

Item: 3

Harbour Authority Sub-committee: 23 January 2024.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 2023 across each of the service areas for which the Sub-committee is responsible.

2. Recommendations

The Sub-committee is invited to note:

2.1.

The revenue financial summary statement in respect of the Scapa Flow Oil Port and Miscellaneous Piers and Harbours for the period 1 April to 31 December 2023, attached as Annex 1 to this report, indicating a budget deficit position of £970,200.

2.2.

The revenue financial detail by Service Area statement in respect of the Scapa Flow Oil Port and Miscellaneous Piers and Harbours for the period 1 April to 31 December 2023, attached as Annex 2 to this report.

The Sub-committee is invited to scrutinise:

2.3.

The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to this report.

3. Background

3.1.

On 7 March 2023, the Council set its overall revenue budget for financial year 2023/24. On 20 June 2023, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2023/24, which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure monitoring reports are circulated every month to inform elected members of the up-to-date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees.

3.3.

In terms of revenue spending, at an individual cost centre level, budget holders are required to provide an explanation of the causes of each material variance and to identify appropriate corrective actions to remedy the situation.

3.4.

Material variances are identified automatically as Priority Actions within individual budget cost centres according to the following criteria:

- Variance of £10,000 and more than 110% or less than 90% of anticipated position (1B).
- Not more than 110% or less than 90% of anticipated position but variance greater than £50,000 (1C).

3.5.

Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements. As with individual cost centre variances, each of these Priority Actions requires an explanation and corrective action to be identified and these are shown in the Budget Action Plan.

3.6.

The details have been provided following consultation with the relevant Corporate Directors and their staff.

3.7.

The figures quoted within the Budget Action Plan by way of the underspend and overspend position will always relate to the position within the current month.

4. Financial Summary

4.1.

The financial summary for the period 1 April to 31 December 2023 is attached as Annex 1 to this report.

4.2.

The detail by Service Area statement is attached as Annex 2 to this report.

4.3.

The Budget Action Plan, attached as Annex 3 to this report, provides an explanation and proposed corrective action for each of the Priority Actions identified.

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 Regulations state that service directors are able to incur expenditure within an approved revenue budget. Such expenditure must be in accordance with the Council's policies or objectives subject to compliance with these Financial Regulations and approved schemes of delegation.

6.2.

Additional expenditure requirements identified during the financial year can only be approved by means of a spending recommendation to the Policy and Resources Committee, subject to the use of emergency powers.

7. Legal Aspects

Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.

8. Contact Officer

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9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Details by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 2023

The table below provides a summary of the position across all Service Areas.

Non-General Fund	Spend	Budget	Over/(Under)	Spend	Annual
Service Area	£000	£000	£000	%	Budget
					£000
Scapa Flow Oil Port	(660.8)	(1,715.7)	1,054.9	38.5	(181.0)
Miscellaneous Piers & Harbours	(1,722.7)	(1,638.0)	(84.7)	105.2	(1,690.0)
	(2,383.5)	(3,353.7)	970.2	71.1	(1,871.0)
Service Totals	(2,383.5)	(3,353.7)	970.2	71.1	(1,871.0)

Compared to last month, the total number of PAs has changed as follows:

Service Area	No. of PAs		Service Functions	PAs/ Function
	P08	P09		
Scapa Flow Oil Port	8	8	11	73%
Miscellaneous Piers & Harbours	5	5	12	42%
Totals	13	13	23	57%

Annex 2: Financial Detail by Service Area

December 2023

The following tables show the spending position by service function

Non-General Fund

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Scapa Flow Oil Port						
Administration - SF	1B	346.1	704.7	(358.6)	49.1	943.6
Environmental Unit		77.3	72.4	4.9	106.8	117.8
Marine Officers & Pilots	1B	528.1	432.3	95.8	122.2	635.4
Navigation	1B	38.9	61.9	(23.0)	62.8	99.2
Weather Forecasts		4.5	6.5	(2.0)	69.2	7.5
Harbour Launches	1B	526.3	446.9	79.4	117.8	644.8
Towage Services	1B	2,334.7	1,975.0	359.7	118.2	2,768.0
Harbour Dues	1B	(4,922.5)	(5,647.0)	724.5	87.2	(7,529.7)
Scapa Flow Development	1B	284.5	156.4	128.1	181.9	232.5
Oil Pollution	1B	121.3	75.2	46.1	161.3	102.9
Finance Charges - SF		0.0	0.0	0.0	0.0	1,797.0
Service Total		(660.8)	(1,715.7)	1,054.9	38.5	(181.0)

Changes in original budget position:

Original Net Budget	(211.0)
Transfer from Misc. Piers & Harbours Launches	30.0
	(181.0)

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Miscellaneous Piers & Harbours						
Piers	1C	(3,452.1)	(3,333.8)	(118.3)	103.5	(3,113.3)
Environmental Unit		42.9	38.6	4.3	111.1	53.8
Marine Officers & Pilots	1B	494.9	419.5	75.4	118.0	583.7
Navigation		20.5	21.8	(1.3)	94.0	35.9
Weather Forecasts		13.4	6.5	6.9	206.2	7.4
Harbour Launches		499.4	544.6	(45.2)	91.7	767.1
Administration - MP		308.4	294.7	13.7	104.6	510.7
Miscellaneous Piers Development		207.6	193.9	13.7	107.1	285.4
Oil Pollution	1B	(25.4)	75.0	(100.4)	N/A	104.5
Pilotage Income	1B	(988.3)	(824.9)	(163.4)	119.8	(834.8)
Movement in Reserves		0.0	0.0	0.0	0.0	(3,473.0)
Finance Charges - MP	1B	1,156.0	926.1	229.9	124.8	3,382.6
Service Total		(1,722.7)	(1,638.0)	(84.7)	105.2	(1,690.0)

Changes in original budget position:

Original Net Budget	(1,660.0)
Transfer to Scapa Flow Oil Port Harbour Launches	(30.0)
	(1,690.0)

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52A	<p>Administration - SF</p> <p>Less than anticipated expenditure by £358.6K</p> <p>Property costs are lower than anticipated to date, due to transitional relief received on rates during the year.</p>	<p>No action required</p> <p>No action required. Budget for 2024/25 will be reduced to reflect this relief going forward.</p>	Jim Buck	31/03/2024	Ongoing
R52C	<p>Marine Officers & Pilots</p> <p>More than anticipated expenditure by £95.8K</p> <p>Changes in job evaluations for Marine Officers to a higher level now implemented; due to length of time of the review this contains a large amount of unbudgeted back pay during November following the evaluations. Overspend also relates to the 23/24 pay award backpay processed in December.</p>	<p>Monitor the situation</p> <p>Draft budget for 2024/25 has been updated to reflect recent regrading following job evaluations.</p>	Jim Buck	31/01/2024	Ongoing
R52D	<p>Navigation</p> <p>Less than anticipated expenditure by £23.0K</p> <p>Spend is behind budget due to awaiting Northern Lighthouse Board invoices.</p>	<p>Monitor the situation</p> <p>Current year budget will realign once invoices are received. Budget profiles for 2024/25 will be updated in the budget setting process.</p>	Jim Buck	31/01/2024	Ongoing

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52F	<p>Harbour Launches</p> <p>More than anticipated expenditure by £79.4K</p> <p>Annual hull and machinery charges imposed on budget should have been split between this budget and R53F.</p>	<p>Raise journals request</p> <p>Ensure a journal is raised before the year end to allocate costs correctly between both cost codes.</p>	Jim Buck	31/01/2024	Ongoing
R52G	<p>Towage Services</p> <p>More than anticipated expenditure by £359.7K</p> <p>Annual harbour dues and insurance costs for vessels paid ahead of budget.</p>	<p>Raise virements request</p> <p>Permanent virement required to update budget profiles for 2024/25, as part of the budget setting process.</p>	Jim Buck	31/01/2024	Ongoing
R52I	<p>Harbour Dues</p> <p>Less than anticipated income by £724.5K</p> <p>Vessel numbers below anticipated numbers.</p>	<p>Monitor the situation</p> <p>Continue to monitor actual costs. Flotta dues were raised on 1st October 2023 to cover the costs. The budget is anticipated to be brought back into line at the year end.</p>	Jim Buck	31/01/2024	Ongoing
R52L	<p>Scapa Flow Development</p> <p>More than anticipated expenditure by £128.1K</p> <p>Overspend due to a one-off invoice at the start of the year, high marketing costs and payments made in respect of the Scapa Flow Hydrographic Survey.</p>	<p>Monitor the situation</p> <p>Continue to monitor and prepare a virement to realign budget if necessary.</p>	Jim Buck	31/01/2024	Ongoing

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52M	Oil Pollution More than anticipated expenditure by £46.1K Spend is ahead of budget.	Raise virements request Prepare virement to realign budget with spend. Update budget profiles for 2024/25, as part of the budget setting process.	Jim Buck	31/01/2024	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53A	<p>Piers</p> <p>More than anticipated income by £118.3K</p> <p>Increase in number of visiting vessels that were not factored into the budget setting process.</p>	<p>Monitor the situation</p> <p>Draft budget for 2024/25 has been updated to factor in the additional income going forward.</p>	Jim Buck	31/03/2024	Ongoing
R53C	<p>Marine Officers & Pilots</p> <p>More than anticipated expenditure by £75.4K</p> <p>Changes in job evaluations for Marine Officers to a higher level now implemented; due to length of time of the review this contains a large amount of unbudgeted back pay during November following the evaluations. Overspend also relates to the 23/24 pay award backpay processed in December.</p>	<p>Monitor the situation</p> <p>Draft budget for 2024/25 has been updated to reflect recent regrading following job evaluations.</p>	Jim Buck	31/01/2024	Ongoing
R53M	<p>Oil Pollution</p> <p>Less than anticipated expenditure by £100.4K</p> <p>Budget profile does not match actual expenditure.</p>	<p>Raise virements request</p> <p>Prepare virement to realign budget with spend in the current financial year and update budget profiles for 2024/25, as part of the budget setting process, if required.</p>	Jim Buck	31/01/2024	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53R	<p>Pilotage Income</p> <p>More than anticipated income by £163.4K</p> <p>Increase in income due to unplanned vessel visits.</p>	<p>No action required</p> <p>Draft budget for 2024/25 has been updated to reflect additional income.</p>	Jim Buck	31/03/2024	Ongoing
R53Y	<p>Finance Charges - MP</p> <p>More than anticipated expenditure by £229.9K</p> <p>Costs charged here relate to the Scapa Deep Water Quay and Harbour Master Plan, which is funded from a contribution from the Miscellaneous Piers Reserve at the year end.</p>	<p>Raise virements request</p> <p>Prepare virement to realign budget with spend being incurred during the year.</p>	Jim Buck	31/01/2024	New