



Item: 7

Harbour Authority Sub-committee: 20 January 2026.

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 31 December 2025, attached as Annex 1 to this report, indicating a budget surplus position of £1,084,500.
- 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 31 December 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, 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.

Annex 1: Financial Summary**December 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	(2,972.2)	(2,285.2)	(687.0)	130.1	(353.9)
Miscellaneous Piers & Harbours	(1,218.4)	(820.9)	(397.5)	148.4	(2,514.8)
	(4,190.6)	(3,106.1)	(1,084.5)	134.9	(2,868.7)
Service Totals	(4,190.6)	(3,106.1)	(1,084.5)	134.9	(2,868.7)

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

Service Area	No. of PAs P08	No. of PAs P09	Service Functions	PAs/ Function
Scapa Flow Oil Port	5	4	11	36%
Miscellaneous Piers & Harbours	6	5	12	42%
Totals	11	9	23	39%

Annex 2: Financial Detail by Service Area

December 2025

The following tables show the spending position by service function

Non-General Fund

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Scapa Flow Oil Port						
Administration - SF		739.3	754.6	(15.3)	98.0	1,027.1
Environmental Unit	1B	(120.9)	5.0	(125.9)	N/A	(35.0)
Marine Officers & Pilots		509.1	538.1	(29.0)	94.6	781.2
Navigation		59.4	68.7	(9.3)	86.5	103.8
Weather Forecasts		5.3	6.9	(1.6)	76.8	7.9
Harbour Launches		498.1	496.5	1.6	100.3	697.6
Towage Services	1B	3,052.3	1,944.4	1,107.9	157.0	3,469.4
Harbour Dues	1B	(8,017.1)	(6,381.3)	(1,635.8)	125.6	(8,508.8)
Scapa Flow Development	1B	191.7	170.8	20.9	112.2	253.9
Oil Pollution		110.6	111.1	(0.5)	99.5	153.0
Finance Charges - SF		0.0	0.0	0.0	0.0	1,696.0
Service Total		(2,972.2)	(2,285.2)	(687.0)	130.1	(353.9)

	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Miscellaneous Piers & Harbours						
Piers	1B	(3,614.9)	(3,216.2)	(398.7)	112.4	(4,054.3)
Environmental Unit		(80.2)	(74.4)	(5.8)	107.8	(62.1)
Marine Officers & Pilots	1B	582.8	512.1	70.7	113.8	705.7
Navigation	1B	37.9	22.7	15.2	167.0	37.6
Weather Forecasts		0.0	6.8	(6.8)	0.0	7.8
Harbour Launches		569.3	599.0	(29.7)	95.0	936.9
Administration - MP		329.9	355.4	(25.5)	92.8	599.9
Miscellaneous Piers Development	1B	248.9	205.4	43.5	121.2	302.2
Oil Pollution	1B	(13.9)	88.7	(102.6)	N/A	123.6
Pilotage Income		(824.2)	(825.2)	1.0	99.9	(825.0)
Movement in Reserves		0.0	0.0	0.0	0.0	(2,783.6)
Finance Charges - MP		1,546.0	1,504.8	41.2	102.7	2,496.5
Service Total		(1,218.4)	(820.9)	(397.5)	148.4	(2,514.8)

Changes in original budget position:

Original Net Budget	(2,214.8)
Budget Transfer - Ferry Replacement Prog	(300.0)
	(2,514.8)

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52B	Environmental Unit More than anticipated income by £125.9K More income received from the Environmental Levy fee than budgeted for due to additional ship-to-ship transfers.	Monitor the situation This will be reassessed in the budget-setting process for 2026-2027 which is taking place currently.	David Sawkins	31/03/2026	Ongoing
R52G	Towage Services More than anticipated expenditure by £1,107.9K Overspend is largely due 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.	Monitor the situation 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.	David Sawkins	31/03/2026	Ongoing
R52I	Harbour Dues More than anticipated income by £1,635.8K More ship-to-ship operations than planned in the Harbour Dues code. The forecast was under 20, but there have been 51 so far this financial year. Additionally, a virement will be processed to align budget more closely with actuals in the Harbour Dues - Oil and Gas code.	Raise virements request A virement will be processed to align actuals and budget more closely. The additional ship-to-ship operations will also be taken into consideration when budget planning for 2026/27.	David Sawkins	27/02/2026	Ongoing

Scapa Flow Oil Port

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R52L	Scapa Flow Development More than anticipated expenditure by £20.9K The overspend is due to profiling issues.	Raise virements request A virement will be processed to align budget more closely to actuals.	David Sawkins	27/02/2026	Ongoing

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53A	<p>Piers</p> <p>More than anticipated income by £398.7K</p> <p>Cruise line underspent due to third-party contractors not meeting obligations, while Hatston Terminal generated extra income with more cruise calls.</p>	<p>Monitor the situation</p> <p>The additional income will be taken into consideration for 2026/27 budget setting.</p>	Bradley Drummond	31/03/2026	Ongoing
R53C	<p>Marine Officers & Pilots</p> <p>More than anticipated expenditure by £70.7K</p> <p>Only expenditure relating to piloting is monitored in these cost centres and the relevant income is credited to Pilotage Income. An income budget has been created in error and is causing this variance.</p>	<p>Raise virements request</p> <p>A virement will be processed to move the income budget in the current financial year and reflected in the budget setting process for financial year 2026/27.</p>	David Sawkins	27/02/2026	Ongoing
R53D	<p>Navigation</p> <p>More than anticipated expenditure by £15.2K</p> <p>Larger than anticipated maintenance costs this financial year.</p>	<p>Monitor the situation</p> <p>Monitor the situation.</p>	David Sawkins	31/03/2026	New

Miscellaneous Piers & Harbours

Function	Function Description/ Explanation	Action Category/ Action Description	Responsible Officer	Deadline	Status
R53L	Miscellaneous Piers Development More than anticipated expenditure by £43.5K Actuals in Miscellaneous Piers Marketing do not match the budget profile.	Raise virements request A virement will be processed to align budget more closely to actuals.	David Sawkins	27/02/2026	Ongoing
R53M	Oil Pollution More than anticipated income by £102.6K Excess income has been generated from waste disposal. Expenditure invoices are still outstanding, but this will not fully utilise the additional income.	Monitor the situation Increased income will require to be factored into the budget setting process for financial year 2026/27.	David Sawkins	31/03/2026	Ongoing