



Agency Board Meeting 24 July 2012

Board Report Number: SEPA 26/12

Financial Monitoring Report Period Ending 30 June 2012

Summary:	The Board is asked to note SEPA's financial performance for the period to 30 June 2012.	
Risks:	N/A	
Financial Implications:	N/A	
Staffing Implications:	N/A	
Environmental and Carbon Impact:	N/A	
Purpose of the report:	For discussion	
Report Author:	Jennifer Welsh, Head of Finance John Ford, Director of Finance & Corporate Services	
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BOARD REPORT – QUARTER 1 2012/13 FINANCIAL COMMENTARY FOR THE PERIOD 1 APRIL TO 30 JUNE 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	75,984
i Operating within its capital plan of	4,474
i Scottish Government (SG) Cash carry forward of less than	500

1.2 Table 1 details SEPA's Income and Expenditure Account to 30 June 2012. The Income and Expenditure account is showing that the actual surplus for the period is £1,147k greater than the budgeted surplus of £9,364k. The Forecast Income and Expenditure Account for the year shows a surplus of £1,767k. The Income and Expenditure Account at the end of period 3 does not include the impact of any costs/income that may arise through the accounting for employee pension benefits under International Accounting Standard 19.

1.3 Total forecast annual **income** for the year is £75,984k, £310k above budget. An income analysis is shown in Table 2 and material variances are analysed in paragraph 2.2.

1.4 **Forecast expenditure** for the year is £74,217k; £310k over budget. It has been assumed SG will permit SEPA to utilise the additional income it has forecast in this financial year. Paragraph 2.3 provides more detail.

1.5 The **surplus** shown in the income and expenditure account has moved from nil, per the authorised budget, to £1,766k at the end of quarter 1. This is due to the reallocation of expenditure which was originally shown as operating costs in the approved April budget, pending a review of capital needs, now being identified as a capital requirement. The operating expenditure budgets are reduced and capital budget has consequentially been increased.

1.6 **Capital Expenditure forecast** (Table 5) for the year is as budgeted at £4,474k. This is an increase of £1,224k from authorised budget. The largest single area of budgeted expenditure is the fit out of the Angus Smith Building at £3,303k. Further information is detailed in paragraph 5.0 below.

1.7 SEPA's **cash balance** at 30 June 2012, excluding SEWeb Life+ funds was £8,286k. It is forecast that the cash held at 31 March 2013 will be £450k. This high cash balance is a result of income received from invoices raised for licenses in April 2012, covering the first 6 months of the financial year.

2. Key Issues

2.1 Income (Table 2, 3 and 4)

Forecast Income of £75,984k is £310k greater than the revised budgeted at £75,673k and £1,555k greater than that in the original approved budget of £74,430k.

Income from charging schemes is forecast to be £267k above budget, at £35,159k. Other income is £43k greater than budget at £928k.

The income forecast for the year has been increased in quarter 1 from £74,429k in the original budget, to a revised budget of £75,673k, an increase of £1,555k. This increase is due to the following:

- ❖ Additional funding from the SG for: - Reservoirs Act Implementation work **£700k**: Flood Warning Improvements **£154k**: **£60k** funding for seconded staff: **£100k** for flood awareness campaign and **£90k** general increase in baseline funding.
- ❖ Charging Scheme income budget has been increased by **£75k** to reflect the new Radioactive Substances Act (RSA) posts approved and recruited in 2012-13. This cost will be recovered from customers.
- ❖ Other income budget has been increased by **£43k**.

2.2 Charging Scheme Income (Table 3 and 4)

2.2.1 Water Environment and Water Services (WEWS)

The actual income year to date is £196k over budget at £9,990k. The forecast variance is £350k over budget on an annual budget of £19.9M. The variance is solely due to additional income from subsistence fees. £269k as a direct result of the changes to the sewer network licences at the end of 2011-12

2.2.2 Special Waste Consignment Notes.

The actual income year to date is £26k less than budget. It is forecast to outturn on budget.

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

The income year to date is £56k down on budget. The year end forecast shows expected income to be £109k less than budget as a direct result of a reduction in subsistence fees.

2.2.5 Radioactive Substances Act 1993 (RSA)

The original budget, and the subsequent forecast, have been increased by £75k to £1,627k for the year, to reflect increased chargeable activity.

2.2.8 Other Income

The full year forecast outturn is £43k over budget at £928k. The budget has been increased in the quarter by £65k for SEARS income arising from partner bodies for their contribution to the cost of the Royal Highland Show.

2.2.9 SEWeb LIFE+ Bid

The SEWeb LIFE+ project started on 1 September 2011. This project is forecast to run for three and a half years into the financial year 2014/15. The full estimated cost of the SEWeb Life+ project is £4,650,175. This is a shared contribution between the EU £1,967,876, and SEPA £2,682,299. The majority of SEPA's contribution is staffing, with

an estimated 70 FTE's being utilised from both partner agencies and SEPA over the term of the project.

An Income and Expenditure statement is shown at table 8.

The costs incurred as at period 3 on SEWeb LIFE+ were £138k and are excluded from SEPA's Income and Expenditure Account.

2.3. Expenditure (Table 1&2)

2.3.1 Full year total operating costs are forecast at **£74,217k** for the year. In quarter 1 the actual total operating cost for the year was £16,671k, £1,001k less than that budget. Budgeted operating expenditure was reduced by £522k in quarter 1, to increase funding available for capital in year.

2.3.2 The total operating costs to date were under spent against budget by £1,001k.

2.3.3 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 and delay in agreeing this year's pay award.	663 under spent
Property Costs	The under spend is made up of a number of variances across property costs primarily relating to profiling issues.	71 over spent
Transport Costs	All Directorates, except Operations, are showing under spends on transport costs, due to the action taken to reduce mileage and the carbon footprint.	75 under spent
Supplies and Services	There is a £179k under spend across Directorates as a direct result of budget profiling issues. The majority of the under spend £112k is in Science and Strategy mainly due to time delays in the flooding projects.	179 under spent

2.3.3 Depreciation and impairments forecast at the end of quarter 1 total £2,628 in line with budget. Finance are actively working with the business to review equipment and identify those items that will be impaired or disposed in year.

3. Trading Account.

3.1 SEPA's Trading Account for quarter 1 2012-13 has not been completed yet, pending completion of the remainder of work load planning data.

4. Source and Application Funds (Table 7)

4.1 At the end of June 2012, SEPA had a cash and bank balance of £8,286k. The EU funds of (£717k) are being held in a separate account and are not treated as part of SEPA's cash in hand.

4.2 During the year to date, SEPA has generated £11,166k of cash from its operating activities. SEPA has spent £772k on capital expenditure and £2,588k for working. The balance £7,806k has been used to increase the cash and bank balances at 30 June 2012. SEPA increased its balance at bank by £7,806k.

5. Capital (Table- 6)

5.1 Capital expenditure is forecast to outturn at a revised budget at £4,474k. SEPA have allocated a further £1,224k to the capital budget in quarter 1.

- ❖ Additional capital budget for Angus Smith Building £53k
- ❖ Strategy & Science transfers from revenue to fund year end capital spend £34k
- ❖ £125k for a GCMSMS Instrument
- ❖ £12k budget for Dingwall Car Park
- ❖ £500k for Stirling Office
- ❖ £504k for Replacement Science Equipment

5.2 Capital expenditure and commitments of £823k have been incurred in the year, against an annual budget of £4,474k. The majority of the committed expenditure to date is on the Angus Smith Building, £777k. The Angus Smith Building fit out contracts are currently being evaluated, when the outcome from the tender exercise is known the cost outturn will be updated, as required.

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 £2,707k. Based on the forecast Income and Expenditure position on table 1, SEPA resource limit outturn will be on budget.

SG has indicated a change in its approach to managing SEPA's financial position. SEPA has been requested to seek prior approval to transfer resource from Revenue to Capital. We are currently in discussion with SG in respect of the impact this will have on SEPA's operational activities, and how it will impact on SEPA's ability to use resources, in the most effective manner, to achieve its various financial targets.

Jennifer Welsh, Head of Finance
John Ford, Director of Finance & Corporate Services

July 2012

Scottish Environment Protection Agency
Income & Expenditure Account - Year to date

Period Ended 30th June 2012 Description	Period 3 2012/13			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
	£000's					
Grant in Aid	6,850	6,850	0	39,896	39,896	0
Charging Schemes	20,202	20,111	92	35,159	34,892	267
Other Income	131	76	55	928	885	43
Total Income	27,183	27,036	147	75,983	75,673	310
Finance and Corporate Services	1,231	1,344	113	5,355	5,355	0
Secretariat	564	626	62	2,447	2,447	0
Science & Strategy	3,867	4,118	251	16,650	16,650	0
Operations	5,107	5,340	232	21,700	21,700	0
Corporate Provisions/Contingencies	8	13	4	50	50	0
Total Staff Costs	10,777	11,440	663	46,202	46,202	0
Other Staff Costs	232	220	(12)	1,026	1,026	0
Property Costs	1,826	1,897	71	4,386	4,386	0
Transport Costs	382	457	75	1,902	1,902	0
Supplies & Services	2,250	2,429	179	13,119	12,809	(310)
Research & Development	0	0	0	299	299	0
Total Other Costs	4,690	5,003	313	20,731	20,421	(310)
Information Projects	515	539	23	4,221	4,221	0
Facilities Projects	33	33	0	435	435	0
Total Revenue Projects	548	572	24	4,656	4,656	0
Depreciation / Impairments	656	657	1	2,628	2,628	0
Total Operating Costs	16,671	17,672	1,001	74,217	73,907	(310)
Operating Surplus/ (Deficit)	10,512	9,364	1,147	1,766	1,766	0

Table 1

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

£000's

Period Ended 30th June 2012 Description	Budget			Quarter 1			Movement between Budget and Quarter 1		
	Forecast	Budget	Variance	Forecast	Budget	Variance	Forecast	Budget	Variance
Grant in Aid	38,792	38,792	0	39,896	39,896	0	1,104	1,104	0
Charging Schemes	34,817	34,817	0	35,159	34,892	267	342	75	267
EU Income	0	0	0	0	0	0	0	0	0
Other Income	820	820	0	928	885	43	108	65	43
Total Income	74,429	74,429	0	75,983	75,673	310	1,554	1,244	310
Finance and Corporate Services	5,354	5,354	0	5,355	5,355	0	0	0	0
Chief Executive & Secretariat	2,445	2,445	0	2,447	2,447	0	1	2	0
Science & Strategy	15,450	15,450	0	16,650	16,650	0	1,200	1,200	0
Operations	21,728	21,728	0	21,700	21,700	0	(27)	(27)	0
Corporate Provisions/Contingencies	50	50	0	50	50	0	0	0	0
Total Staff Costs	45,027	45,027	(0)	46,202	46,202	0	1,174	1,175	(0)
Other Staff Costs	1,072	1,072	0	1,026	1,026	0	(46)	(46)	0
Property Costs	4,251	4,251	0	4,386	4,386	0	135	135	0
Transport Costs	1,885	1,885	0	1,902	1,902	0	16	17	0
Supplies & Services	14,611	14,611	0	13,119	12,809	(310)	(1,492)	(1,802)	(310)
Research & Development	299	299	0	299	299	0	0	0	0
Total Other Costs	22,118	22,118	0	20,731	20,421	(310)	(1,387)	(1,697)	(310)
Information Projects	4,221	4,221	0	4,221	4,221	0	0	0	0
Facilities Projects	435	435	0	435	435	0	0	0	0
Total Revenue Projects	4,656	4,656	0	4,656	4,656	0	0	0	0
Depreciation / Cost of Capital	2,628	2,628	0	2,628	2,628	0	0	0	0
Total Operating Costs	74,429	74,429	(0)	74,217	73,907	(310)	(213)	(522)	(310)
Operating Surplus/ (Deficit)	0	0	0	1,766	1,766	0	1,767	1,767	0

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

£000's

Period Ended 30th June 2012 Description	Cumulative			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance
Grant in Aid	6,850	6,850	0	39,896	39,896	0
Radioactive Substances Band A	8	0	8	1,627	1,627	0
Radioactive Substances Band B & C	652	650	2	713	715	(2)
Waste Management	2,882	2,887	(5)	3,600	3,570	30
Producer Responsibility	845	881	(36)	1,025	1,025	0
Special Waste Consignment Notes	373	399	(26)	1,596	1,596	0
Pollution Prevention and Control	3,805	3,861	(56)	4,371	4,479	(109)
Air Pollution Control Part B	1,231	1,226	6	1,261	1,271	(10)
Control Of Major Accidents and Hazards	0	0	0	242	242	0
Water Environment and Water Services	9,990	9,794	196	20,282	19,932	350
Carbon Reduction Commitments	169	161	8	169	161	8
Aviation	0	0	0	8	8	0
Emissions Trading	247	252	(4)	265	265	(0)
Total Charging Schemes	20,202	20,111	92	35,159	34,892	267
Other Income	129	75	53	911	868	43
Radioactive Substances Act Contract Income	0	0	0	15	15	0
Interest Overdue Accounts	(0)	0	(0)	(0)	0	(0)
Bank Interest Receivable	0	1	(0)	2	2	0
Total Other Income	131	76	53	928	885	43
Total Income	27,183	27,036	145	75,984	75,673	310

Table 3

**Scottish Environment Protection Agency
Quarterly Income Analysis**

Description	Forecast as at budget			Actual as at Quarter 1 (to 30/06/2012)			Movement between Budget and Quarter 1 Actual Cumulative year to date		
	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
	£'000								
Grant in Aid	38792	38792	0	39896	39896	0	1104	1104	0
Radioactive Substances Band A	1,552	1,552	0	1,627	1,627	0	75	75	0
Radioactive Substances Band B & C	715	715	0	713	715	(2)	(2)	0	(2)
Waste Management	3,570	3,570	0	3,600	3,570	30	30	0	30
Producer Responsibility	1,025	1,025	0	1,025	1,025	0	0	0	0
Special Waste Consignment Notes	1,596	1,596	0	1,596	1,596	0	0	0	0
Pollution Prevention and Control	4,479	4,479	0	4,371	4,479	(108)	(108)	0	(108)
Air Pollution Control Part B	1,271	1,271	0	1,261	1,271	(10)	(10)	0	(10)
Control Of Major Accidents and Hazards	242	242	0	242	242	0	0	0	0
Water Environment and Water Services	19,933	19,933	0	20,282	19,933	349	349	0	349
Carbon Reduction Commitments	161	161	0	169	161	8	8	0	8
Aviation	8	8	0	8	8	0	0	0	0
Emissions Trading	265	265	0	265	265	0	(0)	0	0
Total Charging Schemes	34,817	34,817	0	35,159	34,892	268	342	75	268
Other Income	803	803	0	911	868	43	108	65	43
Radioactive Substances Act Contract Income	15	15	0	15	15	0	0	0	0
Interest Overdue Accounts	0	0	0	0	0	0	0	0	0
Bank Interest Receivable	2	2	0	2	2	0	0	0	0
Total Other Income	820	820	0	928	885	43	108	65	43
Total Income	74,429	74,429	0	75,984	75,673	311	1,555	1,245	310

Scottish Environment Protection Agency			
BALANCE SHEET			
Description	Annual Accounts Year End 31/3/12 Balance £'000s	As at end of Period 3 2012/13 Balance £'000s	Forecast Year End 31/3/13 Balance £'000s
Fixed Assets			
Capitalised Assets	27,164	26,509	24,455
Assets in Course of Completion	2,783	3,555	7,257
Total Fixed Assets	29,947	30,064	31,712
Current Assets			
Debtors & Prepayments	5,312	6,080	3,600
Surplus assets	0	0	0
Life Funds	818	819	819
Cash at Bank & In Hand	481	8,287	450
Total Current Assets	6,611	15,186	4,869
Creditors & Accruals	(5,087)	(3,298)	(3,342)
Life Deferred income	(717)	(715)	(717)
Net Current Liabilities	(5,804)	(4,013)	(4,059)
Total Assets Less Current Liabilities	30,754	41,237	32,522
			0
Provision for Liabilities & Charges	(2,294)	(2,266)	(2,294)
IAS 19 Pension Provision	(40,609)	(40,609)	(40,609)
Total Assets Less Liabilities	(12,149)	(1,638)	(10,381)
Financed By :			
Reserves			
Deferred Grants	0	0	0
Income & Expenditure Account CY	0	10,510	1,767
Accumulated Income & Expenditure Account B/F	(12,974)	(12,973)	(12,973)
Revaluation account	825	825	825
Total Capital Employed	(12,149)	(1,638)	(10,381)

Table 5

Scottish Environment Protection Agency
Total SEPA Capital Expenditure Monitor 2011/12 (£000's)
Period ending 30th June 2012

Description	Project	YTD Spend	Commitments	Committed Spend	Forecast Outturn at June 12	Annual Budget	Forecast Variance
Year end accruals	9999	(3)	0	(3)	0	0	0
Information Systems		(3)	0	(3)	0	0	0
Facilities							
Central - Cat A Fit Out	CAPIT99A	714	0	714	3,242	3,242	0
Central - Professional Fees	CAPIT99B	27	29	56	53	53	0
Central - ICT Fitout	CAPIT99C	0	0	0	0	0	0
Central - Category B Fit Out	CAPIT99D	(1)	0	(1)	0	0	0
Central - FF&E	CAPIT99E	0	0	0	0	0	0
Central - Design Contractor Stirling Office	CAPIT99I	8	0	8	8	8	0
					500	500	0
Total SEPA Facilities		749	29	777	3,803	3,803	0
Other Science							
Approved Chemistry Capital	CAPIT140	4	4	8	504	504	0
SPOTFIRE	CAPIT145	6	0	6	6	6	0
Hydrology resilience Solution	CAPIT147	17	0	17	17	17	0
GCMSMS Instrument - pesticide in river and groundwater	CAPIT155	0	0	0	125	125	0
Sir John Murray	CAPIT156	0	0	0	7	7	0
Total Science		27	4	31	659	659	0
Other Projects							
DINGWALL CARPARK	CAPIT146	0	19	19	12	12	0
Total Other Projects		0	19	19	12	12	0
Total Planned Capital Expenditure		772	51	823	4,474	4,474	0

Scottish Environment Protection Agency		
SOURCE & APPLICATION OF FUNDS		
	Year to date Period 3 £'000s	Forecast Outturn £'000s
Income & Exp[er]enditure Account Surplus / (Deficit)	10510	1767
Deduct non - cash income		
loss on sale FA		
Depreciation	656	2697
Impairment	0	10
	656	2707
Cash generated from operating activities	11166	4474
Capital Expenditure		
Less Capital Expenditure	(772)	(4,474)
Income on sale FA		
	(772)	(4,474)
Impairment held in creditors/ interest on capital		
Deferred grant movement		
Creditors Movements - Increase / (decrease)	(1,820)	(1,743)
Debtors Movements - (Increase) / decrease	(768)	1712
	(2,588)	(31)
Movements in Working Capital		
	7806	(31)
Increase/ (Decrease) in Liquid funds		
Bank Balance close period	8287	450
Bank balance at start of period	481	481
Movement on Bank for period.	7806	(31)

Table 7

Description	SEPA Life Project						
	Income and Expenditure - Year to Date						
	Actual £000's	Budget £000's	Variance £000's	Budget £000's	Remaining £000's	Outturn £000's	£000's
EU Contribution	31	52	21	654	623	654	0
SEPA contribution (In Kind)	35	66	31	313	278	313	0
SEPA contribution (Cash)	72	67	(5)	307	235	307	0
Total Income	138	184	46	1,274	1,136	1,274	0
Staff Costs	119	162	43	1,001	882	1,001	0
Other Staff Costs	2	2	0	6	4	6	0
Transport Costs	3	1	(1)	6	3	6	0
Supplies And Services	3	2	(1)	156	154	156	0
Depreciation	3	5	2	21	18	13	8
Overheads	9	12	3	83	74	83	0
Expenditure	138	184	46	1,274	1,136	1,266	8
Net Under / (over) spend	(0)	0	0	0	0	8	8

Cash	Year to Date
	Actual £000's
EU Grants received b/f from 2012	717
Held as deferred income	717

Table 8