

## **Item: 4**

**Harbour Authority Sub-committee: 24 August 2021.**

**Revenue Expenditure Outturn.**

**Report by Interim Executive Director of Finance, Regulatory, Marine Services and Transportation.**

### **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 2020/21, attached as Annex 1 to this report, indicating the following:

- An income surplus of £2,721,400 against an income budget of £763,700 in respect of Scapa Flow Oil Port.
- An income deficit of £1,054,600 against an income budget of £1,879,100 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, in order to obtain assurance that appropriate action was taken with regard to significant budget variances.

### **3. Background**

#### **3.1.**

On 3 March 2020, the Council set its overall revenue budget for financial year 2020/21. On 11 June 2020, 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 Executive 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 Officers**

Gareth Waterson, Interim Executive Director of Finance, Regulatory, Marine Services and Transportation, Email [gareth.waterson@orkney.gov.uk](mailto:gareth.waterson@orkney.gov.uk).

## **9. Annexes**

Annex 1: Revenue Expenditure Outturn Statement.

Annex 2: Budget Action Plan.

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020 to 2021

	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) Spend £000</b>	<b>%</b>	<b>Annual Budget £000</b>
<b>Non-General Fund</b>					
Scapa Flow Oil Port	(2,721.4)	(763.7)	(1,957.7)	356.3	(763.7)
Miscellaneous Piers	1,054.6	(1,879.1)	2,933.7	n/a	(1,879.1)
<b>Service Totals</b>	<b>(1,666.8)</b>	<b>(2,642.8)</b>	<b>976.0</b>	<b>63.1</b>	<b>(2,642.8)</b>

		<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/Under Spend £000</b>	<b>%</b>	<b>Annual Budget £000</b>
<b>Scapa Flow Oil Port</b>	<b>PA</b>					
Administration	<b>1B</b>	729.2	824.8	(95.6)	88.4	824.8
Environmental Unit	<b>1B</b>	127.1	144.2	(17.1)	88.2	144.2
Marine Officers and Pilots		824.4	824.3	0.1	100.0	824.3
Navigation	<b>1B</b>	79.1	97.4	(18.3)	81.3	97.4
Weather Forecasts		9.4	7.5	1.9	125.0	7.5
Harbour Launches	<b>1B</b>	700.9	801.4	(100.5)	87.5	801.4
Towage Services		2,185.9	2,216.3	(30.4)	98.6	2,216.3
Harbour Dues	<b>1B</b>	(8,162.9)	(6,964.9)	(1,198.0)	117.2	(6,964.9)
Scapa Flow Development	<b>1B</b>	80.1	182.0	(101.9)	44.0	182.0
Oil Pollution		72.8	72.5	0.3	100.5	72.5
Accounting for Pensions		(10.6)	(10.6)	0.0	100.0	(10.6)
Movement in Reserves	<b>1B</b>	241.6	639.9	(398.3)	37.8	639.9
Non-Distributed Costs		2.3	2.3	0.0	100.0	2.3
Finance Charges - SF		399.2	399.2	0.0	100.0	399.2
<b>Service Totals</b>		<b>(2,721.4)</b>	<b>(763.7)</b>	<b>(1,957.7)</b>	<b>356.3</b>	<b>(763.7)</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries

241.6

**241.6**

The surplus of £2,721.4K was transferred to the Strategic Reserve Fund

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2020 to 2021

		<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>		<b>Annual</b>
	<b>PA</b>	<b>£000</b>	<b>£000</b>	<b>Spend</b>	<b>%</b>	<b>Budget</b>
				<b>£000</b>		<b>£000</b>
<b>Miscellaneous Piers</b>						
Piers	<b>1B</b>	(1,063.8)	(3,364.2)	2,300.4	31.6	(3,364.2)
Environmental Unit		17.9	20.7	(2.8)	86.5	20.7
Marine Officers and Pilots		315.7	322.4	(6.7)	97.9	322.4
Navigation		36.8	35.4	1.4	104.0	35.4
Weather Forecasts		9.4	7.4	2.0	126.5	7.4
Harbour Launches		380.8	381.3	(0.5)	99.9	381.3
Administration - MP		623.4	652.6	(29.2)	95.5	652.6
MP Development		125.3	131.3	(6.0)	95.5	131.3
Oil Pollution		45.4	49.0	(3.6)	92.6	49.0
Accounting for Pensions		(7.1)	(7.1)	0.0	100.0	(7.1)
Pilotage Income	<b>1B</b>	(75.0)	(585.4)	510.4	12.8	(585.4)
Movement in Reserves	<b>1B</b>	190.0	21.7	168.3	875.7	21.7
Non-Distributed Costs		1.5	1.5	0.0	100.0	1.5
Finance Charges		454.3	454.3	0.0	100.0	454.3
<b>Service Totals</b>		<b>1,054.6</b>	<b>(1,879.1)</b>	<b>2,933.7</b>	<b>n/a</b>	<b>(1,879.1)</b>

IFRS Accounting Entries

190.0

### Miscellaneous Piers and Harbours Statement of Reserves

	Opening	Deficit /	Closing
	Balance	(Surplus)	Balance
Miscellaneous Piers and Harbours Fund	(6,889.9)	22.2	(6,867.7)
Miscellaneous Piers Property Maintenance Fund	(1,368.2)	1,032.4	(335.8)
<b>Miscellaneous Piers and Harbours Total Useable Reserves</b>	<b>(8,258.1)</b>	<b>1,054.6</b>	<b>(7,203.5)</b>

**Annex 2:****Budget Action Plan**

<b>Scapa Flow Oil Port</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R52A</b>	<b>Administration</b>  Less than anticipated expenditure by £95.6K.  Variance due to decrease in bad debt provision for Scapa Flow Oil Port for 2020.21.	No action required.	<b>J Buck</b>
<b>R52B</b>	<b>Environmental Unit</b>  Less than anticipated expenditure by £17.1K.  Reduced works undertaken due to COVID-19 restrictions.	No action required.	<b>J Buck</b>
<b>R52D</b>	<b>Navigation</b>  Less than anticipated expenditure by £18.3K.  Reduction in maintenance conducted due to COVID-19 restrictions earlier in the financial year.	No action required.	<b>J Buck</b>
<b>R52F</b>	<b>Harbour Launches</b>  Less than anticipated expenditure by £100.5K.	No action required.	<b>J Buck</b>

**Annex 2:****Budget Action Plan**

<b>Scapa Flow Oil Port</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R52I</b>	<b>Harbour Dues</b>  More than anticipated income by £1,198.0K.  Income received was higher than budgeted due to one extra tanker at Flotta Oil Terminal.  There were more ship to ship operations in the Flow than was budgeted for; plus, additional income from anchorage.	No action required.	<b>J Buck</b>
<b>R52L</b>	<b>Scapa Flow Development</b>  Less than anticipated expenditure by £101.9K.  Very few third-party payments made due to lower than expected work due to impact of COVID-19.	No action required.	<b>J Buck</b>
<b>R52U</b>	<b>Movement in Reserves</b>  Less than anticipated expenditure by £398.3K.  Mainly reduced expenditure on the capital maintenance programme due to COVID-19 restrictions.	Budget reviewed and re-aligned during the 2021/22 budget setting process.	<b>G Waterson</b>

**Annex 2:****Budget Action Plan**

<b>Miscellaneous Piers</b>			
<b>Function</b>	<b>Function Description / Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>
<b>R53A</b>	<p><b>Piers</b></p> <p>Less than anticipated income by £2,300.4K.</p> <p>Cruise liner visits cancelled due to COVID-19 restrictions and hence no cruise liner income received. Also Harbour Dues for other shipping less than anticipated due to reduction in passenger numbers and general reduction in travelling due to COVID-19 restrictions.</p>	Budget has been adjusted downwards for 2021.22 to 40% of cruise liner income, based on bookings in March 2021.	<b>J Buck</b>
<b>R53L</b>	<p><b>Pilotage Income</b></p> <p>Less than anticipated income by £510.4K.</p> <p>Income for fees and charges was lower than budgeted due to impact of COVID-19 and very little activity on the Piers and Harbours, with next to no cruise liners and other shipping.</p>	Budget has been adjusted downwards for 2021.22 to 40% of pilotage income for cruise liner visits, based on booking in March 2021.	<b>J Buck</b>
<b>R53U</b>	<p><b>Movement in Reserves</b></p> <p>More than anticipated expenditure by £168.3K.</p> <p>Contribution from Repairs and Renewals fund less reduced expenditure on the capital maintenance programme due to COVID-19 restrictions.</p>	No action required.	<b>G Waterson</b>