

**Harbour Board****30 January 2014****Management Accounts for Harbour Board:
2013/14 – Projected Outturn at Quarter 3****F-003-F****Report Presented by Executive Manager -
Finance****Corporate Services****1. Summary**

- 1.1 The purpose of this report is to enable the Harbour Board to monitor the financial performance of services within its remit to ensure that expenditure incurred and income generated will be delivered within the approved budget. The report is on the projected outturn position for the year as at the end of the third quarter for revenue and capital.
- 1.2 The projected outturn position for Ports & Harbours Operations is an increased surplus of £1.775m on revenue and an underspend of £669k on capital.

2. Decision Required

2.1 The Harbour Board is asked to RESOLVE to:

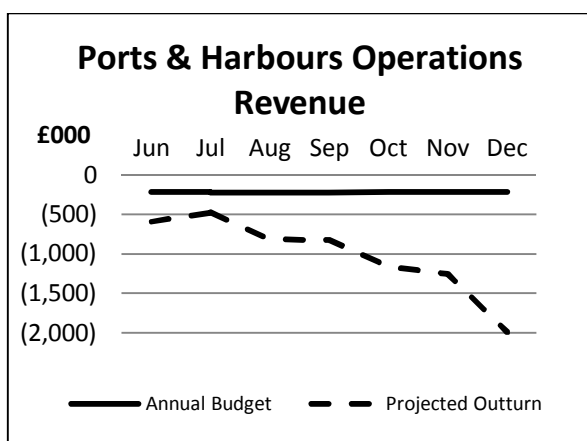
- review the Management Accounts showing the projected outturn position at Quarter 3; and
- instruct the Director of Infrastructure to ensure that the surplus in the approved budget is achieved or exceeded by the end of the year.

3. Detail

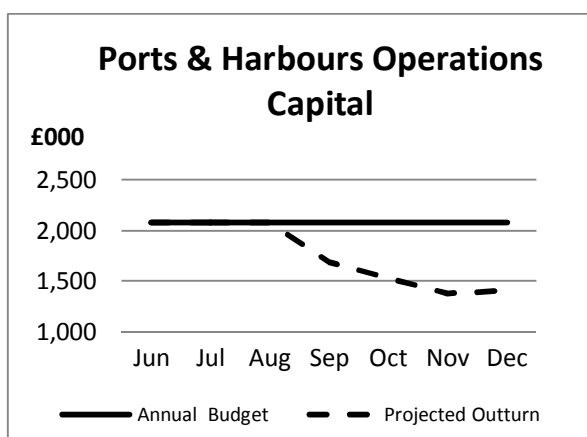
- 3.1 On 20 February 2013 (SIC Min Ref: 9/13) the Council approved the 2013/14 revenue and capital budgets for the Council (including the General Fund, Harbour Account, Housing Revenue Account, Trading Accounts and Spend to Save) requiring a draw from reserves of £27.768m. This is still at an

unsustainably high level and will need to be reduced to ensure that the Council's reserves are not depleted further in the short term.

- 3.2 All charts in this report show a scale range of £1.5m which increases in increments of £500k; therefore they show variances for each service at the same scale, regardless of the size of budget, and the “at a glance” variance position can be compared between charts.
- 3.3 The projected revenue outturn position for Ports & Harbours Operations is an increased surplus of £1.775m (817%), shown on the following chart, and explained in further detail in Appendix 1 attached:



- 3.4 The projected outturn position on Ports & Harbours Operations' capital project expenditure is an underspend of £669k (32%), as shown on the following chart, and explained in further detail in Appendix 2 attached:



4. Implications

Strategic

4.1 Delivery On Corporate Priorities

There is a specific objective within the Corporate Plan to ensure that the Council is “living within our means” with a range of measures which will enable

the Council to achieve financial sustainability over the next four years, and line up spending with priorities and continue to have significant reserves.

The Medium Term Financial Plan also includes a stated objective to achieve financial sustainability over the lifetime of the Council.

4.2 Community /Stakeholder Issues – None.

4.3 Policy And/Or Delegated Authority

Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Board may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital budgets for the 2013/14 financial year. This report provides information to enable the Board to ensure that the services within its remit are operating within the approved budgets.

4.4 Risk Management

There is a risk that revenue services and capital projects will not be delivered within the approved 2013/14 budget resulting in an additional draw on reserves, which is unsustainable. Failure to deliver the 2013/14 budgets may result in the Council failing to deliver its Corporate Plan and Medium Term Financial Plan.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial

4.7.1 At present the Council's level of expenditure is not sustainable and, if left unchecked, will result in reserves continuing to decrease further, eventually becoming fully depleted.

4.7.2 Any instances whereby a budget is overspent, savings targets are not being achieved, or there is growth in a budget, will have a direct impact on the Council's reserves. It is therefore vital to the future economic wellbeing of the Council that its budget is delivered in full with no further growth.

4.7.3 The projected outturn revenue position for Ports & Harbours Operations is an increased surplus of £1.775m, which is due to additional income relating to the Total Gas Plant and the floatel berthed at Scalloway, underspends on vacant posts, two non-operational tugs, and a delay in starting pier repair and maintenance works due to staff shortage. This is offset by a reduction in tanker and ship to ship transfer income.

4.7.4 The projected outturn for Ports & Harbours Operations' capital projects is an underspend of £669k, relating to an overspend on the Walls Pier

project resulting from an error in profiling the budget across the years offset by underspending against budget for the new tug modifications.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5. Conclusions

5.1 The projected outturn position for Ports & Harbours Operations is an increased surplus of £1.775m on revenue and an underspend of £669k on capital project spend.

For further information please contact:

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List of Appendices

Appendix 1 – Ports & Harbours Operations – Projected Revenue Outturn Position 2013/14

Appendix 2 – Ports & Harbours Operations – Projected Capital Outturn Position 2013/14

Background documents:

[Approved Budget Report, SIC 20 February 2013](#)

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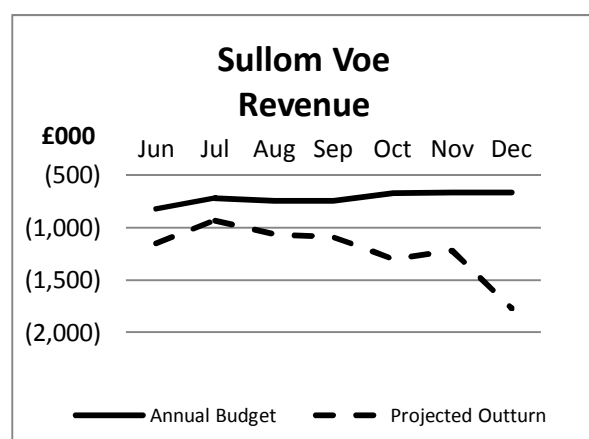
Ports & Harbours Operations

Projected Revenue Outturn Position 2013/14

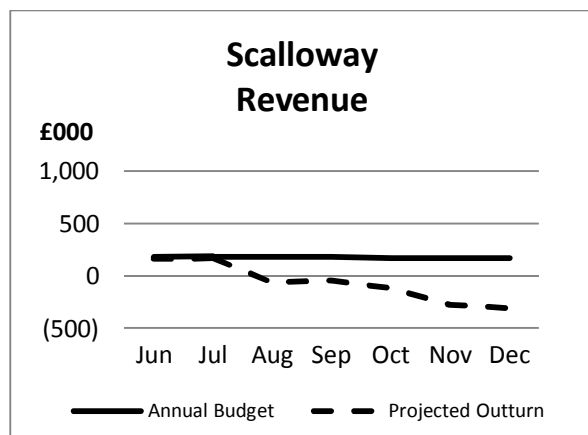
Description	Annual Budget 2013/14 £000	Projected Outturn 2013/14 £000	Budget v Proj. Outturn Variance (Adv)/ Pos £000
Sullom Voe	(767)	(1,851)	1,084
Scalloway	164	(310)	474
Other Piers	386	169	217
Total Surplus	(217)	(1,992)	1,775

Explanation of Projected Revenue Outturn Position:

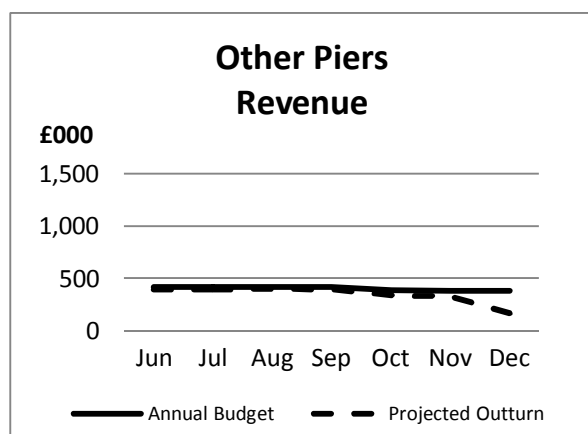
- **Sullom Voe** - £1.084m (141%) projected increased surplus – relating to additional income from towage work and storage charges for the Total Gas Plant £521k, increased income from 5C Harbour Agreement £303k, underspends on vacant posts £275k, underspends on non-operational new tugs £388k, offset by reduced tanker income (£328k), and less ship to ship transfers than anticipated (£101k).



- **Scalloway** - £474k (289%) projected outturn underspend – relating to additional income for the floatel berthed at Blacksness Pier £435k, increased dues at Blacksness mainly on fish and salmon landings £105k, offset by increased staffing costs from the restructure at Scalloway Harbour Office and external consultant fees for the Development Masterplan at Scalloway (£86k).



- **Other Piers** - £217k (56%) projected outturn underspend – relating to a delay in starting repair and maintenance works to piers due to staff shortage £166k, and vacant posts £45k.



Ports & Harbours Operations**Projected Capital Outturn Position 2013/14**

Description	Annual Budget 2013/14 £000	Projected Outturn 2013/14 £000	Budget v Proj. Outturn Variance (Adv)/ Pos £000
Tugs for Sellaness	1,003	218	785
Walls Pier	936	1,071	(135)
Plant, Vehicles & Equipment	70	51	19
Navigational Aids	70	70	0
Total Costs	2,079	1,410	669

Explanation of Projected Capital Outturn Position:

- **Tugs for Sellaness** – £785k (78%) projected outturn underspend. The cost to bring the tugs up to the required standard is anticipated to be approximately £218k.
- **Walls Pier** – £135k (14%) projected outturn overspend – This is due to an error in profiling of the budget across the years, the project is still within the full project budget.
- **Plant, Vehicles & Equipment** - £19k (27%) projected outturn underspend on replacement vehicles/plant.
- **Navigational Aids** – This project is on target.