

## **Item: 4**

**Harbour Authority Sub-committee: 24 January 2023.**

### **Revenue Expenditure Monitoring.**

**Report by Head of Finance.**

## **1. Purpose of Report**

To advise of the revenue position as at 31 December 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 April to 31 December 2022, attached as Annex 1 to this report, indicating a budget deficit position of £3,026,300.

### **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 April to 31 December 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 April to 31 December 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](mailto: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**

December 2022

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

<b>Non-General Fund</b>					<b>Annual</b>
<b>Service Area</b>	<b>Spend £000</b>	<b>Budget £000</b>	<b>Over/(Under) £000</b>	<b>Spend %</b>	<b>Budget £000</b>
Scapa Flow Oil Port	131.9	(1,946.5)	2,078.4	N/A	(539.0)
Miscellaneous Piers & Harbours	(674.3)	(1,622.2)	947.9	41.6	1,936.1
	<b>(542.4)</b>	<b>(3,568.7)</b>	<b>3,026.3</b>	<b>15.2</b>	<b>1,397.1</b>
<b>Service Totals</b>	<b>(542.4)</b>	<b>(3,568.7)</b>	<b>3,026.3</b>	<b>15.2</b>	<b>1,397.1</b>

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

<b>Service Area</b>	<b>No. of PAs</b>		<b>Service Functions</b>	<b>PAs/ Function</b>
	<b>P08</b>	<b>P09</b>		
Scapa Flow Oil Port	7	6	11	55%
Miscellaneous Piers & Harbours	5	4	12	33%
<b>Totals</b>	<b>12</b>	<b>10</b>	<b>23</b>	<b>43%</b>

## Annex 2: Financial Detail by Service Area

December 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
<b>Scapa Flow Oil Port</b>						
Administration - SF		303.5	317.8	(14.3)	95.5	513.8
Environmental Unit		91.6	97.7	(6.1)	93.8	151.2
Marine Officers & Pilots		583.1	601.8	(18.7)	96.9	866.5
Navigation	<b>1B</b>	42.7	61.6	(18.9)	69.3	98.8
Weather Forecasts		8.1	6.5	1.6	124.6	7.5
Harbour Launches	<b>1B</b>	718.3	610.0	108.3	117.8	837.1
Towage Services	<b>1B</b>	3,426.9	1,951.7	1,475.2	175.6	2,591.5
Harbour Dues	<b>1C</b>	(5,298.4)	(5,834.4)	536.0	90.8	(7,779.5)
Scapa Flow Development	<b>1B</b>	127.9	155.3	(27.4)	82.4	230.8
Oil Pollution	<b>1B</b>	128.2	85.5	42.7	149.9	117.3
Finance Charges - SF		0.0	0.0	0.0	0.0	1,826.0
<b>Service Total</b>		<b>131.9</b>	<b>(1,946.5)</b>	<b>2,078.4</b>	<b>N/A</b>	<b>(539.0)</b>

### 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
	<b>(539.0)</b>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
<b>Miscellaneous Piers &amp; Harbours</b>						
Piers		(1,945.4)	(1,969.7)	24.3	98.8	(2,093.4)
Environmental Unit		16.3	15.9	0.4	102.5	22.1
Marine Officers & Pilots		226.6	241.2	(14.6)	93.9	335.5
Navigation		12.5	21.6	(9.1)	57.9	35.7
Weather Forecasts		0.0	6.5	(6.5)	0.0	7.4
Harbour Launches		309.0	301.3	7.7	102.6	419.5
Administration - MP	<b>1B</b>	209.0	266.4	(57.4)	78.5	456.1
Miscellaneous Piers Development		177.3	191.1	(13.8)	92.8	281.5
Oil Pollution	<b>1B</b>	52.6	67.3	(14.7)	78.2	93.7
Pilotage Income	<b>1B</b>	(670.5)	(763.8)	93.3	87.8	(772.9)
Movement in Reserves		0.0	0.0	0.0	0.0	(923.3)
Finance Charges - MP	<b>1B</b>	938.3	0.0	938.3	0.0	4,074.2
<b>Service Total</b>		<b>(674.3)</b>	<b>(1,622.2)</b>	<b>947.9</b>	<b>41.6</b>	<b>1,936.1</b>

## Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52D	<p><b>Navigation</b></p> <p>Less than anticipated expenditure by £18.9K</p> <p>Reduced charges with slight downturn in Flotta vessels.</p>	<p><b>Monitor the situation</b></p> <p>Continue to monitor Flotta vessel visits.</p>	Jim Buck	31/03/2023	Ongoing
R52F	<p><b>Harbour Launches</b></p> <p>More than anticipated expenditure by £108.3K</p> <p>Increased fuel cost above that budgeted.</p> <p>Pilot vessel John Rae refit and repairs were carried over into this financial year.</p> <p>Staff back pay now on the system bringing these staff cost actuals above budget.</p> <p>Delays in replacement vans resulting in unbudgeted repair costs.</p>	<p><b>Monitor the situation</b></p> <p>Monitor. Continuing to monitor fuel prices and charge fuel surcharge.</p>	Jim Buck	31/03/2023	Ongoing

## Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52G	<p><b>Towage Services</b></p> <p>More than anticipated expenditure by £1,475.2K</p> <p>Increased fuel costs and higher than anticipated dry dock costs and engine failure has brought unexpected charges of more than £1.1m on the Harald. Insurance will refund some expenses to date.</p>	<p><b>Monitor the situation</b></p> <p>Monitor. Continuing to monitor the cost of fuel and charge accordingly.</p>	Jim Buck	31/03/2023	Ongoing
R52I	<p><b>Harbour Dues</b></p> <p>Less than anticipated income by £536.0K</p> <p>Reduced Flotta Tanker numbers.</p>	<p><b>Monitor the situation</b></p> <p>Continue to monitor the number of Flotta vessels and adjust next year's budget accordingly.</p>	Jim Buck	31/03/2023	Ongoing
R52L	<p><b>Scapa Flow Development</b></p> <p>Less than anticipated expenditure by £27.4K</p> <p>Delay in appointing Environmental consultant.</p>	<p><b>No action required</b></p> <p>Now awarded and costs to cover work to catch up with project timeline.</p>	Jim Buck	31/03/2023	Ongoing

## Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52M	<p><b>Oil Pollution</b></p> <p>More than anticipated expenditure by £42.7K</p> <p>Additional equipment purchased on the back of MCA audit. Staff costs are lower than anticipated due to Waste Operative Post being vacant until September 2022.</p> <p>Less anticipated income than expected due to less recharging of waste invoices in general and also due to only one rig in Scapa Flow up until December 2022.</p>	<p><b>Monitor the situation</b></p> <p>Equipment and invoices still being received post audit.</p>	Jim Buck	31/03/2023	Ongoing



## Miscellaneous Piers &amp; Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53J	<p><b>Administration - MP</b></p> <p>Less than anticipated expenditure by £57.4K</p> <p>Staff vacancies. Being filled within the next month.</p>	<p><b>Monitor the situation</b></p> <p>Vacancies now filled.</p>	Jim Buck	28/02/2023	Ongoing
R53M	<p><b>Oil Pollution</b></p> <p>Less than anticipated expenditure by £14.7K</p> <p>Underspend in staff costs due to vacant posts.</p>	<p><b>No action required</b></p> <p>No action required.</p>	Jim Buck	31/03/2023	Ongoing
R53R	<p><b>Pilotage Income</b></p> <p>Less than anticipated income by £93.3K</p> <p>There were fewer cruise calls than anticipated for the year as there were cancellations, which has affected the pilotage.</p>	<p><b>Monitor the situation</b></p> <p>Look at numbers for next budgetary period.</p>	Jim Buck	31/03/2023	Ongoing

**Miscellaneous Piers & Harbours**

<b>Function</b>	<b>Function Description/ Explanation</b>	<b>Action Category/ Action Description</b>	<b>Responsible Officer</b>	<b>Deadline</b>	<b>Status</b>
<b>R53Y</b>	<b>Finance Charges - MP</b> More than anticipated expenditure by £938.3K  Scapa Deep Water Quay and Hatston Pier Extension have begun. Now that spend is being processed the budgets need to be realigned accordingly.	<b>Raise virements request</b>  Virements required to be processed to move budget from year-end to match project spend.	Jim Buck	31/01/2023	Ongoing