

Item: 5

Harbour Authority Sub-committee: 24 August 2021.

Revenue Expenditure Monitoring.

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

1. Purpose of Report

To advise of the revenue position as at 30 June 2021 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 30 June 2021, attached as Annex 1 to this report, indicating a budget deficit position of £894,800.

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 30 June 2021, 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, in order to obtain assurance that action is being taken with regard to significant budget variances.

3. Background

3.1.

On 2 March 2021, the Council set its overall revenue budget for financial year 2021/22. On 20 April 2021, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2021/22 which form the basis of the individual revenue expenditure monitoring reports.

3.2.

Individual revenue expenditure 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 Executive 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 30 June 2021 is attached as Annex 1 to this report.

4.2.

The details 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 governance and 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 Officers

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

9. Annexes

Annex 1: Financial summary.

Annex 2: Financial details by service area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

June 2021

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

Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Scapa Flow Oil Port	(534.1)	(624.8)	90.7	85.5	(279.6)
Miscellaneous Piers & Harbours	706.3	(97.8)	804.1	N/A	404.8
Service Totals	172.2	(722.6)	894.8	N/A	125.2

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P02	P03		
Scapa Flow Oil Port	3	2	11	18%
Miscellaneous Piers & Harbours	4	4	12	33%
Totals	7	6	23	26%

Annex 2: Financial Detail by Service Area

June 2021

The following tables show the spending position by service function

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Scapa Flow Oil Port	PA					
Administration - SF		183.5	177.5	6.0	103.3	474.8
Environmental Unit		19.4	21.0	(1.6)	92.2	146.1
Marine Officers & Pilots	1B	210.8	181.0	29.8	116.5	840.5
Navigation		4.3	13.6	(9.3)	31.6	98.8
Weather Forecasts		1.9	4.6	(2.7)	41.0	7.5
Harbour Launches		151.3	161.3	(10.0)	93.8	812.1
Towage Services		426.0	415.7	10.3	102.5	2,340.1
Harbour Dues	1C	(1,568.0)	(1,650.6)	82.6	95.0	(6,602.7)
Scapa Flow Development		22.9	32.9	(10.0)	69.6	185.0
Oil Pollution		13.8	18.2	(4.4)	75.5	90.2
Finance Charges - SF		0.0	0.0	0.0	0.0	1,328.0
Service Total		(534.1)	(624.8)	90.7	85.5	(279.6)

		Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Miscellaneous Piers & Harbours	PA					
Piers	1B	406.9	(276.4)	683.3	N/A	(1,696.0)
Environmental Unit		4.4	4.5	(0.1)	97.9	20.7
Marine Officers & Pilots		71.9	71.6	0.3	100.4	328.7
Navigation		4.4	3.8	0.6	115.0	35.7
Weather Forecasts		1.9	4.6	(2.7)	40.6	7.4
Harbour Launches		77.9	86.8	(8.9)	89.8	397.5
Administration - MP	1B	70.0	82.5	(12.5)	84.8	421.8
Miscellaneous Piers Development	1B	46.1	25.8	20.3	178.6	135.4
Oil Pollution		5.5	14.4	(8.9)	38.2	66.2
Pilotage Income	1B	(8.5)	(137.9)	129.4	6.2	(336.6)
Movement in Reserves		0.0	0.0	0.0	0.0	(413.0)
Finance Charges - MP		25.8	22.5	3.3	114.4	1,437.0
Service Total		706.3	(97.8)	804.1	N/A	404.8

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52C	<p>Marine Officers & Pilots</p> <p>More than anticipated expenditure by £29.8K</p> <p>Additional expense from 2 rig moves. Covered by income in separate cost centre.</p>	<p>No action required</p> <p>No action required.</p>	Jim Buck	30/06/2021	Ongoing
R52I	<p>Harbour Dues</p> <p>Less than anticipated income by £82.6K</p> <p>Flotta on annual shutdown so no income during period of shutdown.</p> <p>Increase in Ship to Ship operations both oil and now LPG.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	30/06/2021	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53A	<p>Piers</p> <p>Less than anticipated income by £683.3K</p> <p>Lower passenger numbers and no cruise business continues to impact revenue.</p> <p>Some increased activity on Lyness and Scapa Pier.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	30/06/2021	Ongoing
R53J	<p>Administration - MP</p> <p>Less than anticipated expenditure by £12.5K</p> <p>General underspend on the first 3 months administration.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	30/06/2021	Ongoing
R53L	<p>Miscellaneous Piers Development</p> <p>More than anticipated expenditure by £20.3K</p> <p>Marketing and advertising costs ahead of profile.</p>	<p>Raise virements request</p> <p>Reprofile budget to reflect actual expenditure.</p>	Jim Buck	30/06/2021	New

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53R	Pilotage Income Less than anticipated income by £129.4K Lack of cruise income due to continued COVID-19 restrictions giving lower revenue.	Monitor the situation Monitor.	Jim Buck	30/06/2021	Ongoing