

Report to: **Salcombe Harbour Board**

Date: **28 September 2015**

Title: **2016/17 Budget**

Portfolio Area: *Salcombe Harbour*

Wards Affected: **All**

Relevant Scrutiny Committee: Overview & Scrutiny Committee

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

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

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Recommendations:

1. The Board RECOMMENDS to Council that the proposed 2016/17 budget set out within the report is approved.

1. Executive summary. This report proposes the Salcombe Harbour Authority budget for 2016/17.

2. Background.

1) The Salcombe Harbour Strategic Business Plan 2012-2017, dated 26 March 2012, sets out the challenges and opportunities facing the Harbour over the coming years was endorsed and adopted at the Council meeting on 19 July 2012 (SH 31/12).

2) The budget, as detailed in this report, links strongly to the approved Business Plan and is based on the assumptions and strategic direction contained therein.

3. Outcomes/outputs. The preparation of a detailed and balanced harbour budget for financial year 2016/17 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) The anticipated net income and expenditure position is shown at Appendix A, with the 2015/16 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.
- 2) **Employee costs.** Staff costs are the single largest area of expenditure. The 2016/17 budget takes into account the recent review and alignment (upgrading) of staff pay scales, the increase in the National Insurance rate from 10.4% to 13.8% and an assumed 1% pay increase. However it is lower than the 2015/16 budget following the review of recharging the Harbour staff's time.

	£	£
Staffing Budget 2015/16		399,400
Additional requirements:		
Salaries	5,300	
NI and superannuation	11,700	
Total additional requirements		17,000
Savings :		
Overtime	(1,600)	
Recharge to HQ	(26,100)	
Staff training	(5,000)	
Misc	(600)	
Total savings		(33,300)
Net additional requirements / (Savings)		(16,300)
Staffing Budget 2016/17		383,100

- 3) **Premises related expenditure.** There is a modest increase in premises related expenditure driven predominantly by inflation in the new diving support contract (60%) because of new HSE rules which require more staff on site, and also an increase in the costs of the renewed security patrol contract. Countering these are small savings in the overall costs of replacement mooring buoys and the utility charges. The actual costs for the latter have been much lower than budgeted in the previous 2 years and this reduced budgetary estimate is a reflection of that.

	£	£
Premises Budget 2015/16		282,700
Additional requirements & budgetary pressures		
General R&M	1,500	
Security patrol	2,600	
Moorings maintenance (including the diving support contract)	9,000	
Rent	600	
Total additional requirements		13,700
Savings :		
Utility charges	(2,500)	
Total savings		(2,500)
Net additional requirements / (Savings)		11,200
Premises Budget 2016/17		293,900

- 4) **Supplies and services.** There is an overall reduction in the supplies and services budget despite growth in the monies allocated to IT as these are offset in savings of consultancy and legal fees. The equipment budget has been increased because of anticipated IT software development costs (increased eHarbours functionality) and potentially new hardware. The savings in Consultancy fees will be accrued through the recent appointment of another Harbour Master in the role of Designated Person on a reciprocal arrangement. Legal fees, which were raised last year in anticipation of having to fund a Harbour Revision Order, have been reduced to their historic norm.

	£	£
Supplies & Services 2015/16		75,900
Additional requirements & budgetary pressures		
Equipment, including IT	7,000	
Miscellaneous	100	
Total Additional Requirements		7,100
Savings		
Consultancy fees	(2,400)	
Legal fees	(7,000)	
Miscellaneous	(800)	
Total Savings		(10,200)
Net Additional Requirements / (Savings)		(3,100)
Supplies & Services Budget 2016/17		72,800

- 5) **Transport.** There is no net change to the Transport budget despite an anticipated increase in fuel charges because of anticipated savings in the O&M costs of the recently renewed van. Additionally, the maintenance costs of the fork lift and barge have been reduced to reflect actual expenditure over recent years.

	£	£
Transport Budget 2015/16		49,200
Additional Requirements & Inflationary Pressures		
Fuel	1,800	
Total Additional Requirements		1,800
Savings		
Harbour Van	(1,200)	
Mooring barge	(300)	
Fork lift	(300)	
Total Savings		(1,800)
Net Additional Requirements / (Savings)		0
Transport Budget 2016/17		49,200

- 6) **Central support and HQ costs.** Following a comprehensive review of HQ costs there has been a reduction in HQ recharge to Salcombe Harbour of £8,400.

	£	£
Central Support & HQ Budget 2015/16		51,900
Review of officer time	(8,400)	
Total Additional Requirements / (Savings)		(8,400)
Central Support & HQ Budget 2016/17		43,500

- 7) **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, and augmented by borrowing if absolutely necessary. A summary

of Harbour Reserve balances is at Appendix B. The contribution to Harbour Reserves has been increased by £4,000 for 2016/17.

- 8) **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 increased by £21,300 to £46,300 in response to the lessons identified during the collapse earlier in the year of a section of the Kingsbridge quay walls.
- 9) **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, namely the Residents' Pontoon and Batson Pontoon. At 1 April 2016 there will be £226,800 outstanding on these two loans, against which the current annual debt charges are £24,800. Similar to last year, it is proposed that £30,000 be repaid from the General Reserve, which will reduce the term of the Residents' Pontoon loan by five years and save £28,700 in interest payments.
- 10) **Items to be met from reserves.** There is one revenue item which has been earmarked to be funded from reserves in 2016/17. This relates to an outboard engine at a cost of £3,200. This expenditure is offset by a contribution from the reserve shown in the income budget variances below.
- 11) The overall expenditure position

	£
Total Expenditure Budget 2015/16	1,005,400
Net Additional Requirements / (Savings)	11,900
Total Expenditure Budget 2016/17	1,017,300

12) Income

	£
Total Income Budget 2015/16	(1,005,400)
Increased Income available within the budget: Based on a review of 2014/15 actual revenue and the 2015/16 actuals to date compared to budget forecast.	(3,500)
Contribution from renewals reserve	(3,200)
Total Income Budget 2016/17	(1,012,100)

13) Budget deficit

	£
Total Expenditure Budget	1,017,300
Total Income Budget	(1,012,100)
Budget Deficit	5,200

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 £5,200, 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 28 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	N	None

Diversity		
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:

1. Salcombe Harbour Budget 2016/17
2. 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