

**Item: 3**

**Harbour Authority Sub-committee: 29 October 2024.**

**Revenue Expenditure Monitoring.**

**Report by Head of Finance.**

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## **1. Overview**

- 1.1. On 11 March 2024, the Council set its overall revenue budget for financial year 2024/25. On 18 June 2024, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2024/25, which form the basis of the individual revenue expenditure monitoring reports.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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).
- 1.5. 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.
- 1.6. The details have been provided following consultation with the relevant Corporate Directors and their staff.
- 1.7. 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.

## 2. Recommendations

2.1. It is recommended that members of the Sub-committee:

- i. Note 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 2024, attached as Annex 1 to this report, indicating a budget surplus position of £2,307,500.
- ii. Note 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 2024, attached as Annex 2 to this report.
- iii. Scrutinise 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 appropriate action is being taken with regard to significant budget variances.

### For Further Information please contact:

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### Implications of Report

1. **Financial** The Financial Regulations state that Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.
2. **Legal** Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.
3. **Corporate Governance** In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of revenue expenditure incurred against approved budgets, in respect of each of the service areas for which the Sub-committee is responsible is referred to the Harbour Authority Sub-committee.
4. **Human Resources** N/A
5. **Equalities** Equality Impact Assessment is not required for financial monitoring.
6. **Island Communities Impact** Island Communities Impact Assessment is not required for financial monitoring.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
  - Growing our economy.
  - Strengthening our Communities.

- Developing our Infrastructure.
- Transforming our Council.
- 8. Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
  - Cost of Living.
  - Sustainable Development.
  - Local Equality.
- 9. Environmental and Climate Risk** N/A
- 10. Risk** N/A
- 11. Procurement** N/A
- 12. Health and Safety** N/A
- 13. Property and Assets** N/A
- 14. Information Technology** N/A
- 15. Cost of Living** N/A

### **List of Background Papers**

Policy and Resources Committee, 27 February 2024, Budget and Council Tax Level for 2024/25.

Policy and Resources Committee, 18 June 2024, Detailed Revenue Budgets

### **Annexes**

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

**Annex 1: Financial Summary**

September 2024

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

<b>Non-General Fund</b>					
<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	(2,159.3)	(1,241.8)	(917.5)	173.9	(1,238.5)
Miscellaneous Piers & Harbours	(1,376.2)	13.8	(1,390.0)	N/A	(682.5)
	<b>(3,535.5)</b>	<b>(1,228.0)</b>	<b>(2,307.5)</b>	<b>287.9</b>	<b>(1,921.0)</b>
<b>Service Totals</b>	<b>(3,535.5)</b>	<b>(1,228.0)</b>	<b>(2,307.5)</b>	<b>287.9</b>	<b>(1,921.0)</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	6	3	11	27%
Miscellaneous Piers & Harbours	9	8	12	67%
<b>Totals</b>	<b>15</b>	<b>11</b>	<b>23</b>	<b>48%</b>

The following tables show the spending position by service function

### Non-General Fund

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
<b>Scapa Flow Oil Port</b>						
Administration - SF		341.9	326.0	15.9	104.9	672.6
Environmental Unit		65.5	63.5	2.0	103.1	165.1
Marine Officers & Pilots		262.3	240.1	22.2	109.2	542.7
Navigation		32.4	41.4	(9.0)	78.3	101.9
Weather Forecasts		4.8	5.7	(0.9)	84.2	7.7
Harbour Launches	<b>1B</b>	328.8	283.4	45.4	116.0	642.3
Towage Services	<b>1B</b>	1,944.5	1,714.5	230.0	113.4	2,822.3
Harbour Dues	<b>1B</b>	(5,315.6)	(4,086.3)	(1,229.3)	130.1	(8,173.0)
Scapa Flow Development		115.3	105.6	9.7	109.2	248.5
Oil Pollution		60.8	64.3	(3.5)	94.6	144.4
Finance Charges - SF		0.0	0.0	0.0	0.0	1,587.0
<b>Service Total</b>		<b>(2,159.3)</b>	<b>(1,241.8)</b>	<b>(917.5)</b>	<b>173.9</b>	<b>(1,238.5)</b>

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
<b>Miscellaneous Piers &amp; Harbours</b>						
Piers	<b>1B</b>	(1,850.4)	(568.5)	(1,281.9)	325.5	(1,536.2)
Environmental Unit	<b>1B</b>	28.5	16.7	11.8	170.7	34.6
Marine Officers & Pilots		437.8	417.4	20.4	104.9	890.4
Navigation		20.0	15.0	5.0	133.3	37.0
Weather Forecasts		0.0	5.7	(5.7)	0.0	7.6
Harbour Launches	<b>1B</b>	326.8	388.7	(61.9)	84.1	878.4
Administration - MP	<b>1B</b>	255.2	226.0	29.2	112.9	573.1
Miscellaneous Piers Development	<b>1B</b>	121.5	232.3	(110.8)	52.3	543.7
Oil Pollution	<b>1B</b>	(13.0)	53.9	(66.9)	N/A	115.2
Pilotage Income	<b>1B</b>	(948.0)	(852.6)	(95.4)	111.2	(994.5)
Movement in Reserves		0.0	0.0	0.0	0.0	(2,854.0)
Finance Charges - MP	<b>1B</b>	245.4	79.2	166.2	309.8	1,622.2
<b>Service Total</b>		<b>(1,376.2)</b>	<b>13.8</b>	<b>(1,390.0)</b>	<b>N/A</b>	<b>(682.5)</b>

## Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52F	<p><b>Harbour Launches</b></p> <p>More than anticipated expenditure by £45.4K</p> <p>Budget estimates at the start of the financial year were inadequate for operations and refit of the Vessel.</p>	<p><b>Raise virements request</b></p> <p>A virement will be processed to reallocate budget from other functions within Scapa Flow Oil port to reflect the actual spend.</p>	Jim Buck	31/10/2024	Ongoing
R52G	<p><b>Towage Services</b></p> <p>More than anticipated expenditure by £230.0K</p> <p>Insurance costs are charged at start of year whilst budget is monthly.</p> <p>There have also been higher fuel costs due to increased activity within Scapa Flow.</p>	<p><b>Raise virements request</b></p> <p>A virement will be processed to reflect when the insurance is paid at start of year.</p>	Jim Buck	31/10/2024	Ongoing
R52I	<p><b>Harbour Dues</b></p> <p>More than anticipated income by £1,229.3K</p> <p>There have been more Ship-to-Ship transfer operations in the first half of the financial year than anticipated. The variance is expected to balance out over the year.</p>	<p><b>Monitor the situation</b></p> <p>Budget will continue to be monitored.</p>	Jim Buck	31/10/2024	Ongoing

## Miscellaneous Piers &amp; Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53A	<p><b>Piers</b></p> <p>More than anticipated income by £1,281.9K</p> <p>Income above budgeted levels particularly at Kirkwall Harbour and the Hatson Terminal.</p>	<p><b>Monitor the situation</b></p> <p>Where necessary, consider reprofiling income budgets to more accurately reflect income timings.</p>	Jim Buck	31/10/2024	Ongoing
R53B	<p><b>Environmental Unit</b></p> <p>More than anticipated expenditure by £11.8K</p> <p>There are staffing costs that have been miscoded to this cost centre (£7.7K).</p> <p>The income in respect of official control sampling has not been transferred from Scapa Flow Oil Port. Income is now based on a 50:50 split.</p>	<p><b>Process transaction(s)</b></p> <p>Payroll forms will be completed to recharge incorrect staffing costs.</p> <p>A journal will be done to recode the income.</p>	Jim Buck	31/10/2024	Ongoing
R53F	<p><b>Harbour Launches</b></p> <p>Less than anticipated expenditure by £61.9K</p> <p>There have been vacancies within this service. There is also staff budget which needs to be reallocated to shore engineers. Transport, Vessel and Plant is currently underspent as awaiting invoices for work undertaken.</p>	<p><b>Raise virements request</b></p> <p>Posts will be recruited to as required. A virement will be processed to reallocate budget.</p>	Jim Buck	31/10/2024	Ongoing

## Miscellaneous Piers &amp; Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53J	<p><b>Administration - MP</b></p> <p>More than anticipated expenditure by £29.2K</p> <p>Movement of non-domestic rates that were wrongly coded to another budget has now adversely affected this one.</p>	<p><b>Raise virements request</b></p> <p>Look at amending budget or raise virement to readjust this line.</p>	Jim Buck	31/10/2024	Ongoing
R53L	<p><b>Miscellaneous Piers Development</b></p> <p>Less than anticipated expenditure by £110.8K</p> <p>Costs relating to Offshore Wind work have not been incurred within anticipated timescales.</p>	<p><b>Raise virements request</b></p> <p>A virement will be processed to realign the budget.</p>	Jim Buck	31/10/2024	Ongoing
R53M	<p><b>Oil Pollution</b></p> <p>Less than anticipated expenditure by £66.9K</p> <p>Training expenses invoices have not been received. Additionally, the rise in cruise liner visits has increased use of the waste disposal service, therefore increasing income above budget.</p>	<p><b>Monitor the situation</b></p> <p>This invoice should be received shortly which will reduce the underspend.</p>	Jim Buck	31/12/2024	Ongoing
R53R	<p><b>Pilotage Income</b></p> <p>More than anticipated income by £95.4K</p> <p>There have been fewer cancellations in cruise this year than anticipated in budget setting.</p>	<p><b>No action required</b></p> <p>Monitor future income.</p>	Jim Buck	31/10/2024	Ongoing



## Miscellaneous Piers &amp; Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53Y	<b>Finance Charges - MP</b> More than anticipated expenditure by £166.2K  SDWQ and Hatson Pier Extension Project development is funded from reserves, therefore, although the overall budget was set in 2021, it now requires review.	<b>Monitor the situation</b> A report on the SDWQ will be coming to a future meeting of the Policy and Resources Committee.	Jim Buck	31/10/2024	Ongoing