



**St Helena Government**  
**BUDGET EXECUTION REPORT**  
**FINANCIAL YEAR 2022/23**  
**PERIOD 6 (SEPTEMBER)**

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## INTRODUCTION

Budget execution is monitored by the Treasury Directorate. The Budget Execution Report (BER) provides an update on the implementation of the annual budget for the General Reserve of the Consolidated Fund. This BER is for September, period 6 of the financial year 2022/23.

The Treasury Directorate and Foreign and Commonwealth Development Office (FCDO) officials meet on a monthly basis to discuss spend and forecasting. The BER is provided to evidence the use of financial aid. 67% of the expenditure budget is financed by FCDO financial aid.

The cumulative budget position for the period April to September is summarised in the Statement of Comparison of Budget and Actual (Statement) on page 8. The Statement has been prepared in line with the Summary of Budgeted Expenditure and Revenue in the Budget Book, to provide a direct link with the appropriated expenditure budgets. Explanatory notes are included for significant variations between the budgeted and actual expenditure and revenue.

The BER includes an overview of the budget position and outturn, to enhance the understanding of the Statement and the progress in delivering a balanced outturn for the year. The financial aid package and performance indicators are included on page 12.

The BER is published on the government website <https://www.sainthelena.gov.sh/portfolios/treasury-infrastructure-and-sustainable-development/treasury/>.

## BUDGET

The table below provides an analysis of the approved expenditure budgets for 2022/23 and how the budget will be funded.

Budget Components	Original Budget £000	Supplementary Appropriation £000	Revised Budget £000
Recurrent Expenditure	43,592	1,400	44,992
Capital Expenditure	1,086	0	1,086
<b>Total Expenditure</b>	<b>44,678</b>	<b>1,400</b>	<b>46,078</b>
FCDO Financial Aid	29,670	1,400	31,070
Local Revenue	13,786	0	13,786
Contribution from the General Reserve	1,222	0	1,222
<b>Total Funding</b>	<b>44,678</b>	<b>1,400</b>	<b>46,078</b>

The annual (original) budget for the General Reserve of the Consolidated Fund was appropriated on 18 May 2022. The Budget book can be viewed on the Saint Helena Government website at <https://www.sainthelena.gov.sh/portfolios/treasury-infrastructure-and-sustainable-development/treasury/>.

The contribution from the General Reserve is for specific items of expenditure.

Items	Original Budget £000
Capital investment for the St Helena Airport	479
Refurbishment and Upgrades in the Health Directorate	513
Independent Assessment of a Health Clinical Service	200
Investment in the Fish Processing Plant	30
<b>Total</b>	<b>1,222</b>

On 30 August 2022, £1.4M was appropriated for the Treasury, Infrastructure and Sustainable Development Portfolio. These funds were requested to finance the recently approved Cost of Living Policy. £1.350M will be applied to increase the subsidy to Connect Saint Helena Ltd as a result of the increase in the price of fuel and £50k was granted for the proposed utility credit scheme, in line with the proposed increase in electricity tariffs from October 2022.

## OUTTURN

### Budget Deficit

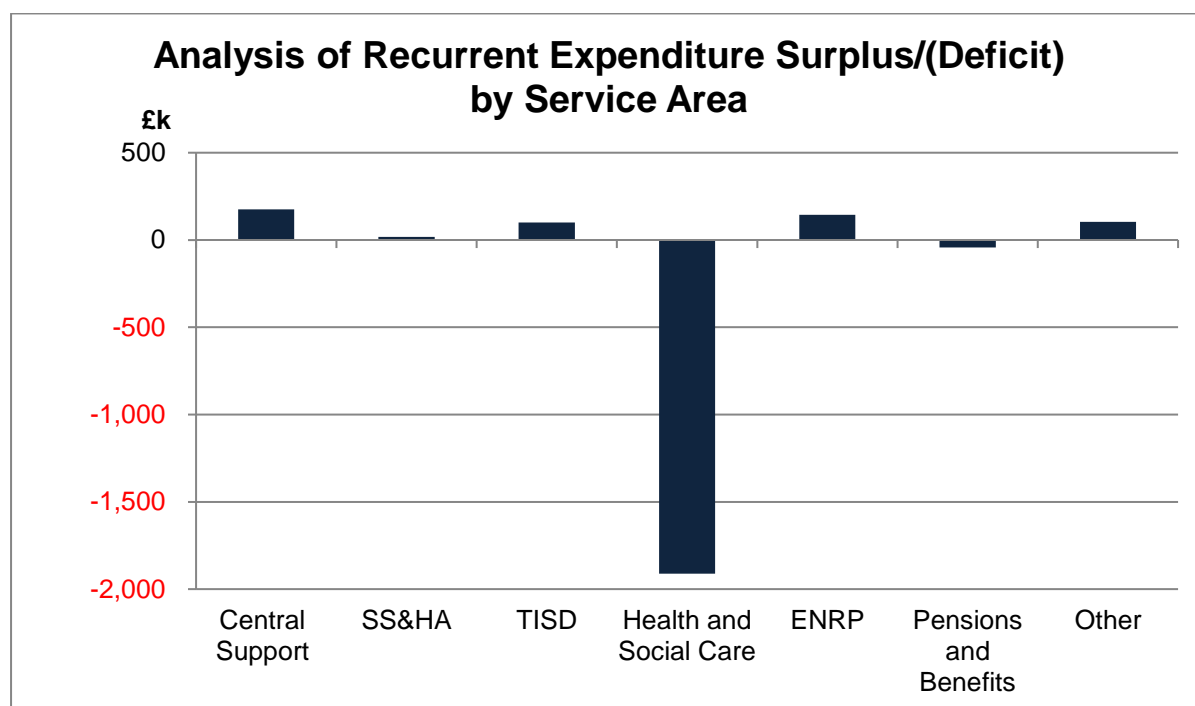
The Statement (on page 8) reflects a cumulative deficit of £2.9M to September.

The cumulative deficit is £1.8M more than the phased budget deficit. This is attributed to excess recurrent expenditure of £1.4M, excess capital expenditure of £125k and a shortfall in revenue of £220k.

£42k of the cumulative deficit is covered by the contribution from the General Reserve.

### Recurrent Expenditure

The chart below shows the under spends (surplus) and overspends (deficit) for recurrent expenditure by service areas.



### Capital Expenditure

The excess expenditure of £225k is in respect of equipment for the Fish Processing Plant (£112k) and costs associated with delivering a donated ambulance to Saint Helena (£113k). Funding for the Fish Processing Plant was approved in the 2021/22 budget however, procurement arrangements were delayed and these items were not received until August 2022. Approval will be sought to appropriate the funds under spent in 2021/22. The ambulance which was received in September had not been specifically budgeted for but will be funded by the contribution from the General Reserve for upgrades in the Health Directorate.

## Revenue

The £220k shortfall in revenue is mainly due to taxes from Customs Dues. An analysis of customs dues is included in the table below.

	Ad Valorem £000	Alcohol £000	Tobacco £000	Other Dues £000	Total £000
Actual	983	413	300	380	2,076
Budget	990	570	540	441	2,541
<b>Variance</b>	<b>(7)</b>	<b>(157)</b>	<b>(240)</b>	<b>(61)</b>	<b>(465)</b>

## Areas of Concern

### 1. Health and Social Care Portfolio

- Overseas Medical Treatment expenditure

The budget allocation of £1.5M for the whole financial year is over spent by 10% at the end of period 6, September. The total expenditure of £1.6M includes £360k of accrued expenses for patients who have been referred to South Africa and the United Kingdom.

Medical referral patient numbers continue to increase. At the end of September, provision was made for 87 patients referred for medical treatment overseas in comparison with 79 at the end of August. A forecast of the funding required for medical referral patients to the end of this financial year is being progressed by the Health Directorate.

- Aero Medical Evacuation expenditure

The budget allocation of £200k for the whole financial year was overspent in period 5, August. Expenditure to September is £350k exceeding the budget provision by 75% (£150k).

The original budget provided for two flights during October to March. Should it become necessary to activate the remaining budgeted number of flights, and evacuations costs continue at an average of £50k per flight, additional funding of £250k will be required to cover these flights and the existing over spend.

- Health Medical Supplies

The delay by the Health Directorate in adjusting recorded expenditure to reflect the actual expenditure to September 2022 is now flagged as a concern. There is a risk that due to the high value of the medical supplies stocks available for issue, the value of issues expensed in this financial year could exceed the budget provision.

The expenditure recorded for medical supplies of £1,014k currently reflects the cost of purchases for the year to date and is yet to be adjusted to remove the cost of items held in stock. In addition, the Health Directorate is yet to expense items that were issued in this financial year from stocks held at the previous year end, these stocks are valued at £550k. The Health Directorate plans to perform a physical stock count to establish the value of stocks that have been issued, this will be the expenditure for the year to date. The physical count start date is still to be confirmed.

Stocks available for issue between April and September total £1.5M, exceeding the full year budget of £628k by 149%. In addition, £156k has been prepaid for medical supplies which are expected to arrive in October.

The investment in medical supplies in this year for use in the subsequent financial year is also flagged as a concern in view of the level of commitment that will be held against the General Reserve of the Consolidated Fund prior to the approval of the budget for the next financial year.

- Children and Adults Social Care Directorate expenditure

There are concerns over the Children and Adults Social Care Directorate's ability to manage expenditure within the £3.2M appropriated budget allocation for this financial year. An overall deficit of £196k is reported to September. Overspends are recorded on six of the nine expenditure categories. Employee costs record the highest overspend of £222k. The budget is allocated evenly between the first and second half of the financial year. Actual expenditure represents 56% of the annual budget.

The Children and Adults Social Care Directorate with the support of Central Human Resources and the Treasury, are reviewing the staffing position and the directorate forecast outturn for this financial year.

## 2. Treasury, Infrastructure and Sustainable Development Portfolio

- Taxes – Customs Dues

There is a revenue shortfall of £465k against the £2.5M budget to September. £397k of the shortfall is attributed to alcohol and tobacco (analysis of customs dues on page 6 refers). The customs dues budget for the next half of this financial year is £3M and includes £1M for alcohol and tobacco. Initial inquiries with major importers indicate that there will be further significant revenue shortfall in customs dues for alcohol and tobacco to the year end.

The Treasury Directorate is working with service areas to project the outturn to the year end and agree measures to address service requirements within available funding resources. The projected outturn to the year end is expected to be included in the BER for October.

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

	Actual	Year to Date Budget	Variance		Notes
	£	£	£	%	
<b>EXPENDITURE</b>					
<b>Appropriated Recurrent Expenditure</b>					
Central Support Service	5,224,211	5,400,339	176,128	3	1
Attorney General's Chambers	66,571	67,456	885	1	
Safety, Security and Home Affairs	1,138,648	1,156,700	18,052	2	
Judicial Services	58,522	63,043	4,521	7	
Treasury, Infrastructure and Sustainable Development	5,630,571	5,731,440	100,869	2	2
Education, Skills and Employment	1,710,367	1,809,419	99,052	5	3
Health and Social Care	6,379,384	4,468,368	(1,911,016)	(43)	4
Environment, Natural Resources and Planning	760,363	898,913	138,550	15	5
	20,968,637	19,595,678	(1,372,959)	(7)	
<b>Statutory Recurrent Expenditure</b>					
Pensions and Benefits	2,544,112	2,500,874	(43,238)	(2)	
<b>Total Recurrent Expenditure</b>	<b>23,512,749</b>	<b>22,096,552</b>	<b>(1,416,197)</b>	<b>(6)</b>	
<b>Appropriated Capital Expenditure</b>					
Treasury, Infrastructure and Sustainable Development	141,774	30,000	(111,774)	(373)	6
Safety, Security and Home Affairs	12,846	14,000	1,154	8	
Health and Social Care	14,831	0	(14,831)	0	
<b>Total Capital Expenditure</b>	<b>169,451</b>	<b>44,000</b>	<b>(125,451)</b>	<b>(285)</b>	
<b>TOTAL EXPENDITURE</b>	<b>23,682,200</b>	<b>22,140,552</b>	<b>(1,541,648)</b>	<b>(7)</b>	
<b>REVENUE</b>					
<b>Local Revenue</b>					
Taxes	4,823,601	5,154,800	(331,199)	(6)	7
Duty & Licences	140,058	134,379	5,679	4	
Fines & Fees	278,213	299,375	(21,162)	(7)	8
Government Rents	137,014	148,101	(11,087)	(7)	9
Earnings Government Departments	15,561	28,026	(12,465)	(44)	10
Income Received	110,593	57,176	53,417	93	11
Treasury Receipts	226,908	137,110	89,798	65	12
Recharges	192,084	184,818	7,266	4	
	5,924,032	6,143,785	(219,753)	(4)	
<b>External Funding</b>					
FCDO Core Financial Aid	13,395,000	13,395,000	0	0	
FCDO Airport Operations Financial Aid	1,440,000	1,440,000	0	0	
	14,835,000	14,835,000	0	0	
<b>TOTAL REVENUE</b>	<b>20,759,032</b>	<b>20,978,785</b>	<b>(219,753)</b>	<b>(1)</b>	
<b>SURPLUS/ (DEFICIT)</b>	<b>(2,923,168)</b>	<b>(1,161,767)</b>	<b>(1,761,401)</b>	152	



## Notes to the Statement of Comparison of Budget and Actual

The notes below provide explanations for variances between the budget and actual for the year to date, which are more than 5% and £5k, or more than £50k.

Note	Budget Component	Budget less Actual		Variance Explanations
		£	%	
	<b>Recurrent Expenditure</b>			
1	Central Support Service	176,128	3	<p>Significant under spends include TC posts £117k, training £47k and UK Representative office £30k.</p> <p>Delays have been experienced with the recruitment of TC Officers due to clearance processes to enable travel to Saint Helena. Expenditure for TC posts and training has also been delayed due to the corporate requirement to identify budget savings. An under spend is reported for the running costs for the UK Rep Office.</p>
2	Treasury, Infrastructure and Sustainable Development	100,869	2	<p>Delay in service provision by Audit Saint Helena resulting in an under spend of £78k on audit fees. A net underspend of £18k is reported for the Infrastructure Directorate. Procurement of supplies has been postponed as a consequence of the delayed approval of the budget and in conjunction with the corporate requirement to identify budget savings.</p>
3	Education, Skills and Employment	99,052	5	<p>Significant under spends include employee costs £34k, which will be reallocated to cover projected overspends, and supplies and services £38k due to delays in procurement. There are a number of budget lines with low valued under spends.</p>
4	Health and Social Care	(1,911,016)	(43)	<p>Excess expenditure for Health £1.7M and Social Care £196k.</p> <p>Major categories of the Health excess expenditure include:</p> <ul style="list-style-type: none"> <li>Overseas Medical Treatment £892k - The budget is based upon average monthly expenditure of £125k. Expenditure for the year to date is £1.6M exceeding the year to date budget of £750k (and annual budget of £1.5M). The number of medical referrals is increasing. At the end of September, there were 88 patients receiving treatment overseas;</li> </ul>

Note	Budget Component	Budget less Actual		Variance Explanations
		£	%	
				<ul style="list-style-type: none"> <li>Aero Medical Evacuation £230k –The budget for the year to date, provided for three aero medical evacuation flights at £40k per flight. Two flights were activated in September. In total, seven flights have been activated with an average evacuation cost of £50k per flight.</li> <li>Medical Supplies £707k - goods are currently expensed in full when received. Payments total £1.0M exceeding the year to date budget of £307k (and the full year budget of £628k by 61%). Accounting adjustments are required to expense only those goods that have been issued and not goods that are held in stock</li> </ul> <p>The excess expenditure for Social Care is mainly attributed to Employee Costs £222k.</p> <p>The reported excess expenditure is partially offset by under spends recorded in other areas.</p>
5	Environment, Natural Resources and Planning	138,550	15	Procurement of supplies and the awarding of contracts has been postponed as a consequence of the delayed approval of the budget and in conjunction with the corporate requirement to identify budget savings.
	<b>Capital Expenditure</b>			
6	Treasury, Infrastructure and Sustainable Development	(111,774)	(373)	Equipment for the Fish Processing Plant ordered in 2021/22 was received in August 2022. Appropriation of the funds under spent in 2021/22 is required.
	<b>Revenue</b>			
7	Taxes	(331,199)	(6)	Revenue shortfall of £465k is reported for customs dues. This is mainly due to the categories tobacco and alcohol.
				The impact of these revenue shortfalls has been partially reduced by an increase in revenue from PAYE tax.
8	Fines and Fees	(21,162)	(7)	Delay in invoicing patients for medical treatment.
9	Government Rents	(11,087)	(7)	Under collection reported for commercial property rents.
10	Earnings Government Departments	(12,465)	(44)	Revenue shortfall for stamp sales.

Note	Budget Component	Budget less Actual		Variance Explanations
		£	%	
11	Income Received	53,417	93	Revenue from adhoc services was more than budgeted. The most significant revenue surplus is the revenue from the Internet Computer Bureau for the use of domain name .sh (£27k).
12	Treasury Receipts	89,798	65	Favourable revenues. Significant surpluses are recorded for interest on investments (£43k) and dividends (£43k).

## FCDO FINANCIAL AID

### Financial Aid Package

The financial aid package comprises: £26.79M for core financial aid, £2.88M for the St Helena Airport operations and contingency call down funding of £2.12M.

Both the core financial aid and the allocation for airport operations are ring fenced.

The contingency call down funding can be requested for litigation and legal costs associated with historical negligence cases, aero medical evacuation costs, overseas medical treatment costs and costs to maintain access to the Island. This funding will be called upon if the budget risks identified during the planning stage materialises.

### Funding Tracker

Funding Allocation	Total Aid £000	Received to Date £000	Pending Claim £000	Called Upon £000	Balance Available £000
Core Financial Aid	26,790	8,930	8,930	0	8,930
St Helena Airport Operations	2,880	960	960	0	960
Contingency Call Down	2,120	0	0	1,600	520
<b>Total</b>	<b>31,790</b>	<b>9,890</b>	<b>9,890</b>	<b>1,600</b>	<b>10,410</b>
<i>Tranche</i>		<i>1</i>	<i>2</i>	<i>3 &amp; 4</i>	<i>3 &amp; 4</i>

Tranche 1 and 2 total £9.890M each. Tranche 1 was received May. Tranche 2 has been claimed (and funds were received in Period 7 October).

In July, FCDO agreed to the application of £1.6M from the contingency call down funding to cushion the impacts that the fuel price increases would have on the cost of utilities and the cost of living. These funds are provided for in tranches 3 and 4 which are due to be released between December and March.

### Performance Indicators

Budget performance is monitored by the FCDO through a series of performance indicators throughout the year and at the year end. The table below tracks the financial performance indicators.

Performance Indicator	Position	£000	%
Local Revenue as a % of Total Revenue (excluding recharges)	<b>Year to Date Actual</b>	<b>5,732/ 20,567</b>	<b>27.9</b>
	Year to Date Budget	5,959/ 20,794	28.7
	Full Year Revised Budget	13,358/ 44,428	30.1
Actual Local Revenue as a % of the Original Budget for Local Revenue	<b>Year to Date Actual</b>	<b>5,732/ 5,959</b>	<b>96.2</b>
Actual Recurrent Expenditure as a % of Approved Budget	<b>Year to Date Actual</b>	<b>23,513/ 22,097</b>	<b>106.4</b>
Actual St Helena Airport Recurrent Expenditure as a % of the Approved Budget	<b>Year to Date Actual</b>	<b>1,443/ 1,442</b>	<b>100.1</b>