

Item: 3

Harbour Authority Sub-committee: 21 January 2025.

Revenue Expenditure Monitoring.

Report by Head of Finance.

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 31 December 2024, attached as Annex 1 to this report, indicating a budget surplus position of £1,776.900.
- 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 31 December 2024, attached as Annex 2 to this report.
- iii. Scrutinise the explanations given and actions proposed in relation to 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

December 2024

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

Non-General Fund					
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Scapa Flow Oil Port	(2,855.5)	(2,120.9)	(734.6)	134.6	(1,238.5)
Miscellaneous Piers & Harbours	(1,172.9)	(130.6)	(1,042.3)	898.1	(682.5)
	(4,028.4)	(2,251.5)	(1,776.9)	178.9	(1,921.0)
Service Totals	(4,028.4)	(2,251.5)	(1,776.9)	178.9	(1,921.0)

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	5	5	11	45%
Miscellaneous Piers & Harbours	9	9	12	75%
Totals	14	14	23	61%

Annex 2: Financial Detail by Service Area

December 2024

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		445.6	417.7	27.9	106.7	672.6
Environmental Unit		105.2	105.2	0.0	100.0	165.1
Marine Officers & Pilots		397.2	365.6	31.6	108.6	542.7
Navigation		66.8	63.5	3.3	105.2	101.9
Weather Forecasts		9.7	6.7	3.0	144.8	7.7
Harbour Launches	1B	506.2	436.7	69.5	115.9	642.3
Towage Services	1C	2,553.8	2,341.1	212.7	109.1	2,822.3
Harbour Dues	1B	(7,295.7)	(6,129.5)	(1,166.2)	119.0	(8,173.0)
Scapa Flow Development	1B	273.4	167.2	106.2	163.5	248.5
Oil Pollution	1B	82.3	104.9	(22.6)	78.5	144.4
Finance Charges - SF		0.0	0.0	0.0	0.0	1,587.0
Service Total		(2,855.5)	(2,120.9)	(734.6)	134.6	(1,238.5)

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Miscellaneous Piers & Harbours						
Piers	1B	(2,354.1)	(1,300.4)	(1,053.7)	181.0	(1,536.2)
Environmental Unit	1B	48.1	25.4	22.7	189.4	34.6
Marine Officers & Pilots		677.1	639.8	37.3	105.8	890.4
Navigation	1B	37.5	22.4	15.1	167.4	37.0
Weather Forecasts		0.1	6.6	(6.5)	1.5	7.6
Harbour Launches	1C	543.1	602.2	(59.1)	90.2	878.4
Administration - MP	1B	383.3	339.2	44.1	113.0	573.1
Miscellaneous Piers Development	1B	245.4	367.0	(121.6)	66.9	543.7
Oil Pollution	1B	(19.4)	82.7	(102.1)	N/A	115.2
Pilotage Income	1C	(1,065.8)	(994.7)	(71.1)	107.1	(994.5)
Movement in Reserves		0.0	0.0	0.0	0.0	(2,854.0)
Finance Charges - MP	1B	331.8	79.2	252.6	418.9	1,622.2
Service Total		(1,172.9)	(130.6)	(1,042.3)	898.1	(682.5)

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 £69.5K</p> <p>The refit costs had not been budgeted for within 2024/25 and there were additional costs relating to a generator.</p>	<p>Monitor the situation</p> <p>The costs for any refits or additional costs which are known in 2025/26 will be built into the budget.</p>	Jim Buck	31/03/2025	Ongoing
R52G	<p>Towage Services</p> <p>More than anticipated expenditure by £212.7K</p> <p>Staff costs are overspent due to increased overtime charges.</p> <p>Budgets have not been aligned to match actual spend.</p> <p>There have been higher fuel costs due to increased activity within Scapa Flow.</p>	<p>Raise virements request</p> <p>Process a virement to adjust base budget to better reflect actuals.</p>	Jim Buck	31/01/2025	Ongoing
R52I	<p>Harbour Dues</p> <p>More than anticipated income by £1,166.2K</p> <p>There have been more Ship-to-Ship transfer operations within this financial year than budgeted.</p>	<p>Monitor the situation</p> <p>Budget will continue to be monitored. The budget estimations will be reviewed within the 2025/26 budget setting process.</p>	Jim Buck	31/03/2025	Ongoing

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52L	<p>Scapa Flow Development</p> <p>More than anticipated expenditure by £106.2K</p> <p>Overspend is a result of capital office refurbishment costs being incorrectly coded to revenue.</p>	<p>Process transaction(s)</p> <p>Process a journal to move costs to the correct code.</p>	Jim Buck	31/01/2025	Ongoing
R52M	<p>Oil Pollution</p> <p>Less than anticipated expenditure by £22.6K</p> <p>Awaiting invoices for completed maintenance works.</p>	<p>Process transaction(s)</p> <p>This budget is being reviewed for 2025/26 to reflect assumed activities within Scapa Flow.</p>	Jim Buck	31/01/2025	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 £1,053.7K</p> <p>This is due to increased fees being received and will be reviewed for the 2025/26 budget setting process where budgets will be updated.</p>	<p>Monitor the situation</p> <p>Continue to liaise with Finance staff regarding 2025/26 budget.</p>	Jim Buck	31/03/2025	Ongoing
R53B	<p>Environmental Unit</p> <p>More than anticipated expenditure by £22.7K</p> <p>Cost and income are now split 50:50 between Scapa Flow and Miscellaneous Piers which was not budgeted for.</p>	<p>Monitor the situation</p> <p>As this is the first year of costs being split between Scapa Flow and Miscellaneous Piers, this will be reviewed and also taken into consideration within 2025/26 budget setting.</p>	Jim Buck	31/03/2025	Ongoing
R53D	<p>Navigation</p> <p>More than anticipated expenditure by £15.1K</p> <p>There have been training requirements which have not been budgeted for and also an increase in property costs.</p>	<p>Monitor the situation</p> <p>Monitor the situation</p>	Jim Buck	31/01/2025	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53F	<p>Harbour Launches</p> <p>Less than anticipated expenditure by £59.1K</p> <p>There have been vacancies within this service. Additionally, invoices have not yet been received for work undertaken.</p>	<p>Raise virements request</p> <p>Posts will be recruited to as required. Invoices will be paid promptly when received.</p> <p>Virement to be raised to align budget to match invoice payments.</p>	Jim Buck	31/03/2025	Ongoing
R53J	<p>Administration - MP</p> <p>More than anticipated expenditure by £44.1K</p> <p>Non-domestic rates are higher than anticipated.</p>	<p>Monitor the situation</p> <p>This will be reviewed as part of 2025/26 budget setting.</p>	Jim Buck	31/03/2025	Ongoing
R53L	<p>Miscellaneous Piers Development</p> <p>Less than anticipated expenditure by £121.6K</p> <p>Costs relating to offshore wind work have not been incurred within anticipated timescales.</p>	<p>Raise virements request</p> <p>A virement will be processed to realign the budget.</p>	Jim Buck	31/01/2025	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53M	<p>Oil Pollution</p> <p>Less than anticipated expenditure by £102.1K</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>Monitor the situation</p> <p>This invoice should be received shortly which will reduce the underspend and if not then a virement can be processed to reflect actuals.</p> <p>The increased costs and income will be taken into account as part of the 2025/26 budget setting.</p>	Jim Buck	31/03/2025	Ongoing
R53R	<p>Pilotage Income</p> <p>More than anticipated income by £71.1K</p> <p>There have been fewer cancellations in cruise ships this year than what was anticipated within the budget.</p>	<p>Monitor the situation</p> <p>Monitor future income.</p> <p>Consider processing a virement to reflect the increased income.</p>	Jim Buck	31/03/2025	Ongoing
R53Y	<p>Finance Charges - MP</p> <p>More than anticipated expenditure by £252.6K</p> <p>Scapa Deep Water Quay (SDWQ) and Hatston Pier Extension project development is funded from reserves and has overspent against the original budget which was set in 2021.</p>	<p>Monitor the situation</p> <p>A revised budget was approved by Council at a Special General Meeting held on 19 December 2024.</p>	Jim Buck	31/03/2025	Ongoing