

SOUTH HAMS DISTRICT COUNCIL

NAME OF COMMITTEE	Salcombe Harbour Board
DATE	12 July 2011
REPORT TITLE	Final Accounts 2010/11
Report of	Head of Finance Head of Service – Salcombe Harbour
WARDS AFFECTED	All South Hams

Summary of report:

This report advises Members of the Harbour's final trading position in 2010/2011 together with brief details of the main variations from the original budget. A summary of harbour reserves and balances is also provided.

Financial implications: A trading surplus of £50,425 was generated in 2010/2011

RECOMMENDATIONS:

That the Board RESOLVES to note the final accounts for 2010/2011 as set out within Appendix A.

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1. BACKGROUND

- 1.1 The 2010/11 budget was set at a break-even position.
- 1.2 The Harbour's trading accounts have now been finalised, pending external audit certification during August 2011. The accounts have been prepared on an accruals basis and take account of all relevant income streams and expenditure items. The final outturn position for the year is a surplus of £50,425. This is after the following exceptional items:-

a. Four items of expenditure totalling £33,971 that would have otherwise had to be funded from reserves. These were minor pontoon work at Frogmore £2,391, a replacement dory £4,205, installation of Grove crane £17,475, and improvements to tender berthing at Whitestrand £9,900.

And income from:-

b. Sale proceeds of £2,618 from the sale of equipment and scrap.

When adjusted for the above items the surplus generated from normal trading activities would have been £81,778.

- 1.3 The accounts show how funds have been used to deliver services and form an essential part of public accountability. Inevitably, circumstances that arise throughout the year often differ from the budgeted position, giving rise to financial variations. However, the overall impact is mitigated by continuous monitoring and timely decision making where corrective action is required.

2. ISSUES FOR CONSIDERATION

2.1 Trading Performance - Expenditure

The table below identifies the main variations from budget. Overall, actual expenditure exceeded the budget by £57,264. However, when adjusted for the items funded from revenue £33,971 (see 2a above and net of £17,000 budget) and Items being funded from Reserves (dredging) £83,621 this means that actual expenditure was £26,328 below budget. As in previous years decisions regarding expenditure levels have been taken within a control framework, having regard to increased levels of income generated during the year.

Item	Explanation	Forecast (Under)/Over expenditure £
Harbour Employees	A reduction in overtime payments and reduced cost of seasonal staff along with additional income from SHDC re boat washing and boat licences.	(24,383)
	Employers Liability insurance budget is included under premises.	3,398
	Training, medical fees & recruitment.	<u>3,476</u>
	Total Employee Variances	(17,509)
Repairs & Maintenance	Overspend due to R&M costs for the Harbour Office and Workshops.	
a. General Repairs & Maintenance		827
b. Piers, Landings & Pontoons	Refurbishment of tender berthing pontoons at Whitestrand, Normandy Bridge and the pontoon extension at Kingsbridge and Southpool.	3,501

	No major failures of the navigation marks and beacons this year resulted in an under expenditure.	(2,464)
c. Marks & Beacons		
	Under spend due to reduced amount of repairs required and lower tender price for chains.	(19,271)
d. Moorings		
	Total R&M Variance	(17,407)
Rents	Duchy rent charge is based on actual income earned from the Fundus. Income in the year was higher than budgeted which increases the rent charge.	5,812
Insurance	New policy split out the various covers and is now included under Employee and transport costs as well. Overall saving with new policy is £13,113.	(25,155)
Other Premises variances	Various	<u>543</u>
	Total Premises Variances	(36,207)
Equipment	No furniture or equipment was purchased during the year.	(1,158)
Printing, Stationery & Advertising	Various minor variations	52
Communications	Savings on postage and telephone charges	(1,459)
Protective clothing		(863)
Cash Collection Charges	Charge relates to card payments	539
Shower Tokens		(2,295)
Other Supplies & Services variances	Miscellaneous minor variances.	<u>(2,468)</u>
	Total Supplies & Services Variances	<u>(7,652)</u>

Transport	Higher R&M costs following unscheduled replacement launch engine (£9,812) and Transport insurance (£8,644) budget under Premises. Offset by other minor variations (£-413).	18,042
Capital Charges		(3)
New Projects Funded from Revenue	Frogmore Pontoon.	2,391
	Whitestrand Tender Berthing	9,900
	Grove Crane	17,475
	Replacement Dory	4,205
	Less contribution from reserves	(17,000)
	Total new projects funded from Revenue	16,971
Total Expenditure Variations		26,358

2.2 Trading Performance - Income

The 2010/11 budget included a 2% increase for all charges other than visiting yachts, these charges were frozen. This was intended to generate sufficient additional income to cover expenditure levels, and enabled a balanced budget to be set. Overall, income received during the year has out-performed the budget by £24,067 after adjusting for the contribution from Revenue reserve re dredging. The table below shows the main areas of variations from budget.

Item	Explanation	Forecast Under/(Over) Income £
Harbour Dues	Increase almost entirely due to additional casual dues collected at the Boat Park, which also offset a small reduction in income from both resident and visiting vessels.	(4,919)
Mooring Hire	Some additional income from Batson pontoons following installation of new pontoons with additional berths. Additional berths replaced unused facilities in upper reaches of the estuary. Further income from the Dentridge Commercial pontoons and increased mooring income from Visiting yachts.	(18,310)

Miscellaneous	Small boat pontoon systems	(6,394)
	Water Taxi Service	3,237
	Mooring Licences	7,319
	Security Patrol	772
	Proceeds from sale of equipment and scrap metal.	(2,618)
Interest Received	Interest is payable on reserve balances. Interest rates have fallen due to the recession resulting in lower interest being earned.	1,700
Other minor variations	Various	(4,854)
Total Income Variations		(24,067)

2.3 The Overall Position

The net position after taking into account variations in both income and expenditure is a generated surplus of £50,425. This will be confirmed once the Harbour accounts have been subject to external audit verification during August 2011. A schedule of actual income and expenditure against budget is included at Appendix A.

A Balance Sheet Extract is included as Appendix B.

The generated surplus will be incorporated into the General Reserve. An analysis of the closing position of each of the Harbour reserves is included at Appendix C

4. LEGAL IMPLICATIONS

- 4.1 The Statutory Powers that apply to this report are the Local Government Act 1972, Section 151 and The Pier and Harbour Order (Salcombe) Confirmation Act 1954.

5. FINANCIAL IMPLICATIONS

- 5.1 The financial implications of this report are that a trading surplus of £50,425 was generated in 2010/11. It is pleasing to report that the Harbour has generated a trading surplus for the 2010/11 financial year as well as being able to finance additional project work from revenue generated during the year without having to further deplete reserves. This will bolster retained reserves, and will assist with the financing of future initiatives for the benefit of the Harbour users.

6. RISK MANAGEMENT

6.1 The risk management implications are:

Opportunities	Benefits
The report enables informed discussion relating to the budget and accounts for the Harbour	Finalised accounts allow planning for future projects to be considered in an informed manner
Issues/Obstacles/Threats	Control measures/mitigation
Accounts have yet to be subject to the external audit process	Harbour accounts have been prepared with regard to relevant accounting standards and practices. It is unlikely that the external audit process will change the overall position.

Corporate priorities engaged:	Budget considerations support all Council priorities
Statutory powers:	Local Government Act 1972, Section 151; The Pier and Harbour Order (Salcombe) Confirmation Act 1954.
Considerations of equality and human rights:	None directly arising from this report
Biodiversity considerations:	None directly arising from this report
Sustainability considerations:	None directly arising from this report
Crime and disorder implications:	None directly arising from this report
Background papers:	Corporate Finance working papers
Appendices attached:	Appendix A: Schedule of income and expenditure against budget Appendix B: Balance Sheet extract Appendix C: Analysis of closing position of Harbour Reserves

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Harbour Master

Salcombe Harbour Board
12 July 2011