

**DEVELOPMENT AND INFRASTRUCTURE COMMITTEE: 10 SEPTEMBER 2015**

**REVENUE EXPENDITURE OUTTURN REPORT  
FOR FINANCIAL YEAR 2014/15**

**JOINT REPORT BY EXECUTIVE DIRECTOR OF DEVELOPMENT AND  
INFRASTRUCTURE AND EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**1. PURPOSE OF REPORT**

- 1.1 To advise of the revenue outturn position across General Fund and Non-General Fund Service Areas for financial year 2014/15 for which the Committee is responsible.

**2. RECOMMENDATIONS**

The Committee is invited to note:-

- 2.1 the revenue expenditure outturn statement in respect of Development and Infrastructure for financial year 2014/15, indicating:
- 2.1.1 a net General Fund underspend of £399,000; and
  - 2.1.2 a net Non-General Fund underspend of £1,444,000; and
- 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. POLICY ASPECTS**

- 3.1 This report relates to the Council complying with its governance and financial processes and procedures and therefore does not relate specifically to progressing the Council's priorities.

**4. INTRODUCTION**

- 4.1 At its Special General Meeting held on 13 February 2014, as part of the budget setting process for 2014/15, the Council agreed the Revenue Estimates, Council Tax level and the contribution from General Fund Reserves for financial year 2014/15.

## 5. **BACKGROUND**

- 5.1 Individual revenue expenditure monitoring reports (REMRs) are circulated as briefing reports every month in order to inform committee members of the up to date financial position. From this committee cycle onwards quarterly REMRs are being presented to individual service committees. This quarterly report replaces the need for a monthly budget briefing this reporting period.
- 5.2 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.
- 5.3 Material variances are identified automatically as Priority Actions (PAs) within individual budget cost centres according to the following criteria:-
  - 5.3.1 £10,000 **and** 10% more or less than Anticipated position;
  - 5.3.2 £50,000 more or less than Anticipated position.
- 5.4 Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements shown in Annex 1. 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 in Annex 2.
- 5.5 The details have been provided following consultation with the relevant Executive Directors and their staff. In addition to the variances generated in the current month, the variances reported in previous reporting periods will remain within the Budget Action Plan until these actions have been completed.
- 5.6 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.

## 6. FINANCIAL SUMMARY

- 6.1 Annex 1 provides the detailed position by Service Area by Service Function. The table below provides a summary of the position across all Service Areas.

	Spend £000	Budget £000	Over/Under		Annual Budget £000
			Spend £000	%	
<b>General Fund Services</b>					
Roads	3,925	3,925	0	100.0	3,925
Transportation	9,425	9,418	7	100.1	9,418
Operational Environmental Services	2,563	2,327	236	110.1	2,327
E/Health and Trading Standards	734	777	-43	94.5	777
Development	1,512	2,079	-567	72.7	2,079
Planning	748	780	-32	95.9	780
<b>Service Totals</b>	<b>18,907</b>	<b>19,306</b>	<b>-399</b>	<b>97.9</b>	<b>19,306</b>
<b>Non-General Fund</b>					
Scapa Flow Oil Port	1,264	2,152	-888	58.7	2,152
Miscellaneous Piers	-1,305	-749	-556	174.2	-749
<b>Service Totals</b>	<b>-41</b>	<b>1,403</b>	<b>-1,444</b>	<b>-2.9</b>	<b>1,403</b>

- 6.2 The budget underspend across the General Fund service areas is £399K, alternatively expressed as 97.9% of the anticipated net spending position for the year.
- 6.3 The budget underspend across the Non-General Fund Service is £1,444K.
- 6.4 The Budget Action Plan attached as Annex 2 provides an explanation and proposed corrective action for each of the Priority Actions identified.

## 7. FINANCIAL IMPLICATIONS

- 7.1 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.
- 7.2 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.
- 7.3 The outturn statements include a number of accounting entries required to comply with proper accounting practice, including International Financial Reporting Standards (IFRS). This includes accounting for the use of fixed assets e.g. depreciation and revaluations, current service cost of pensions and accumulated staff absences.

## **8. LEGAL ASPECTS**

- 8.1 Financial monitoring and reporting helps the Council meet its obligation to secure best value.

## **9. CONTACT OFFICERS**

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## **10. ANNEXES**

- 10.1 Annex 1: Revenue Expenditure Outturn Statement for 2014/15
- 10.2 Annex 2: Budget Action Plans

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	£000	Spend	Budget
					%	£000
<b>Roads</b>						
Winter Maintenance and Response	1b	615	828	-213	74.3	828
Street Lighting	1b	216	248	-32	87.1	248
Car Parks		10	19	-9	52.6	19
Other Works		105	108	-3	97.2	108
Traffic Management	1b	226	280	-54	80.7	280
Structural Maintenance	1b	1,821	1,638	183	111.2	1,638
Routine Maintenance		632	680	-48	92.9	680
Quarries Holding Account	1b	-588	12	-600	-4,900.0	12
Roads Holding Account		89	89	0	100.0	89
Fleet Holding Account		18	18	0	100.0	18
Movement in Reserves	1b	621	-252	873	-246.4	-252
Miscellaneous	1b	160	257	-97	62.3	257
<b>Service Totals</b>		<b>3,925</b>	<b>3,925</b>	<b>0</b>	<b>100.0</b>	<b>3,925</b>

### **Budget Summary**

Original Net Budget	3,897
Budget transferred from Ec Dev Grants to accommodate subsidised Car Parking	28
<b>Revised Net Budget</b>	<b>3,925</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-120
<u>Transfer to Reserves:</u>	
Roads transfer to R&R Fund for future purchase of New Tar Plant	873
<u>Transfer from Reserves:</u>	
Roads project fund to roads - Kirkwall flooding	-50
Roads project fund to roads - Barriers study	-73
RRR Fund contribution to Caisson	-9
	<b>621</b>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

	PA	Spend £000	Budget £000	Over/Under Spend £000	%	Annual Budget £000
<b>Transportation</b>	<b>1b</b>					
Administration		240	202	38	118.8	202
Co-ordination		66	75	-9	88.0	75
Concessionary Fares		123	132	-9	93.2	132
Support for Operators - Buses		535	529	6	101.1	529
Support for Operators - Air		972	999	-27	97.3	999
Support for Operators - Ferries		3	3	0	100.0	3
Airfields		441	405	36	108.9	405
Orkney Ferries		7,078	7,106	-28	99.6	7,106
Movement in Reserves		-33	-33	0	100.0	-33
<b>Service Totals</b>		<b>9,425</b>	<b>9,418</b>	<b>7</b>	<b>100.1</b>	<b>9,418</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries						-33
						<b>-33</b>

	PA	Spend £000	Budget £000	Over/Under Spend £000	%	Annual Budget £000
<b>Operational Environmental Services</b>						
Burial Grounds		99	104	-5	95.2	104
Refuse Collection	<b>1b</b>	618	537	81	115.1	537
Waste Disposal	<b>1b</b>	1,076	884	192	121.7	884
Recycling		447	449	-2	99.6	449
Cleansing		323	353	-30	91.5	353
OES Holding Account		56	56	0	100.0	56
Movement in Reserves		-56	-56	0	100.0	-56
<b>Service Totals</b>		<b>2,563</b>	<b>2,327</b>	<b>236</b>	<b>110.1</b>	<b>2,327</b>

### **Budget Summary**

Original Net Budget						2,298
Contribution from corporate contingency - Waste Disposal additional costs to Shetland						29
<b>Revised Net Budget</b>						<b>2,327</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries						-56
						<b>-56</b>

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

	PA		Over/Under		Annual
	Spend	Budget	Spend		Budget
<b>E/Health and Trading Standards</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>£000</b>
Administration	487	518	-31	94.0	518
Trading Standards	180	195	-15	92.3	195
Public Toilets	92	89	3	103.4	89
Movement in Reserves	-25	-25	0	100.0	-25
<b>Service Totals</b>	<b>734</b>	<b>777</b>	<b>-43</b>	<b>94.5</b>	<b>777</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries

-25

**-25**

	PA		Over/Under		Annual
	Spend	Budget	Spend		Budget
<b>Development</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>£000</b>
Administration	<b>1b</b> 558	704	-146	79.3	704
Business Gateway	141	138	3	121.0	138
EEC Expenditure	5	12	-7	41.7	12
Leader Programme	22	21	1	104.8	21
Regeneration	<b>1b</b> 47	77	-30	61.0	77
Tourism	139	141	-2	98.6	141
Economic Development Grants	<b>1b</b> 845	1,014	-169	83.3	1,014
Movement in Reserves	<b>1b</b> -245	-28	-217	875.0	-28
<b>Service Totals</b>	<b>1,512</b>	<b>2,079</b>	<b>-567</b>	<b>72.7</b>	<b>2,079</b>

### **Budget Summary**

Original Net Budget 2,113

Budget transferred from Ec Dev Grants to accommodate Car Park overspend -28

Temporary transfer of budget renewables support to development planning. -3

Budget transferred from regeneration to development management -3

**Revised Net Budget** **2,079**

### **Movement in Reserves Statement**

IFRS Accounting Entries -28

Transfer from Reserves:

Contribution from Development Grants Fund to Economic Development -217

**-245**

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

	PA	Spend	Budget	Over/Under		Annual
		£000	£000	£000	%	Budget
<b>Planning</b>						
Administration		380	391	-11	97.2	391
Development Management	<b>1b</b>	73	110	-37	66.4	110
Development Planning		378	389	-11	97.2	389
Conservation	<b>1b</b>	71	59	12	120.3	59
Building Standards		-79	-76	-3	103.9	-76
Archaeology		39	41	-2	95.1	41
Movement in Reserves	<b>1b</b>	-114	-134	20	85.1	-134
<b>Service Totals</b>		<b>748</b>	<b>780</b>	<b>-32</b>	<b>95.9</b>	<b>780</b>

### **Budget Summary**

Original Net Budget	736
Temporary transfer of budget renewables support to development planning.	3
Budget transferred from regeneration to development management	3
Agreed contribution from contingency in respect of reduced fee income	38
<b>Revised Net Budget</b>	<b>780</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	-54
<u>Transfer from Reserves:</u>	
RRR Fund contribution in respect of Wind Energy Study	20
<u>Transfer from Reserves:</u>	
Contribution from SRF - Stromness THI	-59
Contribution from Development Grants Fund - NILPS	-21
	<b>-114</b>



## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

		<b>Spend</b>	<b>Budget</b>	<b>Over/Under</b>		<b>Annual</b>
	<b>PA</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
						<b>£000</b>
<b>Scapa Flow Oil Port</b>						
Administration		403	435	-32	92.6	435
Environmental Unit		86	86	0	100.0	86
Marine Officers and Pilots		546	507	39	107.7	507
Navigation	<b>1b</b>	40	53	-13	75.5	53
Weather Forecasts		4	8	-4	50.0	8
Harbour Launches		587	633	-46	92.7	633
Towage Services	<b>1b</b>	1,089	1,768	-679	61.6	1,768
Harbour Dues		-1,551	-1,565	14	99.1	-1,565
Scapa Flow Development	<b>1b</b>	97	166	-69	58.4	166
Oil Pollution	<b>1b</b>	38	75	-37	50.7	75
Accounting for Pensions		52	52	0	100.0	52
Pilotage Income	<b>1b</b>	-141	-109	-32	129.4	-109
Movement in Reserves	<b>1b</b>	14	43	-29	32.6	43
<b>Service Totals</b>		<b>1,264</b>	<b>2,152</b>	<b>-888</b>	<b>58.7</b>	<b>2,152</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries

14

14

## Annex 1: Revenue Expenditure Outturn Statement for Financial Year 2014/15

		Spend	Budget	Over/Under		Annual
	PA	£000	£000	£000	%	Budget
						£000
<b>Miscellaneous Piers</b>						
Piers	<b>1b</b>	-2,791	-2,437	-354	114.5	-2,437
Environmental Unit		17	14	3	121.4	14
Marine Officers and Pilots	<b>1b</b>	238	209	29	113.9	209
Navigation		26	35	-9	74.3	35
Weather Forecasts		4	8	-4	50.0	8
Harbour Launches		306	295	11	103.7	295
Administration - MP		317	352	-35	90.1	352
MP Development		118	123	-5	95.9	123
Oil Pollution	<b>1b</b>	27	44	-17	61.4	44
Accounting for Pensions		52	52	0	100.0	52
Pilotage Income	<b>1b</b>	-297	-360	63	82.5	-360
Movement in Reserves	<b>1b</b>	315	553	-238	57.0	553
Finance Charges		363	363	0	100.0	363
<b>Service Totals</b>		<b>-1,305</b>	<b>-749</b>	<b>-556</b>	<b>174.2</b>	<b>-749</b>

### **Movement in Reserves Statement**

IFRS Accounting Entries	217
<u>Transfer to Reserves:</u>	
Contribution to Scapa Flow Oil Port in respect of VTS system	68
Contribution to General Fund Services for internal transfer of vehicle	30
	<u>315</u>

## Annex 2: Budget Action Plan

<b>Roads</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>RD7</b>	<p><b>Quarries Holding Account</b> Surplus £600K</p> <p>As in previous years there has been a significant surplus at the year-end. The service continues to perform strongly in a competitive market.</p>	As part of the budget setting process for 2015/16 it was agreed that the total Roads underspend including the trading surplus from the Quarries Holding account for 2014/15 which this is part of would be set-aside for the future purchase of the new tar plant.	D Richardson	
<b>RD17</b>	<p><b>Winter Maintenance and Response</b> Underspend £213K</p> <p>Expenditure on Winter service less than budget as a result of a relatively mild Winter.</p>	As part of the budget setting process for 2015/16 it was agreed that the total Roads underspend including the trading surplus from the Quarries Holding account for 2014/15 which this is part of would be set-aside for the future purchase of the new tar plant.	D Richardson	
<b>RD18</b>	<p><b>Traffic Management</b> Underspend £54K</p> <p>Expenditure on traffic management was less than the approved budget.</p>	No action required.	D Richardson	

## Annex 2: Budget Action Plan

<b>Roads</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>RD19</b>	<p><b>Structural Maintenance</b> Overspend £183K</p> <p>This overspend is a result of undertaking works ahead of profile to create capacity to deal with capital works.</p>	No action required.	D Richardson	
<b>RD20</b>	<p><b>Street Lighting</b> Underspend £32K</p> <p>Less works due to other priorities within the service.</p>	No action required.	D Richardson	
<b>RD21</b>	<p><b>Movement in Reserves</b> Overspend £873K</p> <p>This is the unbudgeted contribution for the future purchase of the new tar plant.</p>	No action required.	D Richardson	
<b>RD22</b>	<p><b>Miscellaneous</b> Underspend £97K</p> <p>Mainly due to a reduced charge in central services apportioned costs against budget.</p>	The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.	D Richardson	<b>Ongoing</b>

**Annex 2: Budget Action Plan**

<b>Transportation</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>TR6</b>	<b>Administration</b> Overspend £38K  Mainly due to an increased charge in central services apportioned costs against budget.	The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.	B Archibald	<b>Ongoing</b>

## Annex 2: Budget Action Plan

<b>Operational Environmental Services</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>OES2</b>	<p><b>Refuse Collection</b> Income deficit £81K</p> <p>A deficit is due to historic housing growth, this was flagged up in the 2015/16 budget setting process and has been recognised and suggested to be “managed” within overall D&amp;I underspends, predominately coming from “Roads” underspends. The caveat is this is only possible given a high element of capital work reducing the pressures on revenue “Roads” spend as well as income generation from quarry operations, part of which is being set aside to support the tar plant acquisition ( see RD7 above).</p>	<p>Consideration should be given to realigning the OES budgets to better reflect current spending levels in 2015/16.</p>	D Richardson	<b>Ongoing</b>
<b>OES10</b>	<p><b>Waste Disposal</b> Overspend £192K</p> <p>Ongoing increased cost issue due to growth (property</p>	<p>This was highlighted through the 2015/16 budget setting process.</p> <p>A contingency of £110K</p>	D Richardson	<b>Ongoing</b>

**Annex 2: Budget Action Plan**

<b>Operational Environmental Services</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
	numbers) and payment of adjusted charges from SIC.	was agreed for 2015/16 financial year if required.		

## Annex 2: Budget Action Plan

<b>Development</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>DV2</b>	<p><b>Regeneration</b> Underspend £30K</p> <p>The underspend is due to the net result of carrying a vacancy and other staffing matters.</p> <p>Funding Officer has been recruited and is in post.</p>	No action required.	J Falconer	
<b>DV8</b>	<p><b>Economic Development Grants</b> Underspend £169K</p> <p>Grant spending significantly less than budget.</p> <p>Approvals made in 2014/15 but not spent during the year were transferred to the Development Grants Fund.</p>	No action required.	J Falconer	
<b>DV11</b>	<p><b>Administration</b> Underspend £146K</p> <p>Due to staff turnover in the year £30K, additional £27K</p>	The apportioned costs budgets will be realigned during 2015/16 financial year to more closely reflect actual spending levels.	J Falconer	<b>Ongoing</b>



**Annex 2: Budget Action Plan**

<b>Development</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
	unbudgeted grant income and the balance of the underspend in respect of a decreased charge in central services apportioned costs against budget.			
<b>DV12</b>	<p><b>Movement in Reserves</b> Underspend £217K</p> <p>Previous grants set-aside which are no longer required.</p>	No action required.	J Falconer	

**Annex 2: Budget Action Plan**

<b>Planning</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>PL6</b>	<p><b>Development Management</b> Underspend £37K</p> <p>Mainly due to increased planning fees income against budget.</p>	No action required.	R Mackay	
<b>PL7</b>	<p><b>Conservation</b> Overspend £12K</p> <p>Less grant income received against budget.</p>	No action required.	J Falconer	
<b>PL8</b>	<p><b>Movement in Reserves</b> Overspend £20K</p> <p>RRR fund contribution overstated in financial year 2013/14 returned to the fund.</p>	No action required.	R Mackay	

## Annex 2: Budget Action Plan

<b>Scapa Flow Oil Port</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>SF3</b>	<p><b>Towage Services</b> Underspend £679K</p> <p>Third party income has been strong.</p> <p>Flotta activity has increased hence improvement to the financial position of towage company by year-end.</p>	No action required.	B Archibald	
<b>SF4</b>	<p><b>Scapa Flow Development</b> Underspend £69K</p> <p>Less activity than anticipated.</p>	No action required.	B Archibald	
<b>SF6</b>	<p><b>Pilotage Income</b> Income Surplus £32K</p> <p>Increased tanker traffic later in year and recent Ship to Ship activity.</p>	No action required.	B Archibald	
<b>SF9</b>	<p><b>Oil Pollution</b> Underspend £37K</p> <p>Reduced activity levels and increased receipts from non-harbour pollution activity.</p>	No action required.	B Archibald	

**Annex 2: Budget Action Plan**

<b>Scapa Flow Oil Port</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>SF10</b>	<b>Navigation</b> Underspend £13K  Less repairs than anticipated.	No action required.	B Archibald	
<b>SF11</b>	<b>Movement in Reserves</b> Underspend £29K  Principal repayment of debt under budget in respect of the new VTS system.	No action required.	B Archibald	

**Annex 2: Budget Action Plan**

<b>Miscellaneous Piers</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>MP3</b>	<p><b>Pilotage Income</b> Income Deficit £63K</p> <p>Less activity than anticipated but will increase during 2015/16 financial year.</p>	No action required.	B Archibald	
<b>MP4</b>	<p><b>Oil Pollution</b> Underspend £17K</p> <p>Income from recovery of costs greater than anticipated.</p>	No action required.	B Archibald	
<b>MP6</b>	<p><b>Piers</b> Income Surplus £354K</p> <p>Income from harbour dues are significantly more than budget.</p>	No action required.	B Archibald	
<b>MP8</b>	<p><b>Marine Officers and Pilots</b> Overspend £29K</p> <p>Overspend has arisen following long running dialogue with staff group (since 2008) on Terms and Conditions.</p>	No action required.	B Archibald	

**Annex 2: Budget Action Plan**

<b>Miscellaneous Piers</b>				
<b>Action Point</b>	<b>Function/Explanation</b>	<b>Action</b>	<b>Responsible Officer(s)</b>	<b>Status</b>
<b>MP10</b>	<b>Movement in Reserves</b> Underspend £238K  Mainly due to principal repayment of debt being under budget.	No action required.	B Archibald	