

Item: 5

Harbour Authority Sub-committee: 25 January 2022.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 31 December 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 31 December 2021, attached as Annex 1 to this report, indicating a budget deficit position of £714,400.

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 31 December 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 31 December 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.

9. Annexes

Annex 1: Financial summary.

Annex 2: Financial details by service area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

December 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	(2,215.8)	(2,182.9)	(32.9)	101.5	(779.6)
Miscellaneous Piers & Harbours	126.4	(620.9)	747.3	N/A	404.8
Service Totals	(2,089.4)	(2,803.8)	714.4	74.5	(374.8)

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	12	42%
Miscellaneous Piers & Harbours	5	5	12	42%
Totals	10	10	24	42%

Annex 2: Financial Detail by Service Area

December 2021

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		294.4	294.6	(0.2)	99.9	474.8
Environmental Unit		94.1	94.2	(0.1)	99.9	146.1
Marine Officers & Pilots		623.8	583.8	40.0	106.9	840.5
Navigation	1B	38.5	61.6	(23.1)	62.5	98.8
Weather Forecasts		3.8	6.5	(2.7)	57.8	7.5
Harbour Launches	1B	483.3	538.3	(55.0)	89.8	812.1
Towage Services	1C	1,629.9	1,554.4	75.5	104.9	2,580.1
Harbour Dues		(5,528.2)	(5,506.8)	(21.4)	100.4	(7,342.7)
Scapa Flow Development	1B	65.7	124.5	(58.8)	52.7	185.0
Oil Pollution	1B	78.9	66.0	12.9	119.6	90.2
Finance Charges - SF		0.0	0.0	0.0	0.0	1,328.0
Service Total		(2,215.8)	(2,182.9)	(32.9)	101.5	(779.6)

Changes in original budget position

Original Net Budget	(279.6)
Increase Harbour Dues Income	<u>(500.0)</u>
	<u>(779.6)</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Miscellaneous Piers & Harbours						
Piers	1B	(1,061.9)	(1,813.5)	751.6	58.6	(1,696.0)
Environmental Unit		14.5	14.8	(0.3)	97.4	20.7
Marine Officers & Pilots		231.9	236.2	(4.3)	98.2	328.7
Navigation	1B	7.7	21.6	(13.9)	35.5	35.7
Weather Forecasts		11.5	6.5	5.0	176.9	7.4
Harbour Launches		263.2	285.5	(22.3)	92.2	397.5
Administration - MP	1B	193.8	242.7	(48.9)	79.9	421.8
Miscellaneous Piers Development	1B	121.3	168.1	(46.8)	72.2	135.4
Oil Pollution		44.5	47.5	(3.0)	93.7	66.2
Pilotage Income	1B	(198.2)	(327.7)	129.5	60.5	(336.6)
Movement in Reserves		0.0	0.0	0.0	0.0	(3,011.0)
Finance Charges - MP		498.1	497.4	0.7	100.1	4,035.0
Service Total		126.4	(620.9)	747.3	N/A	404.8

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52D	<p>Navigation</p> <p>Less than anticipated expenditure by £23.1K</p> <p>Slippage on the planned programme of works. Feed in tariff payments for Sandy Hill Turbine credited. Equipment servicing and invoice running late.</p>	<p>No action required</p> <p>Check progress on planned programme of works and equipment servicing.</p>	Jim Buck	31/01/2022	Ongoing
R52F	<p>Harbour Launches</p> <p>Less than anticipated expenditure by £55.0K</p> <p>Slippage on planned refit programme of works plus underspend on staff costs.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/01/2022	Ongoing
R52G	<p>Towage Services</p> <p>More than anticipated expenditure by £75.5K</p> <p>Increased number of ship to ship movements and additional rig moves requiring additional expenditure.</p>	<p>No action required</p> <p>Noting that more ship to ship movements and rig moves creates more income, but the income is shown in a different cost centre.</p>	Jim Buck	31/01/2022	Ongoing

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52L	<p>Scapa Flow Development</p> <p>Less than anticipated expenditure by £58.8K</p> <p>Slow start to beginning of financial year works/studies etc. Works/studies in hand that will balance expenditure over next three months.</p>	<p>No action required</p> <p>Continue to monitor but should start to balance out over next three months.</p>	Jim Buck	31/01/2022	Ongoing
R52M	<p>Oil Pollution</p> <p>More than anticipated expenditure by £12.9K</p> <p>Additional equipment, maintenance and training purchased to meet Maritime and Coastguard Agency inspection requirements.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/01/2022	New

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 £751.6K</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>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/03/2022	Ongoing
R53D	<p>Navigation</p> <p>Less than anticipated expenditure by £13.9K</p> <p>Servicing and maintenance contracts are running later than profiled.</p>	<p>No action required</p> <p>Monitor.</p>	Jim Buck	31/01/2022	Ongoing
R53J	<p>Administration - MP</p> <p>Less than anticipated expenditure by £48.9K</p> <p>General underspend on administration.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/01/2022	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53L	<p>Miscellaneous Piers Development</p> <p>Less than anticipated expenditure by £46.8K</p> <p>Underspend is on the Hydrogen in an Integrated Maritime Energy Transition project due to delay in works starting.</p>	<p>Monitor the situation</p> <p>Monitor and reprofile budget if appropriate.</p> <p>This project is fully funded and therefore the budget will balance at the year-end.</p>	Jim Buck	31/01/2022	New
R53R	<p>Pilotage Income</p> <p>Less than anticipated income by £129.5K</p> <p>Lack of cruise income due to continued COVID-19 restrictions giving lower revenue than budgeted.</p>	<p>Monitor the situation</p> <p>Monitor.</p>	Jim Buck	31/03/2022	Ongoing