

Item: 3

Harbour Authority Sub-committee: 25 October 2022.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Purpose of Report

To advise of the revenue position as at 30 September 2022 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 July to 30 September 2022, attached as Annex 1 to this report, indicating a budget deficit position of £689,600.

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 July to 30 September 2022, 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 10 March 2022, the Council set its overall revenue budget for financial year 2022/23. On 21 June 2022, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2022/23, 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 Corporate 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 July to 30 September 2022 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

Erik Knight, Head of Finance, Email erik.knight@orkney.gov.uk.

9. Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

Annex 1: Financial Summary

September 2022

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	(513.9)	(1,216.6)	702.7	42.2	(539.0)
Miscellaneous Piers & Harbours	(1,373.3)	(1,360.2)	(13.1)	101.0	1,936.1
	(1,887.2)	(2,576.8)	689.6	73.2	1,397.1
Service Totals	(1,887.2)	(2,576.8)	689.6	73.2	1,397.1

Compared to last month, the total number of PAs has changed as follows:

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Scapa Flow Oil Port	6	5	11	45%
Miscellaneous Piers & Harbours	5	4	12	33%
Totals	11	9	23	39%

Annex 2: Financial Detail by Service Area

September 2022

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		244.2	249.1	(4.9)	98.0	513.8
Environmental Unit		56.8	59.9	(3.1)	94.8	151.2
Marine Officers & Pilots		372.0	394.1	(22.1)	94.4	866.5
Navigation		31.8	40.2	(8.4)	79.2	98.8
Weather Forecasts		8.1	5.5	2.6	145.3	7.5
Harbour Launches	1B	484.6	413.6	71.0	117.2	837.1
Towage Services	1B	1,764.7	1,360.7	404.0	129.7	2,591.5
Harbour Dues	1C	(3,638.7)	(3,889.6)	250.9	93.6	(7,779.5)
Scapa Flow Development	1B	70.5	98.1	(27.6)	71.9	230.8
Oil Pollution	1B	92.1	51.8	40.3	177.9	117.3
Finance Charges - SF		0.0	0.0	0.0	0.0	1,826.0
Service Total		(513.9)	(1,216.6)	702.7	42.2	(539.0)

Changes in original budget position:

Original Net Budget	(539.1)
Ph II Corp Mgt Restructure: Project Officer	29.3
Ph II Corp Mgt Restructure	(67.4)
Ph II Corp Mgt Restructure: VTS Supervisor	5.1
Ph II Corp Mgt Restructure: Database Technician/Risk Database Technician	8.3
Ph II Corp Mgt Restructure: Database Technician/Risk Database Technician	8.3
Ph II Corp Mgt Restructure: Waste/Pier Operative	16.5
	<u>(539.0)</u>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Miscellaneous Piers & Harbours						
Piers	1B	(1,852.8)	(1,438.5)	(414.3)	128.8	(2,093.4)
Environmental Unit		9.8	10.3	(0.5)	94.5	22.1
Marine Officers & Pilots		145.3	157.6	(12.3)	92.2	335.5
Navigation		7.3	14.5	(7.2)	50.2	35.7
Weather Forecasts		0.0	5.5	(5.5)	0.0	7.4
Harbour Launches		189.9	196.4	(6.5)	96.7	419.5
Administration - MP	1B	140.1	178.2	(38.1)	78.6	456.1
Miscellaneous Piers Development		120.7	121.3	(0.6)	99.5	281.5
Oil Pollution	1B	27.7	43.9	(16.2)	63.1	93.7
Pilotage Income		(614.9)	(649.4)	34.5	94.7	(772.9)
Movement in Reserves		0.0	0.0	0.0	0.0	(923.3)
Finance Charges - MP	1B	453.6	0.0	453.6	0.0	4,074.2
Service Total		(1,373.3)	(1,360.2)	(13.1)	101.0	1,936.1

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 £71.0K</p> <p>Increased fuel cost above that budgeted.</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing
R52G	<p>Towage Services</p> <p>More than anticipated expenditure by £404.0K</p> <p>Increase fuel costs and additional work required on the Harald</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	21/07/2022	Ongoing
R52I	<p>Harbour Dues</p> <p>Less than anticipated income by £250.9K</p> <p>Reduced Flotta Tanker numbers</p>	<p>Monitor the situation</p> <p>Monitor</p>	Jim Buck	14/10/2022	New
R52L	<p>Scapa Flow Development</p> <p>Less than anticipated expenditure by £27.6K</p> <p>Delay in appointing Environmental consultant.</p>	<p>No action required</p> <p>Monitor</p>	Jim Buck	14/10/2022	Ongoing

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52M	Oil Pollution More than anticipated expenditure by £40.3K Additional equipment purchased on the back of MCA audit	Monitor the situation Monitor	Jim Buck	21/07/2022	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53A	Piers More than anticipated income by £414.3K Additional catch-up works being completed	Monitor the situation Monitor	Jim Buck	21/07/2022	Ongoing
R53J	Administration - MP Less than anticipated expenditure by £38.1K Staff vacancies. being filled within the next month.	Monitor the situation Monitor	Jim Buck	14/10/2022	Ongoing
R53M	Oil Pollution Less than anticipated expenditure by £16.2K Costs being charged to oil port for new equipment	Monitor the situation Monitor	Jim Buck	14/10/2022	Ongoing
R53Y	Finance Charges - MP More than anticipated expenditure by £453.6K Start of costs relating to project builds. - New line	Monitor the situation Monitor	Jim Buck	21/07/2022	Ongoing