

## **Item: 3**

**Harbour Authority Sub-committee: 26 October 2021.**

### **Revenue Expenditure Monitoring.**

**Report by Head of Finance.**

#### **1. Purpose of Report**

To advise of the revenue position as at 30 September 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 September 2021, attached as Annex 1 to this report, indicating a budget deficit position of £110,500.

##### **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 September 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 September 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 Officer**

Colin Kemp, Interim Head of Finance, Email [colin.kemp@orkney.gov.uk](mailto:colin.kemp@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**

September 2021

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

<b>Service Area</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
Scapa Flow Oil Port	(1,733.6)	(1,188.4)	(545.2)	145.9	(279.6)
Miscellaneous Piers & Harbours	(381.3)	(1,037.0)	655.7	36.8	404.8
<b>Service Totals</b>	<b>(2,114.9)</b>	<b>(2,225.4)</b>	<b>110.5</b>	<b>95.0</b>	<b>125.2</b>

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

<b>Service Area</b>	<b>No. of PAs</b>		<b>Service Functions</b>	<b>PAs/ Function</b>
	<b>P05</b>	<b>P06</b>		
Scapa Flow Oil Port	5	6	11	55%
Miscellaneous Piers & Harbours	8	6	12	50%
<b>Totals</b>	<b>13</b>	<b>12</b>	<b>23</b>	<b>52%</b>

**Annex 2: Financial Detail by Service Area**
**September 2021**

The following tables show the spending position by service function

		<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
<b>Scapa Flow Oil Port</b>	<b>PA</b>					
Administration - SF		237.0	233.7	3.3	101.4	474.8
Environmental Unit	<b>1B</b>	46.9	57.6	(10.7)	81.4	146.1
Marine Officers & Pilots		409.5	382.4	27.1	107.1	840.5
Navigation	<b>1B</b>	13.6	40.2	(26.6)	33.7	98.8
Weather Forecasts		1.9	5.5	(3.6)	33.8	7.5
Harbour Launches	<b>1B</b>	289.9	348.1	(58.2)	83.3	812.1
Towage Services	<b>1C</b>	1,006.6	927.6	79.0	108.5	2,340.1
Harbour Dues	<b>1B</b>	(3,820.4)	(3,301.2)	(519.2)	115.7	(6,602.7)
Scapa Flow Development	<b>1B</b>	36.3	78.7	(42.4)	46.2	185.0
Oil Pollution		45.1	39.0	6.1	115.6	90.2
Finance Charges - SF		0.0	0.0	0.0	0.0	1,328.0
<b>Service Total</b>		<b>(1,733.6)</b>	<b>(1,188.4)</b>	<b>(545.2)</b>	<b>145.9</b>	<b>(279.6)</b>

		<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Annual Budget £000</b>
<b>Miscellaneous Piers &amp; Harbours</b>	<b>PA</b>					
Piers	<b>1B</b>	(848.6)	(1,430.8)	582.2	59.3	(1,696.0)
Environmental Unit		9.5	9.7	(0.2)	97.9	20.7
Marine Officers & Pilots		150.3	154.2	(3.9)	97.5	328.7
Navigation	<b>1B</b>	2.5	14.5	(12.0)	17.2	35.7
Weather Forecasts		1.9	5.5	(3.6)	33.8	7.4
Harbour Launches	<b>1B</b>	166.4	186.1	(19.7)	89.4	397.5
Administration - MP	<b>1B</b>	132.3	162.6	(30.3)	81.3	421.8
Miscellaneous Piers Development	<b>1B</b>	84.2	59.5	24.7	141.6	135.4
Oil Pollution		22.0	31.0	(9.0)	70.9	66.2
Pilotage Income	<b>1B</b>	(151.6)	(275.8)	124.2	55.0	(336.6)
Movement in Reserves		0.0	0.0	0.0	0.0	(3,011.0)
Finance Charges - MP		49.8	46.5	3.3	107.0	4,035.0
<b>Service Total</b>		<b>(381.3)</b>	<b>(1,037.0)</b>	<b>655.7</b>	<b>36.8</b>	<b>404.8</b>

## Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52B	<p><b>Environmental Unit</b></p> <p>Less than anticipated expenditure by £10.7K</p> <p>A fewer number of samples have been taken to date than are profiled in the budget. Should balance over the year.</p>	<p><b>Monitor the situation</b></p> <p>None at this stage. Invoices expected from end of October 2021 onwards which will correct this.</p>	Jim Buck	30/11/2021	New
R52D	<p><b>Navigation</b></p> <p>Less than anticipated expenditure by £26.6K</p> <p>Accruals for works yet to be invoiced carried forward. Feed in tariff payments for wind energy credited this month. Equipment servicing and invoice running late.</p>	<p><b>No action required</b></p> <p>Check progress and invoicing for accrued works.</p>	Jim Buck	31/10/2021	Ongoing
R52F	<p><b>Harbour Launches</b></p> <p>Less than anticipated expenditure by £58.2K</p> <p>Refit slipped and now not within budget profile. Should be corrected at next report.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Jim Buck	30/11/2021	Ongoing

## Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52G	<p><b>Towage Services</b></p> <p>More than anticipated expenditure by £79.0K</p> <p>Rig move into Scapa Flow creating more income than anticipated in the budget, but offset by costs of Odin of Scapa and Thor of Scapa.</p>	<p><b>Monitor the situation</b></p> <p>Monitor. Include costs of additional tugs in the budget for 2022/23.</p>	Jim Buck	31/03/2023	Ongoing
R52I	<p><b>Harbour Dues</b></p> <p>More than anticipated income by £519.2K</p> <p>Increased Ship-to-Ship operations both for oil and now LPG.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Jim Buck	30/11/2021	Ongoing
R52L	<p><b>Scapa Flow Development</b></p> <p>Less than anticipated expenditure by £42.4K</p> <p>Slow start to beginning of financial year works/studies etc. Works/studies in hand that will balance expenditure over next few months.</p>	<p><b>No action required</b></p> <p>Continue to monitor but should start to balance out over next few months.</p>	Jim Buck	31/10/2021	Ongoing

## Miscellaneous Piers &amp; Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53A	<p><b>Piers</b></p> <p>Less than anticipated income by £582.2K</p> <p>Lower passenger numbers and less cruise business continues to impact revenue.</p> <p>Some increased activity on Lyness and Scapa Pier.</p>	<p><b>Monitor the situation</b></p> <p>Monitor.</p>	Jim Buck	31/03/2022	Ongoing
R53D	<p><b>Navigation</b></p> <p>Less than anticipated expenditure by £12.0K</p> <p>Servicing and maintenance contracts are running later than profiled.</p>	<p><b>No action required</b></p> <p>Monitor.</p>	Jim Buck	31/10/2021	Ongoing
R53F	<p><b>Harbour Launches</b></p> <p>Less than anticipated expenditure by £19.7K</p> <p>Delays in starting apprenticeship for this year and reduced activity on the North side than anticipated has created this underspend.</p>	<p><b>No action required</b></p> <p>Monitor.</p>	Jim Buck	31/10/2021	Ongoing



## Miscellaneous Piers &amp; Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53J	<b>Administration - MP</b> Less than anticipated expenditure by £30.3K  General underspend on administration.	<b>Monitor the situation</b>  Monitor.	Jim Buck	31/10/2021	Ongoing
R53L	<b>Miscellaneous Piers Development</b> More than anticipated expenditure by £24.7K  Continued expenditure on this account due to activities across a wide range of sectors: Masterplan, Offshore Wind, Cruise etc.	<b>Raise virements request</b>  Due to the expanded work requiring marketing activities likely to remain overspent. Some advertising has been pulled back for rest of financial year.	Jim Buck	31/10/2021	Ongoing
R53R	<b>Pilotage Income</b> Less than anticipated income by £124.2K  Lack of cruise income due to continued COVID-19 restrictions giving lower revenue.	<b>Monitor the situation</b>  Monitor.	Jim Buck	31/03/2022	Ongoing