



Agency Board Meeting 12 February 2013

Board Report Number: SEPA 08/13

Financial Monitoring Report Period ending 31 December 2012

Summary:	The Board is asked to note SEPA's financial performance for the period to 31 December 2012.	
Risks:	N/A	
Financial Implications:	N/A	
Staffing Implications:	N/A	
Environmental and Carbon Impact:	N/A	
Purpose of the report:	For information	
Report Author:	Jennifer Welsh, Head of Finance John Ford, Director of Finance & Corporate Services	
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BOARD REPORT – QUARTER 3 2012/13 FINANCIAL COMMENTARY FOR THE PERIOD 1 APRIL TO 31 DECEMBER 2012

1. Executive Summary

1.1

SEPA is on track to achieve its financial targets in respect of :	£k
i Operating within its forecast income for the year	77,203
i Operating within its capital plan of	4,625
i Cash carry forward of less than	750

1.2 Table 1 details SEPA's Income and Expenditure Account to 31 December 2012. The Income and Expenditure account is showing that the actual deficit for the period at £1,331k is £1,382k less than the budgeted deficit of £2,713k. The Forecast Income and Expenditure Account for the year shows a surplus of £1,688. This surplus will be used to fund SEPA's capital programme.

1.3 The Income and Expenditure Account, at the end of Period 9, does not include the impact of any costs/income that may arise through the accounting for employee pension benefits under International Accounting Standard 19.

1.4 SEPA are forecasting a cash carry forward balance of Scottish Government (SG) funds of £750k, as at 31 March 2013. This is an increase of £250k and has been agreed by SG to cover the in year cash implications of the increase in income expected from Waste Electrical and Electronic Equipment (WEEE) charging scheme.

1.5 Total forecast annual **income** for the year is £77,203k, £105k above budget. An income analysis is shown in Table 2 and material variances are analysed in paragraph 2.2.

1.6 **Forecast expenditure** for the year is £75,515k; £105k more than budget, this £105k is funded from the forecast excess income over budget referred to above. Paragraph 2.3 provides more detail.

The forecast **surplus** shown in the Income and Expenditure account has moved from £1,995k at the end of Quarter 2, to £1,688k at the end of Quarter 3, a movement of (£307k). This is caused by a reduction in resource planned for capital spend in Quarter 3, £59k and an increase in depreciation and impairment costs of £245k.

1.7 **Capital Expenditure forecast** (Table 5) for the year is as budgeted at £4,641k. The largest single area of budgeted expenditure is the fit out of the Angus Smith Building at £2,127k. Further information is detailed in paragraph 5.0 below.

1.8 SEPA's **cash balance** at 31 December 2012, excluding SEWeb Life+ funds was £491k. It is forecast that the cash held at 31 March 2013 will be £750k.

2. Key Issues

2.1 Income (Table 2, 3 and 4)

Forecast Income of £77,203k is £105k greater than the revised budgeted of £77,098k at the end of Quarter 3. Budgeted income at Quarter 3 is £48k less than that in Quarter 2 budget.

The income forecast for the year has been increased in Quarter 3 from £77,200k in Quarter 2, to £77,203k, an increase of £3k.

2.2 Charging Scheme Income (Table 3 and 4)

Income from charging schemes is forecast to be £29k more than budget at the end of Quarter 3; the forecast is £30k less than Quarter 2's.

2.2.1 Water Environment and Water Services (WEWS)

The year to date variance is £355k over budget and is forecast to outturn £321k over on an annual budget of £19.9M. The year to date variance of £355k is a result of an increase in Point Source subsistence fees of £273k, £42k in engineering subsistence, £55k in applications offset by £11k in disposal to land subsistence, £3k in abstraction subsistence and £1k in impoundment subsistence.

The forecast favourable variance of £321k can be broken down as follows: £239k in Point Source income, £42k in engineering, £55k in applications offset with £11k in disposal to land, £3k in abstraction subsistence and £1k in impoundment subsistence. The additional income in Point Source is due to the changes that took place with the Sewer Network Licences at the end of 2011-12.

2.2.2 Producer Responsibility Scheme (PRW)

This is currently forecast £23k over budget on an annual budget of £1M.

2.2.3 Pollution, Prevention and Control (PPC)/Integrated Pollution Control (IPC)

The year to date variance is £228k under budget and the forecast outturn is £227k under budget, on a budget of £4.4M. The year to date variance and forecast variance is due to a decrease in subsistence fees of £226k and £1k application fees.

2.2.4 Special Waste (SW)

This is currently forecast £58k under on a £1.6m budget.

2.2.5 Radioactive Substances Act (RSA)

The year to date variance is £33k over budget and is forecast £58k over budget on an annual budget of £2.3M.

2.2.6 Waste Management

The year to date variance on WML is £71k under budget and is forecast £65k under budget. The year to date variance is due to a decrease of £65k in subsistence income and £6k in application income. The forecast variance is due to a decrease of £59k in subsistence income and £6k in application income.

2.2.7 Other Income

The year to date variance is currently £40k over budget and is forecast £67k over budget on an annual budget of £2.8M. Other income includes the Transfrontier Free Rider income from

DEFRA (£517k), Recharges to the Environmental Agency (EA) for CLAS/HASS system support £155k, Payments from Other Agencies £1,831k and facilities/salary recharges £230k.

2.2.8 SEWeb LIFE+ Bid (Table 8)

EU approval to the revised SeWeb LIFE+ bid is awaited. The 2012/13 budgeted expenditure is forecast at £1,133k. SEPA has planned to provide a direct contribution of £312k in year which is forecast to outturn on budget. This funding is held in Information projects.

To date, £618k of expenditure has taken place this financial year, against a budget of £862k an under-spend of £244k. The project is forecasting a budget under spend of £241k in year.

At 31 December 2012, SEPA was holding £613k of EU grant funding in a deposit account.

2.3. Expenditure (Tables 1&2)

2.3.1 Full year total operating costs are forecast at £75,515k for the year, £105k more than budget. This utilises the anticipated income above budget. In Quarter 3, the actual total operating cost for the year to date was £49,786k, £1,378k less than budget. Budgeted revenue expenditure was increased by £258k in Quarter 3, mainly due to the increase in depreciation and impairment costs of £245k.

2.3.2 Total operating costs to date were under spent against budget by £1,378k. The main variances are:

Expenditure Heading	Comment	£'000
Staff Costs	This arises as a direct result of the number of vacancies that SEPA is carrying.	714 under spent
Property Costs	The under spend is made up of a number of variances across property costs primarily relating to profiling issues on Facilities Projects.	30 under spent
Transport Costs	All Directorates are showing under spends on transport costs, due to the action taken to reduce mileage and the carbon footprint.	112 under spent
Supplies and Services	There are numerous variances across all Directorates as a direct result of budget profiling issues.	279 under spent
Revenue Projects	The under-spend is made up of a £107k under-spend in facilities projects due to delays in projects commencing. Information Projects show a net under-spend of £75k, mainly due to under-spends of £280k being offset by bringing forward additional projects into the portfolio and overspends on a number of projects.	182 under spent

2.3.3 Depreciation and impairments forecast at the end of Quarter 3 total £2,952k in line with budget. A full fixed asset data cleanse has been undertaken of items that could be transferred to the Angus Smith Building. This has resulted in a number of items of equipment being identified as obsolescent in year, amounting to an impairment of £215k which has been included in the forecast for the year. SG has been asked to provide additional non cash resource cover for this. The results of the Gauging Stations revaluation exercise have yet to be quantified for accounting purposes. This will be included in the Quarter 4 report.

3. Trading Account.

- 3.1 The Trading Accounts budget has been completed using workload planning information, supplied by Directorates, and shows 95% cost recovery at Period 9, an improvement of 1% against the Quarter 2 report. However, this is still 3% below the target of 98%.

4. Source and Application Funds (Table 7)

- 4.1 In the year to date, SEPA has generated £635k cash from operating activities and it has spent £1,123k on capital expenditure.

SEPA is forecasting a bank and cash balance of £750k at year end. This has been agreed with SG on the basis of an additional charging income receipt that has been forecast to come in late in the year.

At the end of December 2012, SEPA had a cash and bank balance of £491k. The EU funds of (£686k) are being held in a separate account and are not treated as SEPA's cash in hand.

5. Capital (Table- 6)

- 5.1 Capital expenditure and commitments of £1,844k have been incurred in the year, against an annual budget of £4,625, k. The majority of the committed expenditure, to date, is on the Angus Smith Building, £1,358k. Table 6 shows the forecast capital spend for the year at £4,641k £13 over budget.

6. Resource Limits

- 6.1 SG has indicated they will provide additional non cash resource this year to cover the depreciation and impairment estimates of £2,952k. Based on the forecast Income and Expenditure position on Table 1, SEPA's outturn against resource limit outturn will be within budget.

7. Financial Risks

- 7.1 Ensuring all cash is utilised by 29 March 2013. The need to obtain approval to incur additional capital expenditure using revenue resource will result in less flexibility to manage year end cash targets.

Jennifer Welsh, Head of Finance

John Ford, Director of Finance & Corporate Services

January 2013

Scottish Environment Protection Agency						
Income & Expenditure Account - Year to date						
Period Ended 31st December 2012 Description	Period 9 2012/13			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
	£000's					
Grant in Aid	14,450	14,450	0	39,364	39,364	0
Charging Schemes	32,837	32,873	(36)	34,927	34,898	29
Other Income	1,167	1,127	40	2,912	2,836	76
Total Income	48,454	48,450	4	77,203	77,098	105
Finance and Corporate Services	3,776	4,038	262	5,108	5,108	0
Secretariat	1,654	1,660	6	2,150	2,231	81
Science & Strategy	12,034	12,554	520	16,500	16,500	0
Operations	15,879	15,790	(89)	20,748	21,076	328
Corporate Provisions/Contingencies	21	38	16	1,050	1,050	0
Total Staff Costs	33,365	34,079	714	45,556	45,965	409
Other Staff Costs	999	1,028	30	1,499	1,520	21
Property Costs	3,425	3,455	30	4,389	4,396	7
Transport Costs	1,343	1,455	112	1,901	1,991	90
Supplies & Services	6,688	6,967	279	13,603	13,234	(369)
Research & Development	7	29	22	299	299	0
Invest ment Bids	0	0	0	513	250	(263)
Total Other Costs	12,461	12,933	473	22,204	21,690	(514)
Information Projects	1,939	2,013	75	4,310	4,310	0
Facilities Projects	60	168	107	493	493	0
Total Revenue Projects	1,999	2,181	182	4,803	4,803	0
Depreciation / Impairments	1,961	1,970	9	2,952	2,952	0
Total Operating Costs	49,786	51,163	1,378	75,515	75,410	(105)
Operating Surplus/ (Deficit)	(1,331)	(2,713)	1,382	1,688	1,688	0

Table 1

Scottish Environment Protection Agency
Quarterly Forecast Income & Expenditure Account - 2011/12

£000's

Period Ended 31st December 2012 Description	Quarter 2			Quarter 3			Movement between Budget and Quarter 1		
	Forecast	Budget	Variance	Forecast	Budget	Variance	Forecast	Budget	Variance
Grant in Aid	39,414	39,414	0	39,364	39,364	0	(50)	(50)	0
Charging Schemes	34,953	34,894	59	34,927	34,898	29	(26)	4	(30)
EU Income	0	0	0	0	0	0	0	0	0
Other Income	2,833	2,836	(3)	2,912	2,836	76	79	0	79
Total Income	77,200	77,144	56	77,203	77,098	105	3	(46)	49
Finance and Corporate Services	5,080	5,037	(43)	5,108	5,108	0	28	71	43
Chief Executive & Secretariat	2,410	2,410	(0)	2,150	2,231	81	(260)	(179)	81
Science & Strategy	16,122	16,649	527	16,500	16,500	0	378	(149)	(527)
Operations	20,935	21,329	394	20,748	21,076	328	(187)	(253)	(66)
Corporate Provisions/Contingencies	1,050	1,050	0	1,050	1,050	0	0	0	0
Total Staff Costs	45,597	46,475	878	45,556	45,965	409	(41)	(510)	(469)
Other Staff Costs	1,459	1,461	2	1,499	1,520	21	40	59	19
Property Costs	4,356	4,414	58	4,389	4,396	7	33	(18)	(51)
Transport Costs	1,843	1,946	103	1,901	1,991	90	58	45	(13)
Supplies & Services	12,862	12,655	(207)	13,603	13,234	(369)	741	579	(163)
Research & Development	299	299	0	299	299	0	0	0	0
Invetsment Bids	1,137	250	(887)	513	250	(263)	(624)	0	624
Total Other Costs	21,956	21,025	(931)	22,204	21,690	(514)	248	665	417
Information Projects	4,360	4,360	0	4,310	4,310	0	(50)	(50)	0
Facilities Projects	585	585	0	493	493	0	(92)	(92)	0
Total Revenue Projects	4,945	4,945	0	4,803	4,803	0	(142)	(142)	0
Depreciation and Impairments	2,707	2,707	0	2,952	2,952	0	245	245	0
Total Operating Costs	75,205	75,152	(55)	75,515	75,410	(105)	310	258	(52)
Operating Surplus/ (Deficit)	1,995	1,992	3	1,688	1,688	0	(307)	(304)	(3)

**Scottish Environment Protection Agency
Income Analysis - Year to date**

£000's

Period Ended 31st December 2012 Description	Cumulative			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance
Grant in Aid	14,450	14,450	0	39,364	39,364	0
Radioactive Substances Band A	853	820	33	1,692	1,634	58
Radioactive Substances Band B & C	680	693	(13)	701	715	(14)
Waste Management	3,272	3,343	(71)	3,505	3,570	(65)
Producer Responsibility	920	957	(37)	1,048	1,025	23
Special Waste Consignment Notes	1,139	1,197	(58)	1,538	1,596	(58)
Pollution Prevention and Control	4,157	4,385	(228)	4,252	4,479	(227)
Air Pollution Control Part B	1,224	1,256	(32)	1,239	1,271	(32)
Control Of Major Accidents and Hazards	113	121	(8)	242	242	0
Water Environment and Water Services	20,034	19,679	355	20,253	19,932	321
Carbon Reduction Commitments	166	161	5	166	161	5
Aviation	0	0	0	8	8	0
Emissions Trading	279	261	18	283	265	18
Total Charging Schemes	32,837	32,873	(36)	34,927	34,898	29
Other Income	1,165	1,118	47	2,897	2,819	78
Radioactive Substances Act Contract Income	(1)	8	(9)	13	15	(2)
Interest Overdue Accounts	(1)	(1)	0	(1)	0	(1)
Bank Interest Receivable	3	2	1	3	2	1
Total Other Income	1,167	1,127	40	2,912	2,836	76
Total Income	48,454	48,450	4	77,203	77,098	105

Table 3

**Scottish Environment Protection Agency
Quarterly Income Analysis**

Description	Actual as at Quarter 2 (to 30/09/2012)			Actual as at Quarter 3 (to 31/12/2012)			Movement between Quarter 2 and Quarter 3 Actual Cumulative year to date		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
	£'000								
Grant in Aid	39414	39414	0	39364	39364	0	(50)	(50)	0
Radioactive Substances Band A	1,636	1,629	7	1,692	1,634	58	56	4	51
Radioactive Substances Band B & C	706	715	(9)	701	715	(14)	(5)	0	(5)
Waste Management	3,563	3,570	(7)	3,505	3,570	(65)	(58)	0	(58)
Producer Responsibility	986	1,025	(39)	1,048	1,025	23	62	0	62
Special Waste Consignment Notes	1,576	1,596	(20)	1,538	1,596	(58)	(38)	0	(38)
Pollution Prevention and Control	4,300	4,479	(179)	4,252	4,479	(227)	(48)	0	(48)
Air Pollution Control Part B	1,278	1,271	6	1,239	1,271	(32)	(39)	0	(39)
Control Of Major Accidents and Hazards	242	242	0	242	242	0	0	0	0
Water Environment and Water Services	20,223	19,932	292	20,253	19,932	321	30	0	30
Carbon Reduction Commitments	166	161	5	166	161	5	0	0	0
Aviation	8	8	0	8	8	0	0	0	0
Emissions Trading	269	265	4	283	265	18	14	0	14
							0	0	0
Total Charging Schemes	34,953	34,894	59	34,927	34,898	29	(26)	4	(30)
Other Income	2,832	2,819	13	2,897	2,819	77	65	0	65
Radioactive Substances Act Contract Income	0	15	-15	13	15	(2)	13	0	13
Interest Overdue Accounts	0	0	0	(1)	0	(1)	1	0	(0)
Bank Interest Receivable	2	2	0	3	2	1	1	0	1
Total Other Income	2,833	2,836	-3	2,912	2,836	76	79	0	79
Total Income	77,200	77,144	56	77,203	77,098	105	3	(46)	49

Scottish Environment Protection Agency			
BALANCE SHEET			
Description	Annual Accounts Year End 31/3/12 Balance £'000s	As at end of Period 9 2012/13 Balance £'000s	Forecast Year End 31/3/13 Balance £'000s
Fixed Assets			
Capitalised Assets	27,164	25,196	25,753
Assets in Course of Completion	2,783	3,906	5,884
Total Fixed Assets	29,947	29,102	31,637
Current Assets			
Debtors & Prepayments	5,312	3,106	3,638
Surplus assets	0	0	0
Life Funds	818	613	0
Cash at Bank & In Hand	481	491	750
Total Current Assets	6,611	4,210	4,388
Creditors & Accruals	(5,087)	(3,420)	(3,655)
Life Deferred income	(717)	(545)	0
Net Current Liabilities	(5,804)	(3,965)	(3,655)
Total Assets Less Current Liabilities	30,754	29,347	32,370
			0
Provision for Liabilities & Charges	(2,294)	(2,219)	(2,219)
IAS 19 Pension Provision	(40,609)	(40,609)	(40,609)
Total Assets Less Liabilities	(12,149)	(13,481)	(10,458)
Financed By :			
Reserves			
Deferred Grant s	0	0	0
Income & Expenditure Account CY	0	(1,335)	1,688
Accumulated Income & Expenditure Account B/F	(12,974)	(12,971)	(12,971)
Revaluation account	825	825	825
Total Capital Employed	(12,149)	(13,481)	(10,458)

Table 5

Scottish Environment Protection Agency
Total SEPA Capital Expenditure Monitor 2011/12 (£000's)
Period ending 31st December 2012

Description	YTD Spend	Commitments	Committed Spend	Forecast Outturn at Dec 12	Annual Budget	Forecast Variance
Room Booking software	0	0	0	50	50	0
Servers	0	0	0	30	30	0
Multifunction Printers	0	0	0	100	100	0
ASB Monitors	0	0	0	150	150	0
IBM Servers	0	0	0	300	300	0
Autonomy Software	176	0	176	205	205	0
Process Engine	0	0	0	150	150	0
Canon Uniflow	0	0	0	55	55	0
Citrix Licensing	0	0	0	233	233	0
VM Ware Licensing	0	0	0	79	79	0
Cisco Call Manager	0	0	0	60	60	0
Information Systems	176	0	176	1,412	1,412	0
Facilities						
Angus Smith Building	850	508	1,358	2,127	2,127	0
Dingwall Car Park	53	9	62	62	46	16
Aberdeen Porch	3	6	10	75	75	0
Storage Facilities Fit-out	1	0	1	70	70	0
Total SEPA Facilities	907	523	1,430	2,334	2,318	16
Other Science						
Approved Chemistry Capital	4	0	4	4	4	(0)
SPOTFIRE	6	0	6	46	46	0
Hydrology resilience Solution	17	0	17	17	17	0
GCMSMS Instrument - pesticide in river and ground	0	117	117	125	125	0
Sir John Murray Refit 2012/13	7	0	7	7	7	0
Winch Replacements	0	0	0	2	2	0
Winch Replacements (SW,NE)	0	0	0	55	55	0
GS Hut Replacements	0	0	0	35	35	0
S5 Boat Replacements	0	0	0	22	22	0
High Concentration Gas Diluter	0	8	8	8	8	0
High Purity Water System	0	0	0	16	16	0
ICP-OES	0	0	0	89	89	0
Low Concentration Gas Diluter	0	9	9	8	8	0
PID/FID System	0	0	0	13	13	0
Stack Conditioning unit	7	0	7	8	8	0
Total Nitrogen Analyser	0	0	0	59	59	0
Water Quality Monitoring Sondes	2	51	53	55	55	0
Pure Water Unit	0	0	0	42	42	0
Media Preparator	0	0	0	42	42	0
WASSP Multibeam	0	0	0	15	15	0
Environmental Survey Equipment	0	0	0	14	14	0
ADCP Boat	0	0	0	18	18	0
Total Science	44	185	229	700	700	(0)
Other Projects						
Disaster Recovery / Virtualisation	(3)	0	(3)	(3)	0	(3)
Gauging stations	0	0	0	108	108	0
AHERS Equipment	0	0	0	77	77	0
Matron Noise Monitor	0	12	12	10	10	0
Total Other Projects	(3)	12	9	192	195	(3)
Total Planned Capital Expenditure	1,123	720	1,844	4,638	4,625	13

Scottish Environment Protection Agency		
SOURCE & APPLICATION OF FUNDS		
	Year to date 9 £'000s	Forecast Outturn £'000s
Income & Expenditure Account Surplus / (Deficit)	(1,335)	1,688
Deduct non - cash income		
loss on sale FA		
Depreciation	1,970	2,750
Impairment	0	215
Recovered against Life		(13)
	1,970	2,952
Cash generated from operating activities	635	4,640
Capital Expenditure		
Less Capital Expenditure	(1,123)	(4,641)
Income on sale FA		
	(1,123)	(4,641)
Impairment held in creditors/ interest on capital		
Deferred grant movement		
Creditors Movements - Increase / (decrease)	(1,913)	(2,222)
Debtors Movements - (Increase) / decrease	2,411	2,492
	498	270
Movements in Working Capital		
Increase/ (Decrease) in Liquid funds	10	269
Bank Balance close period	491	750
Bank balance at start of period	481	481
Movement on Bank for period.	10	269

Table 7

**Scottish Environment Protection Agency
SEWeb LIFE+ Project**

Description	SEPA Life Project						
	Period 09 2012/13						
	Year to Date			Annual Budget £000's	Budget Remaining £000's	Forecast Outturn £000's	Variance £000's
	Actual £000's	Budget £000's	Variance £000's				
EU Contribution	246	385	139	697	451	542	155
SEPA Contribution (In Kind)	144	251	107	365	221	279	86
SEPA Additional Contribution	228	226	(2)	312	84	312	0
Total Income	618	862	244	1,374	756	1,133	241
Staff Costs	437	647	210	1,014	577	766	249
Other Staff Costs	39	6	(34)	6	(34)	50	(44)
Transport Costs	7	5	(3)	5	-3	12	(7)
Supplies And Services	84	132	48	238	154	220	19
Depreciation	9	16	7	21	12	13	9
Overheads	40	56	16	90	49	74	16
Expenditure	618	862	244	1,374	756	1,133	241
Net Under / (over) spend	(0)	0	0	0	0	(0)	0