

# Budget Proposal

2017/18

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## Key Messages

Audit Scotland is committed to delivering value for money. Our budget proposal for 2017/18 will continue to produce real cost reductions in audit fees while maintaining the quality of our work.

Our Total Resource Requirement is £6,531k, £51k lower than that approved for 2016/17.

These proposals will deliver:

- a reduction in 2016/17 audit fees by an average of 6.7% from 2015/16 levels. In real terms this represents an average reduction of 8.6%
- further real terms fee reductions for 2017/18 audits
- a reduced revenue resource requirement sought from the Scottish Consolidated Fund (0.8%). In real terms (2016/17 prices) this represents a 2.6% reduction
- simplified funding arrangements for the NHS
- a reduction in gross administrative costs of £1,060k (4.3%). In real terms (2016/17 prices) this represents a 6.0% reduction
- a cost reduction (efficiency) target of 6.5% (on our 2016/17 expenditure budget)
- improved transparency of our funding arrangements.

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## Introduction

Audit Scotland provides services to the Auditor General for Scotland and the Accounts Commission. We 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.

Audit Scotland's vision is to be a world class audit organisation that improves the use of public money. To achieve this vision, meet relevant professional standards and retain the independence of audit it is important that appropriate resources are available for our work and that we deliver value for money.

Our funding comes from charges to audited bodies and from the Scottish Consolidated Fund. We are required to submit our budget proposals to the Scottish Commission for Public Audit (SCPA) for their consideration. The SCPA then make a report to the Scottish Parliament as part of the annual Budget Act approval process.

This paper presents our budget proposal for the 2017/18 financial year. It should be read alongside the updated Fee Strategy which has been prepared following a detailed review of funding arrangements including a consultation with stakeholders. The strategy proposes transferring funding for NHS performance audits to the Scottish Consolidated Fund to increase transparency and simplicity of funding arrangements.

In addition to a revised Fee Strategy our budget proposal for 2017/18 includes information on the budgeted costs for each audit sector. It also incorporates the full year benefits of the procurement of new auditors for the next five year audit cycle commencing in the autumn of 2016.

We have again given updated projections of resource requirements for two further years to 2019/20.

This paper is presented in three parts.

- Context
- Resource Requirements 2017/18
- Cost profiles 2018/19 to 2019/20

Appendix 1 - Operating Cost Statement expenditure trends

Appendix 2 - Sector cost analysis

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## Context

### 2017/18 uncertainties

The budget for 2017/18 has been prepared in the context of a number of uncertainties:

- The amount of work required as a result of the Scotland Act 2016. The draft budget makes an assumption about this for 2017/18, but greater clarity will only emerge once agreement is reached on the extent and timing of the financial aspects of the Act.
- The impact of the recent European referendum result. We are currently assessing the audit implications, and the 2017/18 budget includes an allowance to support this planning work.

### New work 2017/18

Legislative change has created new audits or additional audit requirements including:

- 30 Integrated Joint Boards (IJB) created under the Public Bodies (Joint Working) (Scotland) Act 2014. The joint boards will be audited by the auditors of the relevant councils and the work will be funded by additional audit fees.
- The continuing development of Revenue Scotland as new tax powers come into force. Legislation does not allow us to charge a fee for this audit, so the costs need to be recovered through parliamentary support.
- Further work will be required to provide assurance to Parliament on the financial aspects of the Scotland Act 2016. The full extent of the additional work will not be known until the administrative arrangements to implement the legislation are agreed, but it is likely to include further work with the National Audit Office to provide assurance on income tax and VAT income, work on the audit of devolved social security benefits and further work supporting Parliament as the complexity of the Scottish finances increases.

## Quality

High quality audit work remains a priority for Audit Scotland and our budget proposal supports this goal by allocating resources to implement new quality arrangements. These will reflect changes in how audit work is organised, increase our ability to provide assurance on the quality of audit work, promote continuous improvement in audit quality and support professional and technical leadership in public audit.

## Resource Requirements 2017/18

The total Resource Requirement for 2017/18 requested for approval by the SCPA is £6,531k. This represents an overall cash reduction of £51k (-0.8%) on the approved 2016/17 budget.

The following table summarises the total Resource Requirements included in the 2017/18 budget proposal and provides a comparison with the approved 2016/17 budget. Further information on expenditure categories is provided in Appendix 1, which also provides information on actual expenditure levels in 2014/15 and 2015/16.

**Table 1 – Summary of resource requirements for 2017/18**

<u>Resource requirements</u>	2016/17 £000	2017/18 £000	Change	
			Actual	Real Prices
<b>Expenditure</b>				
People costs	15,021	15,143	0.8%	-1.0%
Other administrative costs	9,558	8,376	-12.4%	-13.9%
<b>Gross administrative costs</b>	<b>24,579</b>	<b>23,519</b>	<b>-4.3%</b>	<b>-6.0%</b>
<b>Income</b>				
Income from charges to audited bodies	18,177	17,168	-5.6%	-7.2%
Bank interest & miscellaneous income	25	25	0.0%	-1.8%
<b>Total income</b>	<b>18,202</b>	<b>17,193</b>	<b>-5.5%</b>	<b>-7.2%</b>
Corporation Tax payable	5	5	0.0%	-1.8%
<b>Net Operating Cost</b>	<b>6,382</b>	<b>6,331</b>	<b>-0.8%</b>	<b>-2.6%</b>
Capital	200	200	0.0%	-1.8%
<b>TOTAL RESOURCE REQUIREMENT</b>	<b>6,582</b>	<b>6,531</b>	<b>-0.8%</b>	<b>-2.5%</b>

### Proposed change to funding of NHS Performance Audit

Our revised Fee Strategy proposes that in order to bring the funding of NHS performance audit work into line with the other areas of the Auditor General's remit and to increase transparency and simplicity, all funding for this work should come from the Scottish Consolidated Fund (SCF). Currently 60% of the cost of this work is funded from the SCF and

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40% by NHS boards. This arrangement is different from all the other sectors within the remit of the Auditor General where all performance audit costs are met from the SCF.

The inclusion of the full costs of performance audit in the revenue support sought from the Scottish Consolidated Fund adds £495k to the costs in 2017/18. We wish to discuss this funding shift with SCPA.

The overall impact on Audit Scotland's funding is neutral as the increase in SCF funding is matched by a reduction in fees to NHS bodies.

Excluding this additional cost from 2017/18 and the cost of the biennial National Fraud Initiative (NFI) funded in 2016/17, the revenue support sought in 2017/18 on a comparable basis has been reduced by 5.4%. In real terms (2016/17 prices) this represents a 7.0% reduction.

### **Resource analysis**

Our Gross Administrative costs proposals for 2017/18 are £1,060k (-4.3%) less than provided in the 2016/17 budget. In real terms (2016/17 prices) this represents a 6.0% reduction.

People costs included in the 2017/18 budget proposals are £122k (0.8%) higher than in the 2016/17 budget, largely driven by our pay increase assumption (+2%) which adds £285k to costs. In real terms (2016/17 prices) people costs are 1% lower than included in the 2016/17 budget.

Other administrative costs in 2017/18 are £1,182k (12.4%) less than the 2016/17 budget. As a result of the procurement exercise to appoint external firms to carry out audits for the next five years, fees and expenses paid to the firms in 2017/18 are budgeted to be £1,060k lower than in the 2016/17 budget. The savings are both price (-£864k) and volume (-£196k) related. In real terms (2016/17 prices) other administrative costs are 13.9% lower than included in the 2016/17 budget.

### **Principal budget assumptions - 2017/18 to 2019/20**

The principal assumptions underlying the budget proposal for 2017/18 and our cost projections for the two following years are:

#### **2016/17 Budget Revision**

We have not sought any revision to our 2016/17 budget through the Autumn Budget Revision process.

We will seek an adjustment as part of the 2016/17 Spring Budget Revision to meet non-cash pension cost adjustments in line with normal practice. The 2016/17 adjustment will be dealt through the Annually Managed Expenditure (AME) process agreed between the Scottish Government and HM Treasury. The adjustment for 2016/17 is £1,041K and this is detailed in a separate paper.

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Our 2017/18 budget proposals have been prepared on the assumption that non-cash pension costs adjustments will continue to be funded through the Spring Budget Revision process.

### **Constitutional change**

Our 2017/18 budget proposals reflect the changes introduced in the Scotland Act 2012. Our 2016/17 budget included £100k under workforce to provide support for the assessment of any additional work arising from new financial powers. We continue to need this resource in the 2017/18 budget and in the projections for the two following years to continue this work and to monitor the impact on our audit work of decisions arising from the European Union referendum result.

It is too early to quantify the full impact of the Scotland Bill 2016 or the European Union referendum but further additional resources may be required in future years.

### **Work programme 2017/18 to 2019/20**

In May 2016 we published an updated Corporate Plan for 2015 - 2018, describing our strategy and work plans for the three years from 2015. Our 2017/18 budget proposals will support the delivery of this new plan. The plan can be found on the Audit Scotland website <http://www.audit-scotland.gov.uk/report/corporate-plan-201617-update>

Our core work on public audit in Scotland covers over 220 organisations including the Scottish Government, the NHS in Scotland and local councils. These organisations spend over £40 billion of public money annually.

Our work programme for 2017/18 is based on the current public sector landscape, but has a strong emphasis on supporting Parliament. This includes scrutinising the implementation of Scotland's new financial powers.

We have a five-year rolling programme of national performance audits. The detailed programme for 2017/18 and the following two years is determined by the Accounts Commission for Scotland and the Auditor General for Scotland following consultation with stakeholders.

The programme is designed to reflect changes in the way public services are delivered and covers areas of major investment, the effectiveness of policy implementation and how public agencies work together. Priorities for our work include:

- ensuring that it offers fresh value-adding insights into not just how services are performing, but why improvements are or aren't happening
- assessing service sustainability and the pace of improvement across the public sector
- focusing on important services not subject to separate regulation
- adopting a 'whole-systems' approach to auditing performance across sectors
- tracking policy through to implementation and impact
- placing a clear emphasis on service experience and outcomes for users.

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Following an Accounts Commission review of Best Value in local government we are implementing a new approach across all 32 councils. This will enhance public assurance that the Commission provides for the public.

Issues identified through annual financial audits can lead to the use of the statutory reporting powers of the Auditor General for Scotland to the Scottish Parliament and the Controller of Audit to the Accounts Commission for Scotland.

We work closely with colleagues in England, Wales and Northern Ireland to extend the impact of the National Fraud Initiative (NFI), which has now identified £111 million of fraud and error in Scotland since 2000.

Audit Scotland places the highest importance on audit quality and we have robust quality control and monitoring arrangements in place. We are able to continue to assure the quality of our work through new technology and improved ways of working.

## **Pay**

Our current pay deal ends on 31 March 2017. For the 2017/18 budget we have assumed that the new arrangements will add an average of 2% per annum to our pay bill (1% for increases in pay scales and 1% for pay progression). Our future reward arrangements are currently being reviewed.

Audit Scotland negotiates pay awards on an annual basis and actual awards will be determined as part of this process. However, for planning purposes only, we have assumed that in 2018/19 and 2019/20 pay levels will increase by 2% per annum.

## **Business restructuring**

We are restructuring our administrative support arrangements to reduce establishment and to realign skills and resources. The restructure will deliver recurring long term savings. A £100k provision has been included for one year in the 2017/18 budget to fund transition costs of the move to a new structure.

## **Pensions**

The majority (+95%) of Audit Scotland's staff are members of the Local Government Pension Scheme. The actuarial valuation on 31 March 2014 set employer contribution rates for the three years from 1 April 2015. For 2017/18 these are 17.2% for the current cost of pensions, plus a lump sum payment of £77k to contribute to the scheme deficit.

In advance of the next actuarial valuation scheduled for March 2017 we have assumed the rates effective in 2017/18 will also remain in place in 2018/19 and 2019/20.

Our budget proposal does not include resource to meet non-cash accounting adjustments required under International Accounting Standard 19 (IAS 19). As in previous years we will seek an adjustment as part of the 2016/17 Spring Budget Revision to meet non-cash pension



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cost adjustments in line with normal practice. The estimate for 2016/17 is £1.0m based on information provided by the pension scheme actuary.

Our 2017/18 budget proposals have been prepared on the assumption that non-cash pension costs adjustments will continue to be funded through the Spring Budget Revision process.

### **National Insurance**

Employer contributions rates are assumed at the existing rates in force in 2016/17.

### **Apprentice levy**

We have included £41k in 2017/18 to meet the costs of the apprentice levy being introduced by the UK Government in April 2017. The levy is set at 0.5% of pay bills in excess of £3m per annum. Similar provisions have been included in our projections for 2018/19 and 2019/20.

### **Appointed auditors (firms)**

The budget assumes that payments to appointed auditors (firms) for 2016/17 audits will be set in accordance with the contract levels awarded following the recent procurement tender exercise. For 2017/18, 2018/19 and 2019/20 audits it is assumed that price levels will increase by 1% per annum. These increases are contractual and are linked to pay scale movements for our own staff.

### **Quality**

We are undertaking a review of our quality arrangements. The 2017/18 budget proposals and our projections for 2018/19 and 2019/20 include a provision of £100k to support an enhanced quality regime funded from a small part of the savings generated from the audit procurement exercise.

### **Property**

Our budget proposals for 2017/18 and our projections for 2018/19 and 2019/20 assume continued occupation of our two offices in Edinburgh and Glasgow which are occupied on long term leases. It also reflects plans to relocate our Inverness office in the autumn of 2016 in advance of the lease termination date of the existing office. The Inverness move is cost neutral.

### **Training and organisational development**

Our budget assumes we will continue to develop and restructure our business to improve the way we work and to ensure we deliver ongoing efficiencies while maintaining the quality of our work. During 2016/17 we continued work to simplify our pay and grade structures to help us invest in and retain a skilled workforce to deliver high quality audit. Any changes to our pay and grade structure will be designed to be cost neutral. This work will be concluded by March 2017.

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## GDP deflators

We have assumed a GDP deflator of 1.8% for 2017/18. For 2018/19 and 2019/20 the deflators are 2.1% and 1.9% respectively. This is consistent with the June 2016 rates published by HM Treasury. These are used to remove the effect of price changes (inflation) when comparing expenditure over time.

## VAT

The budget and cost projections assume that the current VAT arrangement under which the Accounts Commission recovers input VAT on audit fees from firms undertaking local government audits continues, in line with the agreement with HMRC.

## Expenditure

An analysis of expenditure by category is attached as Appendix 1. This provides information on actual expenditure levels in 2014/15 and 2015/16 and the approved budget for 2016/17. The expenditure budget is set after reviewing actual costs for each of the last two years and the current year's budget and taking account of any planned developments and cost reductions.

Gross administrative costs within the proposed budget for 2017/18 will reduce by £1,060k (4.3%) from the levels in 2016/17 budget in cash terms. In real terms (2016/17 prices) this represents a 6%% reduction.

The proposed budget identifies a staffing requirement for 270 w.t.e. This is 6 w.t.e. fewer than in the 2016/17 budget.

Staff costs account for 64% of our expenditure budget proposals and our 2017/18 budget is £122k (0.8%) higher in cash terms than in our 2016/17 budget. The table below provides an analysis of this movement.

	£k
Apprentice levy	+41
Provision for enhanced quality review regime	+100
Provision to support administration restructure	+100
Savings from employing 6 w.t.e. fewer staff	-517
Reduced agency use	-25
Reduced vacancy factor	+138
Annual pay growth 2%	+285
<b>Total</b>	<b>+122</b>

In real terms (2016/17 prices) staff costs are 1.0% lower than in the 2016/17 budget.

Pay growth in 2017/18 and the introduction of the apprentice levy contribute £326k to the increase. A further £200k relates to enhancements to our quality regime and to support our administration restructure. A reduced vacancy factor assumption to mirror recent experience will increase costs by £138k. These additional costs are partly offset by savings arising from a reduction in staff numbers and benefits from grade mix changes which will reduce costs by £517k, and a planned reduction in agency use (£25k).

Other administrative costs in the proposed 2017/18 budget are £1,182k (12.4%) lower than that in the 2016/17 budget. The main contributor to reduction is lower fees and expenses payable to external audit firms. The benefits accruing from the recent procurement tender exercise will reduce costs in 2017/18 by £1,060k from the levels included in the 2016/17 budget. The savings are both price (-£864k) and volume (-£196k) related.

## Income

We are required broadly to break even, taking one year with another, for that audit work which is charged to audited bodies. Money voted by Parliament funds the annual audits that under legislation we cannot charge for, together with most performance audit work within the Auditor General's remit.

We have reviewed our fee and funding arrangements and a revised Fee Strategy is attached.

As a result of the review, the savings from the audit procurement exercise and other efficiencies included in the 2017/18 budget we can reduce 2016/17 audit fees by an average of 6.7% from the 2015/16 levels. The changes vary across sector and by individual audit in each sector. Further information is provided in our Fee Strategy. In real terms this represents an average reduction of 8.6%.

Income from charges to audited bodies by financial year is analysed below:

**Table 2 – Income from charges to audited bodies**

	Actual 2014/15 £000	Actual 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000
Local authorities	11,459	11,582	11,519	11,135
NHS bodies	3,777	3,778	3,738	2,861
Further education colleges	509	605	438	482
Scottish Government depts. & sponsored bodies	2,398	2,489	2,482	2,690
<b>Total income from charges to audited bodies</b>	<b>18,143</b>	<b>18,454</b>	<b>18,177</b>	<b>17,168</b>
<b>% cash decrease in fees from 2016/17 budget</b>				<b>-5.6%</b>

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This budget results in an average decrease of 5.6% (£1,009k) in the fees budget for the financial year 2017/18 when compared to the 2016/17 budget.

The decrease within the Health sector includes £495k relating to our proposal to transfer the funding for performance audit to the Scottish Consolidated Fund. Details are provided earlier in this document in the introduction on page two and in the section on resource requirements on page 6. The attached Fee Strategy also provides supporting information.

We analyse all of our costs between the different sectors that pay fees and the activities funded from the Scottish Consolidated Fund to inform the level of fees required to achieve the break-even requirement. The analysis of the 2017/18 budget is at Appendix 2.

For the 2017/18 audit year we estimate that based on our budget assumptions, average fees will see a further real terms reduction.

## Capital

The proposed capital budget for 2017/18 is £200k, the same as approved in the 2016/17. This will continue to support Audit Scotland's rolling Information Technology programme. Details of the 2017/18 capital requirements are provided below:

	<b>£000</b>
Laptop /Tablets	25
Hardware replacements	70
Software	75
Virtual desktop environment upgrade	30
<b>TOTAL</b>	<b>200</b>

## Efficiencies and cost reductions

The table below shows the main efficiencies and cost reductions included in the 2017/18 budget proposal. These amount to 6.5% of gross expenditure included in the 2016/17 approved budget.

	£000
Staffing costs	542
External audit firms - tender benefits	864
In-house efficiencies arising from new audit appointment	196
<b>TOTAL</b>	<b>1,602</b>

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## **Staffing costs**

Staff costs account for 64% of our 2017/18 expenditure budgets. The budget includes a reduction of 6 w.t.e. The reduction reflects a Voluntary Early Release Arrangements (VERA) programme being implemented in 2016/17, our restructure of administrative services and a re-assessment of workforce requirements within our financial and performance audit teams. The reduced staff numbers together with benefits arising from grade mix changes and planned reduced agency usage will reduce costs by £542k.

## **External audit firms fees and expenses**

The audit procurement exercise resulted in reduced contract values for the work carried by external firms. In total fees and expenses are budgeted to be £1,061k less than included in the 2016/17 budget, due to costs and volume reductions.

## **In-house efficiencies arising from new audit appointments**

The volume of audit work allocated to in-house team has increased. This work will be accommodated without additional resource, generating an efficiency saving of £196k.

## Cost profiles 2017/18 to 2019/20

In addition to our budget proposal for 2017/18, cost projections for the following two years have been prepared.

### Principal assumptions

The principal assumptions for our 2017/18 budget proposals and projections for 2018/19 and 2019/20 are provided on pages 6 to 10 of this submission.

### Cost profiles

The table below highlights Audit Scotland's expenditure profile for the period 2017/18 to 2019/20.

**Table 3 – Cost profiles for 2017/18 to 2019/20**

	Agreed Budget	Proposed Budget	Projection	
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>Expenditure</b>				
People costs	15,021	15,143	15,271	15,433
Other administrative costs	9,558	8,376	8,637	8,458
<b>Gross administrative costs</b>	<b>24,579</b>	<b>23,519</b>	<b>23,908</b>	<b>23,891</b>
Corporation Tax payable	5	5	5	5
Bank int. & misc. income	(25)	(25)	(25)	(25)
<b>Net cost – actual prices</b>	<b>24,559</b>	<b>23,499</b>	<b>23,888</b>	<b>23,871</b>
Annual GDP deflators		-1.8%	-2.1%	-1.9%
Net cost at 2016/17 prices		23,083	22,983	22,538
Cumulative savings at 2016/17 prices		1,476	1,576	2,021
<b>Cumulative savings %</b>		<b>6.0%</b>	<b>6.4%</b>	<b>8.2%</b>

In cash terms, people costs are rising in all years of the projection. Explanations of the movements in 2017/18 have been provided on pages 9 and 10. The increased costs in the following years are as a result of our pay growth assumptions of 2% per annum partly offset further staffing reductions (see next section).

Other administrative costs in 2017/18 are projected to be £1,182k (12.4%) lower than included in the approved 2016/17 budget. As noted on page 9, reduced fees and expenses payable to external audit firms are the main contributor to the reduction. In the following two years,

expenditure increases in 2018/19 and then decreases in 2019/20 mainly as a result of work on the National Fraud Initiative which takes place every two years.

By 2019/20 we predict that expenditure will be £23.9m. This is 8.2% lower in real terms (2016/17 prices) than the 2016/17 budget.

## Staffing projections

Our budget proposal for 2017/18 includes a decrease of six w.t.e. In 2018/19 and 2019/20 further reductions of 1 w.t.e. and 3 w.t.e. are planned. The table below provides details of our staffing projections.

**Table 4 – Staffing projections for 2017/18 to 2019/20**

	Agreed Budget	Proposed Budget	Projection	
	2016/17	2017/18	2018/19	2019/20
<b>Staff (w.t.e.)</b>	<b>276</b>	<b>270</b>	<b>269</b>	<b>266</b>
Staff change – annual w.t.e.		-6	-1	-3
Staff change – cumulative w.t.e.		-6	-7	-10

## SCPA approved funding

In 2017/18 our budget proposals include a cash decrease of £51k in the level of total funding required from that approved for 2016/17. In real price terms (2016/17 prices) this represents a 2.6% reduction. Further details are provided on pages 5 and 6.

The revenue support sought from the Scottish Consolidated Fund comprises funding for:

- non-chargeable Central Government audits
- performance audits
- the Auditor General
- the Accounts Commission
- a proportion of Audit Scotland senior management.

The table below provides further information on our projections. By 2019/20 we estimate that in real terms SCPA approved revenue funding will be 11.1% lower than included in the 2016/17 budget.

**Table 5 – SCPA funding profiles for 2017/18 to 2019/20**

	Proposed	Projection	
	Budget	2018/19	2019/20
	2017/18	2018/19	2019/20
	£000	£000	£000
<b>Net Cost</b>	<b>23,499</b>	<b>23,888</b>	<b>23,871</b>
<b>SCPA FUNDED ACTIVITY</b>			
Revenue funding - financial audits	2,213	2,235	2,246
Revenue funding - performance audit	2,636	2,662	2,676
Revenue funding - governance	1,482	1,497	1,504
Revenue funding - NFI	0	200	0
<b>Total revenue funding</b>	<b>6,331</b>	<b>6,594</b>	<b>6,426</b>
Capital funding	200	125	175
<b>TOTAL SCPA FUNDING</b>	<b>6,531</b>	<b>6,719</b>	<b>6,601</b>
<b>Total revenue funding – cumulative % reduction (real prices)</b>	<b>2.6%</b>	<b>1.3%</b>	<b>11.1%</b>



## Appendix 1 - Operating Cost Statement expenditure trends

OPERATING COST STATEMENT	Actual		Current	Proposed
	2014/15	2015/16	Budget	Budget
	£000	£000	2016/17 £000	2017/18 £000
<b>People costs</b>				
Salaries, pensions and temporary staff	11,186	11,644	11,433	11,538
Employers on costs	2,908	2,966	3,314	3,333
Pension adjustments	745	1,002	113	113
	14,839	15,612	14,860	14,984
Accounts Commission members	148	160	161	159
<b>Total people costs</b>	<b>14,987</b>	<b>15,772</b>	<b>15,021</b>	<b>15,143</b>
Appointed audit firm fees and expenses	5,128	5,051	5,012	3,952
<u>Other costs</u>				
Rent & rates	733	950	535	550
Other accommodation costs	535	348	400	410
Travel & subsistence	878	844	975	946
Audit support - external fees	311	273	586	426
Legal & other professional fees	286	284	172	172
Stationery & printing	146	209	172	165
Training & organisational development	464	440	537	548
Staff recruitment	127	121	125	125
Communications (telephone, postage)	59	44	54	46
Insurance	87	84	78	75
Information technology	335	461	367	436
Internal Audit	19	27	30	30
External Audit - financial statements	29	29	30	30
Other	62	71	73	68
Depreciation	304	271	412	397
<b>Total other administrative costs</b>	<b>9,503</b>	<b>9,507</b>	<b>9,558</b>	<b>8,376</b>
<b>GROSS ADMINISTRATIVE COSTS</b>	<b>24,490</b>	<b>25,279</b>	<b>24,579</b>	<b>23,519</b>
Corporation Tax payable	8	8	5	5
<b>Income</b>				
Fees and charges payable	18,143	18,454	18,177	17,168
Bank Interest	41	41	25	25
Miscellaneous income	60	34	0	0
Other finance income - pensions related	-847	-937	0	0
<b>Total income</b>	<b>17,397</b>	<b>17,592</b>	<b>18,202</b>	<b>17,193</b>
<b>NET OPERATING COST</b>	<b>7,101</b>	<b>7,695</b>	<b>6,382</b>	<b>6,331</b>

## Appendix 2 - 2017/18 Budget sector cost analysis

Expenditure budget	Fees					SCPA Parliament £k	TOTAL £k
	Local Authorities £k	NHS Bodies £k	Further Education £k	Central Government £k	Total Fees £k		
Auditor General for Scotland	0	0	0	0	0	233	233
Accounts Commission	0	0	0	0	0	177	177
Governance	154	35	1	41	231	520	751
Audit Strategy incl. NFI	307	102	19	95	523	72	595
External Audit firms	2,010	829	399	465	3,703	249	3,952
Audit Services	4,116	1,372	43	1,474	7,005	1,415	8,420
Performance and Best Value audit	1,987	0	0	0	1,987	1,762	3,749
Corporate Services and overheads	2,561	523	20	615	3,719	1,903	5,622
<b>Total budgeted expenditure</b>	<b>11,135</b>	<b>2,861</b>	<b>482</b>	<b>2,690</b>	<b>17,168</b>	<b>6,331</b>	<b>23,499</b>
Fee income	11,135	2,861	482	2,690	17,168	0	17,168
Support from Parliament	0	0	0	0	0	6,331	6,331
<b>Total Income</b>	<b>11,135</b>	<b>2,861</b>	<b>482</b>	<b>2,690</b>	<b>17,168</b>	<b>6,331</b>	<b>23,499</b>
<b>Surplus (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>% Surplus / (Deficit)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>