

**Item: 3**

**Harbour Authority Sub-committee: 27 August 2024.**

**Revenue Expenditure Outturn.**

**Report by Head of Finance.**

---

## **1. Overview**

- 1.1. On 7 March 2023, the Council set its overall revenue budget for financial year 2023/24. On 20 June 2023, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2023/24, which form the basis of the individual revenue expenditure monitoring reports.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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).
- 1.5. 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.
- 1.6. The details have been provided following consultation with the relevant Corporate Directors and their staff.

## 2. Recommendations

2.1. It is recommended that members of the Sub-committee:

- i. Note the revenue expenditure outturn statement for financial year 2023/24, attached as Annex 1 to this report, indicating the following:
  - An income surplus of £245,600 against an income budget of £181,000 in respect of Scapa Flow Oil Port.
  - An income deficit of £806,900 against an expenditure budget of £175,700 in respect of Miscellaneous Piers.
- ii. Note the financial detail by service area statement in respect of the Scapa Flow Oil Port and Miscellaneous Piers and Harbours for financial year 2023/24, attached as Annex 2 to this report.
- iii. Scrutinise 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 appropriate action was taken with regard to significant budget variances.

### For Further Information please contact:

Pat Robinson, Service Manager (Accounting), extension 2621, Email:

[pat.robinson@orkney.gov.uk](mailto:pat.robinson@orkney.gov.uk)

### Implications of Report

**1. Financial** The Financial Regulations state that Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.

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.

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

**3. Corporate Governance** In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of revenue expenditure incurred against approved budgets, in respect of each of the service areas for which the Sub-committee is responsible, is referred to the Harbour Authority Sub-committee.

**4. Human Resources** N/A

**5. Equalities** Equality Impact Assessment is not required for financial monitoring.

- 6. Island Communities Impact** Island Communities Impact Assessment is not required for financial monitoring.
- 7. Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
- Growing our economy.
  - Strengthening our Communities.
  - Developing our Infrastructure.
  - Transforming our Council.
- 8. Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
- Cost of Living.
  - Sustainable Development.
  - Local Equality.
- 9. Environmental and Climate Risk** N/A
- 10. Risk** N/A
- 11. Procurement** N/A
- 12. Health and Safety** N/A
- 13. Property and Assets** N/A
- 14. Information Technology** N/A
- 15. Cost of Living** N/A

### **List of Background Papers**

Policy and Resources Committee, 23 February 2023, Budget and Council Tax Level for 2023/24.

Policy and Resources Committee, 20 June 2023, Detailed Revenue Budgets.

### **Annexes**

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

**Annex 1: Financial Summary****March 2024**

The table below provides a summary of the position across all Service Areas.

<b>Non-General Fund</b>	<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>Spend</b>	<b>Annual</b>
<b>Service Area</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>Budget</b>
					<b>£000</b>
Scapa Flow Oil Port	(426.6)	(181.0)	(245.6)	0.0	(181.0)
Miscellaneous Piers & Harbours	982.6	175.7	806.9	0.0	175.7
	<b>556.0</b>	<b>(5.3)</b>	<b>561.3</b>	<b>0.0</b>	<b>(5.3)</b>
<b>Service Totals</b>	<b>556.0</b>	<b>(5.3)</b>	<b>561.3</b>	<b>0.0</b>	<b>(5.3)</b>

## Annex 2: Financial Detail by Service Area

March 2024

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
<b>Scapa Flow Oil Port</b>						
Administration - SF	<b>1B</b>	906.5	1,072.1	(165.6)	84.6	1,072.1
Environmental Unit	<b>1B</b>	158.3	117.8	40.5	134.4	117.8
Marine Officers & Pilots	<b>1B</b>	765.5	635.4	130.1	120.5	635.4
Navigation	<b>1B</b>	70.9	99.2	(28.3)	71.5	99.2
Weather Forecasts		4.5	7.5	(3.0)	60.0	7.5
Harbour Launches		629.8	644.8	(15.0)	97.7	644.8
Towage Services	<b>1C</b>	2,834.0	2,768.0	66.0	102.4	2,768.0
Harbour Dues	<b>1C</b>	(7,793.1)	(7,529.7)	(263.4)	103.5	(7,529.7)
Scapa Flow Development	<b>1B</b>	344.3	232.5	111.8	148.1	232.5
Oil Pollution	<b>1B</b>	156.7	102.9	53.8	152.3	102.9
Accounting for Pensions		(291.5)	(291.5)	0.0	100.0	(291.5)
Movement in Reserves	<b>1B</b>	948.6	163.0	785.6	581.9	163.0
Finance Charges - SF	<b>1B</b>	838.9	1,797.0	(958.1)	46.7	1,797.0
<b>Service Total</b>		<b>(426.6)</b>	<b>(181.0)</b>	<b>(245.6)</b>	<b>0.0</b>	<b>(181.0)</b>

### Changes in original budget position:

Original Net Budget	(211.0)
Transfer from Misc. Piers & Harbours Launches	<u>30.0</u>
	<b>(181.0)</b>

		<b>Spend</b>	<b>Budget</b>	<b>Over/(Under)</b>	<b>Spend</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>Miscellaneous Piers &amp; Harbours</b>						
Piers	<b>1B</b>	(2,920.0)	(1,248.5)	(1,671.5)	233.9	(1,248.5)
Environmental Unit	<b>1B</b>	65.0	53.8	11.2	120.8	53.8
Marine Officers & Pilots	<b>1B</b>	686.8	583.7	103.1	117.7	583.7
Navigation		30.9	37.1	(6.2)	83.3	37.1
Weather Forecasts		13.4	7.4	6.0	181.1	7.4
Harbour Launches	<b>1C</b>	694.3	767.1	(72.8)	90.5	767.1
Administration - MP		654.6	615.2	39.4	106.4	615.2
Miscellaneous Piers Development		273.1	285.4	(12.3)	95.7	285.4
Oil Pollution	<b>1B</b>	(22.3)	104.5	(126.8)	N/A	104.5
Accounting for Pensions		(244.3)	(244.3)	0.0	100.0	(244.3)
Pilotage Income	<b>1B</b>	(1,027.5)	(834.8)	(192.7)	123.1	(834.8)
Movement in Reserves	<b>1B</b>	452.8	(3,333.2)	3,786.0	136.3	(3,333.2)
Finance Charges - MP	<b>1B</b>	2,325.8	3,382.3	(1,056.5)	59.8	3,382.3
<b>Service Total</b>		<b>982.6</b>	<b>175.7</b>	<b>806.9</b>	<b>0.0</b>	<b>175.7</b>

**Changes in original budget position:**

Original Net Budget	(1,660.0)
Transfer to Scapa Flow Oil Port Harbour Launches	(30.0)
Transfer to Orkney County Council Fund	1,865.7
	<u>175.7</u>

Annex 3: Budget Action Plan

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R52A	<p><b>Administration – SF</b></p> <p>Less than anticipated expenditure by £165.6K</p>	Jim Buck	Property costs are lower than anticipated due to transitional relief received on rates during the year.	Budget for 2024/25 has been amended to reflect this relief going forward.
R52B	<p><b>Environmental Unit</b></p> <p>More than anticipated expenditure by £40.5K</p>	Jim Buck	<p>Contract costs have increased in line with inflation throughout the year.</p> <p>Additional samples and surveys were carried out in Scapa Flow to meet increased vessel moves.</p>	These additional ongoing costs have been taken account of as part of the 2024/25 budget setting process.
R52C	<p><b>Marine Officers &amp; Pilots</b></p> <p>More than anticipated expenditure by £130.1K</p>	Jim Buck	Changes in job evaluations for Marine Officers to a higher level now implemented; due to length of time of the review this contains a large amount of unbudgeted back pay during November following the evaluations. Overspend also relates to the 2023/24 pay award backpay processed in December.	No action required.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R52D	<b>Navigation</b>  Less than anticipated expenditure by £28.3K	Jim Buck	Costs relating to a large repair were less than anticipated.	No action required.
R52G	<b>Towage Services</b>  More than anticipated expenditure by £66.0K	Jim Buck	Increased numbers of vessel movements requiring towage support, leading to increased fuel and consumable costs.	No action required.
R52I	<b>Harbour Dues</b>  More than anticipated income by £263.4K	Jim Buck	Increased fees were implemented in October 2023 to cover costs, due to declining numbers of vessel visits.	No action required and increased fees were reflected in the 2024/25 budget setting process.
R52L	<b>Scapa Flow Development</b>  More than anticipated expenditure by £111.8K	Jim Buck	Installation of a wave buoy in Scapa Flow, high marketing costs and payments made in respect of the Scapa Flow Hydrographic Survey.	All budgets were reviewed as part of the 2024/25 budget setting process to capture known costs moving forward.
<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>



<p><b>R52M</b></p>	<p><b>Oil Pollution</b></p> <p>More than anticipated expenditure by £53.8K</p>	<p>Jim Buck</p>	<p>These costs relate to annual maintenance and post adjustment of percentage split between Scapa Flow Oil Port and Miscellaneous Harbours.</p>	<p>All budgets and percentage splits were reviewed as part of the 2024/25 budget setting process to ensure each area is charged according to service delivery.</p>
<p><b>R52U</b></p>	<p><b>Movement in Reserves</b></p> <p>More than anticipated expenditure by £785.6K</p>	<p>Erik Knight</p>	<p>Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit &amp; loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.</p>	<p>No action required.</p>
<p><b>R52Y</b></p>	<p><b>Finance Charges - SF</b></p> <p>Less than anticipated expenditure by £958.1K</p>	<p>Erik Knight</p>	<p>Variance has occurred through the processing of year end transactions which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit &amp; loss on disposal.</p>	<p>No action required.</p>

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R53A	<p><b>Piers</b></p> <p>More than anticipated income by £1,671.5K</p>	Jim Buck	Increase in number of visiting vessels that were not factored into the budget setting process.	All budgets were reviewed and amended for 2024/25 to reflect known and anticipated vessel numbers and will be continually monitored throughout the year.
R53B	<p><b>Environmental Unit</b></p> <p>More than anticipated expenditure by £11.2K</p>	Jim Buck	<p>Contract costs have increased in line with inflation throughout the year.</p> <p>Additional samples and surveys were carried out in Scapa Flow. Increased numbers of testing to meet increased vessel moves.</p>	These additional ongoing costs have been taken account of as part of the 2024/25 budget setting process.
R53C	<p><b>Marine Officers &amp; Pilots</b></p> <p>More than anticipated expenditure by £103.1K</p>	Jim Buck	Changes in job evaluations for Marine Officers to a higher level now implemented; due to length of time of the review this contains a large amount of unbudgeted back pay during November following the evaluations. Overspend also relates to the 2023/24 pay award backpay processed in December.	No action required.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R53F	<p><b>Harbour Launches</b></p> <p>Less than anticipated expenditure £72.8K</p>	Jim Buck	Scapa Pathfinder refit had to be delayed until April 2024 as the survey timing could not be delivered within anticipated timescales and increased fees actioned in October 2023 to cover costs, due to declining numbers of vessel visits.	The delayed refit will have a financial impact in relation to the 2024/25 budget.
R53M	<p><b>Oil Pollution</b></p> <p>Less than anticipated expenditure by £126.8K</p>	Jim Buck	These costs relate to annual maintenance and post adjustment of percentage split between Scapa Flow Oil Port and Miscellaneous Harbours.	All budgets and percentage splits were reviewed as part of the 2024/25 budget setting process to ensure each area is charged according to service delivery.
R53R	<p><b>Pilotage Income</b></p> <p>More than anticipated income by £192.7K</p>	Jim Buck	Increased pilotage moves, generating increased income.	All budgets were reviewed and amended for 2024/25 to reflect known and anticipated vessel numbers and will be continually monitored throughout the year.
R53U	<p><b>Movement in Reserves</b></p> <p>Less than anticipated expenditure by £3,786.0K</p>	Erik Knight	Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit & loss on disposal. These transactions are applied to their relevant non-useable reserve through the Movement in Reserves budget area.	No action required.
<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>

<p><b>R53Y</b></p>	<p><b>Finance Charges – MP</b></p> <p>Less than anticipated expenditure by £1,056.5K</p>	<p>Erik Knight</p>	<p>Variance has occurred through the processing of year end transactions, which are not budgeted, for example capital transactions like depreciation, revaluation, impairment, profit &amp; loss on disposal.</p>	<p>No action required.</p>
--------------------	--	--------------------	---	----------------------------