bodies £k	Further Education £k	Central Government £k	Total Fees £k	SCF Parliament £k	TOTAL £k	Total Fees £k	SCF Parliament £k	Total £k
Public audit in Scotland (incl NFI)	165	38	8	39	250	4,273	4,523	217	3,849	4,066
External Audit firms	3,903	1,649	479	1,142	7,173	564	7,737	6,608	462	7,070
Audit Services	6,417	1,884	408	2,028	10,737	1,986	12,723	10,106	1,861	11,967
Performance and Best Value audit	1,967	0	0	0	1,967	2,843	4,810	1,953	2,700	4,653
Corporate Sevices and overheads	3,057	599	130	613	4,399	3,413	7,812	4,059	3,178	7,237
Total budgeted expenditure	15,509	4,170	1,025	3,822	24,526	13,079	37,605	22,943	12,050	34,993
Fee income	15,509	4,170	1,025	3,822	24,526	0	24,526	22,943	0	22,943
Support from Parliament	0	0	0	0	0	13,079	13,079	0	12,050	12,050
Total Income	15,509	4,170	1,025	3,822	24,526	13,079	37,605	22,943	12,050	34,993
Surplus (Deficit)	0	0	0	0	0	0	0	0	0	0
%Surplus / (Deficit)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Appendix 3 - 2024/25 Planned efficiency savings

Description	Annual Savings Plan £k	Comments
Staff costs	470	2% vacancy/turnover applied to budget
Staff costs	446	Efficiencies identified to deliver on new commitments (e.g. audit modernisation, digital, climate change)
Travel & subsistence	94	Further reduction in travel & subsistence requirement
External communications	35	Accounts Commission saving on livestreaming meetings
Other expenditure	50	Miscellaneous savings identified in other budget headings
Administrative costs inflation absorption	325	Impact of not applying inflation to some discretionary budget headings
Total	1,420	

Total Proposed Expenditure Budget (£k) **37,617**
% saving to budget **4%**