

Report to: **Salcombe Harbour Board**

Date: **26 September 2016**

Title: **2017/18 Budget**

Portfolio Area: *Salcombe Harbour*

Wards Affected: **All**

Relevant Scrutiny Committee: Overview & Scrutiny Panel

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **N/A**
(e.g. referral on of recommendation or implementation of substantive decision)

Author: **A Parnell** Role: **Harbour Master**

Contact: **01548 843791**

Recommendations:

1. The Board RECOMMENDS to Council that the proposed 2017/18 budget set out within the report is approved.

1. Executive summary.

This report proposes the Salcombe Harbour Authority budget for 2017/18 and provides a forecast for 2016/17.

2. Background.

1) The Salcombe Harbour Strategic Business Plan 2017-2022 sets out the challenges and opportunities facing the Harbour over the coming years, and the proposed budget – attached to this report – is based on the assumptions and strategic direction contained within the Business Plan. Key drivers for the proposed budget include:

- continuing to absorb the costs of collecting monies by credit card rather than passing them on to the customer

- continuing to overpay the loan which was previously taken out to purchase Whitestrand and Normandy pontoons
- taking out a £230K capital loan to fund proposed extensions to Batson and Shadycombe pontoons, the replacement of Dentridge pontoon and the installation of a new pontoon in Ox Bay
- the increased cost of funding the night security patrol following the recent re-tendering process
- the installation of cathodic protection for pontoon piles to extend their service life
- the planned replacement of a diesel engine for a launch and the purchase of an electric outboard for the Whitestrand patrol boat.

3. Outcomes/outputs

The preparation of a detailed and balanced harbour budget ensures that adequate resources are in place to deliver the services identified in the business planning process, and that the Harbour remains financially viable and sustainable in the medium to long term.

4. Issues for consideration.

1) Forecast 2016/17

Gross expenditure is set at just over £1 million in the 2016/17 balanced budget. As at 31 August 2016 a surplus of £23,500 is forecast as detailed in Appendix A. This is mainly due to additional income from harbour dues and mooring hire. A detailed budget monitoring report will be brought to the Board in November.

2) Budget 2017/18

The forecast position for 2017/18 is shown at Appendix A, with the 2016/17 budget used as a baseline position. Variations from this baseline, both in terms of the additional resource requirements and identified efficiencies are discussed in detail below, grouped by category of budget head.

3) Employee costs

- (a) Staff costs are the single largest area of expenditure. The 2017/18 budget is based on the existing staffing structure. It assumes a 1% pay increase and also takes into account the movement of staff through the pay structure's spinal column points where appropriate.
- (b) The budget does not take into account the T18 transformation process since it has yet to be formally commenced for Harbour staff. It is, however, expected to be broadly cost-neutral.

	£	£
Staffing Budget 2016/17		383,100
Additional requirements & inflationary pressures:		
Salaries	13,600	
NI and superannuation	1,500	
Staff training	1,000	
Total additional requirements		16,100
Savings:		
Recharge to HQ	(800)	
Miscellaneous	(100)	
Total savings		(900)
Net additional requirements/(savings)		15,200
Staffing Budget 2017/18		398,300

4) **Premises related expenditure**

The cost of the new night security patrol is more expensive than hitherto. In addition, rent for the Harbour Office has been included following a recent review.

	£	£
Premises Budget 2016/17		294,900
Additional requirements & inflationary pressures:		
General R&M	1,600	
Security patrol	22,400	
Rent	10,800	
Trade Waste Collection charges	500	
Total additional requirements		35,300
Savings:		
Landings & Pontoons	(4,000)	
Moorings R & M	(2,500)	
Insurance and Utilities	(1,700)	
Office cleaning	(1,000)	
Total savings		(9,200)
Net additional requirements/(savings)		26,100
Premises Budget 2017/18		321,000

5) **Supplies and services**

There is a modest rise in supplies and services with efficiencies in IT, printing and communications mostly off-setting the increase in cash collection charges (which have been raised to reflect recent expenditure). Although cash collection charges have historically been absorbed by the Harbour Authority these charges are now significant and consideration should be given to passing these on to the customer in future years.

	£	£
Supplies & Services 2016/17		72,800
Additional requirements & inflationary pressures:		
Cash collection expenses	4,000	
Miscellaneous, including legal fees	2,100	
Total additional requirements		6,100
Savings:		
Hardware, software & IT support	(2,000)	
Printing, stationery and advertising	(2,200)	
Communications	(1,600)	
Total savings		(5,800)
Net additional requirements/(savings)		300
Supplies & Services Budget 2017/18		73,100

6) **Transport**

There is a modest decrease in the Transport budget to match recent expenditure levels.

	£	£
Transport Budget 2016/17		49,200
Additional requirements & inflationary pressures:		
R & M	200	
Total additional requirements		200
Savings:		
Fuel	(2,200)	
Car allowances	(200)	
Total savings		(2,400)
Net additional requirements/(savings)		(2,200)
Transport Budget 2017/18		47,000

7) Central support and HQ costs.

	£	£
Central Support & HQ Budget 2016/17		43,500
Inflationary pressures	300	
Total additional requirements/(savings)		300
Central Support & HQ Budget 2017/18		43,800

8) Contributions to Harbour reserves

The Harbour holds 3 reserves:

- **General** Reserve – comprising the accumulation of generated trading surpluses;
- **Renewals** Reserve – for the replacement of the Harbour's infrastructure assets, excluding pontoons;
- **Pontoon** Reserve – for the replacement of pontoons;

The principle adopted in the Business Plan is that, wherever possible, sufficient funds are set aside on an annual basis to provide for the replacement of harbour assets, augmented by borrowing if necessary. A summary of Harbour Reserve balances is at Appendix B. The contributions to the Renewals and Pontoon Reserves have remained at the same level for 2017/18.

9) Contribution to Council reserve

The Harbour contributes to the Council's Marine Infrastructure reserve. This is a contribution towards marine infrastructure (eg slipways and quay walls) which are not owned by the Harbour, but from which it benefits. The contribution to this reserve has continued at £46,300 in 2017/18.

10) Capital charges

Capital charges refer to the cost of servicing loans which have been provided by the District Council for the purchase of Harbour assets. At 1 April 2017 there will be £183,200 outstanding on two existing loans in respect of the Residents' Pontoon and Batson Pontoon, against which the current annual debt charges are £24,800. It is proposed that a further £24,000 be repaid from the General Reserve in 2017/18, which

will reduce the term of the Residents' Pontoon loan by four years and save £22,900 in interest payments. Separately, a new loan of £230,000 to fund the infrastructure development proposed in the forthcoming Strategic Business Plan will accrue estimated annual repayments of £12,000 over a 25 year period. These will not be off-set within the 2017/18 budget period as the new pontoons are not expected to be operational before April 2018, however the expected level of revenue that these will generate will more than off-set the increased repayment costs in future years.

11) **Items to be met from reserves.**

In addition to the loan repayment of £24,000 there are various other revenue items which have been earmarked to be funded from reserves in 2017/18 as follows:

- A Volvo engine £7,000
- Electric outboard for Whitestrand patrol boat £8,000
- Cathodic protection of piles £20,000

This expenditure is offset by a contribution from the reserve shown in the income budget variances below.

12) **The overall expenditure position 2017/18**

	£
Total Expenditure Budget 2016/17	1,018,300
Net additional requirements/(savings)	107,500
Total Expenditure Budget 2017/18	1,125,800

13) **Income 2017/18**

	£
Total Income Budget 2016/17	(1,018,300)
Increased Income available within the budget: Based on a review of 2015/16 actual revenue and the 2016/17 actuals to date compared to budget forecast.	(23,700)
Additional contribution from reserves	(55,800)
Total Income Budget 2017/18	(1,097,800)

14) **Budget deficit 2017/18**

	£
Total Expenditure Budget	1,125,800
Total Income Budget	(1,097,800)
Budget Deficit	28,000

5. Proposed Way Forward.

It is proposed that the fees and charges are reviewed to reduce the deficit identified above to £0. This is the subject of a separate report.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Pier and Harbour (Salcombe) Confirmation Order 1954
Financial	Y	The report identifies a funding gap of £28,000, before any review of charges. It is anticipated that the shortfall can be met by various amendments to the existing charging structure, as identified in a further report to be considered at the 26 September meeting
Risk	Y	The Harbour maintains three different reserves, one for replacement of plant and vessels, one for the replacement of pontoons and a General Reserve. In the event of the budget not balancing at the end of the Financial year and surplus goes into the General Reserve and shortfall would be covered from this reserve
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None
Safeguarding	N	None

Community Safety, Crime and Disorder	Y	The proposed budget includes a continuation of the Night Security Patrol, the aim of which is to reduce crime.
Health, Safety and Wellbeing	N	No adverse impacts.
Other implications	N	

Supporting Information

Appendix:

- A. Salcombe Harbour Revenue Budget 2017/8
- B. Salcombe Harbour Balances

Background Papers:

None

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes/No
SLT Rep briefed	Yes/No
Relevant Exec Director sign off (draft)	Yes/No
Data protection issues considered	Yes/No
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	Yes/No