

Item: 4

Harbour Authority Sub-committee: 23 August 2022.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 June 2022 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 2022, attached as Annex 1 to this report, indicating a budget deficit position of £523,500.

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 June 2022, 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 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2022/23, 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 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 30 June 2022 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.

9. Annexes

Annex 1: Financial summary.

Annex 2: Financial details by service area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

June 2022

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	(644.7)	(678.2)	33.5	95.1	(539.0)
Miscellaneous Piers & Harbours	744.8	254.8	490.0	292.3	1,936.2
Service Totals	100.1	(423.4)	523.5	N/A	1,397.2

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	4	5	11	45%
Miscellaneous Piers & Harbours	5	4	12	33%
Totals	9	9	23	39%

Annex 2: Financial Detail by Service Area

June 2022

The following tables show the spending position by service function

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Scapa Flow Oil Port						
Administration - SF		192.5	185.2	7.3	104.0	513.8
Environmental Unit		17.0	22.1	(5.1)	76.8	151.2
Marine Officers & Pilots		171.2	186.4	(15.2)	91.8	866.5
Navigation		7.9	13.6	(5.7)	58.2	98.8
Weather Forecasts		8.1	4.6	3.5	176.2	7.5
Harbour Launches	1B	265.5	220.5	45.0	120.4	837.1
Towage Services	1B	664.2	569.1	95.1	116.7	2,591.5
Harbour Dues	1C	(2,040.2)	(1,944.8)	(95.4)	104.9	(7,779.5)
Scapa Flow Development	1B	27.7	40.9	(13.2)	67.7	230.8
Oil Pollution	1B	41.4	24.2	17.2	170.8	117.3
Finance Charges - SF		0.0	0.0	0.0	0.0	1,826.0
Service Total		(644.7)	(678.2)	33.5	95.1	(539.0)

Changes in original budget position:

Original Net Budget	(539.1)
Ph II Corp Mgt Restructure: Project Officer	29.3
Ph II Corp Mgt Restructure	(67.4)
Ph II Corp Mgt Restructure: VTS Supervisor	5.1
Ph II Corp Mgt Restructure: Database Technician/Risk Database Technician	8.3
Ph II Corp Mgt Restructure: Database Technician/Risk Database Technician	8.3
Ph II Corp Mgt Restructure: Waste/Pier Operative	16.5
	<u>(539.0)</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Miscellaneous Piers & Harbours						
Piers	1B	345.9	238.7	107.2	144.9	(2,100.6)
Environmental Unit		4.6	4.8	(0.2)	95.5	22.1
Marine Officers & Pilots		66.3	73.0	(6.7)	90.8	335.5
Navigation		(0.7)	3.8	(4.5)	N/A	35.7
Weather Forecasts		0.0	4.6	(4.6)	0.0	7.4
Harbour Launches		88.4	91.5	(3.1)	96.6	419.5
Administration - MP		88.0	91.2	(3.2)	96.4	463.4
Miscellaneous Piers Development	1B	75.5	51.5	24.0	146.7	281.5
Oil Pollution		12.3	20.4	(8.1)	60.0	93.7
Pilotage Income	1B	(228.6)	(324.7)	96.1	70.4	(772.9)
Movement in Reserves		0.0	0.0	0.0	0.0	(923.3)
Finance Charges - MP	1B	293.1	0.0	293.1	0.0	4,074.2
Service Total		744.8	254.8	490.0	292.3	1,936.2

Changes in original budget position:

Original Net Budget	1,936.1
Ph II Corp Mgt Restructure: Shift Coordinator	30.7
Ph II Corp Mgt Restructure: Assistant Harbour Master	5.2
Ph II Corp Mgt Restructure: Shift Coordinator	30.7
Ph II Corp Mgt Restructure: Assistant Harbour Master	5.2
Ph II Corp Mgt Restructure: Shift Coordinator	30.8
Ph II Corp Mgt Restructure: Assistant Harbour Master	5.2
Ph II Corp Mgt Restructure: Cruise Operations & Marketing Coordinator	34.9
Reprof VF4C Ph II Corp Mgt Restructure	(7.2)
Ph II Corp Mgt Restructure: VTS Supervisor	2.2
Ph II Corp Mgt Restructure: Database Technician/Risk Database Technician	8.3
Ph II Corp Mgt Restructure	(200.0)
Ph II Corp Mgt Restructure: Project Officer	29.3
Ph II Corp Mgt Restructure: Database Technician/Risk Database Technician	8.3
Ph II Corp Mgt Restructure: Waste/Pier Operative	16.5
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	1,936.2

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 £45.0K</p> <p>Increased fuel cost above that budgeted.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing
R52G	<p>Towage Services</p> <p>More than anticipated expenditure by £95.1K</p> <p>Increase fuel costs and additional work required on the Harald.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing
R52I	<p>Harbour Dues</p> <p>More than anticipated income by £95.4K</p> <p>Improved revenue income from additional movements.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	New
R52L	<p>Scapa Flow Development</p> <p>Less than anticipated expenditure by £13.2K</p> <p>Works completed under budget.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	New

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52M	Oil Pollution More than anticipated expenditure by £17.2K Additional equipment purchased as a result of recommendations arising from MCA audit	Monitor the situation Monitor	Jim Buck	21/07/2022	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53A	<p>Piers</p> <p>More than anticipated expenditure by £107.2K</p> <p>This is work being caught up on last years lack of progress and covers a number of areas</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing
R53L	<p>Miscellaneous Piers Development</p> <p>More than anticipated expenditure by £24.0K</p> <p>Additional marketing on return to in person conferences and upgrade media presence relating to Green Freeports.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing
R53R	<p>Pilotage Income</p> <p>Less than anticipated income by £96.1K</p> <p>Additional pilotage moves, including rig moves. Income for these in Oil Port.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing
R53Y	<p>Finance Charges - MP</p> <p>More than anticipated expenditure by £293.1K</p> <p>Start of costs for Scapa Deep Water Quay preparatory works.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing