

Item: 4

Harbour Authority Sub-committee: 26 August 2025.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Overview

- 1.1. On 11 March 2024, the Council set its overall revenue budget for financial year 2024/25. On 18 June 2024, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2024/25, 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 Directors and their staff.
- 1.7. 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.

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 2024 to 31 March 2025, attached as Annex 1 to this report, indicating a budget deficit position of £213,500.
- ii. Note 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 2024 to 31 March 2025, 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 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.
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, 27 February 2024, Budget and Council Tax Level for 2024/25.

Policy and Resources Committee, 18 June 2024, 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 2025

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	(2,032.6)	(1,238.5)	(794.1)	165.0	(1,238.5)
Miscellaneous Piers & Harbours	(2,077.4)	(3,085.0)	1,007.6	67.3	(3,085.0)
	(4,110.0)	(4,323.5)	213.5	95.1	(4,323.5)
Service Totals	(4,110.0)	(4,323.5)	213.5	95.1	(4,323.5)

Annex 2: Financial Detail by Service Area

March 2025

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
Scapa Flow Oil Port						
Administration - SF	1B	936.6	845.2	91.4	110.8	845.2
Environmental Unit		173.8	165.1	8.7	105.3	165.1
Marine Officers & Pilots		587.3	542.7	44.6	108.2	542.7
Navigation	1B	87.2	101.9	(14.7)	85.6	101.9
Weather Forecasts		14.4	7.7	6.7	187.0	7.7
Harbour Launches	1B	759.3	642.3	117.0	118.2	642.3
Towage Services	1B	3,478.3	2,822.3	656.0	123.2	2,822.3
Harbour Dues	1B	(10,319.9)	(8,173.0)	(2,146.9)	126.3	(8,173.0)
Scapa Flow Development	1B	125.5	248.5	(123.0)	50.5	248.5
Oil Pollution		150.6	144.4	6.2	104.3	144.4
Accounting for Pensions		(280.6)	(280.6)	0.0	100.0	(280.6)
Movement in Reserves	1B	1,193.4	95.1	1,098.3	1,254.9	95.1
Non Distributed Costs		12.9	12.9	0.0	100.0	12.9
Finance Charges - SF	1B	1,048.6	1,587.0	(538.4)	66.1	1,587.0
Service Total		(2,032.6)	(1,238.5)	(794.1)	164.1%	(1,238.5)

		Spend	Budget	Over/(Under)	Spend	Annual
Miscellaneous Piers & Harbours	PA	£000	£000	£000	%	Budget
						£000
Piers	1B	(6,226.2)	(3,938.7)	(2,287.5)	158.1	(3,938.7)
Environmental Unit	1B	73.2	34.6	38.6	211.6	34.6
Marine Officers & Pilots	1C	947.0	890.4	56.6	106.4	890.4
Navigation	1B	48.3	37.0	11.3	130.5	37.0
Weather Forecasts		0.1	7.6	(7.5)	1.3	7.6
Harbour Launches	1C	808.3	878.4	(70.1)	92.0	878.4
Administration - MP	1C	798.9	747.9	51.0	106.8	747.9
Miscellaneous Piers Development	1B	411.2	543.7	(132.5)	75.6	543.7
Oil Pollution	1B	76.2	115.2	(39.0)	66.1	115.2
Accounting for Pensions		(275.2)	(275.2)	0.0	100.0	(275.2)
Pilotage Income	1C	(1,088.7)	(994.5)	(94.2)	109.5	(994.5)
Movement in Reserves	1B	1,615.9	(2,766.3)	4,382.2	N/A	(2,766.3)
Non Distributed Costs		12.7	12.7	0.0	100.0	2.7
Finance Charges - MP	1B	720.9	1,622.2	(901.3)	44.4	1,622.2
Service Total		(2,077.4)	(3,085.0)	1,007.6	67.3	(3,085.0)

Changes in original budget position:

Original Net Budget	(682.5)
Transfer to Orkney County Council Fund	(2,402.5)
	<u>(3,085.0)</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	Administration – SF More than anticipated expenditure by £91.4K	Jim Buck	Increased business rates and insurance costs	Monitor the ongoing costs and reflect in future budgets.
R52D	Navigation Less than anticipated expenditure by £14.7K	Jim Buck	Fewer than anticipated repairs required leading to underspend on budget.	Monitor costs in new year and adjust budget by processing a virement if required.
R52F	Harbour Launches More than anticipated expenditure by £117K	Jim Buck	Increased refit costs, resulting from emergent work on docking	Monitor the ongoing costs and reflect in future budgets.
R52G	Towage Services More than anticipated expenditure by £656K	Jim Buck	Overspend is due to an outstanding insurance claim for the engine failure of MV Harald.	Contact insurers for an update on the outstanding claim.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R52I	Harbour Dues More than anticipated income by £2,146.9K	Jim Buck	There have been more Ship-to-Ship transfer operations within this financial year than budgeted.	Continue to monitor operations to inform future budget-setting processes.
R52L	Scapa Flow Development Less than anticipated expenditure by £123K	Jim Buck	Some invoices for work done were not received by 31 March.	Contact suppliers if delays continue.
R52U	Movement in Reserves More than anticipated expenditure by £1,098.3K	Erik Knight	Cost includes the principal repayment of loan debt of £777k, £336k of Capital Funded from Current Revenue (CFCR), less £15k of surpluses from capital receipts.	Consider whether additional budget lines would aid clarity in the treatment of year end capital adjustments.
R52Y	Finance Charges Less than anticipated expenditure by £538.4K	Erik Knight	The budget for interest charges on capital debt of £1.587m is greater than actually required of £1.098M and includes an estimate for CFCR, which was lower than anticipated due to delays with delivery of annual capital improvements programme.	Consider whether additional budget lines would aid clarity in the treatment of year end capital adjustments.

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R53A	Piers More than anticipated income by £2,287.5K	Jim Buck	Increased income is a result of an increase in movement at Hatson Terminal and fewer repairs than budgeted.	No action required.
R53B	Environmental Unit More than anticipated expenditure by £38.6K	Jim Buck	A post should have been split 80:20 between R52 and R53 but was coded as a 50:50 split between the two cost centres. Additionally, a portion of standby duty payment was incorrectly coded to R53.	The coding issues and splits have been rectified for 2025/26.
R53C	Marine Officers & Pilots More than anticipated expenditure by £56.6K	Jim Buck	Increased costs from additional moves and overtime as a result of more vessel movements.	No action required.
R53D	Navigation More than anticipated expenditure by £11.3K	Jim Buck	Additional IMAP training due to influx of new staff and spending on Radio Survey to identify issues with Wideford Hill interference. Maintenance costs are not factored into this budget.	Budget revised for 2025/26

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R53F	Harbour Launches Less than anticipated expenditure by £70.1K	Jim Buck	Ship-to-ship operations are very much market driven and the end of the year was quieter than expected. This resulted in lower fuel costs.	No action required
R53J	Administration More than anticipated expenditure by £51.0K	Jim Buck	Non-domestic rates are higher than anticipated.	No action required
R53L	Miscellaneous Piers Development Less than anticipated expenditure by £132.5K	Jim Buck	The underspend is due to fewer events being attended than anticipated.	No action required
R53M	Oil Pollution Less than anticipated expenditure by £39.0K	Jim Buck	The rise in cruise liner visits has increased use of the waste disposal service, therefore increasing income above budget.	No action required

<u>Service Function</u>	<u>Service Description</u>	<u>Responsible Officer</u>	<u>Variance Reason</u>	<u>Action Notes</u>
R53R	Pilotage Income More than anticipated income by £94.2K	Jim Buck	Cruise ship activity above that anticipated within the budget.	No action required
R53U	Movement in Reserves More than anticipated expenditure by £4,382.2K	Erik Knight	Cost includes the principal repayment of loan debt of £482k and the application of £1,145k of capital receipts, less £99k of surpluses from capital receipts. The Budget includes a contribution from reserves of £2,854k to meet the cost of revenue maintenance. This contribution was not required.	Consider whether additional budget lines would aid clarity in the treatment of year end capital adjustments.
R53Y	Finance Charges – MP Less than anticipated expenditure by £901.3K	Erik Knight	The budget for interest charges on capital debt of £1.471m is greater than actually required of £0.487m and includes an estimate for CFCR, which was lower than anticipated due to delays with delivery of annual capital improvements programme.	Consider whether additional budget lines would aid clarity in the treatment of year end capital adjustments.