

Item: 4

Harbour Authority Sub-committee: 28 October 2025.

Revenue Expenditure Monitoring.

Report by Head of Finance.

1. Overview

- 1.1. On 4 March 2025, the Council set its overall revenue budget for financial year 2025/26. On 17 June 2025, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2025/26, 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 to 30 September 2025, attached as Annex 1 to this report, indicating a budget surplus position of £1,657,100.
- 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 to 30 September 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 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** An Equality Impact Assessment is not required for financial monitoring.
6. **Island Communities Impact** An 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, 25 February 2025, Budget and Council Tax Level for 2025/26.

Policy and Resources Committee, 17 June 2025, Detailed Revenue Budgets.

Annexes

Annex 1: Financial Summary.

Annex 2: Financial Detail by Service Area.

Annex 3: Budget Action Plan.

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

Non-General Fund					Annual
Service Area	Spend £000	Budget £000	Over/(Under) £000	Spend %	Budget £000
Scapa Flow Oil Port	(680.9)	(1,489.9)	809.0	45.7	(353.9)
Miscellaneous Piers & Harbours	(1,178.0)	1,288.1	(2,466.1)	N/A	(2,214.8)
	(1,858.9)	(201.8)	(1,657.1)	921.2	(2,568.7)
Service Totals	(1,858.9)	(201.8)	(1,657.1)	921.2	(2,568.7)

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

Service Area	No. of PAs		Service Functions	PAs/ Function
	P05	P06		
Scapa Flow Oil Port	5	5	11	45%
Miscellaneous Piers & Harbours	7	7	12	58%
Totals	12	12	23	52%

Annex 2: Financial Detail by Service Area

September 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		624.1	657.2	(33.1)	95.0	1,027.1
Environmental Unit		(43.3)	(36.3)	(7.0)	119.3	(35.0)
Marine Officers & Pilots		320.0	353.3	(33.3)	90.6	781.2
Navigation	1B	31.5	42.2	(10.7)	74.6	103.8
Weather Forecasts		0.3	5.8	(5.5)	5.2	7.9
Harbour Launches	1B	344.7	309.0	35.7	111.6	697.6
Towage Services	1B	2,355.5	1,256.9	1,098.6	187.4	3,469.4
Harbour Dues	1C	(4,537.6)	(4,254.2)	(283.4)	106.7	(8,508.8)
Scapa Flow Development	1B	151.8	108.0	43.8	140.6	253.9
Oil Pollution		72.1	68.2	3.9	105.7	153.0
Finance Charges - SF		0.0	0.0	0.0	0.0	1,696.0
Service Total		(680.9)	(1,489.9)	809.0	45.7	(353.9)

		Spend	Budget	Over/(Under)	Spend	Annual
	PA	£000	£000	£000	%	Budget
						£000
Miscellaneous Piers & Harbours						
Piers	1B	(2,904.5)	(1,423.4)	(1,481.1)	204.1	(4,099.3)
Environmental Unit		(84.1)	(87.1)	3.0	96.6	(62.1)
Marine Officers & Pilots	1B	379.9	335.6	44.3	113.2	705.7
Navigation	1B	28.3	15.2	13.1	186.2	37.6
Weather Forecasts		0.0	5.8	(5.8)	0.0	7.8
Harbour Launches	1B	365.3	415.6	(50.3)	87.9	936.9
Administration - MP	1B	201.0	236.5	(35.5)	85.0	599.9
Miscellaneous Piers Development		122.3	130.4	(8.1)	93.8	302.2
Oil Pollution	1B	(17.2)	57.8	(75.0)	N/A	123.6
Pilotage Income		(716.3)	(707.3)	(9.0)	101.3	(825.0)
Movement in Reserves		0.0	0.0	0.0	0.0	(2,738.6)
Finance Charges - MP	1B	1,447.3	2,309.0	(861.7)	62.7	2,796.5
Service Total		(1,178.0)	1,288.1	(2,466.1)	N/A	(2,214.8)

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52D	Navigation Less than anticipated expenditure by £10.7K Costs incurred in this Service area are marginally below budget for the year to date, mainly attributable to profiling issues on the mast site rent, which is only paid in December each year.	Raise virements request Virement to be raised to ensure budget better reflects the actual spend pattern.	Jim Buck	31/10/2025	New
R52F	Harbour Launches More than anticipated expenditure by £35.7K Overspend as a result of unexpected equipment replacement costs.	Monitor the situation Budget will continue to be monitored, with a view to bringing it back in line by year-end.	Jim Buck	31/12/2025	Ongoing
R52G	Towage Services More than anticipated expenditure by £1,098.6K Overspend is largely due to profiling issues and the underestimation of dry dock costs at the 2025/26 budget setting process; there was no past experience to base the budget on as this was the first dry dock the new tugs have had.	Raise virements request A virement will be processed to realign budget with actual spend to date. The budget will continue to be monitored, noting that additional expenditure on this budget line will potentially reduce the anticipated budgeted surplus for the year on Scapa Flow Oil Port.	Jim Buck	31/10/2025	Ongoing

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52I	Harbour Dues More than anticipated income by £283.4K Slight increase in tanker movements for the year to date when compared to budget, with 8 in the last 6 months. This is partially offset by less Ship to Ship transfers than was anticipated, however, income is still ahead of profile for the year to date.	Monitor the situation Continue to monitor the income position.	Jim Buck	31/12/2025	Ongoing
R52L	Scapa Flow Development More than anticipated expenditure by £43.8K Overspend is due to miscoded invoices.	Process transaction(s) A journal will be processed to allocate costs to the correct cost centre.	Jim Buck	31/10/2025	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53A	Piers More than anticipated income by £1,481.1K The Passenger Dues budget is not correctly profiled and is the main source of this variance against budget.	Raise virements request Passenger Dues budget line will be reprofiled to better reflect actual income pattern.	Jim Buck	31/10/2025	Ongoing
R53C	Marine Officers & Pilots More than anticipated expenditure by £44.3K Additional cost incurred on days where Ship to Ship transfers, Flotta and Cruise moves occur simultaneously.	Monitor the situation Monitor movements and avoid visit conflicts where possible.	Jim Buck	31/12/2025	Ongoing
R53D	Navigation More than anticipated expenditure by £13.1K Maintenance costs for the year are higher than anticipated.	Manage income/expenditure Increasing maintenance costs will require to be factored into the budget setting process for financial year 2026/27.	Jim Buck	31/03/2026	New
R53F	Harbour Launches Less than anticipated expenditure by £50.3K A quite period leading to lower fuel costs.	No action required No action required.	Jim Buck	31/10/2025	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53J	Administration - MP Less than anticipated expenditure by £35.5K Staff costs are lower than anticipated due to a staff vacancy in the administration team and some delays in the submission of standby claims by staff.	Monitor the situation Vacant post to be reviewed.	Jim Buck	31/12/2025	Ongoing
R53M	Oil Pollution Less than anticipated expenditure by £75.0K Awaiting invoices from a contractor for works undertaken, however, the income being generated on waste disposal also now exceeds the base budget on an annual basis.	Monitor the situation Increased income will require to be factored into the budget setting process for financial year 2026/27.	Jim Buck	31/12/2025	Ongoing
R53Y	Finance Charges - MP Less than anticipated expenditure by £861.7K Income from claims made to Highlands and Islands Enterprise in respect of the PCSA works are being received earlier than profiled.	Raise virements request Virement to be raised to ensure budget better reflects the actual income pattern.	Jim Buck	31/10/2025	Ongoing