

Item: 8

Harbour Authority Sub-committee: 25 January 2022.

Miscellaneous Piers and Harbours and Scapa Flow Oil Port.

Draft Budgets.

Report by Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.

1. Purpose of Report

To consider the draft revenue budgets for Miscellaneous Piers and Harbours and Scapa Flow Oil Port for 2022/23.

2. Recommendations

The Sub-committee is invited to note:

2.1.

That the respective budgets for Miscellaneous Piers and Harbours and Scapa Flow Oil Port, as trading activities, should normally be based on an assumption that a surplus can be generated from their activities.

2.2.

That, after applying inflationary and budgetary assumptions detailed in sections 4.1 and 4.2 respectively of this report, the draft revenue budget in respect of the Miscellaneous Piers and Harbours for 2022/23 is indicating a net deficit of £1,899,500.

2.3.

That, after applying inflationary and budgetary assumptions detailed in sections 4.1 and 4.4 respectively of this report, the draft revenue budget in respect of the Scapa Flow Oil Port for 2022/23 is indicating a net surplus of £596,000.

It is recommended:

2.4.

That the draft revenue budgets for financial year 2022/23 in respect of Miscellaneous Piers and Harbours and Scapa Flow Oil Port, attached as Annex 1 to this report, be submitted to the Policy and Resources Committee for consideration through the budget setting process.

3. Background

3.1.

This report details the budgetary requirements of Miscellaneous Piers and Harbours and Scapa Flow Oil Port for 2022/23. As trading activities, it is considered good practice to agree annual budgets in advance of the financial year commencing.

3.2.

Annual contributions from the operations of the Miscellaneous Piers and Harbours Account are set aside in the Miscellaneous Piers Property Maintenance Fund to support the development of a long-term Property Plant and Equipment Maintenance Programme.

4. Budget Setting 2022/23

4.1.

In setting both revenue budgets for 2022/23 the following inflationary assumptions have been applied:

Staff Costs	1.0%
Property	1.0%
All other expenditure	0.0%
Apportioned Costs	1.0%
Fees and Charges	3.0%
Harbour Dues	3.0%
Tanker Harbour Dues	3.0%

4.2.

The draft revenue budget for Miscellaneous Piers and Harbours is based on the following assumptions:

- Application of inflation resulting in a budget income increase of £149,800.
- A revenue repairs and maintenance programme of works of £2,583,300 is proposed which will be funded from an anticipated underspend on maintenance and repair works in 2021/22 of £923,300 and the remainder from within the Miscellaneous Piers and Harbours Account.
- An increase to the cruise liner expenditure budget of £563,400 in line with cruise liner income increase anticipated in 2022/23, to provide updated infrastructure as well as the increased cost of the security contract to meet Department of Transport security regulations.
- An estimated increase in Loan Charges of £68,700.
- Allocations of £1,692,200 and £876,300 for the cost of developing the Stage 2 Capital Project Appraisals for Scapa Deep Water Quay and the Hatston Pier

Extension, to be funded from Miscellaneous Piers and Harbours Account revenue budget utilising prior year accumulated reserves.

- An increase in income from cruise liner harbour dues of £1,800,600 in addition to the inflationary increase of £37,800.
 - Anticipated cruise liner income for 2022/23 is budgeted at 100% of bookings and 50% of passenger dues, totalling £3,099,800 (2021/22 40% of cruise liner bookings £1,261,400).
 - The 2020/21 pre COVID-19 budget for cruise liner income was £2,368,900.
- An increase in pilotage income from cruise ships of £426,200.
 - A budget of 100% of the cruise liner bookings has been applied to the estimated pilotage income.
 - The 2020/21 pre COVID-19 budget for pilotage income from cruise ships was £549,800.
- An estimated figure of £200,000 has been included in respect of additional staff costs arising from the restructure.
- Other permanent adjustments include an increase to the Marketing budget of £144,700 plus increases in staff costs, amounting to an additional total cost of £192,700. Both are part of efforts to increase business within the port, attract new revenue streams and handle resulting increased business.

4.3.

On application of the inflationary and budgetary assumptions shown above, the net expenditure budget for Miscellaneous Piers and Harbours has increased the deficit position of £404,800 for 2021/22, to a deficit position of £1,899,500 for 2022/23. The large deficit position is due to the cost of developing the Stage 2 Capital Project Appraisals for Scapa Deep Water Quay and the Hatston Pier Extension during 2022/23.

4.4.

The Scapa Flow Oil Port budget for 2022/23 is based on the following assumptions:

- Application of inflation resulting in a budget income increase of £174,000.
- Additional revenue costs of £45,500 to increase the Marketing budget.
- Additional towage costs of £215,200, as recommended by Policy and Resources Committee on 21 September 2021.
- Estimated increase in Loan Charges of £498,000 relating to payments for two new tugs.
- Other permanent adjustments of £4,200 in respect of increases in staff costs.
- The harbours dues income has been adjusted on the following basis:
 - 28 tankers generating net income of £4,899,800 (2021/22: 28 tankers £4,510,000).
 - 76 ship to ship transfers generating net income of £1,970,000 (2021/22: 56 ship to ship transfers £1,281,500).

- Pilotage generating income of £1,034,600 (2021/22: £936,200).
- The increase in income of £779,000 recommended by the Policy and Resources Committee on 21 September 2021 is included within the harbour dues income noted above.
- An estimated figure of £72,000 has been included in respect of additional staff costs arising from the restructure.

4.5.

On application of the inflationary and budgetary assumptions shown above, the net surplus budget for Scapa Flow Oil Port of £279,600 for 2021/22 has increased to a net surplus budget of £596,000 for 2022/23.

5. Corporate Governance

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

6.1.

The financial implications are detailed throughout the report.

6.2.

Any surplus on the Scapa Flow Oil Port at the year-end, currently estimated at £596,000, will be transferred to the Strategic Reserve Fund.

6.3.

For Miscellaneous Piers and Harbours, any underspend on the revenue repairs and maintenance programme will be allocated to the Piers Maintenance Fund. Any deficit for 2022/23, currently estimated at £1,899,500, will decrease the prior year accumulated balance.

7. Legal Aspects

There are no legal implications arising directly from the recommendations of this report.

8. Contact Officers

Gareth Waterson, Interim Executive Director of Finance, Regulatory, Marine Services and Transportation, Email gareth.waterson@orkney.gov.uk.

James Buck, Head of Marine Services, Transportation and Harbour Master, Email james.buck@orkney.gov.uk

9. Annex

Annex 1: Miscellaneous Piers and Harbours and Scapa Flow Oil Port Draft Revenue Budgets for 2022/23.

Miscellaneous Piers & Harbours

	2021/22	Budgetary Assumptions								2022/23
	Approved Budget	Inflation	Major Maintenance and Repairs Programme	Cruise Liner Budget	Loan Charges	Harbour Dues/Cruise Liner Income	Pilotage Income	Staff Restructure	Permanent Adjustments	Draft Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Miscellaneous Piers	(1,696.0)	(151.9)	788.3	563.4	-	(1,800.6)	-	200.0	43.6	(2,053.2)
Administration	421.8	3.5	-	-	-	-	-	-	4.0	429.3
Miscellaneous Piers Development	135.4	0.5	-	-	-	-	-	-	144.7	280.6
Environmental Unit	20.7	0.2	-	-	-	-	-	-	0.8	21.7
Marine Officers and Pilots	328.7	3.3	-	-	-	-	-	-	(4.4)	327.6
Navigational Aids	35.7	-	-	-	-	-	-	-	-	35.7
Weather Forecasts	7.4	-	-	-	-	-	-	-	-	7.4
Harbour Launches	397.5	4.0	-	-	-	-	-	-	3.1	404.6
Oil Pollution	66.2	0.7	-	-	-	-	-	-	0.9	67.8
Pilotage Income	(336.6)	(10.1)	-	-	-	-	(426.2)	-	-	(772.9)
Finance Charges	1,437.0	-	-	-	2,637.2	-	-	-	-	4,074.2
Movement in Reserves	(413.0)	-	(510.3)	-	-	-	-	-	-	(923.3)
Service Totals	404.8	(149.8)	278.0	563.4	2,637.2	(1,800.6)	(426.2)	200.0	192.7	1,899.5

Scapa Flow Oil Port

	2021/22	Budgetary Assumptions							2022/23
	Approved Budget	Inflation	Additional Revenue Costs	Loan Charges	Permanent Adjustments	Fees and Charges	Staff Restructure	Draft Budget	
	£000	£000	£000	£000	£000	£000	£000	£000	
Administration	474.8	3.7	-	-	(0.6)	(2.3)	72.0	547.6	
Scapa Flow Development	185.0	0.1	45.5	-	-	-	-	230.6	
Oil Pollution	90.2	0.2	-	-	0.9	-	-	91.3	
Environmental Unit	146.1	0.4	-	-	3.2	-	-	149.7	
Marine Officers and Pilots	840.5	8.2	-	-	(1.6)	-	-	847.1	
Navigational Aids	98.8	-	-	-	-	-	-	98.8	
Weather Forecasts	7.5	-	-	-	-	-	-	7.5	
Harbour Launches	812.1	4.9	-	-	2.3	-	-	819.3	
Towage Services	2,340.1	10.3	215.2	-	-	-	-	2,565.6	
Harbour Dues	(6,602.7)	(201.8)	-	-	-	(975.0)	-	(7,779.5)	
Finance Charges	1,328.0	-	-	498.0	-	-	-	1,826.0	
Service Totals	(279.6)	(174.0)	260.7	498.0	4.2	(977.3)	72.0	(596.0)	