



St Helena Government

BUDGET EXECUTION REPORT

FINANCIAL YEAR 2022/23

PERIOD 7 (OCTOBER)

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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 October, period 7 in 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 October and the forecast position to the year end is summarised in the Statement of Comparison of Budget and Actual ([Statement](#)) on page 9. 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 budget, actual and forecast 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 14.

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 | 65 | 1,151 |
| Total Expenditure | 44,678 | 1,465 | 46,143 |
| FCDO Financial Aid | 29,670 | 1,400 | 31,070 |
| Local Revenue | 13,786 | 0 | 13,786 |
| Contribution from the General Reserve | 1,222 | 65 | 1,222 |
| Total Funding | 44,678 | 1,465 | 46,143 |

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/>.

Two Supplementary Appropriations have been made:

1. 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. £1.35M 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.
2. 11 October 2022 - £65k was appropriated for the Safety, Security and Home Affairs Portfolio, for replacement engines for the Search and Rescue vessels.

The contribution from the General Reserve is for the items of expenditure, listed below.

| Items | 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 |
| Replacement engines for the Search and Rescue vessels | 65 |
| Total | 1,287 |

OUTTURN

Budget Deficit

The [Statement](#) (on page 9) reflects an actual deficit of £2.9M and a forecast deficit of £5.6M. The analysis of the deficits in comparison with budgets are summarised in the table below.

| | Year to Date | | | Year End | | |
|-----------------------|----------------|----------------|------------------|------------------|----------------|------------------|
| | Actual £000 | Budget £000 | Variance £000 | Forecast £000 | Budget £000 | Variance £000 |
| Recurrent Expenditure | (27,931) | (26,129) | (1,802) | (48,125) | (44,992) | (3,133) |
| Capital Expenditure | (160) | (74) | (86) | (1,201) | (1,151) | (50) |
| Revenue | 25,180 | 25,420 | (240) | 43,756 | 44,856 | (1,100) |
| Deficit | (2,911) | (783) | (2,128) | (5,570) | (1,287) | (4,283) |

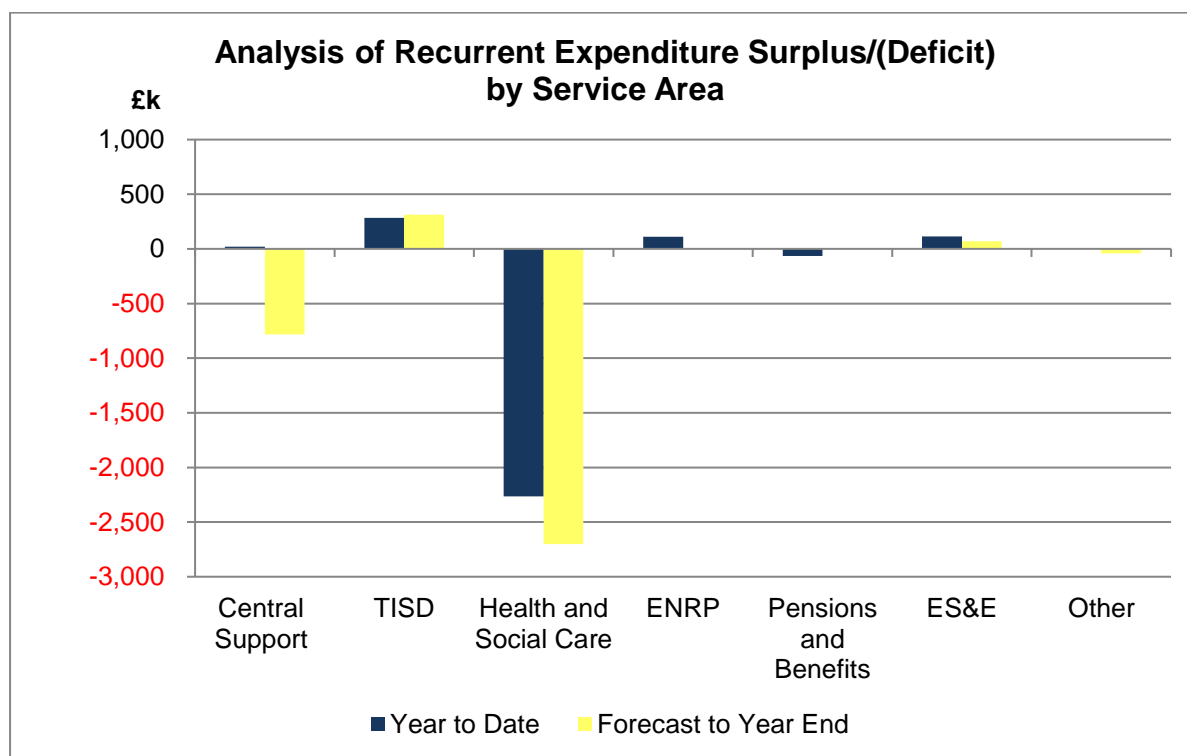
The forecasts were produced in consultation with Accounting Officers and Service Managers. These are the first year end forecasts for this financial year. The Treasury is working with Accounting Officers to refine forecasts; forecast expenditure must be curtailed to reduce the projected deficit. Accounting Officers have previously been requested to identify savings. Further, critical spending areas are being assessed to identify the extent to which the level of the expenditure can be reduced. Decisions on supplementary appropriation and withdrawal of appropriated expenditure will be initiated following the revision of forecasts and the November month end reporting process.

The remaining balance of the Call Down Contingency Funding will be requested from FCDO to contribute to the additional aero medical evacuation and overseas medical treatment costs (£720k). £200k of these funds was previously approved for costs in relation to the Cost of Living Policy but have not been appropriated or allocated therefore application will be made to redirect the financial aid.

Revenue forecasts are difficult to project for revenue streams which are subject to high levels of uncertainty therefore a prudent approach has been adopted when forecasting to mitigate the risk of significant overstatement of revenues and understatement of the year end deficit.

Recurrent Expenditure

The chart below shows the underspends (surplus) and overspends (deficit) for recurrent expenditure by service areas for the year to date and forecast to the year end.



Capital Expenditure

The excess expenditure (actual £86k and year end forecast £50k) is mainly in respect of equipment for the Fish Processing Plant (£112k). Funding for the Fish Processing Plant was approved in the 2021/22 budget however, procurement arrangements were delayed and these items were received in August 2022. Approval will be sought to appropriate the funds under spent in 2021/22.

Revenue

The shortfall in revenue (actual £240k and year end forecast £1.1M) is mainly due to taxes from Customs Dues.

An analysis of customs dues is included in the table below.

| | Year to Date | | | Year End | | |
|--------------|----------------|----------------|------------------|------------------|----------------|------------------|
| | Actual £000 | Budget £000 | Variance £000 | Forecast £000 | Budget £000 | Variance £000 |
| Ad Valorem | 1,155 | 1,265 | (110) | 1,686 | 2,105 | (419) |
| Alcohol | 493 | 725 | (232) | 882 | 1,173 | (291) |
| Tobacco | 364 | 605 | (241) | 521 | 1,095 | (574) |
| Other Dues | 632 | 724 | (92) | 1,082 | 1,205 | (123) |
| Total | 2,644 | 3,319 | (675) | 4,171 | 5,578 | (1,407) |

Areas of Concern

1. Central Support Service

Excess expenditure of £783k is projected to the year end. The Technical Corporation budget forecast anticipates exhaustion of the total budget allocation in February 2023. Further review of the forecast expenditure including revision of recruitment plans is ongoing.

2. Safety, Security and Home Affairs

Excess expenditure of £63k is projected to the year end. Further review of the forecast excess expenditure is ongoing to assess the extent to which these projected overspends can be managed within the original approved budget allocation.

3. Health and Social Care Portfolio

- Overseas Medical Treatment expenditure

The budget allocation of £1.5M for the whole financial year was overspent at the end of period 6, September. Expenditure to October is £2.1M. An overspend of £1.2M is projected to the year end.

The projected outturn is subject to much uncertainty. The year to date expenditure includes accrued expenditure of £311k which represents estimated costs for referred patients which cannot be confirmed until invoices are received. Further in-depth analysis of the forecast to year end is required to assess the sensitivity to change and further potential implications (adverse or favourable) for the projected outturn.

- Aero Medical Evacuation expenditure

The budget allocation of £200k for the whole financial year was overspent in period 5, August. Expenditure to October is £351k. The actual overspend is therefore £151k.

Three further aero medical evacuations have been forecast at £140k. Necessity to activate flights is uncertain.

- Health Medical Supplies

The risk that the value of medical supplies issued in this financial year exceeds the budget provision remains.

As previously reported, the expenditure recorded for medical supplies does not reflect the cost of medical supplies issued. The expenditure reflects the cost of purchases for the year to date. This expenditure must be adjusted to remove the cost of items held in stock and include the items that were issued in this financial year from stocks held at the previous year end.

The stocks held at the previous year end are valued at £550k and the recorded expenditure to October is £1.1M. Stocks available for issue between April and October total £1.6M, exceeding the full year budget of £628k. In addition, £122k has been prepaid for medical supplies which are expected to arrive in November 2022.

The Health Directorate has undertaken physical stock counts and adjustments to remove the value of stocks from expenditure, should be made in P9, December reporting.

The investment in medical supplies in this year for use in the subsequent financial year remains 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 continuing 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 £216k is reported to October and it is projected that the deficit will increase to £360k at the year end. Overspends are recorded on seven of the nine expenditure categories and nine of eleven cost centres. Employee costs record the highest over spend.

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

4. Treasury, Infrastructure and Sustainable Development Portfolio

- Taxes – Customs Dues

There is a revenue shortfall of £675k against the £3.3M budget to October. Significant shortfalls are reported for ad valorem, alcohol and tobacco (analysis of customs dues on page 6 refers). The customs dues budget for this financial year is £5.6M and includes £2.3M for alcohol and tobacco. Enquiries with major importers indicate that there will be further significant revenue shortfall in customs dues to the year end. A deficit of £1.4M is currently projected.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

| | Actual | Year to Date | Variance | | Forecast | Forecast to Year End | Variance | | Notes |
|--|-------------------|-------------------|--------------------|--------------|-------------------|----------------------|--------------------|------------|-------|
| | £ | £ | £ | % | £ | £ | £ | % | |
| EXPENDITURE | | | | | | | | | |
| Appropriated Recurrent Expenditure | | | | | | | | | |
| Central Support Service | 6,245,682 | 6,265,708 | 20,026 | 0 | 11,184,178 | 10,401,000 | (783,178) | (8) | 1 |
| Attorney General's Chambers | 70,310 | 73,564 | 3,254 | 4 | 103,023 | 104,000 | 977 | 1 | |
| Safety, Security and Home Affairs | 1,366,067 | 1,356,425 | (9,642) | (1) | 2,292,610 | 2,240,000 | (52,610) | (2) | 2 |
| Judicial Services | 72,691 | 80,637 | 7,946 | 10 | 137,070 | 148,000 | 10,930 | 7 | 3 |
| Treasury, Infrastructure and Sustainable Development | 6,778,808 | 7,061,126 | 282,318 | 4 | 12,440,404 | 12,753,000 | 312,596 | 2 | 4 |
| Education, Skills and Employment | 2,052,586 | 2,165,346 | 112,760 | 5 | 3,534,799 | 3,606,000 | 71,201 | 2 | 5 |
| Health and Social Care | 7,511,151 | 5,245,389 | (2,265,762) | (43) | 11,576,783 | 8,876,000 | (2,700,783) | (30) | 6 |
| Environment, Natural Resources and Planning | 877,994 | 989,592 | 111,598 | 11 | 1,659,322 | 1,667,000 | 7,678 | 0 | 7 |
| | 24,975,289 | 23,237,787 | (1,737,502) | (7) | 42,928,189 | 39,795,000 | (3,133,189) | (8) | |
| Statutory Recurrent Expenditure | | | | | | | | | |
| Pensions and Benefits | 2,955,444 | 2,890,866 | (64,578) | (2) | 5,196,939 | 5,197,000 | 61 | 0 | 8 |
| Total Recurrent Expenditure | 27,930,733 | 26,128,653 | (1,802,080) | (7) | 48,125,128 | 44,992,000 | (3,133,128) | (7) | |
| Appropriated Capital Expenditure | | | | | | | | | |
| Treasury, Infrastructure and Sustainable Development | 132,436 | 30,000 | (102,436) | (341) | 661,542 | 559,000 | (102,542) | (18) | 9 |
| Safety, Security and Home Affairs | 12,846 | 14,000 | 1,154 | 8 | 77,846 | 79,000 | 1,154 | 1 | |
| Health and Social Care | 14,831 | 30,000 | 15,169 | 51 | 462,000 | 513,000 | 51,000 | 10 | 10 |
| Total Capital Expenditure | 160,113 | 74,000 | (86,113) | (116) | 1,201,388 | 1,151,000 | (50,388) | (4) | |
| TOTAL EXPENDITURE | 28,090,846 | 26,202,653 | (1,888,193) | (7) | 49,326,516 | 46,143,000 | (3,183,516) | (7) | |

| | Actual | Year to Date | Variance | | Forecast | Forecast to Year End | Variance | | Notes |
|---------------------------------------|-------------|--------------|-------------|------|-------------|----------------------|-------------|------|-------|
| | £ | £ | £ | % | £ | £ | £ | % | |
| REVENUE | | | | | | | | | |
| Local Revenue | | | | | | | | | |
| Taxes | 6,545,833 | 6,928,700 | (382,867) | (6) | 10,310,477 | 11,542,000 | (1,231,523) | (11) | 11 |
| Duty & Licences | 163,032 | 153,763 | 9,269 | 6 | 266,135 | 258,870 | 7,265 | 3 | 12 |
| Fines & Fees | 326,457 | 350,573 | (24,116) | (7) | 673,269 | 696,754 | (23,485) | (3) | 13 |
| Government Rents | 156,736 | 168,507 | (11,771) | (7) | 254,268 | 263,200 | (8,932) | (3) | 14 |
| Earnings Government Departments | 18,557 | 32,947 | (14,390) | (44) | 47,763 | 62,800 | (15,037) | (24) | 15 |
| Income Received | 179,992 | 100,687 | 79,305 | 79 | 276,311 | 195,676 | 80,635 | 41 | 16 |
| Treasury Receipts | 244,115 | 143,310 | 100,805 | 70 | 437,856 | 336,700 | 101,156 | 30 | 17 |
| Recharges | 237,514 | 234,371 | 3,143 | 1 | 419,766 | 430,000 | (10,234) | (2) | |
| | 7,872,236 | 8,112,858 | (240,622) | (3) | 12,685,844 | 13,786,000 | (1,100,156) | (8) | |
| External Funding | | | | | | | | | |
| FCDO Core Financial Aid | 15,627,500 | 15,627,500 | 0 | 0 | 28,190,000 | 28,190,000 | 0 | 0 | |
| FCDO Airport Operations Financial Aid | 1,680,000 | 1,680,000 | 0 | 0 | 2,880,000 | 2,880,000 | 0 | 0 | |
| | 17,307,500 | 17,307,500 | 0 | 0 | 31,070,000 | 31,070,000 | 0 | 0 | |
| TOTAL REVENUE | 25,179,736 | 25,420,358 | (240,622) | (1) | 43,755,844 | 44,856,000 | (1,100,156) | (2) | |
| SURPLUS/ (DEFICIT) | (2,911,110) | (782,295) | (2,128,815) | 272 | (5,570,672) | (1,287,000) | (4,283,672) | 333 | |

Notes to the Statement of Comparison of Budget and Actual

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

| Note | Budget Component | Year to Date Actual | | Year End Forecast | | Variance Explanations |
|------|--|---------------------|-----|-------------------|-----|--|
| | | £ | % | £ | % | |
| | Recurrent Expenditure | | | | | |
| 1 | Central Support Service | N/a | N/a | (783,178) | (8) | Expected vacancy savings built into the Technical Cooperation budget not achieved. |
| 2 | Safety, Security and Home Affairs | N/a | N/a | (52,610) | (2) | Replacement tyres and spares for the Reach Stacker at Ruperts £21k. Telecommunications £11k, License £13k and Payments to Contractors £8k not included in approved budget. |
| 3 | Judicial Services | 7,946 | 10 | 10,930 | 7 | The Chief Justice did not visit the Island as planned as the Supreme Court was presided over by the Chief Magistrate. |
| 4 | Treasury, Infrastructure and Sustainable Development | 282,318 | 4 | 312,596 | 2 | Actual Significant underspends recorded for Audit Fees £131k, Contracts £47k, Grants £45k and SHAL expenses £92k. Forecast Projected savings: Proposed increase in electricity tariff was not approved therefore the funding awarded for Utilities Credit scheme will not be utilised £50k; Connect St Helena subsidy £110k; Sustainable Development Grants not awarded this financial year £66k; Decrease in the ASSI contribution payment for this financial year £47k. |

| Note | Budget Component | Year to Date Actual | | Year End Forecast | | Variance Explanations |
|------|---|---------------------|------|-------------------|------|--|
| | | £ | % | £ | % | |
| 5 | Education, Skills and Employment | 112,760 | 5 | 71,201 | 2 | <p>Actual Significant Underspends recorded under Employee Costs £37k, Supplies and Services £31k, Student Scholarship £19k and Recharges £24k.</p> <p>Forecast Funding not utilised for Training Expenses £28k, Student Scholarship £17k and IT Recharges £27k.</p> |
| 6 | Health and Social Care | (2,265,762) | (43) | (2,700,783) | (30) | <p>Excess expenditure for Health £2M and Social Care £216k.</p> <p>Overseas Medical Treatment £1.19M - The actual spend exceeded the monthly budget provision of £125k.</p> <p>Aero Medical Evacuation £190k –The budget provided for four flights to date at £40k per flight. There have been six flights with an average evacuation cost of £50k per flight. No aero medical evacuation flights were activated during the month of October.</p> <p>Medical Supplies £769k - goods are currently expensed in full when payment is processed. Payments total £1.1M exceeding the year to date budget of £356k (and the full year budget of £628k). Accounting adjustments are required to expense only those goods that have been issued and not goods that are held in stock.</p> <p>The excess expenditure for Social Care is mainly attributed to Employee Costs £247k which is partially offset by under spends recorded for Community Carers Allowance.</p> |
| 7 | Environment, Natural Resources and Planning | 111,598 | 11 | N/a | N/a | <p>Actual Procurement of supplies and the awarding of contracts have been postponed as a consequence of the delayed approval of the budget and in conjunction with the corporate requirement to identify budget savings.</p> |

| Note | Budget Component | Year to Date Actual | | Year End Forecast | | Variance Explanations |
|------|--|---------------------|-------|-------------------|------|---|
| | | £ | % | £ | % | |
| | Statutory Recurrent Expenditure | | | | | |
| 8 | Pensions and Benefits | (64,578) | (2) | N/a | N/a | Defined Benefit Pensions - Provision made for employees to retire during October are continuing to work beyond normal retirement age £37k. Social Benefits - The Shared Household Deduction legislation was revoked in April 2022 resulting in an increase in the number of eligible claimants (78k). Basic Island Pension - Payments to new pensioners are more than the budget provision (24k). |
| | Appropriated Capital Expenditure | | | | | |
| 9 | Treasury, Infrastructure and Sustainable Development | (102,436) | (341) | (102,542) | (18) | Equipment for the Fish Processing Plant ordered in 2021/22 was received in August. Appropriation of the funds under spent in 2021/22 is required. |
| 10 | Health and Social Care | 15,169 | 51 | 51,000 | 10 | Delays in upgrade works within the Health Directorate. |
| | Local Revenue | | | | | |
| 11 | Taxes | (382,867) | (6) | (1,231,523) | (11) | Revenue shortfall is reported for customs dues. This is mainly due to the categories ad valorem, tobacco and alcohol. The impact of these revenue shortfalls has been partially reduced by an increase in revenue from PAYE tax. |
| 12 | Duty & Licences | 9,269 | 6 | N/a | N/a | Revenue collected from Stamp Duty more than budgeted. |
| 13 | Fines & Fees | (24,116) | (7) | N/a | N/a | Delay in invoicing patients for medical treatment. |
| 14 | Government Rents | (11,771) | (7) | N/a | N/a | Under collection reported for commercial property rents. |
| 15 | Earnings Government Departments | (14,390) | (44) | (15,037) | (24) | Revenue shortfall for Postal and Philatelic stamp sales. |
| 16 | Income Received | 79,305 | 79 | 80,635 | 41 | 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 and Interest on investments. |
| 17 | Treasury Receipts | 100,805 | 70 | 101,156 | 30 | Significant surpluses are recorded for interest on investments (53k) 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 | 17,860 | 0 | 0 | 8,930 |
| St Helena Airport Operations | 2,880 | 1,920 | 0 | 0 | 960 |
| Contingency Call Down | 2,120 | 0 | 0 | 1,600 | 520 |
| Total | 31,790 | 19,780 | 0 | 1,600 | 10,410 |
| <i>Tranche</i> | | <i>1 & 2</i> | | <i>3 & 4</i> | <i>3 & 4</i> |

Tranche 1 and 2 total £9.890M each. Tranche 1 was received May and Tranche 2 in 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) | Year to Date Actual | 7,635/ 24,942 | 30.6 |
| | Year to Date Budget | 7,878/ 25,186 | 31.3 |
| | Full Year Revised Budget | 13,356/ 44,426 | 30.1 |
| Actual Local Revenue as a % of the Original Budget for Local Revenue | Year to Date Actual | 7,635/7,878 | 96.9 |
| Actual Recurrent Expenditure as a % of Approved Budget | Year to Date Actual | 27,931/ 26,129 | 106.9 |
| Actual St Helena Airport Recurrent Expenditure as a % of the Approved Budget | Year to Date Actual | 1,590/ 1,926 | 83 |