

1. Executive Summary

1.1 The latest end of year forecast position as at the end of November in Regulatory activity is showing an additional deficit of £168k. This is in addition to the budgeted/expected deficit of £290k that was due to fee reduction to regulators for 2024/25.

1.2 The main drivers for the additional end of year forecast deficit in Regulatory Activity are:

- £358k increase in S29 legal costs. These costs have increased since the first half of 2024/25 due to the higher number of cases and increased legal costs. The legal costs budget overspend are therefore not unexpected as the budget was set at £369k (in July 2023) before the significant increase in costs over the last year. Section 29 activity in 2024/25 is similar to 2023/24 and therefore the budget is insufficient (to address this, the indicative budget for 2025/26 has been set at £657k; an additional £288k compared to 2024/25).
- Website development costs (project delayed from 2023/24) including the project manager position. It has previously been agreed that these costs are funded from reserves.
- Costs associated with implementation of the new HR and Payroll System. This project was delayed from last year therefore most of the costs were incurred this year.
- These deficits are counteracted by: greater investment income; anticipated underspends in staff costs due to higher vacancy rate and staff recharges associated with the General Teaching Council for Scotland (GTCS) project; as well as significant savings in Board recruitment costs.

1.3 A surplus of £25k is expected in Accredited Registers. This is lower than original budget and is due to an approved additional post in the team that was not originally budgeted. As well as increasing staff costs this has also increased overheads thus reducing overall surplus.

1.4 The GTCS project is also expected to generate a net surplus of £40k and is due to complete before the end of financial year.

2. Sectoral summary - Regulatory Activity

2.1 Income and expenditure breakdown.

Table 1

| Income and expenditure | 2023/24 Actual Previous year comparison | 2024/25 Budget | 2024/25 End of year forecast | Forecast /Budget variance |
|---|--|----------------|------------------------------|---------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Income | | | | |
| Fee Income from regulators | 4,637 | 4,869 | 4,869 | 0 |
| Operating Income | | | | |
| S29 cost recoveries | 276 | 119 | 216 | 97 |
| Investment interest | 50 | 8 | 100 | 92 |
| Conferences income | 6 | 0 | 6 | 6 |
| Total Income | 4,969 | 4,996 | 5,191 | 195 |
| Staff costs | 3,400 | 3,615 | 3,523 | 92 |
| Recruitment costs | 42 | 15 | 30 | (15) |
| Training and Conferences | 50 | 73 | 69 | 4 |
| HR and payroll costs | 61 | 14 | 63 | (49) |
| Staff travel | 10 | 10 | 5 | 5 |
| Occupancy costs | 278 | 324 | 324 | 0 |
| Audit costs | 63 | 68 | 68 | 0 |
| IT costs | 129 | 136 | 125 | 11 |
| Board appointments | 0 | 100 | 55 | 45 |
| Board remuneration/expenses | 129 | 145 | 143 | 2 |
| Depreciation/Capital costs | 75 | 50 | 69 | (19) |
| Conferences | 18 | 45 | 20 | 25 |
| Commissioned Policy advice and research | 63 | 75 | 76 | (1) |
| Comms | 5 | 45 | 51 | (6) |
| Other policy costs | 84 | 109 | 190 | (81) |
| Direct S29 legal costs and case review | 654 | 369 | 727 | (358) |
| Other costs | 149 | 93 | 111 | (18) |
| Total admin costs | 1,702 | 1,671 | 2,126 | (455) |
| Surplus/(deficit) | (133) | (290) | (458) | (168) |

2.2 £15k overspend in recruitment costs are due to a larger proportion of staff being recruited from specialist recruitment agencies.

2.3 £49k overspend in HR and payroll costs are due to the delayed (from 23/24) implementation of the new HR and payroll and payroll IT system and additional Legal HR costs.

2.4 £19k overspend in Depreciation/Capital is non-cash depreciation expense. Cash capital expenditure is on track and is listed below.

2.5 £81k overspend in other policy costs is largely due to website development costs (project delayed from 2023/24) – already committed from Reserves. £50k of the project manager costs relating to the same project are included in the staff line. Detailed costs for the project are as follows:

| | |
|--|----------|
| Total forecast expenditure for the project (incl. staff costs) | £155,758 |
| Total spend 2023/24 | £16,640 |
| Total spend 2024/25 incl. accrued expense | £84,354 |
| Total expenditure for the rest of the project | £54,746 |

2.6 £358k overspend in direct legal costs is due to increased number of Section 29 appeals and higher legal costs.

3. Sectoral summary – Accredited Registers

Table 2

| Income and expenditure | 2023/24 | 2024/25 | 2024/25 | Forecast /Budget variance |
|--------------------------|------------------------------------|-----------|-----------|---------------------------|
| | Actual Previous year comparison | Budget | Forecast | |
| | £'000 | £'000 | £'000 | £'000 |
| Registers income | 674 | 691 | 697 | 6 |
| Staff costs | 404 | 407 | 435 | (28) |
| Comms costs | 30 | 43 | 49 | (6) |
| Overheads | 149 | 149 | 175 | (26) |
| Other | 5 | 10 | 13 | (3) |
| Surplus/(deficit) | 86 | 82 | 25 | (57) |

4. Sectoral summary – Advice to other organisations

Table 2

| Income and expenditure | 2023/24 | 2024/25 | 2024/25 | Forecast /Budget variance |
|--------------------------|------------------------------------|----------|-----------|---------------------------|
| | Actual Previous year comparison | Budget | Forecast | |
| | £'000 | £'000 | £'000 | £'000 |
| GTCS income | 0 | 0 | 92 | 92 |
| GTCS expenditure | 0 | 0 | 52 | 52 |
| Surplus/(deficit) | 0 | 0 | 40 | 40 |

5. Staff costs

Table 4

| Income and expenditure | 2023/24 Prev year comparison | 2024/25 Budget | 2024/25 Forecast | Forecast /Budget variance |
|--------------------------|---------------------------------|-------------------|---------------------|---------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Salaries | 2,956 | 3,115 | 3,025 | 90 |
| Social security | 333 | 366 | 337 | 29 |
| Pension | 505 | 541 | 541 | 0 |
| Temp Agency | 10 | 0 | 107 | (107) |
| Total staff costs | 3,804 | 4,022 | 4,010 | 12 |

6. Capital

Table 5

| Capital Expenditure | 2023/24 Actual Prev year comparison | 2024/25 Budget | 2024/25 Forecast | Forecast /Budget variance |
|----------------------------|---|-------------------|---------------------|---------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Intangible assets | 0 | 0 | 0 | 0 |
| IT Equipment | 24 | 40 | 40 | 0 |
| F&F | 19 | 10 | 10 | 0 |
| Total Capital costs | 43 | 50 | 50 | 0 |

7. Statement of Financial Position

Table 6

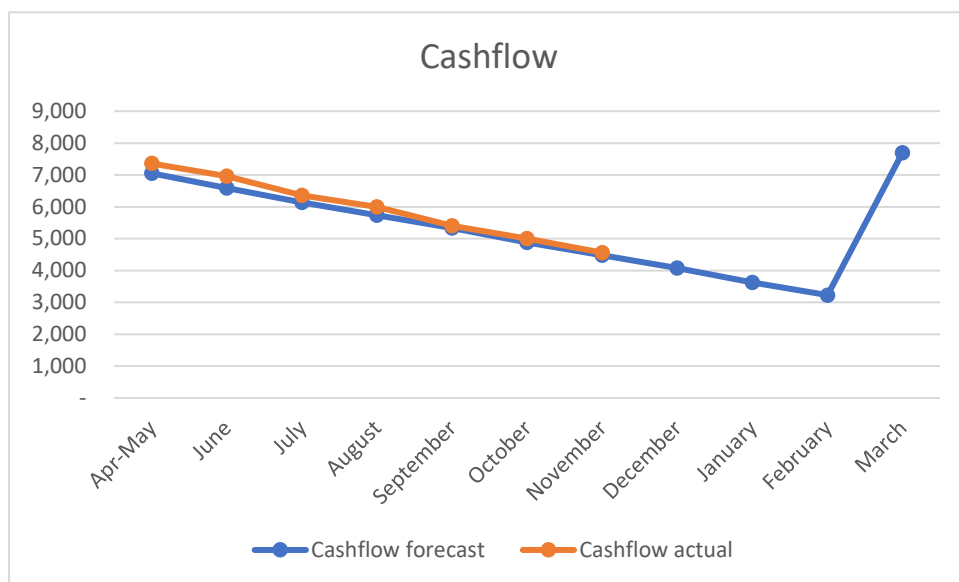
| | 2023/24 Actual Prev year comparison | 2024/25 Budget | 2024/25 Forecast | Forecast /Budget variance |
|-------------------------------------|--|---------------------------|-----------------------------|--|
| | £'000 | £'000 | £'000 | £'000 |
| Intangible assets | 92 | 92 | 92 | 0 |
| Property, plant & equipment | 68 | 68 | 68 | 0 |
| Right of use asset – property lease | 635 | 475 | 475 | 0 |
| Total | 795 | 635 | 635 | 0 |
| Trade and other receivables | 374 | 554 | 554 | 0 |
| Cash and cash equivalents | 7,907 | 7,699 | 7,514 | (185) |
| Total assets | 8,281 | 8,253 | 8,068 | (185) |
| Trade and other payables | (5,981) | (6,225) | (6,225) | 0 |
| Lease liability | (183) | (202) | (202) | 0 |
| Provisions | (23) | (23) | (23) | 0 |
| Total | (6,187) | (6,450) | (6,450) | 0 |
| Lease liability | (534) | (291) | (291) | 0 |
| Net assets | 2,355 | 2,147 | 1,962 | (185) |
| Reserves | | | | |
| Restricted | 807 | 889 | 872 | (17) |
| Unrestricted | 1,548 | 1,258 | 1,090 | (168) |
| Total reserves | 2,355 | 2,147 | 1,962* | (185) |

* Required reserves (according to the policy) for 2024/25 are £1.29m (0.86m restricted and 0.43m unrestricted)

8. Cashflow

Table 7

| Cash and investments as at 01/04/2024 | £'000 £ 7,907 | £'000 £7,907 |
|---------------------------------------|----------------------------------|----------------------------------|
| <i>Income</i> | <i>Projected (Full year)</i> | <i>Actual (Year to date)</i> |
| Fees income | 4,869 | 0 |
| Accredited registers | 691 | 299 |
| Interest | 8 | 88 |
| Section 29 | 119 | 167 |
| Other | | 22 |
| Total Income | 5,687 | 576 |
| | | |
| <i>Outgoings</i> | | |
| Payroll | (4,022) | (2,761) |
| Administration costs | (1,873) | (1,160) |
| Total Outgoings | (5,895) | (3,921) |
| | 31/3/2025 | 30/09/2024 |
| Cash and investments | 7,699 | 4,562 |



The required reserves for 2024/25 are £1.29m (£0.86m restricted and £0.43m unrestricted)

9. Financial Risks and Opportunities

Risks

- S29 direct legal costs could increase further due to higher number of appeals.

Opportunities

- Savings have been made in some administrative cost areas
- Staff costs are lower due to higher vacancy rate
- S29 cost recoveries are projected to increase in line with higher number of successful appeals
- Forecasted profit from GTCS is about £40k which will increase unrestricted reserves