

## **Item: 3**

**Harbour Authority Sub-committee: 22 August 2023.**

**Revenue Expenditure Outturn.**

**Report by Head of Finance.**

### **1. Purpose of Report**

To advise of the revenue outturn position for financial year 2022/23 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 2022/23, attached as Annex 1 to this report, indicating the following:

- An income deficit of £923,100 against an income budget of £539,100 in respect of Scapa Flow Oil Port.
- An income surplus of £185,100 against an expenditure budget of £1,936,100 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 3 to this report, in order to obtain assurance that appropriate action was 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 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 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 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: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

**Annex 1: Financial Summary****March 2023**

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	923.1	(539.0)	1,462.1	0.0	(539.0)
Miscellaneous Piers & Harbours	(185.1)	1,936.1	(1,659.0)	0.0	1,936.1
<b>Service Totals</b>	<b>738.0</b>	<b>1,397.1</b>	<b>(659.1)</b>	<b>52.8</b>	<b>1,397.1</b>

## Annex 2: Financial Detail by Service Area

March 2023

The following tables show the spending position by service function

### Non-General Fund

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
<b>Scapa Flow Oil Port</b>						
Administration - SF		1,230.3	1,243.4	(13.1)	98.9	1,243.4
Environmental Unit		164.4	151.2	13.2	108.7	151.2
Marine Officers & Pilots		857.7	866.5	(8.8)	99.0	866.5
Navigation	<b>1B</b>	78.3	98.8	(20.5)	79.3	98.8
Weather Forecasts		8.1	7.5	0.6	108.0	7.5
Harbour Launches		805.7	837.1	(31.4)	96.2	837.1
Towage Services	<b>1B</b>	3,858.7	2,591.5	1,267.2	148.9	2,591.5
Harbour Dues	<b>1B</b>	(6,823.3)	(7,779.5)	956.2	87.7	(7,779.5)
Scapa Flow Development	<b>1B</b>	184.5	230.8	(46.3)	79.9	230.8
Oil Pollution	<b>1B</b>	179.7	117.3	62.4	153.2	117.3
Accounting for Pensions		(19.1)	(19.1)	0.0	100.0	(19.1)
Movement in Reserves	<b>1B</b>	(134.7)	(710.5)	(845.2)	0.0	(710.5)
Finance Charges - SF	<b>1B</b>	532.8	1,826.0	(1,293.2)	29.2	1,826.0
<b>Service Total</b>		<b>923.1</b>	<b>(539.0)</b>	<b>1,462.1</b>	<b>0.0</b>	<b>(539.0)</b>

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
<b>Miscellaneous Piers &amp; Harbours</b>						
Piers	<b>1B</b>	(3,990.7)	(2,093.4)	(1,897.3)	190.6	(2,093.4)
Environmental Unit		22.3	22.1	0.2	100.9	22.1
Marine Officers & Pilots		323.4	335.5	(12.1)	96.4	335.5
Navigation		31.9	35.7	(3.8)	89.4	35.7
Weather Forecasts		12.3	7.4	4.9	166.2	7.4
Harbour Launches		437.8	419.5	18.3	104.4	419.5
Administration - MP		892.2	941.5	(49.3)	94.8	941.5
Miscellaneous Piers Development	<b>1B</b>	238.6	281.5	(42.9)	84.8	281.5
Oil Pollution	<b>1B</b>	63.6	93.7	(30.1)	67.9	93.7
Accounting for Pensions		(12.7)	(12.7)	0.0	100.0	(12.7)
Pilotage Income	<b>1C</b>	(704.4)	(772.9)	68.5	91.1	(772.9)
Movement in Reserves	<b>1B</b>	758.2	(1,396.0)	2,154.2	0.0	(1,396.0)
Finance Charges - MP	<b>1B</b>	1,742.4	4,074.2	(2,331.8)	42.8	4,074.2
<b>Service Total</b>		<b>(185.1)</b>	<b>1,936.1</b>	<b>(1,659.0)</b>	<b>0.0</b>	<b>1,936.1</b>

### 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>
R52D	Navigation	Buck, Jim	Delayed invoices from Northern Lighthouse Board prior to close of accounts.	Defer funding to the new financial year.
R52G	Towage Services	Buck, Jim	Increase in stores held for new vessels and the arrival of the third tug. Also reflects costs of hiring in tug support during the loss of Harald due to engine failure.	No action required.
R52I	Harbour Dues	Buck, Jim	Fewer than expected Flotta exports reducing to lower income than budgeted.	No action required.
R52L	Scapa Flow Development	Buck, Jim	Delay in the aspects of design and hiring of consultants, leading to reduced spending.	No action required.
R52M	Oil Pollution	Buck, Jim	Increase in spend on back of independent inspection of available stores and equipment for Tier 1 and Tier 2 response.	No action required.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R52U	Movement in Reserves	Knight, Erik	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.
R52Y	Finance Charges - SF	Knight, Erik	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.	No action required.
R53A	Piers	Buck, Jim	Additional income from an extra rig and other traffic beyond that routinely budgeted.	No action required.
R53L	Misc. Piers Development	Buck, Jim	Delay in the aspects of design and hiring of consultants, leading to reduced spending.	No action required.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R53M	Oil Pollution	Buck, Jim	Underspend in staff costs due to vacant posts.	No action required.
R53R	Pilotage Income	Buck, Jim	Fewer than budgeted cruise and other moves within Kirkwall, Stromness and Scapa Flow leading to lower income than budgeted.	No action required.
R53U	Movement in Reserves	Knight, Erik	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.
R53Y	Finance Charges - MP	Knight, Erik	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.	No action required.