Item: 2

Harbour Authority Sub-committee: 25 August 2026.

Revenue Expenditure Monitoring.

Report by Head of Finance.

ORKNEY
ISLANDS COUNCIL

1. Overview

1.1. This report presents the revenue financial summary position of expenditure incurred, as at 30 June 2026, in respect of the Scapa Flow Oil Port and Miscellaneous Piers and Harbours.

1.2. On 17 March 2026, the Council set its overall revenue budget for financial year 2026/27. On 16 June 2026, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2026/27, which form the basis of the individual revenue expenditure monitoring reports.

1.3. 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.

1.4. 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.

1.5. 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).

1.6. 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.

1.7. The details have been provided following consultation with the relevant Directors and their staff.

1.8. 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.

2. Recommendations

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

i. Note 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 2026, attached as Annex 1 to this report, indicating a budget deficit position of £145,000.

ii. Note the revenue financial service area statement in respect of the Scapa Flow Oil Port and Miscellaneous Piers and Harbours for the period 1 April to 30 June 2026, attached as Annex 2 to this report.

iii. Note 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.

For Further Information please contact:
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Implications of Report

1. **Financial** The Financial Regulations state that 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.
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.

   ☐Improving Population Health.

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, 3 March 2026, Budget and Council Tax Level for 2025/26.
Policy and Resources Committee, 16 June 2026, Detailed Revenue Budgets.

Annexes

Annex 1: Financial Summary.
Annex 2: Financial Detail by Service Area.
Annex 3: Budget Action Plan.

Annex 1: Financial Summary **June 2026**

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	(241.5)	(592.6)	351.1	40.8	(268.1)
Miscellaneous Piers & Harbours	(21.7)	184.4	(206.1)	N/A	(1,240.3)
	(263.2)	**(408.2)**	**145.0**	**64.5**	**(1,508.4)**
Service Totals	**(263.2)**	**(408.2)**	**145.0**	**64.5**	**(1,508.4)**

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

Service Area	No. of PAs P02	 P03	Service Functions	PAs/ Function
Scapa Flow Oil Port	5	4	11	36%
Miscellaneous Piers & Harbours	6	8	12	67%
Totals	11	12	23	52%

Annex 2: Financial Detail by Service Area **June 2026**

The following tables show the spending position by service function

Non-General Fund

Scapa Flow Oil Port	**PA**	**Spend £000**	**Budget £000**	**Over/(Under) £000**	**Spend %**	**Annual Budget £000**
Administration - SF	**1B**	88.5	631.8	(543.3)	14.0	1,233.0
Environmental Unit		(20.6)	(20.2)	(0.4)	102.0	(134.2)
Marine Officers & Pilots		183.6	174.2	9.4	105.4	808.9
Navigation		15.2	14.5	0.7	104.8	105.8
Weather Forecasts		5.0	4.9	0.1	102.0	8.1
Harbour Launches		178.4	181.1	(2.7)	98.5	725.2
Towage Services	**1B**	809.1	603.0	206.1	134.2	3,135.3
Harbour Dues	**1B**	(1,576.1)	(2,260.6)	684.5	69.7	(9,042.8)
Scapa Flow Development	**1B**	35.8	46.3	(10.5)	77.3	260.2
Oil Pollution		39.6	32.4	7.2	122.2	155.4
Finance Charges - SF		0.0	0.0	0.0	0.0	2,477.0
Service Total		**(241.5)**	**(592.6)**	**351.1**	**40.8**	**(268.1)**

Miscellaneous Piers & Harbours	**PA**	**Spend £000**	**Budget £000**	**Over/(Under) £000**	**Spend %**	**Annual Budget £000**
Piers	**1B**	(281.7)	(57.1)	(224.6)	493.3	(4,763.3)
Environmental Unit	**1B**	(23.9)	(12.6)	(11.3)	189.7	(95.2)
Marine Officers & Pilots	**1B**	212.1	183.8	28.3	115.4	822.0
Navigation		8.5	4.1	4.4	207.3	38.2
Weather Forecasts		0.0	5.0	(5.0)	0.0	8.0
Harbour Launches	**1B**	164.5	184.0	(19.5)	89.4	972.7
Administration - MP	**1B**	89.9	145.7	(55.8)	61.7	763.4
Miscellaneous Piers Development	**1B**	23.7	57.7	(34.0)	41.1	313.4
Oil Pollution	**1B**	10.0	27.5	(17.5)	36.4	126.1
Pilotage Income		(320.1)	(353.7)	33.6	90.5	(825.0)
Movement in Reserves		0.0	0.0	0.0	0.0	(2,855.6)
Finance Charges - MP	**1B**	95.3	0.0	95.3	0.0	4,255.0
Service Total		**(21.7)**	**184.4**	**(206.1)**	**N/A**	**(1,240.3)**

Annex 3: Budget Action Plan **June 2026**

Scapa Flow Oil Port

Function	**Function Description/** Explanation	**Action Category/** Action Description	Responsible Officer	Deadline	Status
R52A	**Administration - SF** Less than anticipated expenditure by £543.3K Variance is largely due to non-domestic rates being issued later than profiled. Additionally, staff vacancies are contributing to the underspend.	**No action required** Non-domestic rates were invoiced in July, so Property Costs underspend is resolved. Recruitment for staffing vacancies is underway.	Laura Cromarty	30/09/2026	Ongoing
R52G	**Towage Services** More than anticipated expenditure by £206.1K Costs were incurred getting the MV Harald ready for sale. There has also been staff travel for refresher courses.	**Raise virements request** Spend for MV Harald was a one-off so reprofiling this cost centre should reduce reporting going forward.	Laura Cromarty	30/09/2026	Ongoing

Scapa Flow Oil Port

Function	**Function Description/** Explanation	**Action Category/** Action Description	**Responsible Officer**	**Deadline**	**Status**
R52I	**Harbour Dues** Less than anticipated income by £684.5K Flotta budget set for one tanker per month, but there were no tankers in June. With the increased oil prices at the start of the financial year, we saw a decrease in Ship-to-Ship operations as oil was going straight to the market.	**Monitor the situation** Oil market is volatile and unpredictable, and this budget will continue to be monitored.	Laura Cromarty	30/09/2026	Ongoing
R52L	**Scapa Flow Development** Less than anticipated expenditure by £10.5K The Business Development Manager role was vacant, resulting in reduced activity and development expenditure.	**No action required** After a successful recruitment process, this post has been filled.	Laura Cromarty	30/09/2026	Ongoing

Miscellaneous Piers & Harbours

Function	**Function Description/** Explanation	**Action Category/** Action Description	Responsible Officer	Deadline	Status
R53A	**Piers** More than anticipated income by £224.6K There have been two extra cruise calls so far this year. In addition, two cruise vessels requested to go alongside rather than at anchor which is charged at a higher rate.	**Monitor the situation** Continue to monitor the situation and raise a virement if necessary.	Douglas Manson	30/09/2026	Ongoing
R53B	**Environmental Unit** More than anticipated income by £11.3K The environmental levy budget is currently generating more income than budgeted for to date.	**Raise virements request** Work to be done to get the profiling right to reflect more income in the summer due to the cruise liners.	Laura Cromarty	30/09/2026	New
R53C	**Marine Officers & Pilots** More than anticipated expenditure by £28.3K Administration costs higher due to training as part of the Pilots Professional Development Plan. In addition, there is an income budget incorrectly accounted for in this service area.	**Raise Virement Request** Raise a virement to transfer income budget to the correct service area, where the actual income is being recorded.	Laura Cromarty	30/09/2026	Ongoing

Miscellaneous Piers & Harbours

Function	**Function Description/** Explanation	**Action Category/** Action Description	**Responsible Officer**	**Deadline**	**Status**
R53F	**Harbour Launches** Less than anticipated expenditure by £19.5K Vacancies within the service resulting in an underspend on this budget.	**Monitor the situation** Recruitment is ongoing with positions beginning to be filled.	Laura Cromarty	30/09/2026	Ongoing
R53J	**Administration - MP** Less than anticipated expenditure by £55.8K Vacancies within the service resulting in an underspend.	**Monitor the situation** Recruitment is ongoing with positions beginning to be filled.	Laura Cromarty	30/09/2026	New
R53L	**Miscellaneous Piers Development** Less than anticipated expenditure by £34.0K As the Business Development Manager role has been vacant, there has been limited spending on marketing and development.	**Raise virements request** Spending is likely to increase in this area now the post has been filled. Work will be done to reprofile the budget to more accurately align to actuals.	Laura Cromarty	30/09/2026	Ongoing
R53M	**Oil Pollution** More than anticipated income by £17.5K Additional income from two tankers disposing of their waste oil.	**Monitor the situation** Income budget needs to be reviewed to reflect waste charges from piers and cruise liners.	Laura Cromarty	30/09/2026	New

Miscellaneous Piers & Harbours

Function	**Function Description/** Explanation	**Action Category/** Action Description	**Responsible Officer**	**Deadline**	**Status**
R53Y	**Finance Charges - MP** More than anticipated expenditure by £95.3K These costs are in relation to Scapa Deep Water Quay (SDWQ). The project has been delayed due to issues with consent. Further studies were carried out to address these concerns.	**Raise virements request** Approved budget for development of the SDWQ is fully spent, and further expenditure will require to be funded from the Offshore Energy Strategy budget. Continued spend on SDWQ will reduce funding for development of other areas within the Strategy.	Laura Cromarty	30/09/2026	Ongoing