

Item: 3

Harbour Authority Sub-committee: 23 August 2022.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue outturn position for financial year 2020/21 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 expenditure outturn statement in respect of the Scapa Flow Oil Port and Miscellaneous Piers for financial year 2021/22, attached as Annex 1 to this report, indicating the following:

- A surplus of £1,037,300 against a budget of £279,600 in respect of Scapa Flow Oil Port.
- A surplus of £24,200 against a budget of £404,800 in respect of Miscellaneous Piers.

The Sub-committee is invited to scrutinise:

2.2.

The explanations given, and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to this report.

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 Council received the detailed revenue budgets which form the basis of the individual revenue expenditure monitoring reports.

3.2.

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.

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.

4. Financial Summary

4.1.

The revenue expenditure outturn statement is attached as Annex 1 to this report.

4.2.

The Budget Action Plan, attached as Annex 2 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.

6.3.

The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards. This includes accounting for the use of fixed assets, for example depreciation and revaluations, current service cost of pensions and accumulated staff absences.

7. Legal Aspects

Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.

8. Contact Officer

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9. Annexes

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2021 to 2022

	Spend	Budget	Over/Under		Annual
	£000	£000	Spend	%	Budget
			£000		£000
Non-General Fund					
Scapa Flow Oil Port	0.0	-279.6	279.6	0.0	-279.6
Miscellaneous Piers	24.2	404.8	-380.6	6.0	404.8
Service Totals	24.2	125.2	-101.0	19.3	125.2

		Spend	Budget	Over/Under		Annual
		£000	£000	Spend	%	Budget
				£000		£000
Scapa Flow Oil Port	PA					
Administration	1c	1,313.7	1,251.8	61.9	104.9	1,251.8
Environmental Unit		160.5	146.1	14.4	109.9	146.1
Marine Officers and Pilots	1b	925.4	840.5	84.9	110.1	840.5
Navigation	1b	78.1	98.8	-20.7	79.0	98.8
Weather Forecasts		3.8	7.5	-3.7	50.2	7.5
Harbour Launches	1c	740.6	812.1	-71.5	91.2	812.1
Towage Services	1b	2,316.7	2,580.1	-263.4	89.8	2,580.1
Harbour Dues	1c	-7,182.1	-7,342.7	160.6	97.8	-7,342.7
Scapa Flow Development	1b	91.4	185.0	-93.6	49.4	185.0
Oil Pollution		92.9	90.2	2.7	102.9	90.2
Accounting for Pensions		-16.6	-16.6	0.0	100.0	-16.6
Movement in Reserves	1b	271.6	-265.7	537.3	n/a	-265.7
Non Distributed Costs		5.3	5.3	0.0	100.0	5.3
Finance Charges - SF	1c	1,198.9	1,328.0	-129.1	90.3	1,328.0
Service Totals		0.0	-279.6	279.6	0.0	-279.6

Movement in Reserves Statement

IFRS Accounting Entries	-765.7
<u>Transfer to Reserves:</u>	
Surplus on year transferred to SRF	1,037.3
	271.6

Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2021 to 2022

		Spend	Budget	Over/(Under)		Annual
	PA	£000	£000	Spend	%	Budget
				£000		£000
Miscellaneous Piers						
Piers	1b	-3,346.6	-2,839.1	-507.5	117.9	-2,839.1
Environmental Unit		20.8	20.7	0.1	100.6	20.7
Marine Officers and Pilots		331.6	328.7	2.9	100.9	328.7
Navigation	1b	23.8	35.7	-11.9	66.6	35.7
Weather Forecasts		11.5	7.4	4.1	155.4	7.4
Harbour Launches		377.2	397.5	-20.3	94.9	397.5
Administration - MP	1c	874.5	929.3	-54.8	94.1	929.3
MP Development	1b	167.0	135.4	31.6	123.3	135.4
Oil Pollution		65.5	66.2	-0.7	98.9	66.2
Accounting for Pensions		-10.8	-10.8	0.0	100.0	-10.8
Pilotage Income	1b	-232.4	-336.6	104.2	69.0	-336.6
Movement in Reserves	1b	-500.1	-2,368.0	1,867.9	21.1	-2,368.0
Non Distributed Costs		3.4	3.4	0.0	100.0	3.4
Finance Charges	1b	2,238.8	4,035.0	-1,796.2	55.5	4,035.0
Service Totals		24.2	404.8	-380.6	6.0	404.8

Movement in Reserves Statement

IFRS Accounting Entries	-500.1
	-500.1

Miscellaneous Piers and Harbours Statement of Reserves

	Opening Balance	Deficit / (Surplus)	Closing Balance
Miscellaneous Piers and Harbours Fund	-7,203.5	24.2	-7,179.3
Miscellaneous Piers and Harbours Property Maintenance Fund	-335.8	-1,143.1	-1,478.9
Miscellaneous Piers and Harbours Total Useable Reserves	-7,539.3	-1,118.9	-8,658.2

Annex 2: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R52A	Administration - SF	Buck, Jim	Cost of additional rig moves.	Monitor
R52C	Marine Officers & Pilots	Buck, Jim	Additional rig movements within the reporting period.	Monitor
R52D	Navigation	Buck, Jim	Slippage on the planned programme of works. Feed in tariff payments for Sandy Hill Turbine credited. Equipment servicing and invoice running late.	Check progress on planned programme of works and equipment servicing.
R52F	Harbour Launches	Buck, Jim	Reduced cost on maintenance.	Monitor
R52G	Towage Services	Buck, Jim	Increased number of ship-to-ship movements and additional rig moves requiring additional expenditure.	Noting that more ship-to-ship movements creates more income, but the corresponding income is shown in a different cost centre.
R52I	Harbour Dues	Buck, Jim	Reduced ship-to-ship operations in the last month.	Monitor
R52L	Scapa Flow Development	Buck, Jim	Slow start to beginning of financial year works/studies etc. Works/studies in hand that will balance expenditure over next three months.	Continue to monitor but should start to balance out over next three months.
R52U	Movement in Reserves	Kemp, Colin	Year end reserve fund movements not budgeted	No action required

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R52Y	Finance Charges - SF	Kemp, Colin	Accounting for the use of fixed assets, including depreciation during the year. This has also been offset in part by an underspend on interest and debt management charges in the year.	As a non-cash item, depreciation does not currently form part of the Council's funded budget position. Recurring slippage on the capital programme has also contributed to an underspend position on loan charges
R53A	Piers	Buck, Jim	Lower passenger numbers and less cruise business continues to impact revenue. Some increased activity on Lyness and Scapa Pier.	Monitor.
R52D	Navigation	Buck, Jim	Slippage on the planned programme of works. Feed in tariff payments for Sandy Hill Turbine credited. Equipment servicing and invoices running late.	Check progress on planned programme of works and equipment servicing.
R53J	Administration - MP	Buck, Jim	General underspend on administration.	Monitor.
R53L	Miscellaneous Piers Development	Buck, Jim	Underspend is on the Hydrogen in an Integrated Maritime Energy Transition project, due to delays in works starting.	Monitor and reprofile budget if appropriate. This project is fully funded and therefore the budget will balance at the year-end.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R53R	Pilotage Income	Buck, Jim	Lack of cruise income due to continued COVID-19 restrictions giving lower revenue than budgeted.	Monitor.
R53U	Movement in Reserves	Kemp, Colin	Year end reserve fund movements not budgeted	No action required
R53Y	Finance Charges - MP	Kemp, Colin	Underspend on development of capital project appraisal for Phase 1 of Port Masterplan, offset by entries accounting for use of fixed assets including depreciation.	Monitor progress on development of capital project appraisals. As a non-cash item, depreciation does not currently form part of the Council's funded budget position.