

## **Item: 4**

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

**Revenue Expenditure Monitoring.**

**Report by Head of Finance.**

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

To advise of the revenue position as at 30 June 2023 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 30 June 2023, attached as Annex 1 to this report, indicating a budget deficit position of £3,402,500.

#### **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 30 June 2023, 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.

### **3. Background**

#### **3.1.**

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.

#### **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.

### **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 30 June 2023 is attached as Annex 1 to this report.

### **4.2.**

The detail by Service Area statement is attached as Annex 2 to this report.

### **4.3.**

The Budget Action Plan, attached as Annex 2 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.

## **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, extension 2127, Email [erik.knight@orkney.gov.uk](mailto:erik.knight@orkney.gov.uk)

## **9. Annexes**

Annex 1: Financial Summary.

Annex 2: Financial Details by Service Area.

Annex 3: Budget Action Plan.

**Annex 1: Financial Summary**

June 2023

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	439.3	(495.4)	934.7	N/A	(211.0)
Miscellaneous Piers & Harbours	(191.6)	(2,659.4)	2,467.8	7.2	(1,660.0)
	<b>247.7</b>	<b>(3,154.8)</b>	<b>3,402.5</b>	<b>N/A</b>	<b>(1,871.0)</b>
<b>Service Totals</b>	<b>247.7</b>	<b>(3,154.8)</b>	<b>3,402.5</b>	<b>N/A</b>	<b>(1,871.0)</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>P02</b>	<b>P03</b>		
Scapa Flow Oil Port	6	6	11	55%
Miscellaneous Piers & Harbours	7	6	12	50%
<b>Totals</b>	<b>13</b>	<b>12</b>	<b>23</b>	<b>52%</b>

## Annex 2: Financial Detail by Service Area

June 2023

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>	181.3	553.5	(372.2)	32.8	943.6
Environmental Unit		24.1	14.5	9.6	166.2	117.8
Marine Officers & Pilots	<b>1B</b>	197.6	134.9	62.7	146.5	635.4
Navigation		4.6	13.7	(9.1)	33.6	99.2
Weather Forecasts		0.0	4.6	(4.6)	0.0	7.5
Harbour Launches	<b>1B</b>	184.6	125.9	58.7	146.6	614.8
Towage Services	<b>1B</b>	1,026.1	477.3	548.8	215.0	2,768.0
Harbour Dues	<b>1B</b>	(1,253.0)	(1,882.3)	629.3	66.6	(7,529.7)
Scapa Flow Development	<b>1B</b>	56.0	41.3	14.7	135.6	232.5
Oil Pollution		18.0	21.2	(3.2)	84.9	102.9
Finance Charges - SF		0.0	0.0	0.0	0.0	1,797.0
<b>Service Total</b>		<b>439.3</b>	<b>(495.4)</b>	<b>934.7</b>	<b>N/A</b>	<b>(211.0)</b>

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
<b>Miscellaneous Piers &amp; Harbours</b>						
Piers	<b>1B</b>	(412.4)	(2,789.7)	2,377.3	14.8	(3,113.3)
Environmental Unit		7.3	11.7	(4.4)	62.4	53.8
Marine Officers & Pilots	<b>1B</b>	72.6	127.1	(54.5)	57.1	583.7
Navigation		3.8	3.9	(0.1)	97.4	35.9
Weather Forecasts		8.9	4.6	4.3	193.5	7.4
Harbour Launches	<b>1B</b>	106.7	159.6	(52.9)	66.9	797.1
Administration - MP	<b>1B</b>	111.0	99.0	12.0	112.1	510.7
Miscellaneous Piers Development	<b>1B</b>	70.4	52.3	18.1	134.6	285.4
Oil Pollution		25.2	22.8	2.4	110.5	104.5
Pilotage Income		(369.3)	(350.7)	(18.6)	105.3	(834.8)
Movement in Reserves		0.0	0.0	0.0	0.0	(3,865.8)
Finance Charges - MP	<b>1B</b>	184.2	0.0	184.2	0.0	3,775.4
<b>Service Total</b>		<b>(191.6)</b>	<b>(2,659.4)</b>	<b>2,467.8</b>	<b>7.2</b>	<b>(1,660.0)</b>

## Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52A	<p><b>Administration - SF</b></p> <p>Less than anticipated expenditure by £372.2K</p> <p>Staff costs are £12K lower due to no Deputy Harbour Master being in post. Property costs are lower as rates have been charged to R53 rather than R52. Transport, Vessel and Plant is £10K higher because the historic budget does not reflect insurance being paid out at the start of the year.</p>	<p><b>Raise virements request</b></p> <p>Raise a virement to realign budgets for property costs and transport, vessel and plant costs. Recruit new Deputy Harbour Master.</p> <p>Process journal to correct rates charges.</p>	Jim Buck	30/06/2023	Ongoing
R52C	<p><b>Marine Officers &amp; Pilots</b></p> <p>More than anticipated expenditure by £62.7K</p> <p>Scapa Flow Oil Port and Piers and Harbours actual staff cost split still reflects historical agreement.</p>	<p><b>Raise journals request</b></p> <p>Payroll forms to be processed to correct staff costs going forward and journal to be processed to correct transactions to-date.</p>	Jim Buck	30/06/2023	Ongoing
R52F	<p><b>Harbour Launches</b></p> <p>More than anticipated expenditure by £58.7K</p> <p>Annual hull and machinery charges charged to this budget in June 2023 should have been split between this budget and R53F.</p>	<p><b>Raise journals request</b></p> <p>Split costs between both codes</p>	Jim Buck	30/06/2023	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 £548.8K</p> <p>Annual harbour dues and insurance costs for vessels paid ahead of budget.</p>	<p><b>Raise virements request</b></p> <p>Permanent virement required to realign historical transport, vessel and plant budgets against actuals.</p>	Jim Buck	30/06/2023	Ongoing
R52I	<p><b>Harbour Dues</b></p> <p>Less than anticipated income by £629.3K</p> <p>Vessel numbers below anticipated numbers.</p>	<p><b>Monitor the situation</b></p> <p>Continue to monitor costs and raise charges if required.</p>	Jim Buck	30/06/2023	Ongoing
R52L	<p><b>Scapa Flow Development</b></p> <p>More than anticipated expenditure by £14.7K</p> <p>£30K invoice received in respect of the Floating Offshore Wind Manufacturing Investment Scheme Submission.</p>	<p><b>No action required</b></p> <p>No further action as budget will realign in due course.</p>	Jim Buck	14/06/2023	Ongoing

## Miscellaneous Piers &amp; Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53A	<b>Piers</b> £2,377.3K less than anticipated income £1,730K overspend created by contribution to Repairs & Maintenance not matching budget profiling. £695K relates to Hatston Terminal being behind fees and charges income budget.	<b>Raise a virements request</b> Virement to be raised to align budget with actuals.	Jim Buck	30/06/2023	Ongoing
R53C	<b>Marine Officers &amp; Pilots</b> Less than anticipated expenditure by £54.5K  Scapa Flow Oil Port and Piers and Harbours actual staff cost split still reflects historical agreement.	<b>Raise virements request</b> Payroll forms to be processed to correct staff costs going forward and journal to be processed to correct transactions to-date.	Jim Buck	30/06/2023	Ongoing
R53F	<b>Harbour Launches</b> Less than anticipated expenditure by £52.9K  £27K Transport, vessel and plant underspend due to full costs being wrongly posted to R52F.	<b>Raise journals request</b> Process a journal to reallocate a portion of the costs here from R52F.	Jim Buck	30/06/2023	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>More than anticipated expenditure by £12.0K</p> <p>Staff costs are lower due to not having a Deputy Harbour Master. Property costs are higher as rates for the Harbour Authority Building have been charged to R53 when previously they have been charged to R52. Transport, Vessel and Plant are higher due to insurance being charged in April and May but budget being allocated for June.</p>	<p><b>Raise journals request</b></p> <p>Process journal to correct rates charges.</p>	Jim Buck	30/06/2023	Ongoing
R53L	<p><b>Miscellaneous Piers Development</b></p> <p>More than anticipated expenditure by £18.1K</p> <p>Increased marketing costs with additional visits.</p>	<p><b>Monitor the situation</b></p> <p>Monitor costs.</p>	Jim Buck	30/06/2023	Ongoing
R53Y	<p><b>Finance Charges - MP</b></p> <p>More than anticipated expenditure by £184.2K</p> <p>Projects to be funded from annual profits and reserves.</p>	<p><b>Monitor the situation</b></p> <p>Monitor costs.</p>	Jim Buck	30/06/2023	Ongoing