

Item: 3

Harbour Authority Sub-committee: 14 March 2023.

Miscellaneous Piers and Harbours and Scapa Flow Oil Port.

Draft Budgets.

Report by Corporate Director for Enterprise and Sustainable Regeneration.

1. Purpose of Report

To consider the draft revenue budgets for Miscellaneous Piers and Harbours and Scapa Flow Oil Port for 2023/24.

2. Recommendations

The Sub-committee is invited to note:

2.1.

That the respective budgets for Miscellaneous Piers and Harbours and Scapa Flow Oil Port, as trading activities, should normally be based on an assumption that a surplus can be generated from their activities.

2.2.

That, after applying inflationary and budgetary assumptions detailed in sections 4.1 and 4.2 respectively of this report, the draft revenue budget in respect of the Miscellaneous Piers and Harbours for 2023/24, attached as Annex 1 to this report, is indicating a net surplus of £1,660,000.

2.3.

That provision of £2,096,500 has been made within the revenue budget for Miscellaneous Piers and Harbours in respect of maintenance and repair works, which includes an anticipated underspend on the planned and funded programme of maintenance and repair works for 2022/23 which will be carried forward into 2023/24.

2.4.

That, after applying inflationary and budgetary assumptions detailed in sections 4.1 and 4.4 respectively of this report, the draft revenue budget in respect of the Scapa Flow Oil Port for 2023/24, attached as Annex 1 to this report, is indicating a net surplus of £211,000.

3. Background

3.1.

This report details the budgetary requirements of Miscellaneous Piers and Harbours and Scapa Flow Oil Port for 2023/24. As trading activities, it is considered good practice to agree annual budgets in advance of the financial year commencing.

3.2.

Annual contributions from the operation of the Miscellaneous Piers and Harbours Account are set aside in the Miscellaneous Piers Property Maintenance Fund to support the development of a long-term Property, Plant and Equipment Maintenance Programme.

4. Budget Setting 2023/24

4.1.

In setting both revenue budgets for 2023/24 the following inflationary assumptions have been applied:

Staff Costs - 3% shortfall in 2022/23 and estimated 4% for 2023/24	7.0%
Property - 40% increase in electricity element offset by minimal other property cost increases	15.0%
Transportation - 40% increase in fuel costs offset by minimal other transport cost increases	9.0%
Apportioned Costs	7.0%
Fees and Charges Scapa Flow Oil Port	8.0%
Fees and Charges Miscellaneous Piers and Harbours	3.0%
Harbour Dues	8.0%
Tanker Harbour Dues	15.0%

4.2.

The draft revenue budget for Miscellaneous Piers and Harbours is based on the following assumptions:

- Application of inflation resulting in a budget income increase of £204,200.
- A revenue repairs and maintenance programme of works reduced from £2,583,300 to £2,096,500, including an anticipated underspend on the planned programme of maintenance and repair works in 2022/23 which it is assumed will be carried forward into 2023/24 as part of the Miscellaneous Piers Property Maintenance Fund. The remainder of the planned programme of works for 2023/24 will be funded from within the Miscellaneous Piers and Harbours Account.

- An estimated reduction in Loan Charges of £232,700 as the project to develop the Scapa Deep Water Quay and Hatston Pier Extension can only be budgeted for at the remaining approved funding level.
- An increase in income from cruise liner harbour dues of £351,100. Anticipated cruise liner income for 2023/24 budgeted at 80% £3,363,500 (2022/223 100% of cruise liner bookings £3,099,800).
- Other permanent adjustments include a realignment of the costs being incurred by the four Pilot vessels and the staff employed on those vessels as follows:
 - Costs relating to two of the Pilot vessels now charged to Miscellaneous Piers and Harbours to recognise the work associated with the cruise liner visits.
 - Staff costs split amended to be 50:50 between Miscellaneous Piers and Scapa Flow Oil Port. This split was previously 30:70 respectively but the new basis is more reflective of the work being carried out by the service.
- Following a review of rateable valuations, the non-domestic rates due have increased by £55,900 for 2023/24.

4.3.

On application of the inflationary and budgetary assumptions shown above, the net expenditure budget for Miscellaneous Piers and Harbours has changed from a deficit budget position of £1,936,100 for 2022/23, to a surplus position of £1,660,000 for 2023/24.

4.4.

The movement between the budgets for financial years 2022/23 and 2023/24 can mainly be attributed to provision being made for the movement in reserves relating to funds that will be transferred from the Miscellaneous Piers Reserve at year-end, to cover the development costs for the proposed Scapa Deep Water Quay and Hatston Pier Extension. In previous years this transfer has not been budgeted for and the Miscellaneous Piers revenue budget has reported a deficit throughout the financial year.

4.5.

The Scapa Flow Oil Port budget for 2023/24 is based on the following assumptions:

- Application of inflation resulting in a budget income increase of £247,600.
- Estimated reduction in Loan Charges of £29,000 with the previous budget for 2022/23 being based on the full purchase of the third tug taking place in financial year 2021/22, when the actual transaction did not happen until mid-way through financial year 2022/23. This has reduced the loan charges due for 2023/24, as they are based on the average debt over the previous financial year.
- Other permanent adjustments include a realignment of the costs being incurred by the four Pilot vessels and the staff employed on those vessels as follows:
 - Costs relating to two of the Pilot vessels no longer charged to Scapa Flow Oil Port to recognise the reduction in oil tanker visits.

- Staff costs split amended to be 50:50 between Miscellaneous Piers and Scapa Flow Oil Port. This split was previously 30:70 respectively but the new basis is more reflective of the work being carried out by the service.
- Following a review of rateable valuations, the non-domestic rates due have increased by £339,600.
- Income from harbour dues adjusted on the following basis:
 - 22 tankers generating net income of £4,254,500 (2022/23: 28 tankers £4,899,800).
 - 65 ship to ship transfers generating net income of £2,176,100 (2022/23: 76 ship to ship transfers £1,970,000).
 - Pilotage generating income of £1,054,100 (2022/23: £1,034,600).

4.6.

On application of the inflationary and budgetary assumptions shown above, the net surplus budget for Scapa Flow Oil Port of £539,100 for 2022/23 has reduced to a net surplus budget of £211,000 for 2023/24.

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 implications are detailed throughout the report.

6.2.

Any surplus on the Scapa Flow Oil Port at the year-end, currently estimated at £211,000, will be transferred to the Strategic Reserve Fund.

6.3.

For Miscellaneous Piers and Harbours, any underspend on the revenue repairs and maintenance programme for financial year 2022/23 will be allocated to the Miscellaneous Piers Property Maintenance Fund; any other surplus for 2022/23 will increase the prior year accumulated balance.

7. Legal Aspects

There are no direct legal implications arising from the recommendations of this report.

8. Contact Officers

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9. Annex

Annex 1: Miscellaneous Piers and Harbours and Scapa Flow Oil Port Draft Revenue Budgets for 2023/24

Miscellaneous Piers & Harbours									
	2022/23	Budgetary Assumptions							2023/24
	Approved Budget	Inflation	Major Maintenance and Repairs Programme	Loan Charges	Harbour Dues/Cruise Liner Income	Permanent Adjustments	Harbour Costs & Staffing Baseline Restructure	Rates Increase	Draft Budget
	£000	£000	£000	£000	£000	£000			£000
Miscellaneous Piers	(2,236.1)	(261.9)	(486.8)	-	(343.1)	135.5	31.2	55.9	(3,105.3)
Administration	634.1	46.6	-	-	(8.0)	(170.7)	11.3		513.3
Miscellaneous Piers Development	281.5	4.2	-	-	-	-	(0.5)		285.2
Environmental Unit	22.1	1.5	-	-	-	-	30.1		53.7
Marine Officers and Pilots	333.3	23.3	-	-	-	2.1	224.0		582.7
Navigational Aids	35.7	0.2	-	-	-	-	-		35.9
Weather Forecasts	7.4	-	-	-	-	-	-		7.4
Harbour Launches	411.2	29.4	-	-	-	8.3	265.5		714.4
Oil Pollution	68.9	6.6	-	-	-	24.8	3.7		104.0
Pilotage Income	(772.9)	(61.9)	-	-	-	-	-		(834.8)
Finance Charges	4,074.2	7.8	-	(232.7)	-	-	-		3,849.3
Movement in Reserves	(923.3)	-	(1,015.1)	(1,927.4)	-	-	-		(3,865.8)
Service Totals	1,936.1	(204.2)	(1,501.9)	(2,160.1)	(351.1)	0.0	565.3	55.9	(1,660.0)

Scapa Flow Oil Port							
	2022/23	Budgetary Assumptions					2023/24
	Approved Budget	Inflation	Loan Charges	Harbour Costs & Staffing Baseline Restructure	Rates	Fees and Charges	Draft Budget
	£000	£000	£000	£000	£000	£000	£000
Administration	551.9	18.8	-	8.0	339.6	30.2	948.5
Scapa Flow Development	230.8	1.8	-	(0.2)			232.4
Oil Pollution	92.5	31.0	-	(21.1)			102.4
Environmental Unit	151.2	7.2	-	(38.4)		(2.2)	117.8
Marine Officers and Pilots	861.4	67.7	-	(294.3)			634.8
Navigational Aids	98.8	0.4	-	-			99.2
Weather Forecasts	7.5	-	-	-			7.5
Harbour Launches	828.8	69.7	-	(286.8)			611.7
Towage Services	2,591.5	188.2	-	(77.3)		65.0	2,767.4
Harbour Dues	(7,779.5)	(632.4)	-	-		882.2	(7,529.7)
Finance Charges	1,826.0	-	(29.0)	-			1,797.0
Service Totals	(539.1)	(247.6)	(29.0)	(710.1)	339.6	975.2	(211.0)